

Bank Employee Perceptions of Corporate Social Responsibility Practices

Subjects: Social Issues

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Policymakers and regulators in Egypt such as the Central Bank of Egypt and the Egyptian Banking Institute are advised to request banks to pay more attention to environmental-related aspects of CSR to keep pace with Egypt 2030 vision and develop an action plan that helps increase bank employee awareness regarding the importance of CSR practices and engage employees further in developing their banks' sustainability strategy.

Keywords: corporate social responsibility ; Egypt ; banking industry ; developing market

1. Introduction

Corporate social responsibility (CSR) is a multidimensional concept concerned with environmental and social impacts on business operations ^{[1][2]}. It also addresses society expectations of the organizations working in and dealing with that society ^[3]. This implies that it can include multiple meanings, aspects, or practices, such as philanthropy, corporate citizenship ^[4], and ethical responsibility ^[5]. Besides, CSR can be related to various corporate practices, such as environmental issues ^[6] or corporate governance ^[7].

CSR in the banking industry aims to align profitable businesses with society requirements. This is important, as it enables a more sustainable organization, as recommended by the World Business Council for Sustainable Development. Hence, CSR reporting can be employed by the banking institutions to enhance their sustainability and justify their existence. This can be beneficial in eliminating a potentially vast discrepancy between business economic values and the values that are usually accepted by society ^{[8][9]}. Here, a broader definition of CSR disclosure can be helpful, such as Gray et al.'s ^[10] definition. They defined CSR disclosure as the "process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and society at large" ^[10].

By reviewing the previous CSR studies conducted in developing markets, they can be grouped into several themes, as follows. Firstly, some studies addressed variances in sustainability practices of different kinds of banks, notably commercial and Islamic banks. For example, Hassan and Harahap ^[11] found that CSR is not considered a significant concern by most Islamic banks. Farook et al. ^[12] observed variability in Islamic bank disclosure levels of CSR, that depended on the effect on the relevant public and the extant corporate governance mechanisms. Further, Rashid et al. ^[13] discussed two layers of CSR involvement in Islamic banks: committing to Islamic Shari'ah and commitment towards customers, employees, and society. They found that the latter kind of commitments was more observable in the examined banks. Mallin et al. ^[14] found that Islamic banks showed commitment to the vision and mission, the board and top management, the financial products/services dimensions, and a universal disclosure perspective. In contrast, they paid less attention to the environmental dimension and voluntary disclosures. Aracil ^[15] noted that the CSR performance of Turkish Islamic banks was mainly based on informal institutions and philanthropy, in contrast to commercial banks. Lui et al. ^[16] found that Malaysian Islamic banks had a higher level of CSR disclosures than their conventional counterparts. Finally, Shahwan and Habib ^[17] evaluated the effect of CSR on efficiency for Egyptian Islamic and conventional banks, finding no significant differences.

Secondly, another set of studies examined the impact of CSR on bank performance and functioning, including financial performance, enhancing customer loyalty, brand equity, and corporate image and reputation ^{[18][19][20][21][22]}. The majority of these studies found that CSR could positively affect corporate performance. For example, Aramburu and Pescador ^[22] found that corporate reputation mediates the association between CSR and customer loyalty in the Basque Country. Forcadell and Aracil ^[23] found that bank efforts to maintain a reputation for CSR positively affected the performance of European banks. Maqbool and Zameer ^[24] found that CSR positively affected the financial performance of Indian banks ^{[14][25]}. Moreover, other studies noted that CSR could enhance corporate values, reduce the cost of capital, and improve capital inflows ^{[26][27]}.

Finally, some studies sought to provide a detailed examination of the status of CSR as practiced and reported in developing countries (see, for example, [28] in Malaysia; [29] in Ireland; [30][31] in Bangladesh; [32] in Pakistan; [33] in Tunisia; [34] in Lebanon; [35] in Poland; [36] in Kazakhstan; and [37] in Nigeria). In particular, Hamid [28] examined CSR adoption by Malaysian banks, finding that disclosures on products/services are more frequent than those disclosures related to environmental and energy, human resources, and community. Douglas et al. [29] assessed the use of CSR by Irish banks, indicating that they are well behind their counterparts in other countries, especially concerning the volume of social responsibility disclosures. Khan [30] examined CSR adoption in Bangladeshi commercial banks, showing that CSR reporting is moderate and that the varieties of CSR elements are remarkable. Sharif and Rashid [32] described the level and extent of CSR reporting by Pakistani-listed banks, highlighting their apparent activity concerning CSR performance. Chakroun et al. [33] investigated the scope and trends of voluntary CSR disclosure in the annual reports and websites of Tunisian listed banks. They revealed that Tunisian banks reported CSR information mainly in a narrative form. Human resources were the main focus in annual reports, whereas, on websites, community involvement was the most widespread theme. Khalil and O'Sullivan [34] examined CSR by Lebanese banks, finding that the most reported category was the community, and the least reported was the environment.

However, no previous studies have examined CSR adoption in the Egyptian banking sector, except Shahwan and Habib [17][38]. Shahwan and Habib [17] focused on the difference between Islamic and conventional banks, and Tantawi and Youssef [38] examined the relationships between branding issues and corporate social performance.

2. Employee Perception of CSR

Employee perception of CSR activities has remained largely unexplored in the literature [39]. This is unfortunate because awareness of CSR activities could positively affect employee behaviour and corporate performance [40]. For example, it can influence employee attitudes and behaviours [41][42]. Supporting this view, Lee et al. [39] concluded that Korean companies should consider employee perception of CSR as closely related to their organizational attachment and long-term performance. Asante Boadi et al. [43] found that the perception by Ghanaian bankers of CSR was positively associated with their performance and corporate identification. Similarly, Özcan and Elçi [44] found that employee-based CSR could positively affect the corporate brand and brand image among employees in Turkish small and medium firms. This indicates that employees who perceive CSR positively would have better performance and attachment, enhancing the functioning of their companies in the long run.

3. Characteristics Affecting Employee Perceptions of CSR

A significant portion of the literature examined the determinants of CSR reporting. Different studies conducted in other contexts have reported variable results. The reported determinants of CSR reporting in the literature include bank characteristics such as bank size [36][25][45][46][47], bank age, that can contribute to the experience required to provide CSR [33][36], financial performance [33], being listed [35], and CG characteristics, such as board independence, board size, gender diversity, and ownership characteristics [30][36][35]. Relatedly, Cheung et al. [48] indicated the role of national culture in determining the economic consequences of commitments to CSR performance and disclosure. Other related studies have reported that financial leverage (negatively) affects CSR reporting [49][50]. Finally, some studies linked the engagement of management in CSR to management practices affecting the quality of financial reporting and lower earnings [51][52].

However, it is also essential to identify the determinants of employee perceptions of CSR. A few studies have taken some steps in this regard. For example, by bringing evidence from Korean firms, Lee et al. [39] found that the perceived cultural fit and CSR capability can enhance employee perception of CSR and improve their organizational attachment and performance. Focusing on Pakistani small and medium firms, Sarfraz et al. [53] noticed that organizational justice influences the relationship between employee perception of CSR and their performance.

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