ANALYSIS OF THE NARRATIVE OF COMPLIANCE AS A LEGITIMATING ELEMENT IN THE MANAGEMENT REPORT OF MOZAMBICAN BANKING INSTITUTIONS

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ABSTRACT

This research was carried out with the aim of analyzing the use of the compliance narrative as an element of moral legitimacy in the management report of Mozambican banking institutions. To achieve the proposed objective, a qualitative approach was used through the analysis of administrative reports of eleven banking institutions in Mozambique for the 2019 year. The categories of analysis were created through a relationship between Suchman's forms of moral legitimacy (1995) and the compliance pillars described by Assi (2018). The research findings demonstrate that Mozambique's banking institutions use the compliance narrative to gain, maintain and regain moral legitimacy. Strategies for risk analysis, training and communication and support from senior management were the strategies considered essential for the organizational legitimacy of Mozambique's

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banking institutions, and audit and monitoring strategies and internal investigations were the least evident. Thus, it was concluded that the managers of banking institutions reinforce the organization's positive image for their interlocutors using strategies of maintenance and gain of moral legitimacy.

Keywords: Compliance Narrative, Moral Legitimacy, Banking Institutions, Mozambique

ANÁLISE DA NARRATIVA DE COMPLIANCE COMO ELEMENTO LEGITIMADOR NO RELATÓRIO DA ADMINISTRAÇÃO DAS INSTITUIÇÕES BANCÁRIAS MOÇAMBICANAS

RESUMO

Esta pesquisa foi realizada com o objetivo de analisar a utilização da narrativa de compliance como elemento de legitimação moral no relatório da administração das instituições bancárias Moçambicanas. Para o alcance do objetivo proposto recorreu-se à abordagem qualitativa por meio da análise de relatórios administrativos de onze instituições bancárias de Moçambique do ano de 2019. As categorias de análise foram criadas mediante uma relação entre as formas de legitimidade moral de Suchman (1995) e os pilares de compliance descritos por Assi (2018). Os achados da pesquisa demonstraram que as instituições bancárias de Moçambique se valem da narrativa de compliance para ganhar, manter e recuperar a legitimidade moral. As estratégias de análise de riscos, treinamento e comunicação e suporte da alta administração foram as mais utilizadas para a legitimidade organizacional das instituições bancárias de Moçambique, ao passo que as estratégias de auditoria e monitoramento e investigações internas foram as menos evidenciadas. Assim, concluiu-se que os gestores das instituições bancárias reforçam a imagem positiva da organização para seus interlocutores utilizando, em maior proporção, estratégias de manutenção e ganho de legitimidade moral.

Palavras-Chave: Narrativa de Compliance, Legitimidade Moral, Instituições Bancárias, Moçambique.

1 INTRODUCTION

The 2008 financial crisis revealed the consequences of a lack of transparency in financial markets and weak corporate governance mechanisms in banking organizations (Helleiner, 2011). Therefore, to control the activities of the financial sector, promote transparency, and improve the quality of the relationship between financial institutions, their customers, and investors, several countries have formulated new laws and regulations (Assi, 2018). In Mozambican territory, the Central Bank (BM), within the scope of banking supervision, also introduced new regulatory documents, with emphasis on Notice nº. 2/GBM/2018 of April 16, which approved the code of conduct for credit institutions and financial companies. This code aims to promote transparency, integrity, and trust in banking activities, through the dissemination of useful and relevant information to *stakeholders* (Banco Central de Moçambique, 2018).

To respond to the demands submitted by financial regulatory bodies and explain the influence that external and internal systems produce on institutions, *compliance* has transcended the idea of simply complying with laws, regulations, and self-regulation. Compliance has come to be understood as a set of rules, standards, and ethical and legal procedures that, once defined and implemented, will be the guideline that will guide the institution's behavior, as well as the attitudes of its employees. With this new approach, *compliance* has gained more relevance as a mechanism for preventing and responding to undue practices that may result in non-compliance with norms and standards of ethics and conduct, helping to protect reputation and generate value for the organization (Candeloro , Rizzo & Pinho, 2015).

According to Candeloro, Rizzo and Pinho (2012), financial institutions can use *compliance* to guarantee legitimacy in the environment in which they operate, simply by demonstrating, through administrative reports, the existence and observance of ethical principles and standards of conduct. Through the disclosure of financial and administrative reports, organizations will achieve the objective of informing their performance to *stakeholders* and demonstrating a socially responsible image (Kraemer & Tinoco, 2004). However, so that the organization does not suffer rejections, attacks, and provocations in the market, the information disclosed to external users must follow its internal rules and norms, and with socially accepted ones (Oliver, 1991).

In this context, the legitimacy theory describes the foundations of how and for what reasons managers use reports to the external environment intending to benefit the organization (Eugênio, 2010). The policies used by organizations in the disclosure of administrative and financial information represent an important means of communication, in which managers can influence external perceptions about the company's performance (Deegan, 2002). The disclosure of these reports can change society's perception of the organization and make it gain, maintain, or recover its social legitimacy, in a pragmatic, moral, or cognitive way. The form of legitimacy that best fits this research is moral legitimacy since it is the only form that is not based on society's judgments about the benefits of a given activity but on judgments about whether organizational actions are following socially accepted norms (Suchman, 1995).

Previous studies, that addressed legitimation strategies (*e.g.* Guthrie & Parker, 1989, Patten, 1992, Fank & Beuren, 2010, Beuren et al., 2013, Machado & Ott, 2015, Farias, et al., 2017; Kurupu et al., 2019), focused on the analysis of environmental disclosure in the sustainability report as an instrument for managing legitimacy. However, as pointed out by Assi (2018), institutions that place *compliance* at the center of their activities have a greater possibility of legitimizing themselves before society, since *stakeholders* and other interested parties in organizational activities have resorted to the management report to analyze company performance, identify the legality of published information and verify whether organizations are seeking to demonstrate the moral legitimacy of their actions (Suchman, 1995), especially in companies located in countries where public sector reliability is reduced (Clayton, 2013), such as Mozambique.

