



**ASSOCIAÇÃO DE POLITÉCNICOS DO NORTE (APNOR)**

**INSTITUTO POLITÉCNICO DE BRAGANÇA**

**Corporate Social Responsibility and Corporate Financial  
Performance: The Managerial Perception on Banking Sector**

**Mohammad Mudassir**

Final Dissertation submitted to *Instituto Politécnico de Bragança*

To obtain the Master Degree in Management, Specialisation in Business  
Management

**Supervisor:**

**Ana Paula Monte**

***Bragança, October, 2022.***



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## Abstract

The current study aims to investigate and explore the role of Corporate Social Responsibility (CSR) in the banking industry and how CSR initiatives can bring financial benefits to the banks in the perspective of the banking managers. The study was designed to get an in-depth understanding of the CSR planning, strategies, and their execution, and the processes involved and challenges faced by banks during all this process.

The researcher opted for a qualitative study design to collect primary data. The data collection tool selected for this study was an unstructured interview. The researcher developed the interview questionnaire.

The study sample comprises of CSR and Financial managers of four banks. Two banks were selected from United Arab Emirates (UAE) and two banks were selected from India. The total number of managers involved in the study was four (n=4). Both UAE and Indian managers were analyzed separately to identify if any demographic difference exists in the perspective of the managers. The study findings indicated that CSR is considered a proper strategic function of banks in the UAE. Banks are involved in the proper planning and development of CSR strategies and consider CSR as an effective means to increase the company's reputation and to bring long-term financial benefits. Further, it was also found out that in UAE banks, proper risk analysis is conducted along with CSR to ensure no conflict with government policies and no social risk results from their CSR initiatives. On the contrary, the CSR practices were also effective in Indian Banks. However, managers expressed many challenges like convincing investors, corruption, and pressure of financial gain through CSR. Most importantly, it was found that Indian managers do not believe that CSR alone can bring long-term financial gains to the banks. Both countries' managers share that they have effective CSR departments and are involved in annual or biannual meetings to plan and implement CSR in their companies. The study results are significant as they give managerial level perception about the challenges faced and requirements that have to be fulfilled to make CSR financially effective for the banks.

**Keywords:** Corporate Social Responsibility; Financial performance; Sustainability; Stakeholder Theory; Banking sector

## Resumo

O presente estudo tem como objetivo estudar e explorar o papel da responsabilidade social corporativa (RSC) no setor bancário e como as iniciativas de RSC podem ser usadas para trazer benefícios financeiros para os bancos. O estudo foi elaborado para conhecer em profundidade o planejamento, as estratégias de RSC e sua execução e quais são os processos envolvidos e os desafios enfrentados pelos bancos durante todo esse processo. Os objetivos do estudo eram fazer uma análise crítica da RSC e como ela impacta o desempenho financeiro dos bancos. O investigador optou por um desenho de estudo qualitativo no qual foram obtidos dados primários. O instrumento de coleta de dados selecionado para este estudo foi a entrevista não estruturada. O questionário da entrevista foi desenvolvido pelo investigador. A amostra do estudo é composta por gestores de RSC e financeiros de 4 bancos. Dois bancos foram selecionados nos Emirados Árabes Unidos e dois bancos foram selecionados na Índia. O total de gestores envolvidos no estudo foi de quatro ( $n = 4$ ). A análise aplicada aos dados foi a análise temática. Os gestores dos Emirados Árabes Unidos e da Índia foram analisados separadamente para identificar se existe alguma diferença demográfica na perspectiva dos gestores. Os resultados do estudo indicaram que nos Emirados Árabes Unidos a RSC é considerada uma função estratégica adequada dos bancos. Os bancos estão envolvidos no planejamento adequado e no desenvolvimento de estratégias de RSC e consideram a RSC como um meio eficaz de aumentar a reputação da empresa e trazer benefícios financeiros de longo prazo. Além disso, também foi descoberto que nos bancos dos Emirados Árabes Unidos a análise de risco adequada é conduzida junto com a RSC para garantir que não haja conflito com as políticas governamentais e que nenhum risco social resulte de suas iniciativas de RSC. Ao contrário, as práticas de RSC também foram consideradas eficazes em bancos indianos, no entanto, os gerentes expressaram muitos desafios, como convencer investidores, corrupção e pressão de ganho financeiro por meio de RSC. Mais importante ainda, descobriu-se que os gerentes indianos não acreditam que a RSC por si só pode trazer ganhos financeiros de longo prazo para os bancos. Os gestores de ambos os países compartilham que têm departamentos de RSC eficazes e estão envolvidos em reuniões anuais ou semestrais para planejar e implementar a RSE em suas empresas. Os resultados do estudo são importantes, pois dão uma percepção ao nível dos gestores sobre os desafios enfrentados e os requisitos que devem ser cumpridos para tornar a RSC financeiramente eficaz para os bancos.

**Palavras-chave:** Responsabilidade Social Corporativa; Desempenho financeiro; Sustentabilidade; Teoria das partes interessadas; setor bancário

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## **Acronyms**

CSR	Corporate Social Responsibility
ISO	International Standard of Organizations
ROI	Return on Investment
UAE	United Arab Emirates

## Candidate Declaration

I hereby declare that the work which is being presented in the synopsis/ Thesis, entitled “**Corporate Social Responsibility and Corporate Financial Performance: The Managerial Perception on Banking Sector**”, in partial fulfillment of the requirement for the award of the degree of **Master Programme in Management** and submitted to Polytechnic Institute of Bragança, is an original piece of research work under the guidance of supervisor Professor Doutora Ana Paula Monte

The matter embodied in this synopsis/ Thesis has not been submitted by me for the award of any other degree of any other University /Institute.

Sig: \_\_\_\_\_

Research Scholar

This is to certify that the above statement made by the candidate is correct to the best of my knowledge.