According to Transparency International (2018), a civil organization that measures the perception of corruption in the global public sector, Mozambique is on the list of countries with low public sector reliability, being the 25th most corrupt country in the world. In these countries, with high levels of corruption, the investment rate has been low, given that international investors prefer to allocate their resources in companies based in regions with low levels of corruption and with quality in ethical preservation in business development, distancing themselves from companies located in territories with a poor ethical reputation, as non-compliance with standards makes it more expensive, bureaucratic, reduces the speed of business and leads to inefficient decision-making (Lomboy, 2018).

Based on the above, it is aiming to improve the credibility of the Mozambican financial system, the Central Bank, through notice no. 04/GBM/2007, instructed banking institutions to prepare and publish management reports, which in addition to informing external users about the movement of main financial and administrative factors, must include aspects of the institution's performance under the system's standards. Therefore, compliance can be understood as one of the mechanisms of organizational legitimacy, and the analysis of the narrative used by managers in administrative reports from a country with low credibility can highlight discoveries and provide new *insights* into this topic. In this context, this research seeks to answer the following question: *How is the compliance narrative used as an element of moral legitimation in the management report of Mozambican banking institutions?*

The choice of theme is justified by presenting a new approach to organizational legitimation, as it describes *compliance* as a fundamental element used by financial institutions to gain, maintain or recover moral legitimacy, contributing to the discussions by Deegan (2002), Deegan, Rankin and Tobin (2002), O'Donovan (2002), Campbell, Cravel and Shrives (2003), Machado and Ott (2015) who observed legitimation through environmental disclosure. We chose moral legitimacy, from Suchman (1995), because it is a model proposed to verify how organizations legitimize information shared with society and because it is a model that presents the fundamental elements to understand the strategies to be adopted by organizations to comply with regulatory legislation.

Carrying out a study on compliance and legitimation in financial institutions in Mozambique is justified for several reasons. One of them is the fact that the country's financial sector has expanded rapidly in recent years, with the entry of new financial institutions into the market and the increased use of financial technologies. This growth brings with it challenges related to regulation, preventing money laundering, combating the financing of terrorism, and protecting consumer rights. Furthermore, Mozambique is a country that has faced challenges related to corruption and a lack of transparency in several areas, including the financial sector. The country has also been the target of scandals involving hidden debts and misappropriation of public resources (Ferreira, 2021) , which increases the importance of adopting *compliance* and legitimation practices.

2 THEORETICAL REFERENCE

2.1 Legitimacy Theory

The term "legitimacy" emerged in the literature from the work of Marx Webber entitled "Economy and Society", which established the criteria used to verify the adequacy of a specific norm in the legal system to which it claims to belong. The main idea of Marx Weber's legitimation was to identify the circumstances in which a government could consider itself legitimate, concluding that the legitimacy of a government is obtained if the population submits to its norms, even if some citizens, individually, reject specific aspects of these norms. norms (Claasen & Roloff , 2012). In the organizational context, legitimacy is used in research related to social and environmental accounting and its greatest development occurred in the mid-1990s, through studies by Scott (1991), Aldrich and Fiol (1994), and Suchman (1995).). Suchman (1995, p.574) conceptualized legitimacy as "a generalized perception or assumption that the actions of an entity are desirable or appropriate in some socially constructed system of norms, values, beliefs, and definitions, representing the way observers view the organization".

According to Suchman (1995), the theory of legitimacy can be based on three categories: pragmatic, cognitive and moral legitimacy. Each category has a different behavioral dynamic. Pragmatic legitimacy is based on political, economic or social interdependence, in which organizational action visibly affects public well-being. The organization achieves legitimacy, pragmatically, when it responds to the perceptions of its public immediately, through the practical demonstration of its conduct. In this form of legitimacy, the organization has the support of society, not because it believes that organizational actions bring direct benefits, but rather because of the perception that the organization is sensitive to its greatest interests (Suchman, 1995).

Cognitive legitimacy arises mainly from the availability of cultural models that provide plausible explanations for the organization. In this form, the organization is legitimate if it obtains affirmative support based on cultural concepts that its actions are necessary and inevitable (Suchman, 1995). Finally, there is moral legitimacy, which differs from other forms in that it is not based on society's judgments about the benefits of a certain activity, but on judgments about whether organizational actions are following socially accepted norms. These judgments reflect beliefs about whether the activity effectively promotes social well-being, as defined by the socially accepted value system (Suchman, 1995). The author also proposes three challenges used in communication between the organization and its stakeholders, which are: gaining, maintaining and recovering legitimacy.

Gaining legitimacy constitutes acceptance of the organization in the social context in which it operates. To gain legitimacy, organizations face several challenges, two of which stand out. The first arises when new operations are technically problematic or poorly institutionalized and, to overcome them, the organization must dedicate greater effort to building the operations, generating positive externalities, causing a feeling that they define the economic sector, independent of the predecessor operators. The second challenge of building legitimacy is related to the dissemination of new activities and new market participants in old activities. To overcome the challenge related to the practice of new activities, organizations must ensure the dissemination of these activities to the community, and concerning new entrants in old activities, there is a need to make efforts to convince legitimate organizations pre-existing in the market to provide support for the organization (Suchman, 1995).

For Suchman (1995), the challenge of maintaining legitimacy refers to the organization's ability to remain in the market with the trust of society. To maintain legitimacy, organizations must evaluate their audience's reactions and anticipate likely challenges to emerge. The author adds that maintaining organizational legitimacy is a process more easily achieved by organizations when compared to gaining and recovering legitimacy (Suchman, 1995). However, Zucker (1987) maintains that no matter how easy this process is, some anomalies, limitations, failures in innovations, errors, and external shocks can threaten organizational legitimacy. To control the main problems emerging from the maintenance of legitimacy, Suchman (1995) describes two main strategies: (i) the perception of future changes and (ii) the protection of past achievements.

Regaining legitimacy consists of the reactive response used by organizations, to regain public trust lost due to an unforeseen crisis, or due to the myths of legitimacy created by managers, without observing cultural support. If the loss of legitimacy does not completely undermine the company's credibility with its relevant public, the strategies for its recovery are similar to those used to gain legitimacy, but in more specific cases, the author suggests three main strategies for recovery: (i) offer reports of normalization, (ii) restructure the strategy; and (iii) not panicking (Suchman, 1995).

Some research used the forms of legitimacy proposed by Suchman (1995) to highlight the strategies used by organizations to legitimize themselves in society. Guthrie and Parker (1989) carried out a historical analysis of the social disclosures of 100 years of *Broken Hill Proprietary Ltd. (BHP)* , a dominant firm in the Australian mining sector. The results of this research did not find evidence of a positive relationship between legitimacy theory and social disclosure (Guthrie & Parker, 1989). Patten (1992) used the legitimacy theory to examine environmental disclosure in the annual reports of 22 companies in the oil sector, following the effect of the oil spill caused by the company Exxon Valdez, on March 2, 1989. The results demonstrated that the increase in environmental disclosures by oil companies can be interpreted as evidence in support of the legitimacy theory.

Through a documentary analysis, Fank and Beuren (2010) sought to highlight Suchman 's (1995) legitimacy strategies in Petrobrás' management reports, from 2000 to 2009. Their findings demonstrate the items most used by the firm to establish itself legitimize before society. Concerning pragmatic legitimacy, the authors highlighted that Petrobrás legitimizes itself through advertising its image and building its reputation. In moral legitimacy, the authors maintained that to demonstrate success, the company has well-defined goals. In cognitive legitimacy, the authors highlighted the popularization and production of new models, the reproduction of standards, the formalization and professionalization of operations, and the search for certification as the main items used by the company for legitimacy.

Beuren, Gubiani and Soares (2013) sought to identify Suchman 's (1995) legitimacy strategies evidenced in the management reports of public, publicly traded companies in the Brazilian electricity sector. Its results revealed the evidence of all forms of legitimacy, with emphasis on pragmatic legitimacy, with 206 citations out of a total of 556 citations. Machado and Ott (2015) used sustainability reports from publicly traded Brazilian companies to examine the environmental information disclosed to gain, maintain, or recover legitimacy according to the typology proposed by Suchman (1995). The results of this research corroborate the literature, pointing out that companies use environmental disclosure to legitimize themselves before society.

Still in the environmental sector, Voltarelli and Zanchet (2017) analyzed the application of the Legitimacy Theory to examine how the company Itaipu Binacional uses socio-environmental disclosure to manage its social legitimacy. Farias, Andrade and Gomes (2017) identified Suchman's (1995) legitimacy typologies evidenced by Brazilian companies, in the Carbon Request Disclosure Project *(*CDP) for the period from 2006 to 2010. The authors found the presence of Suchman 's (1995) legitimacy in the managers' arguments, highlighting pragmatic legitimacy as the most cited in the reports.

In this research, legitimacy is associated with compliance, as presented by Lomboy (2018), the implementation of a successful *compliance* program can help ensure that the company complies with laws and regulations, avoids legal sanctions, and maintains the integrity of its operations. A strong *compliance* program can help increase a company's legitimacy as it demonstrates a commitment to compliance with laws and regulations, as well as ethics and social responsibility. Additionally, implementing a *compliance program* can help avoid corruption scandals or other ethical violations that could harm the company's reputation.

2.2 **Compliance Narrative**

In terms of etymology, *compliance* originated from the verb "*to comply*", which refers to the idea of acting by a rule, standard, or request. Its initial implementation took place in financial institutions in 1913 when the American Central Bank was created. The application of *compliance* at this time had the purpose of making the financial system safer and more stable, having become a regulatory requirement. However, despite having originated in financial institutions, the *compliance program* is applied in the most varied institutions (Manzi, 2018). At an international level, compliance was conceptualized by several bodies, with emphasis on: the Bank for International Settlements (BIS), the Basel Banking Supervision Committee, through its Basel I, 1998, Basel II, 2004, and Basel III agreements, signed in 2010, the International Monetary Fund (IMF), the International Organization of Securities Commissions (IOSCO), The Committee of Sponsoring Organizations of the Treadway Commission (COSO), among others (Candeloro; Rizzo & Pinho, 2012).

However, in this research, compliance will be understood in the context of its narrative. A narrative is an exposition of facts or events reported through words or arguments (Schütze, 2014). Compliance refers to the set of rules, standards, and legal procedures used to prevent, detect, and mitigate risks in financial institutions (Assi, 2017). Thus, a *compliance* narrative is understood as the exposure of facts or events reported through words or arguments that reference a set of rules, standards, and legal procedures, used to prevent, detect, and remediate the risks of financial institutions (Schütze, 2014; Assi, 2017). According to Assi (2018), for *compliance* to be implemented efficiently in organizations, it is essential to have a well-defined *compliance program*. This program is made up of guiding principles based on a group of pillars of prevention, detection, and remediation.

The group of prevention pillars is supported by a set of rules that provide clear instructions to avoid violations of ethical principles. The components of this group are the following pillars: risk analysis, code of conduct, internal controls, and training and communication. Risk analysis is one of the fundamental pillars in financial institutions and it is through it that the probability of not achieving the desired result is assessed, negatively impacting the achievement of pre-established objectives (Assi, 2018). The code of conduct reflects the organization's stance and describes a set of actions to be followed by senior management to help employees and collaborators choose the path to adopting ethical and legal procedures (Vieira & Barreto, 2019).

Internal control consists of formal mechanisms used to ensure that all actions planned and approved by the board of directors are executed properly, to safeguard the organization's assets (Assi, 2018). For Vieira and Barreto (2019 p.199), “internal controls must be implemented to support the organization in achieving its objectives and, as such, cannot be dissociated from knowledge of the risks to which the organization is subject, among which we highlight- if the risks of integrity violations ”. Training and communication are essential tools for the institution's values to be disseminated to all members. Through ongoing training of employees, the organization will qualify its staff to act in the face of the complexity of the functions performed, as well as identify and correct gaps in the management capacity of the management team (CGU, 2015).