Sig: \_\_\_\_\_

Supervisor

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## Introduction

In recent years, the concept of corporate social responsibility (CSR) has become a significant interest area in business studies. It has emerged as a framework and approach to address the role and status of the business in the economic environment and society (Du et al., 2010). It allows the corporates to establish a positive and effective image in society by following a decent pattern of conducting business and abiding by social norms and values not only for profit-seeking but also for the good of people (Russo & Perrini, 2010). However, CSR activities do not only help organizations attain an appositive image. There is empirical evidence that supports the notion that CSR activities result in a high level of market performance.

Further, Dabas (2011) evaluated that CSR practices can result in a positive attitude towards firms, employee satisfaction, and brand equity. These relational outcomes contribute to achieving a high level of firm performance and increase its reputation (Tang et al., 2012). Basically, In general, corporate social responsibilities refer to the firm's activities and strategies adopted to conduct business ethically so that they also make contributions for the betterment of people and society (Latapí Agudelo et al., 2019).It describes the corporate's obligation of generating sustainable benefits for the stakeholders and protecting the environment for the social welfare of future generations. That is why it has become an integral part of business strategies to achieve a positive social and cultural impact. Understanding CSR in a broader context is still not well embedded in many organizations. It is still considered a smaller domain in the economic circle (Harjoto & Jo, 2011). However, studies indicate that the more companies involved and invest in their CSR practices, the bigger they become. Therefore, it is crucial to align CSR with corporate strategies, termed strategic corporate social responsibility.

Like all other industries, the banking industry has also recognized the significance of corporate social responsibility and considers it an important issue to be addressed (Chaudhury et al., 2012). It emerged as a safeguard sphere in the banking industry where banks can gain a positive reputation and cover their financial scandals as effective CSR has proved to attract customers, shareholders, investors, NGOs, and employees. So, banks and financial institutions also started to incorporate CSR activities in their business routines. In this way, banks expand their business scope, which now goes beyond economic and financial stability, decreasing financial barriers and providing basic customer service (Singh et al., 2013). The banking industry is the backbone of any country's economy, so it should be concerned with the broader welfare of the society as well. Research in this field suggested that it is essential to align and balance CSR and other banking activities (Semenescu & Curmei, 2015). Like other industries banking industry also faced challenges to achieve sustainable growth and development. It does not involve a few people or departments but involves owners, management, debtors, stakeholders, and regulatory authorities. So, keeping all these at the same level of understanding while adopting CSR strategies is crucial (Silvestri & Veltri, 2019)

Provided the significance of CSR with a firm's image and financial performance, empirical evidence suggests that top management find it difficult and stressful to adopt CSR (Semenescu & Curmei, 2015). The main reasons identified were that CSR does not necessarily have financial benefits and becomes an additional burden as they have to allocate many resources. Further, they also find it challenging to develop CSR strategies to convince existing stakeholders and attract new investors (Platonova et al., 2018). Further, in the banking industry, CSR becomes complicated as products and services are not commercial, and most of the products are designed based on specific customers' needs and requirements. Therefore, effective senior management for more robust CSR activities is a challenge. Studies indicated that resistance to adopting any business strategy at the management level could impact the individual employee's performance (Khan et al., 2020), leading to tension at the workplace. This tension can result in workplace dissatisfaction, frustration, and low motivation levels both at the employee and management levels (Mbogoh, 2014). Acceptance at the managerial level is essential as they are the ones who have to lead the team. Further, developing CSR strategies that are beneficial and capable enough to attract new investors and satisfy the existing ones is also a challenge (Tata & Prasad, 2015).

Much research has been conducted where a firm's financial performance is measured against their CSR activities, but less significance is given to explore and understand the managerial perspective in this regard especially how acceptance at the managerial level can impact CSR performance. No study has mainly focused on understanding the difficulties managers face while adopting and implementing CSR. This study aims to collect theoretical and empirical results to study, explore and identify the relationship of CSR with a firm's financial performance in the banking industry. For empirical search, the study focused on UAE and Indian banks. The study undergoes a qualitative methodology in which interviews are conducted with CSR managers. The study results will help get an insight into the challenges managers to face in designing, adopting, and implementing CSR strategies and how they relate CSR wither financial goals. The study will also highlight whether they believe that CSR leads to better financial performance or not. The study results will help the current CSR managers work on principles that can make CSR strategies compatible with their overall corporate goals. In addition, the study results also help them identify the existing and potential challenges to CSR that can hinder or decrease the financial performance of banks.

The structure of the current research is as follow: first the Introduction presented above explains the overview of the research methodology and scope of this research. This is followed by Literature Review. This section covers the relevant theories and models in the light of existing literature. It supports how CSR has become an integral part of business strategies and how it can help firms achieve their internal and external organizational goals. The focus of the research is narrowed down to the banking industry, and the financial performance is focused on consideration of overall firm performance. The literature also covers empirical results to support whether CSR improves the financial performance of banks or not. Then there is Research methods section that presents the research methods, data collection tools, procedures, and analysis methods. All the processes undergone in this research are study findings. As interviews are

conducted for this study, this section will present the study findings in themes. The managerial perspective of both the country managers will also be compared to find any similarities and differences. Lastly, there is the section of conclusion that concludes the study findings, discuss the limitations, present some recommendations, and discuss the future scope of the study.

# 1. Literature Review

## 1.1 Corporate Responsibility: Definition and its Evolution

Corporate Social Responsibility, generally called CSR, indicates the set of activities adopted, incorporated, and implemented by firms to promote sustainable business practices to protect future generations (Mayorova, 2021). CSR has changed how businesses are conducted today, from focusing on their financial gains to becoming sustainable and socially responsible firms. Scholars, researchers, and institutions worldwide have now addressed the significance of corporate social responsibility. There are many theories and empirical evidence that support the fact that corporate social responsibility is necessary for the sustainable growth and success of any business (Trong Tuan, 2012).