The group of detection pillars are used to verify violations by the organization's participants and occurs through the monitoring of two pillars: reporting channels and *due diligence*. *diligence* of third parties. Reporting channels are mechanisms used by the organization to ensure that its employees and partners anonymously and reliably report behavior that does not comply with the code of conduct, without fear of suffering retaliation. *Due diligence* refers to the process of investigation, evaluation, and analysis of the risks to be considered by the organization before carrying out transactions with third parties (Assi, 2018).

The group of remediation pillars is mechanisms used by the organization to generate clear responses to violations, review control measures, monitor the program, and carry out audits to analyze compliance with legal standards and procedures inherent to the organizational activity. In this group, the pillars are internal investigations, auditing, and monitoring (Assi, 2018). Internal investigations are inappropriate fact-finding exercises within the organization. These investigations essentially aim to protect the organization's interests in the prevention, detection, and remediation of illicit and unethical conduct. However, employees who deviate from the rules must be treated in a timely and coherent manner and may suffer disciplinary measures such as verbal warnings, written warnings, or even possible dismissal (Vieira & Barreto, 2019). Auditing and monitoring function as thermometers for measuring the efficiency and effectiveness of the organization's activities (Assi, 2018). This pillar describes a set of activities carried out by senior management to evaluate, certify, and review the *compliance structure* (Vieira & Barreto, 2019).

Finally, there is the commitment or support of senior management, which, as it is the most important among the factors of the *compliance program*, can be used in all three groups. This pillar demonstrates the capacity exercised by the board of directors and executive board to insert the culture of internal controls and *compliance* into the organization's day-to-day operations (Assi, 2018). The robustness of a *compliance program* depends on the unconditional support of the institution's senior executives. Leadership must learn, exercise, and practice *compliance* principles daily and explain to other employees the need to carry out their activities with integrity. The example of compliance with standards by leadership encourages others to act ethically and responsibly (Vieira & Barreto, 2019).

Given the above, it is observed that Compliance and legitimacy, despite being distinct concepts, are interrelated, as a company that is concerned with following relevant laws and regulations, as well as acting in an ethical and socially responsible manner, may be seen as more legitimate in the eyes of its *stakeholders*.

2.3.1 Compliance in the Mozambican Financial System

The Mozambican financial system (SFM) is regulated by Law No. 9/2004 (this law amended Law No. 15/99), which establishes the rules for the creation and operation of financial companies. The SFM is based on the banking sector, and its evolution occurred in three distinct periods. The first was before independence, in 1975, the second from 1975 to 1987, and the third after the introduction of the Economic Rehabilitation Program (PRE), in 1987, until the present year. In the first period, the financial system had ten commercial banks and the activities of the central bank were carried out by Banco Nacional Ultramarino which, in practical terms, functioned as a dependency of the Central Bank of Portugal (Maleiane, 2014).

The second period emerged in 1975, with the proclamation of national independence. During this period, the activity carried out by Banco Nacional Ultramarino passed to the Central Bank of Mozambique and two more state banks were created in 1977 (Banco de Moçambique and Banco Popular de Desenvolvimento). The Bank of Mozambique, in addition to its role as Central Bank, also carried out commercial activities at this time. The third period was marked by the introduction of the Economic Rehabilitation Program (PRE). This program was a political-economic strategy, used by the Government of Mozambique to end socialism and occurred in 3 phases (Alfazema, 2019).

The first phase took place between 1987 and 1991, it was marked by the creation and updating of banking legislation and the withdrawal of the

Commercial function from the Bank of Mozambique, starting only to develop banking supervision activities. The second phase was marked by the creation of a bank, based on the commercial function removed from the Bank of Mozambique (1992/1993), and the cleaning up of the balance sheet accounts of state banks, to make them auditable, and the last phase occurred from 1994, and was marked by the adequacy of capital in the banking sector and the reinforcement of banking supervision (Alfazema, 2019). Table 1 summarizes the evolution of the Mozambican financial system.

Table 1

Mozambican Financial System

Types of Institutions / Years	1992	2006	2009	2020
Credit Institutions				
Banks	3	12	14	19
Micro Banks	0	0	3	9
Credit Unions	0	6	6	8
Rental Societies Financial	0	two	1	1
Investment Companies	0	0	0	1
Societies Financial				
Exchange Houses	0	0	0	24
Societies Brokerage Finance	0	0	0	12
Venture Capital Management Companies	0	0	0	1
Group Purchasing Management Companies	0	0	0	1
Societies Credit Card Issuers	0	0	0	1
Microfinance Operators				
Savings and Loan Organizations	0	0	9	4
Microcredit Operators	0	57	95	426
Others institutions financial				
Insurance companies	0	4	6	21
Stock Exchange	0	1	1	1

Note: BM (2000, 2006, 2009, 2020).

As shown in Table 1, the Mozambican financial system has shown a certain growth over the years and, for its supervision, the Central Bank of Mozambique has introduced new regulatory documents, which according to Assi (2008) are important for improving the conduct of financial institutions, in your relationship with customers. To obtain legitimacy before its customers, the Central Bank suggests that banking institutions carry out their activities by the laws and regulations established by the Mozambican government, including the Law on Credit Institutions and Financial Companies, which establishes guidelines for the creation and operation of financial institutions. Banking institutions are also required to follow international standards, including the Bank for International Guidelines Settlements (BIS) and the Basel Banking Supervision Committee, which establish global standards for the banking sector (Alfazema, 2019).

Furthermore, the author adds that banking institutions in Mozambique also legitimize themselves through their internal policies and practices, which aim to guarantee the transparency, integrity, and responsibility of their operations. This includes adopting strict anti-money laundering, risk management, and regulatory compliance policies and procedures.

With the 2008 financial crisis, the development of activities by national and international standards became a custom for financial institutions, enabling greater transparency for customers, suppliers, investors, and others interested in financial information (Assi, 2018).

3 METHODOLOGICAL PROCEDURES

The population of this research is represented by the 19 banks existing in Mozambican territory, and the sample was composed of 11 banks (58% of the population) that published the 2019 management reports on their institutional *websites* until July 10, 2020. Table 2 describes the banking institutions that make up the sample of this research and the number of pages analyzed.

Table 2

Banking Institutions in Mozambique

No.	Institution Financial	No. in Pages
1	International Bank in Mozambique, SA (BIM)	**147**
2	Single Bank, SA (Single)	**26**
3	Bank BIG Mozambique, SA (BIG)	**14**
4	Absa Bank Mozambique (ABSA)	**48**
5	Standard Bank, SA (S.BAN)	**28**
6	First Capital Bank, SA (FCB)	**11**
7	Society General Mozambique (SGM)	**18**
8	African Banking Corporation. SA (ABC)	**32**
9	Moza Bank, SA (MOZA)	**24**
10	Bank Mozambican in Support to the Investments SA (MORE)	**101**
11	United Bank for Africa Mozambique, SA (UBA)	**22**
	Total	**471**

Note: Prepared by the authors.

The information collection was carried out through an electronic search for reports administration us *websites* of the banks mentioned in Table 2. In agreement with O Notice nº.16/GBM/2017, to the institutions in credit subject the supervision of Bank in Mozambique mustpublish you reports administrative It is demonstrations accounting. This report informs the performance of the organization to the *stakeholders* It discloses to the Marketplace information detailed about the management of the main scratchesof Financial Institution. For data analysis, this study used content analysis which, according to Bardin (2010), is one set of techniques used to interpret O content in all classes of documents, in mode The to understand the construction of the results. An analysis in content It is one of the main qualitative techniques used to evaluate the behavior of managers in the dissemination of information about company performance through annual reports

(Patten, 1992; Gray *et al.,* 1995, Deegan, 2002; O'donovan, 2002).

According to Bardin (2016), to achieve positive results in the analysis of content three fundamental steps must be met, which are: (i) Description analytical; (ii) Practices applied and (iii) Method applied. Concerning the first stage, Bardin (2016) suggests describing the main documents to be analyzed in the research. For this study, the documents are management reports. In the second stage, Bardin (2016) points out two fundamental practices to be applied, which are: thematic unity and frequency unity. This research employed both techniques. The first was carried out through inductive words or units of meaning represented by adjectives, nouns, etc. The second was the description of how often each category was referenced.

The third step describes the methods to be applied. According to Bardin (2016), this stage must be composed of 5 (five) phases, which are: Organization of analysis, Coding, Categorization, Inference, and Computerization. Thus, at this stage, the study began by organizing the analysis by skimming the administrative reports of banking institutions, intending to select information that fits the proposed objectives. Next, the findings were coded. Coding is the process by which the possibilities for creating categories are analyzed, taking into account the rule of exhaustiveness (extraction of as much information as possible from the selected textual set), rule of representativeness (maximum representation of information for the composition of categories) , pertinence rule (choice of thematic units) and data homogeneity rule (inclusion of all textual elements), as recommended by Bardin (2016).

After coding, categorization was carried out, which according to Bardin (2016), consists of grouping elements with similar characteristics. According to Bardin (2016), when developing categories, the following elements must be prioritized: (i) mutual exclusion (grouping of elements in just one category), (ii) homogeneity (in the same category set only works with one dimension of analysis), (iii) relevance (adaptation of categories depending on the material chosen for analysis). Furthermore, (iv) objectivity and fidelity (the different parts of the same material, to which the same categorical grid applies, must be coded in the same way, even when subjected to several analyses), and (v) productivity.

The other phases of the applied method were inference and computerization. For this study, the inference was the interpretation and quantification of the content of the administrative reports of banking institutions and the computerization took place through the use of NVIVO 11 *software* to tabulate the reports. Table 3 describes the categories used in analyzing the reports.

Table 3
Study categories

Typology	Categories	Strategies	Actions
LEGITIMACY MORAL	**TO WIN**	**Alta Support Administration (SAA)**	Reports you results It is actions used for the highadministration at Implementation in one program *compliance*.
		***Due Deligence* (DD)**	Reports one assessment historical of the partners involved at the business of the institution.

		Channels in Complaint (CD)	Reports the existence of electronic addresses, phones or others shapes in communication to be used by employees tocomplaints.
	TO MAINTAIN	**Trainings and Communicatio n (TC)**	Reports you procedures used for the organization for to guarantee O training of the collaborators in Subjects of *compliance*.
		Analysis in Risks (AR)	Reports O mapping It is control of the scratchsinherent to banking activity.
		Control Internal (CI)	Reports the mechanisms used to ensure the realization in activities in form effective It is efficient.
		Code in Conduct (CC)	Reports policies and procedures to be adopted in the institution to maintain compliance with the laws It is to guarantee one culture in integrity and appreciation in behaviors ethical.
	TO RECOVER	**Investigations Internal (II)**	Reports fixes in behaviors unethical used by the collaborators, per quite in investigations internal.
		Audit and Monitoring (AM)	Reports fixes in errors and/or cheats throughaudits It is monitoring of program of *Compliance*.

Note: Prepared by the authors.

The categorization presented in Table 3 is a product of this research and was developed through a relationship between the forms of moral legitimacy proposed by Suchman (1995) and the pillars of implementing a *compliance program* described by Assi (2018). The pillars of detection were related to the gain of moral legitimacy, those of prevention were associated with the maintenance of moral legitimacy, and those of remediation were connected to the recovery of moral legitimacy, as shown in Figure 1.