The concept of CSR is quite comprehensive, and a basic understanding of this concept means that it should be understood by both internal and external shareholders and stakeholders of the company. In short, the three letters in CSR summarize as "corporate" caters to the broader needs of the business, "social," which involves the local and global community in which the business operates and interacts and lastly, "responsibility" that is being reasonable and ethical while conducting business activities. CSR deals with all aspects of the business, including all levels of operations, maintaining stakeholders' interests and the interests of the society in which they operate (Baxi & Ray, 2012).

The concept of CSR can be rooted three hundred years back when renowned economists and philosopher Adam Smith (1759) first talked about the support required by organizations and individuals for successful market interaction to fulfill the needs of society. This idea emerged as an opposing concept to the business practices conducted just for financial gains, no matter how selfish and harmful the business practices were (Amorelli & García-Sánchez, 2020). Smith advocated that these selfish business practices directly or indirectly affect the overall welfare of society, and corporates must enhance the welfare of society by nurturing and protecting the interests of the society. Modern scholars like Forster and Brown (2013) also substantiated his idea of Smith. Later in the 1920s, corporate philanthropy and business ethics were advocated, and the Smiths' ideas were now presented as public welfare and public service activities. These concepts expanded "the theory of moral sentiments," which Adam Smith's first book (Lee & Shin, 2010). The foundation of this book was laid on notions that social accounting and regulation must be necessary for the business's external activities. Bowen (1953), another scholar, properly introduced the term Businessmen social responsibilities and further refined it into the modern concept of corporate social responsibility (Kinderman, 2012). Other than Bowen, many researchers like Graves (1897), Carroll and Hatfield (1987), and Cochran and Wood (1984) then further developed CSR models to facilitate the effective escalation of CSR. These researchers provide theoretical and empirical evidence demonstrating a positive relationship between CSR and a firm's profitability and performance.

Since the 1880s, the concept of corporate responsibility has been used in the Stakeholder theory. Freeman (2017), presents how CSR can lead to the sustainable development of any business. In the 1990s, the notion strengthened that ethical principles, guidelines, and regulations should be compulsory, and companies must adopt CSR to promote best business practices. With time, new dimensions were added, known as the Triple Bottom Line that incorporates concepts like political CSR, Corporate citizenship, and corporate stakeholder responsibility. So basically, there are three main theories of corporate responsibility that are:

- Corporate Social Responsibility
- Triple Bottom Line
- Stakeholder Theory

## **1.2 Dimensions of Corporate Social Responsibility**

The definition of CSR has been discussed above; however, it refers to main understandings in the broader context. First, this theory advocates that organizations must ethically interact with their surroundings and financial gains. The second is that CSR must aim to contribute to the broader context of community and society welfare (Zerbini, 2017). To achieve both these objectives, researchers have identified four primary obligations of CSR so that firms and corporations interact with and work for the community's welfare as a whole. These obligations are presented as follow:

### **1.2.1 Economic Responsibility**

Economic responsibility is defined by its ability to make a profit. This obligation is the business version of survival. No organization can survive and sustain itself in any business market without making money. In the case of non-profit organizations, they generate their money through their activities or donations, which are also put into their operations (Kitzmueller & Shimshack, 2012). So basically, being economically functional and making money is an organization's first and foremost responsibility as its survival depends on that.

### **1.2.2 Legal Responsibility**

CSR also accounts that companies must adhere to legal rules and regulations. Previously, this responsibility was considered controversial as many conflicts arose when legal responsibilities did not usually go well with the company's goals (Lentner et al., 2015). The proponents of this responsibility argue that legal obligations should not be considered limitations or boundaries of growth. Instead, enterprises must accept these rules and regulations with good faith to obey and oblige the local or international rules of conducting business and understand the spirit of limits. This theory advocates that rules and regulations are made for society's welfare, keeping in mind the aspect of the broader impact on society (Rahman, 2011). Therefore, organizations must abide by their legal responsibility.

### **1.2.3 Ethical Responsibility**

The ethical responsibility of organizations is defined as the obligation that is not bound by the spirit of rules and regulations. Ethics made the foundation of CSR theory, relying on corporate culture. The proponents of this aspect promote that businesses must view themselves as the citizens of society, implying that they are responsible for abiding by all the obligations that every citizen follows. Further, ethical responsibility means businesses should think and act beyond their corporation goals and gains. Their business strategies should be developed to simultaneously satisfy shareholders and customers (Chung et al., 2015). Fair business practices, sustainability, and promoting the well-being of their stakeholders, including investors, workers, and customers, all fall in the category of ethical responsibility. Protecting the environment is one of the main ethical reasons for businesses. Sustainable supply chain management, waste management, and recycling are now debated and implemented by all the leading industries and businesses in the world. The ethical responsibility in CSR implies that businesses should acknowledge that they do not operate in an isolated environment where they must make efforts for themselves. Instead, they should promote and conduct business that promotes the well-being of the individuals around them and contributes to making society a better place.