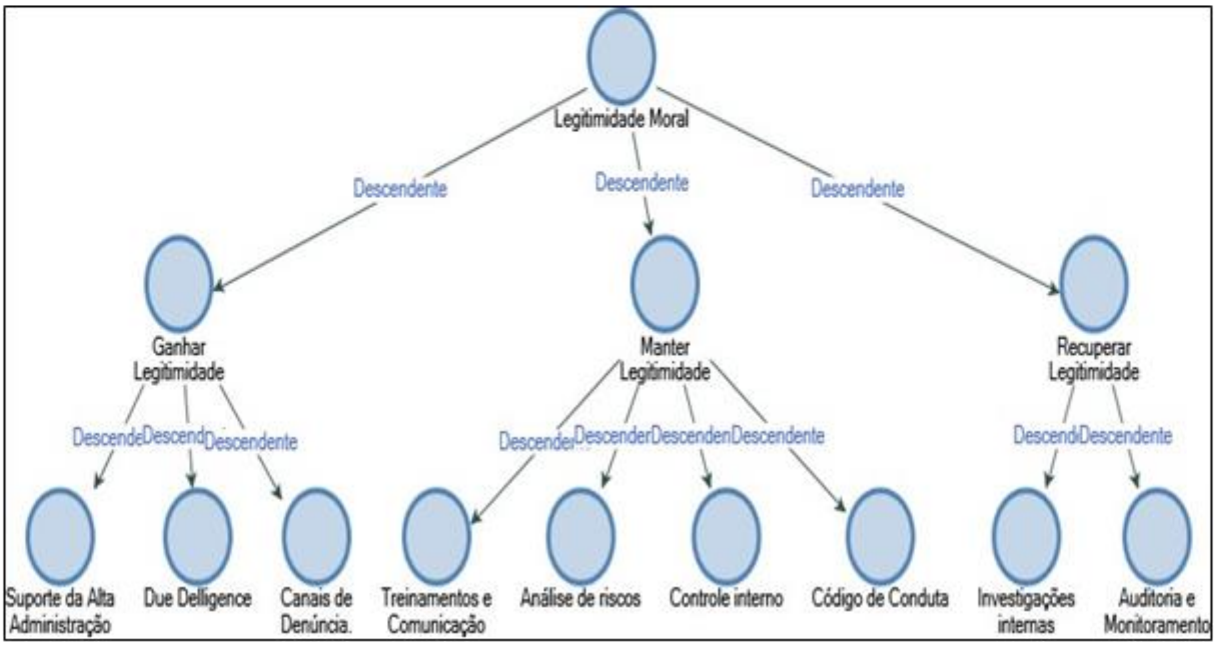

Figure 1 - Relationship between the Pillars of Compliance and the Forms of Moral Legitimacy
Note: Prepared by the authors.

According to Figure 1, the first category was composed of actions used by the organization to gain moral legitimacy, and the main strategies are support from senior management, due negligence, and reporting channels. Concerning senior management support, the study verified whether the administrative report contains information about senior management support in the organization's actions. This information refers to: (i) preparing written statements for your employees; (ii) promoting frequent interactions with employees; (iii) publication of encouraging messages about corporate integrity, and (iv) verification of examples of compliance with rules by senior management. According to Assi (2018), if senior management reports through external documents the results and actions used in the implementation of a *compliance program,* the organization will be able to legitimize itself before the community and its *stakeholders*.

The second strategy for gaining moral legitimacy is *due negligence* which represents the process of investigation, assessment, and analysis of the risks to be considered by the organization before carrying out transactions with third parties. At this point, the study analyzed whether the administrative report complies with Law Nº. 14/2013, which establishes the legal regime and prevention and repression measures about the use of the system and non-financial entities for money laundering and terrorist financing, as well as whether the firm makes a historical assessment of all partners involved in its business. The third strategy to gain legitimacy is the reporting channel. At this point, the study observed whether the organization reports in its administrative report the existence of channels that allow employees, interns, workers from outsourced companies, and commercial partners to anonymously alert senior management about likely violations of the code of conduct and other internal and external regulations.

The second category of research describes the strategies used by the organization to maintain moral legitimacy. For this research, the strategies refer to the following points: training and communication, risk analysis, internal control, and code of conduct. According to Assi (2018), training and communication are extremely important in the development of the organization. Therefore, all employees must be trained in the ethical standards and procedures described in the code of conduct. At this point, the study verified whether the organization reports, through an administrative report, the documentation, disclosure, and explanation of the ethical procedures of the code of conduct for employees, shareholders, public and regulatory authorities, customers, suppliers, and the entire public involved, in organizational activity.

The second strategy in this category is risk assessment. This strategy involves the identification and analysis of the main events with negative consequences for achieving organizational objectives. In this strategy, content was checked in the administrative report that specifies the risk assessment process. According to Assi (2018), financial institutions should map the risks inherent to their activity according to the severity and probability of occurrence, which may be through failures to comply with laws, rules, or regulations or misinterpretation of guidelines established in the code of Conduct. It was also verified whether the managers of banking institutions in Mozambique describe in their reports the rules to be followed by employees, to control, mitigate, monitor, and report risks to senior management, contributing to the maintenance of organizational solidity. The identification, analysis and publication of the risks inherent to the institution's activity is important for structuring an assertive assessment (Assi, 2018).

The third strategy refers to internal control, which aims to safeguard the organization's assets and contribute to achieving its strategic objectives. In this strategy, the study analyzed whether, through administrative reports, the organization reports on the mechanisms used to ensure activities are carried out effectively and efficiently. In the fourth strategy, the study examined whether the entity's management report reports on the existence of the code of conduct. The code of conduct describes the expected behavior of directors, managers, employees, agents, and business partners and works as a tool to prevent regulatory infractions. In this strategy, the report of policies and procedures to be adopted in the organization was analyzed to maintain compliance with laws and guarantee a culture of integrity and appreciation of ethical behaviors.

The third category of analysis is to recover moral legitimacy and its strategies are internal investigations auditing and monitoring. In the first strategy, the study analyzed whether the bank specifies the existence of procedures that enable the process of internal investigations and determination of responsibilities in a segregated, autonomous, and impartial manner. In the second strategy, we sought to analyze whether financial institutions report periodic examinations to assess organizational efficiency, through audit programs.

4 DATA PRESENTATION AND ANALYSIS

4.1 Results presentation

Table 4 presents the number of reports about the *compliance narrative,* which aims to gain moral legitimacy, present in the administrative report of each banking institution in Mozambique.

Table 4
Strategies for Gaining Moral Legitimacy

Institution/ Strategy.	**BIM**	**SINGLE**	**BIG**	**ABSA**	**S.BAN**	**FCB**	**SGM**	**ABC**	**MOZA**	**MORE**	**UBA**	**T.N.**
	Gaining Moral Legitimacy (GLM)											
SAA	1	6	10	14	5	12	1	3	1	3	0	**56**
DD	1	3	0	3	0	3	0	0	0	0	0	**10**
CD	0	0	0	0	0	0	0	0	0	0	0	**0**
Total GLM	**two**	**9**	**10**	**17**	**5**	**15**	**1**	**3**	**1**	**3**	**0**	**66**

Where, SAA = Support from the High Administration; DD = *Due Diligence, CD* = Channels in Complaint, GLM = Gaining Moral Legitimacy, and T. N= Total of narratives.
Note: Prepared by from data from search

As described in Table 4, banking institutions in Mozambique presented 66 narratives to gain moral legitimacy. Of these narratives, 56 were used to demonstrate senior management support, 10 to describe *due diligence strategies. diligence* and no narrative were used by the banks to demonstrate the existence of reporting channels. Banco ABSA was the one that showed the most concern about gaining moral legitimacy, having presented seventeen narratives and UBA was the only banking institution that did not present any narrative for this category. The banks analyzed also used the *compliance narrative* to maintain moral legitimacy. The number of strategies used in this category is presented in Table 5.

Table 5
Strategies for Maintaining Moral Legitimacy

Institution/ Strategy.	BIM	SINGLE	BIG	ABSA	S.BAN	FCB	SGM	ABC	MOZA	MORE	UBA	TN
	Maintaining Moral Legitimacy (MLM)											
TC	15	9	8	6	two	8	1	1	3	two	4	59
AIR	15	53	35	20	0	18	9	16	19	17	13	215
CI	0	6	7	6	two	9	1	0	1	1	0	33
CC	two	6	7	6	1	10	0	1	6	4	1	44
Total MLM	**32**	**74**	**57**	**38**	**5**	**45**	**11**	**18**	**29**	**24**	**18**	**351**

Where, TC = Training and Communication; AR = Risk analysis; CI = Control Internal, *CC* = Code of Conduct, and TN = Total Narrative.
Note: Prepared from data from search

For the category of maintaining moral legitimacy, the findings of this study showed that Banco Único was the institution that presented the most narratives for maintaining moral legitimacy and the risk analysis strategy was the most evident in the reports analyzed. This evidence demonstrates that managers are fundamentally concerned with risk analysis to the detriment of other strategies, such as training and communication, code of conduct, and internal control. In the last category, only four Banks used the *compliance narrative* to regain moral legitimacy and their findings are presented in Table 6.

Table 6
Strategies to regain moral legitimacy

Institution/ Strategy.	BIM	SINGLE	BIG	ABSA	S.BAN	FCB	SGM	ABC	MOZA	MORE	UBA	TN
	Recover Moral Legitimacy (RLM)											
II	0	0	3	0	0	0	0	0	0	0	0	3
AM	0	3	two	0	0	0	0	1	0	1	0	7
Total RLM	**0**	**3**	**5**	**0**	**0**	**0**	**0**	**two**	**0**	**two**	**0**	**10**

Where, II = Internal investigations, AM = Audit and Monitoring, and TN = Total narrative.
Note: Prepared from data from search

Concerning the recovery in legitimacy moral, Suchman (1995) prescribes what facts emerge in one likely loss in legitimacy related to some unforeseen crisis.

However, the results of this research highlight that the category of regaining legitimacy morality was the least evident in the administrative reports of banking institutions in Mozambique, having only 10 narratives were evidenced, 7 for auditing and monitoring and 3 for the strategy in investigations internal.

4.2 **Summary of Results**

Table 7 summarizes the percentage of narratives used by managers of banking institutions in Mozambique to gain, maintain, or recover moral legitimacy.

Table 7
Moral legitimacy strategies used in banking institutions in Mozambique

Typology	Category	Strategy	No. Narratives	% Narratives
LEGITIMACY MORAL	TO WIN	Support from the High Administration	56	13.15
		Due Deligence	10	2.35
		Channels in Complaint	0	0.00
	TOTAL		**66**	**15.50**
	TO MAINTAIN	Training It is Communication	59	13.86
		Analysis in Scratchs	215	50.23
		Control Internal	33	7.77
		Code in Conduct	44	10.35
	TOTAL		**351**	**82.15**
	TO RECOVER	Investigations internal	3	0.71
		Audit It is Monitoring	7	1.64
	TOTAL		**10**	**2.35**
	TOTAL IN NARRATIVES		**425**	

Note: Prepared from data from search (2020)

These results attest that managers of banking institutions in Mozambique use the *compliance narrative* to gain, maintain, and recover moral legitimacy. The category of maintaining moral legitimacy was evidenced in 82.15% of the narratives in the administrative reports analyzed, demonstrating that the managers of these institutions reinforce the positive image of the organization for their interlocutors, as recommended by the study by Deephouse et al. (2017). This evidence corroborates the findings of Beuren et al. (2013) and Farias et al. (2017), who also found a greater number of speeches in the category of maintaining moral legitimacy. Risk analysis was the most prominent strategy in the reports analyzed with around 50.23%, which demonstrates the concern of Mozambican Banks with the management of risks inherent to their activities and corroborates Assi (2018), which describes the analysis of risks as one of the fundamental elements for the survival of financial institutions and their assessment significantly impacts the organization's performance.

The second most prominent strategy in the category of maintaining legitimacy is training and communication, evidenced in 13.86% of narratives. This percentage reinforces the assumptions of Vieira and Barreto (2019), who see training and communication as indispensable tools for the institution's values to be disseminated to all members. Internal control and code of conduct strategies were less evident, with a percentage of narratives equivalent to 7.77% and 10.35% respectively. According to Assi (2018), the inefficiency of internal control harms the functioning of the organization, and compromises the achievement of the intended objectives, and can weaken the Mozambican financial sector. Concerning the code of conduct strategy, the study evidence shows that most Mozambican banking institutions do not describe in their administrative reports the guidelines used to ensure compliance with legal standards and procedures, which constitutes a gap (Assi, 2018) , since these guidelines help employees to choose ethical conduct (Vieira & Barreto, 2019).