### **1.2.4 Philanthropic Responsibility**

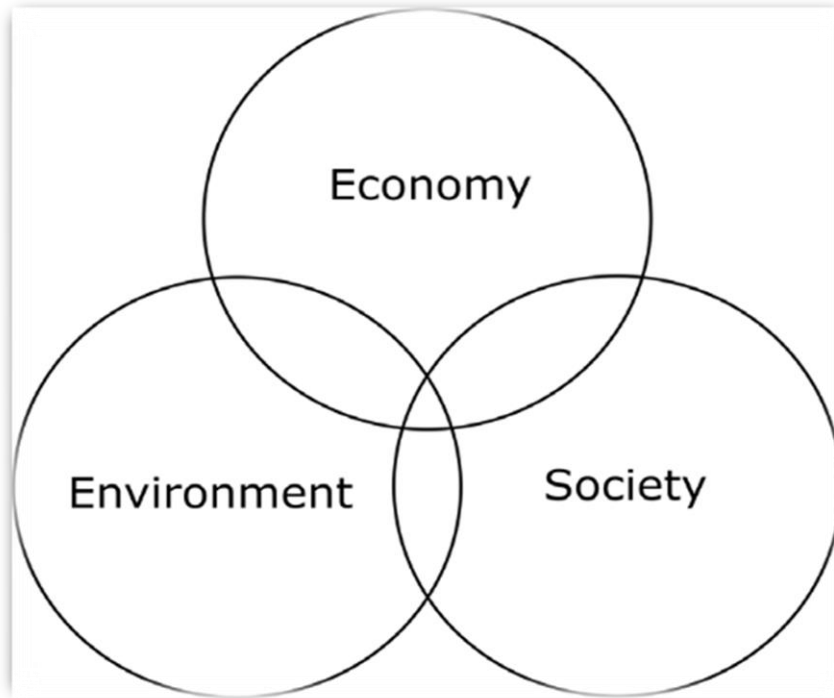
This responsibility implies that organizations and businesses must contribute to social welfare projects even if they are not directly related. They should support causes and betterment movements according to their capacity and reach out to organizations to offer them the support already working for some cause. Other than their business obligations like fair practices and promoting a healthy environment, their perspective for betterment should be for the whole world (Carroll, 2015).

Scholars argued that these four essential responsibilities are usually impossible to implement by all kinds of firms, especially when they experience some downfall or challenging situation. Economic and legal responsibility is necessary because the firms will not survive (Lee et al., 2020). However, Ethical responsibility took over the philanthropic responsibility and is advocated to be focused more. For instance, a company on the verge of breaking will have to ensure they do not indulge in unethical business practices despite focusing on other issues. Their economic and ethical responsibilities come first to the philanthropic ones.

## **1.3 Triple Bottom Line Theory**

Coined by Elkington in 1997, the term Triple Bottom Line (TBL) theory of People, Profit, and Planet has become a practical approach around the globe. The theory presented a model of sustainability based on long-term strategies explicitly designed for organizations to successfully transit to sustainability. The model presented by Sandu in 2016, known as the nested sphere model, is the most commonly accepted model for sustainability and the TBL concept (Baxi & Ray, 2012). The model incorporates dimensions like economic benefit, environmental quality, and social equity.

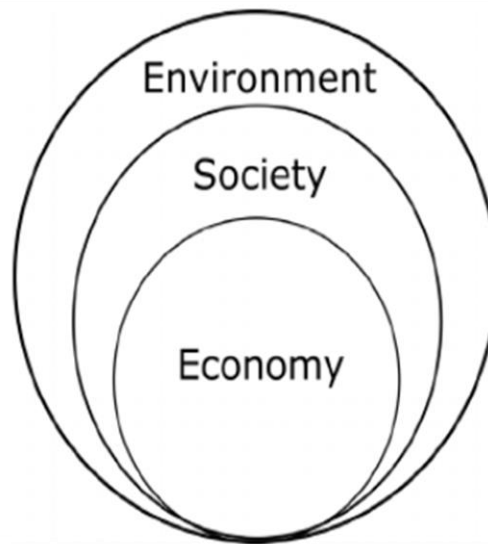
The model is shown in figure 1 below. In this model, they placed sustainability in the area where the three dimensions are the economy, environment and society overlaps. However, one limitation of this model is that it does not present the hierarchy among the different dimensions.



**Figure 1:** The Nested Spheres Model

Source: Sandhu et al., 2014, p. 5

Further, Getzener (2014) called this a “weak approach” towards sustainability and suggested that a stronger approach should be used in which economic and social domains are the subsystem of the environmental system and have limits. His model was also known as the Russian doll model (Figure 2) and was appreciated by many scholars and researchers as an effective model towards sustainability. On the other hand, (Silvestri & Veltri, 2019) adds that this model highlights the fact that whatever business practice must be conducted by organizations they must be in accordance with the broader environmental and social systems.



**Figure 2:** The overlapping Spheres Model

Source: Sandu et al., 2014, p.121

### **1.3.1 The economic dimension of Triple Bottom Line model**

This dimension advocated that an organization economic responsibility is far beyond its financial concepts like shareholder value, sales growth and profit. It involves the operational and economic impact a business made on society. In addition, this dimension analyzes the firm's performance by its strategic capabilities to efficiently manage its core competencies. Mohammed & Rashid (2018) state that today consumers are aware of economic stability and raise their concerns about issues like financial stability and employment.

### **1.3.2 The social dimension**

The focus of this dimension is the well-being of "people" means that impact of organizational activities on the people including both their customers, their employees and the community as a whole where they address issues like community cleaning and support different programs like educational assistance promoting community interactions and supporting charities (Deigh et al., 2016). The most debated topic in the social dimension is the promotion of CSR.

### **1.3.3 The environmental dimension**

This dimension is focused on reducing the ecological foot by making organizational attempts to minimize waste production, use of energy and harmful environmental impact. These attempts include introducing green products in the market, ISO-certified products and eco-labelling. Researchers argued that this dimension in TBL is the most important while social and economic are of secondary importance because Earth is the main resource for both economic and social activities (Ofori et al., 2014). If there are no resources available, the economic and social activities cannot be performed. Some researchers also

believed that this dimension has received the most attention as compared to the economic and social dimensions. Some researchers also present an alternative approach to this dimension suggesting that it should be vice-versa for both organizations and customers. Organizations should produce environmentally friendly products while consumers on the other hand should practice healthy consumption habits and boycott products that are harmful to the environment.