The category of gaining legitimacy is the second favorite of banking institutions in Mozambique. This finding differs from the evidence from Voltarelli and Zanchet (2017), who found a greater predominance of narratives in this category. The senior management support strategy was the most prominent in all the Banks analyzed. Although the narratives of this strategy present a low percentage (13.15%), this fact demonstrates that managers of financial institutions in Mozambique are concerned about inserting a culture of *compliance* into the organization's day-to-day operations, as recommended by Assi (2018). *Due* 's strategy *negligence* was the second most highlighted in this category, but only Banco Internacional de Moçambique, Banco Único, ABSA and FCB presented narratives for this strategy. In this sense, it is clear that most banks in Mozambique do not demonstrate actions taken to guarantee the historical assessment of their commercial relationships, which on some occasions could compromise the organization's reputation (Sibille & Serpa 2016).

In the reporting channel strategy, it was found that no banking institution reports the existence of this tool in its administrative report. For Assi (2018), this evidence exposes a deficit in one of the most used mechanisms in organizations to ensure that employees and partners anonymously and reliably report behaviors that do not comply with what is established in the code of conduct. Finally, the category of recovering moral legitimacy was the least highlighted, with only 2.35% of narratives, of which 1.64% were related to auditing and monitoring and 0.71% to internal investigations. The low percentage of disclosure of strategies to recover moral legitimacy was also found in research by Beuren, Gubiani and Soares (2013) and Machado and Ott (2015) who discussed the topic in the context of companies in the environmental and electrical sector. For these authors, companies that present a little narrative of regaining legitimacy demonstrate the absence of crises.

Based on the evidence presented in this research, it can be seen that managers of banking institutions in Mozambique are more attentive to maintaining and gaining moral legitimacy, rather than recovering lost legitimacy. This connotation can be supported by the arguments of Pellegrino and Lodhia (2012) and Yeung (2009), highlighting that organizations seek to gain and maintain legitimacy to gain public trust and their actions are what guarantee their legitimacy, as legitimacy is not obtained simply through organizational existence (Pellegrino & Lodhia, 2012), but rather through society's judgment that the organization carries out its activities by socially accepted norms (Yeung, 2009).

The link between legitimacy and *compliance* demonstrated that, for banking institutions to gain, maintain or recover moral legitimacy, it is important that there is an efficient and effective *compliance program*, as from the perspective of (Mcinnes & Ahmed, 2016), *compliance* is one of the fundamental elements in the legitimation process and concentrates the main components of organizational legitimation (Belal & Owen, 2015; Kurupu et al. 2019) such as morals, values and ethical conduct (Chen & Roberts, 2010; Chua & Rahman , 2011), within a socially accepted context (Johnson & Holub , 2003; Bitektine , 2011).

5 FINAL CONSIDERATIONS

This study aimed to analyze the use of the *compliance narrative* as an element of moral legitimation in the management report of 11 Mozambican banking institutions. As announced by Suchman (1995), organizations can gain, maintain or regain legitimacy in a cognitive, moral, and pragmatic way. However, in this research, moral legitimacy was used because it is the form of legitimacy that involves a generalized perception or assumption that organizational activities are desirable or appropriate within some socially constructed system of norms, values, and beliefs. The findings demonstrated that maintaining legitimacy was the most used category in these institutions, presenting 82.15% of the total narratives about legitimacy, followed by gaining legitimacy with 15.50% and recovering legitimacy with 2.35%.

In the category of gaining moral legitimacy, Mozambican banks only disclosed strategies related to senior management support and due diligence, leaving out the reporting channels. In the category of maintaining moral legitimacy, the most publicized strategy was risk analysis, and internal control was less publicized. In the category of regaining legitimacy, the most publicized strategic actions were auditing and monitoring. The results of this study make it possible to answer the question proposed in this research, and it is argued that the *compliance narrative* is used with greater emphasis on maintaining the moral legitimacy of Mozambican banking institutions.

These findings corroborate those of Beuren et al. (2013) and Farias et al. (2017), who found a greater number of narratives in the category of maintaining moral legitimacy. They also corroborate the findings of Beuren et al. (2013) and Machado and Ott (2015) who found a low percentage of disclosure of strategies to recover moral legitimacy. And, they also diverge with the evidence from Machado and Ott (2015) and Voltarelli and Zanchet (2017) who highlighted the category of gaining legitimacy as the most prevalent in their research. The divergence pointed out can be explained by the different approach in the analysis of legitimacy. The studies by Machado and Ott (2015) and Voltarelli and Zanchet (2017) focused on environmental disclosure, revealing that, in these contexts, companies are expected to be particularly committed to gaining legitimacy, considering the political costs associated with their operations, On the other hand, with regard to compliance, organizations seem to devote more substantial attention to preserving their legitimacy, demonstrating that they comply with standards and regulations.

The study presents theoretical and practical contributions to the academic and professional world. For academia, it will serve as a basis for future research on this topic, as it is a pioneering study in associating legitimacy and *compliance*. For the professional world, it is expected that the results of this research will encourage companies to adopt ethical and responsible practices, which can lead to a better reputation and greater trust of financial institutions with *stakeholders*. Furthermore, the research can help increase investor confidence in the banking sector in Mozambique, making the country more attractive for investment, and contributing to the country's economic growth and development.

As pointed out by Cavalcante, Calixto and Pinheiro (2014), the construction of qualitative research is exposed to some methodological restrictions and it is essential to describe the main limitations of a study. Thus, the first limitation of the study is related to the degree of subjectivity present in content analysis, that is, content analysis depends significantly on judgment and involves personal interpretations on the part of the researcher.

The second limitation refers to the fact that the research is based only on the analysis of administrative reports published on the *websites* of banking institutions. First, the administrative report is not the only means of disclosing management information about the legitimacy of financial institutions in Mozambique. Second, as it was an atypical year, marked by the COVID-19 health crisis, some institutions did not publish reports until July 10, 2020, and were excluded from the analysis, causing a significant reduction in the sample.

Considering the limitations presented in this research, it is recommended that in future studies, the authors use other data sources used by financial institutions to publicize their activities and that information be triangulated through document analysis, interviews with managers and employees, and other forms of qualitative research. It is also recommended that the research be carried out in other countries with characteristics similar to those of Mozambique, which will allow comparative analyses to be carried out for better interpretation of the results.

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