Other than these three dimensions researchers also suggested some additional dimensions to this sustainability model. Dahl (2012) suggested that the dimension of ethical, institutional and culture should also be added. Furthermore Burford et al (2013) added a fourth dimension to sustainability that comprises ethics and human values. Recently scholars are also suggesting a technological dimension to be added to the model (Lee et al., 2020).

#### **1.4 The Stakeholder Theory**

The above two theories broadly discuss the business's social, environmental, and economic responsibilities regarding well-being. However, organizations' primary major challenge is convincing their stakeholders to pursue and invest in social initiatives that will bring economic benefits to the companies (Freeman & Dmytriiev, 2017). Some theoretical and empirical evidence supports that engaging in CSR activities can reduce risks and costs to the companies, create synergies, and help increase their competitive advantage. These theories are indeed positive, suggesting the cause-and-effect relationship that fits into the economic theory of firms. However, stakeholders' perspective is crucial as they require legitimate reasons to invest in such initiatives. Scholars use terms like "defensible normative core", which means whether their investment supports the organization's goals and generates economic value (Kinderman, 2012). Some researchers argue that despite conducting strategic CSR for businesses, there should be coercive and altruistic motivations to promote and pursue CSR. CSR projects with altruistic motivations are conducted without giving much regard to the economic benefits they will yield, while coercively motivated CSR initiatives are designed with proper goals of minimizing costs and offering social benefits as effects. The main issue with these motivational CSR practices is the agency's cost when managers decide to invest in such activities without considering the potential outcomes and consequences. In such cases, hazards like damage to reputation, increased agency cost, and other similar damages to an institution might happen if there was a simple charitable project. Many philanthropical studies provide empirical evidence that, despite CSR's motivation, it can satisfy both economic and social components of society and business relationships. However, managing the firm-specific relationship with stakeholders is beneficial for adding value and forming an instrumental.

On the other hand, the debaters of stakeholder theory raised the issue that CSR creates the problem of ethics and capitalism when it comes to the responsibilities and commitments of the firms (Farmaki, 2019). These theorists do acknowledge the moral and financial consequences of CSR. However, their main concern is establishing healthy and positive stakeholder relationships to create value for trade and avoid any managerial issues encountered by managers and practitioners. The instrumental approach

enables the practical melding of stakeholder theories and CSR by positing that firms gain financial benefits by involving CSR activities. Habermasian model of stakeholder engagement and corporate responding also shared the same perspective where he argued that CSR integrates economic and moral components by analyzing elements between public discourses and corporation connections (Farmaki, 2019). The moral components of the firms are debated to include political responsibility and taking responsibility that their actions will be conducted transparently and will account for stakeholders' satisfaction. The main issue with CSR raised by stakeholder theorists is that not all CSR activities favor the companies, and the scale and impact of firms also affect the effectiveness of CSR. Therefore, not all stakeholders are convinced that CSR will bring economic benefits to them. This idea can be supported by the fact that most of the benefits resulting from CSR are long-term, for instance, a better reputation and the long-term sustainability of supply chain processes. However, immediate effects are the additional cost of investing in new sustainable technology, implementing waste management systems, producing green products, and charity. Much work has been done to provide models on common platforms where CSR and stakeholders' theories can blend and work with each other. In 1997 Mitchell et al. presented a stakeholder salience model with dimensions of power, legitimacy, and urgency to define the role of dormant and definitive stakeholders (Yu & Choi, 2016).

Similarly, Philips (2003) presented a concept of stakeholder legitimacy and identified the conditions at which stakeholders can make a legitimate claim on the firms. Other than that, various stakeholder engagement models are developed to increase opportunities and reduce risks. Surveys were conducted to get an insight into stakeholders' perspectives on CSR initiatives and their risks and concerns regarding investing in such activities (Waheed et al., 2020).

Despite so many theoretical and practical efforts to merge the moral and economic components, firms still find it challenging to decide how much they should engage and invest in CSR. If they fail, who is responsible, and what will the role of stakeholders be in this regard. There are still ongoing debates and research to justify that all ethical, moral, political, and economic elements can be managed together. These are managers' tasks and challenges on bringing CSR policies and stakeholders on the same page while maintaining positive relationships with stakeholders and bringing maximum benefits to the firms. Some researchers believe that economic concerns differ from social and ethical outcomes and should not be related. Therefore, the ethical justifications for why companies should involve in CSR should be distinct from economic goals.

## **1.5 Impact of CSR on Financial Performance of Banks**

Like other firms and organizations, the banking industry recognized CSR's significance and addressed it as an essential issue. In the banking sector, CSR has emerged to provide a financial sphere that protects banks from scandals and safeguards their reputation. As indicated in the literature, the growing significance of CSR practices and their relationship with a firm's financial performance has also attracted shareholders, customers, and employees in the banking sector (Semenescu & Curmei, 2015). Financial

institutions, including banks, invest in CSR activities and incorporate such operations in their corporate strategies. Researchers today argued that the role and scope of the banking industry had gone far beyond just bringing economic and financial stability (Handayati et al., 2018). Instead, they should focus on decreasing financial risks and improving customer service. Being the backbone of a country's economic stability and growth, its reliability, sustainability, and growth are crucial. The banking sector did accept CSR; however, corresponding challenges were a bit late. Like other industries, it also faced social and environmental challenges. As the banking industry also involves several stakeholders, including management, creditors, owners, debtors, and authorities, CSR's impact on banks' financial performance also affects these stakeholders (Brotons & Sansalvador, 2020).

Much research has provided empirical evidence that CSR helps improve shareholders' wealth in the banking sector. However, not much has been done to determine the relationship between CSR activities and the financial performance of banks. Traditionally, the responsibility of banks is limited to meeting the needs of their shareholders. As stated by Friedman (1962, p.121), "Banks' responsibility is to increase their profits". However, modern concepts and CSR models incorporate specific dimensions other than economic responsibility. Here, the stakeholder's theory applies in banking sectors where stakeholders share the same insecurities and risk concerns as their investment. Empirical researchers had a varied point of view when the impact of CSR on the financial performance of Banks was studied. For instance, Szegegi et al. (2020) studied the relationship between CSR and the financial performance of banks. In their research, they studied variables like Return on Equity (ROE), Return on Assets (ROA), and Net Interest Margin (NIM). According to their results, CSR has no contribution to the banks' ROE and ROA. However, there is a bidirectional relationship between NIM and CSR. They point out that CSR is an additional operational cost for banks, and there might be chances that banks charge the cost of their CSR operations from their customers.

On the other hand, a study conducted by Harlia (2022) presented opposite results. His panel discussion and content analysis revealed that banks' disclosure to CSR and involvement of commercial banks in such initiatives help banks increase their financial performance, especially in terms of their Return on Assets and Return on Equity. Their study indicates that CSR can provide opportunities for banks to develop a positive reputation and customer satisfaction in developing countries, which is crucial, especially in emerging countries where there is still a lack of understanding of financial culture. Positive relationship was also found between banks' CSR activities and financial stability and performance (Zhao et al., 2021). Empirical evidence from Kinderman (2012) research in the Poland banking sector reveals that the disclosure of the banking industry to CSR has significantly increased in the last two decades. Banks are incorporating CSR in their managerial practices because of its positive effect on financial performance. Ofori et al. (2014) examine the impact of CSR on the financial performance of banks in the UK. They also found a positive relationship between CSR and shareholder wealth and the increased financial performance of banks. Ofori et al. (2014) studied Bangladesh banks' financial performance and CSR relationship. They

did a qualitative analysis and analyzed how cost expenditures and investment in CSR contribute to the overall financial performance of the banks. They also revealed that CSR increases brand equity, which helps increase the financial performance of banks. However, the relationship was not found to be solid and definite. However, some researchers believe that CSR is crucial if banks want to improve their financial performance. So basically, the existing research on the impact of CSR on the banking sector has mixed reviews. Some researchers do not find any relationship between CSR and banks' financial performance and believe that CSR investment will merely be an additional burden on banks. At the same time, some studies, especially those in emerging economies, suggested that CSR significantly increased the brand equity of banks. Increasing brand equity results in a better reputation and trust of customers. Satisfied customers are more likely to buy products from a firm they trust. This whole scenario results in better sales and better financial performance.

## **2. Research methods**

In this section presents the research methodology used to achieve the goals and answer to the research question outlined to this work. Therefore, after presenting and clarifying the research objectives, it is described the research method, research strategy and research approach. It is also described the sample selection and data collection, as well as the data analysis methods and addressing ethical concerns of the study.

### **2.1 Research Objectives**

The objectives of the current research are:

- i) to critically analyze the concepts, theories, and models of CSR
- ii) to discuss the role and impact of CSR on a firm's financial performance
- iii) to find out the challenges faced by CSR managers in designing, opting, and implementing CSR in the banking industry
- iv) to find out how CSR impact the financial performance of banks (from managerial perspective)

The first two objectives are covered in section two, "Literature review," while the last two objectives were covered through analysis of the interviews.

### **2.2 Research Method and Research Approach**

The researcher undergoes qualitative research to fulfill the objectives set for the study. This research methodology was adopted because qualitative research is primarily suitable for small sample sizes. Compared to quantitative methods, where results are quantifiable, measurable, and comparable, the advantage of these methods is that they do not limit the scope of the research and allow the participants to provide as much information and data as they want (Stokes, 2017). It allows a broader perspective of the topic under study and can conduct in-depth analysis yielding meaningful results. The most crucial consideration in qualitative research, mainly where interviews are conducted, is the researcher's skills in interpreting and analyzing the participant's responses. The effectiveness and reliability of the qualitative research results are based on the researcher's skills and abilities. The researcher must work on his skills so that his personal opinions, views, and biases do not impact the results. If this concern is not adequately addressed, it can impact the reliability and validity of the results. Another limitation of this study is that the sample size is usually small, so it cannot be generalized to a large population (Behzadifar et al., 2018). It works best when the researcher wants to describe a phenomenon or reflect the perspective of a specific interest group. As the current research aims to get a managerial perspective of CSR initiatives, challenges, and activities managed by CSR managers in selected banks, qualitative research involving the interview technique of data collection was selected as it seems most appropriate.

There are generally two types of approaches in research: deductive and inductive. In the deductive approach, the researcher undergoes some scientific investigation. This approach involves studying existing literature, theories, and relevant information and then developing hypotheses emerging from such information (Azungah, 2018). Then these hypotheses are tested to deduce results that might affirm or contradict the existing theories. While on the other hand, in the inductive approach researcher starts with specific observations, develops generalized theories, and interprets them to develop specific conclusions and results. This approach allows the researcher to exert his effort to extract maximum information. Additionally, this approach is suitable for small sample sizes to produce reliable qualitative data.

## **2.4 Data Collection Tool**

As mentioned earlier, the interview technique has been selected as the data collection method. Therefore, the researcher developed an unstructured in-depth interview as a data collection tool. There are many advantages of open-ended or unstructured interviews. These identify respondents' opinions, thoughts, emotions, and perspectives about a particular phenomenon, problem, or topic under study (Jain, 2021). Further, these types of interviews are usually conducted in an environment where both interviewer and interviewee communicate in a one-to-one interaction. This direct contact eliminates the possibility of non-response to questions. Non-structured interviews allow both the researcher and the participants to provide answers with much flexibility of thoughts and the flow of the interview. This enables the researcher to conclude from the generalized information. However, the interviewer must possess skills to keep the questions and flow of the interview around the topic under study rather than collecting unnecessary information that has nothing to do with the subject matter.

For the current study, the researcher developed an unstructured interview. The interview was divided into two parts. The first part involves questions related to CSR implementation and its impact on the financial performance of Banks. At the same time, the second part involves questions about getting the managerial perspective of the related challenges to CSR in the banking industry. The questions are given below (also in appendix 1).

### **Interview part 1: Impact of CSR on financial performance**

1. To what extent do you believe that your bank is involved in CSR activities?
2. What strategies do you follow to plan and implement CSR activities and initiatives?
3. Do you think that involving in CSR helps in attracting more investors?
4. Do you think CSR helps banks in sustaining and stimulating customer demands and a source of competitive advantage?
5. Do you think that CSR impacts or improve Business image? If yes, then how please explain.

6. How do you think CSR can impact the other core business activities? Does the effectiveness of CSR impact the performance of banks other departments especially sales?
7. To what extent do you think CSR plays a role in meeting the long-term objectives of your bank?
8. Do you think that CSR helps in meeting shareholder demands and expectations? If yes, then kindly elaborate.

### **Interview Part 2: Challenges to CSR**

1. As a CSR/Financial Manager, what are the main challenges you face while planning CSR initiatives and activities for the bank?
2. To what extent do you think Company Rules and Government guidelines are in harmony with each other especially when it comes to CSR?
3. How difficult it is to meet stakeholder demands and expectations? What are the main issues faced by managers in convincing stakeholders to invest in CSR initiatives?
4. Do you feel pressure when CSR activities fail to bring expected financial gains and performance? If yes, then how do you manage it and what steps do you take?

## **2.5 Sample selection**

The sample of the study was selected through purposive sampling. This sampling method, a category of the non-probability method, allows the researcher to select the people based on their knowledge, expertise, and relationship with the subject under study. For the current study, the researcher selected the CSR and financial managers of the banks as they are the ones who are involved in all the bank's CSR activities and manage and monitor the financial activities and performance of the banks. A total of 4 banks were selected. Two banks were from UAE, and two banks were from India. These banks were selected based on the availability and accessibility to the managers. Two managers, one CSR and one financial from each respective bank, were selected for interview purposes. The name of the banks are shown in table 1 below:

*Table 1: Banks Included in the Study*

<b>UAE Banks</b>	<b>Indian Banks</b>
1. First Abu Dhabi bank	1. ICICI bank Ltd
2. Emirates NBD bank	2. HDFC bank

## **2.7 Data Analysis**

The thematic analysis technique was utilized to analyze information gathered from the interview. The researcher applied qualitative data analysis techniques. This type of qualitative data analysis technique

enables the researcher to organize and categorize the data into themes and subthemes, making it comparable. This analysis helps condense the data and helps identify the main context from the basic information, making it more accurate and meaningful for the reader (Braun & Clarke, 2012). It helps in structuring the data in a way so it can answer the research questions. The only drawback in this type of data analysis is human error, especially when the person is not trained enough for such data analysis techniques.

## **2.8 Ethical considerations**

Ethical concerns were well-addressed by the researcher. As mentioned earlier, the participants had given their written consent by filling out the consent form before the interview (see the template in the appendix 2). The participants were also provided to sign the debriefing and withdrawal letter along with the consent form. The purpose of both these consent letters was to inform participants that their participation is 100% willingly and they can withdraw from participating whenever they want. Secondly, participants were reassured that their provided information would be anonymous and remain confidential with the researcher, and no information will be shared with a third party without their consent. The researcher ensured that no physical, emotional or psychological harm might be caused to the participants during the interview process. The interview was conducted in a comfortable environment.

Secondly, the researcher made sure that the results were appropriately interpreted, and the interpretation may not deviate from the actual meaning of the participants' thoughts. The researcher took training and researched a lot on correctly interpreting interviews. The study results do not harm the image of any organization or person, and the results are solely for educational and future research purposes. Lastly and most importantly, the researcher did not copy any work. All the work presented is plagiarism-free, and proper references are provided whenever and wherever is required.

### 3. Presentation and analysis of results

This section presents the analysis and results of the research. As for the current research thematic analysis has been applied therefore, in this chapter the researcher will present themes identified from the responses of participants. These themes are then analyzed and explained based on the information provided by the participants.

#### 3.1 Involvement of Banks in CSR

##### 3.1.1 Analysis of UAE's banks managers answers

###### **Theme identified: Regularly involved**

When CSR and Financial managers were asked about how involved their banks are in CSR activities, all of them agreed on the fact that their banks are quite regularly involved in CSR activities. As one manager states: *"Yes, we are quite particular about corporate social responsibility"*.

Another manager states: *"We have quite an active CSR department, we regularly update our CSR policies and put a lot of thought into it."*

Managers revealed that their banks are quite serious regarding their corporate social activities and include various environmental and social aspects. Financial managers also expressed that they give considerable attention to the CSR department whenever they manage budgets and finances. As one of the financial managers' states: *"We consider CSR as important business activity, so we know that it requires attention and resources."*

Another financial manager states: *"Yes, we have a lot of CSR initiatives, and we know they are important for the growth and well-being of our business."*

All the UAE managers expressed that their banks are regularly involved in CSR activities and give a lot of importance to it. Initially CSR was not much practiced in the UAE banking sector is the first industry to adopt CSR in its operations. Gradually, strategic CSR has become an integral part of the UAE banking system (Georgiadou & Nickerson, 2020)

##### 3.1.2 Analysis of Indian bank's managers answers

###### **Themes Identified: Involved in CSR but does not consider it a crucial activity**

Indian banks managers had slightly different answers when inquired about the extent of CSR activities practices in their banks. Some managers stated that their banks are actively involved in CSR and they launch new and sustainable projects under their CSR activities. However, some also state that CSR is not given primary importance as a business activity. One of the managers' states: *"Yes, we do have CSR department and managers, but I won't say that it is very active."*

Another manager states: *"In terms of extent, what will I say, I mean it's not that often, but it is still there"*.

The responses of the financial managers also indicate that their banks have CSR departments, but the activities are limited. As one of the financial managers' states: *"We are involved in CSR as much as it can give us return."*

Another manager states: *"Well, I won't say that CSR activities do not exist, but in a limited manner."*

So basically, according to respondents, some banks have regular CSR activities and initiatives while some have limited activities in this regard. Studies in this regard state that India have seen a gradual but positive improvement in terms of practicing CSR in businesses (Singal, 2021). The CSR activities of banks are more effective as compared to previous years. Further, Bihari & Pradhan (2011) stated that despite, the fact that the Indian business sector is mainly driven for making a profit, the current banking sector in India has embraced the significance of CSR in their operations and are implementing strategic CSR to achieve sustainability as well as financial goals.

## **3.2 Strategies for CSR Implementation**

### **3.2.1 From the perspective of UAE banks managers**

#### **Themes Identified: Regular meetings and strategic risk analysis**

When inquired about the strategies followed to plan and implement CSR initiatives, UAE bank managers revealed that their banks have developed proper CSR strategies by following the professional business processes. One of the managers states: *"We have biannual meetings where we review the existing CSR projects and their impact and plan to improve or add new more effective strategies."*

Another manager states: *"Our main CSR focus is to achieve sustainable business practices so most of our planning is around sustainable growth."*

Some of the managers state that they have CSR meetings twice a year while some said they have annual meetings. CSR activities are planned to keep in mind their business goals and to what extent their banks are willing to invest in CSR initiatives. As one of the financial managers states: *"There are a lot of things to be considered, planning new CSR strategies depend upon our goals, willingness of investors and their potential financial benefits. So, we consider all of these in detail before we launch or implement new CSR initiative."*

So basically, all the managers expressed that they plan and implement CSR strategically and take into account all the risks and concerns related to their financial performance as well as of stakeholders. Sahu (2021) conducted a study in the UAE banking section to explore their CSR strategies. According to his study findings, UAE today wants to go beyond being just a tourism destination rather they are more interested to become a leading financial market and business hub. This economic desire has driven them towards the incorporation of CSR activities especially in their banking sector who were the first to adopt

CSR and work strategically to advance it. Therefore, the practice and planning of CSR in the Dubai banking industry are quite systematic and strategic (Georgiadou & Nickerson, 2020)

### **3.2.2. From the perspective of Indian banks managers**

#### **Themes Identified: Convincing top management and follow systematic CSR approach**

The responses of Indian banks' managers were mixed. Most of the participants did express that they carefully plan the CSR strategies and initiatives. Some indicated that their banks have a separate CSR department that is responsible for all the planning and implementation while few also states that their CSR activities are managed by their HR department. However, they all stated that they have a systematic approach and procedure for CSR strategies. The concept or new proposal is first accepted by the CEO and then its awareness and benefits are advocated by the employees so that acceptance is generated among the employees. Some also add that they have a proper CSR analysis process that analyzes the risks, outcomes and further improvement. As one of the managers states: *"The process of CSR is quite strategic in our bank. We plan to execute as well as analyze the whole process to ensure that it is fully aligned with the organizational goals and is yielding the desired results."*

However, some also stated that they are not particularly satisfied with their bank's policies related to the CSR department. As one of the managers states: *"There is a lot that we can do, but we do lack the systematic planning and setup, many of the plans just remain in pipeline and does not end up in practical implementation"*.

Managers also expressed that there is an increased awareness among the banking management that lead to better CSR strategies but still there is some lack of comprehension on how to convince stakeholders and investors for the required investment in CSR initiatives.

## **3.3 Attracting Investors**

### **3.3.1 About the answers of UAE banks managers**

#### **Themes Identified: Required Long term establishment and understanding with investors**

Managers were asked to shed their thoughts in their opinion on how CSR initiatives and strategies help banks in attracting more local and foreign investors. UAE banks managers have varied opinions on that. Some believe that it requires a long-term establishment of CSR initiatives and reliable outcomes to attract investors. Others believe that it depends on how well the investors also value and understand the significance of CSR in achieving financial goals. As one of the managers states: *"To attract foreign investment reputation and stability matters a lot. CSR leads to a better reputation and help in achieving sustainability. So yes, we can say that it helps in attracting investors."*

Another manager states: *"Well, it depends on the mutual understanding that how well the investor value CSR. If the understanding is equal, then yes it does help in attracting investors."*

They also expressed that they feel that local and foreign investors' perspectives are different for banks. They believe that it is difficult to attract foreign investors depending merely on their CSR initiatives. CSR can be added factor, but it is not necessarily a strong enough factor to convince foreign investors to invest in their banks. As one of the managers states: *"I can't make a statement that it attracts investors, yes, it can be a factor. Foreign investors are especially difficult to convince. They are more concerned with the risks associated especially the financial risk and obviously, in the banking industry it is the only risk."*

### **3.3.2 About the answers of Indian banks managers**

#### **Themes identified: CSR alone is not enough to attract investors**

The Indian banks managers do not share the same perspective on the role of CSR in attracting investors and consider that CSR mostly plays the role of moderator in attracting new investors. One of the managers states: *"We cannot rely on CSR only, our strategic policies, product and services and customer's satisfaction all are the factors that contribute to attracting investors."*

Another manager states: *"I don't believe that CSR is a strong enough aspect of our banking system to attract foreign investors."*

One manager also mentions that if the company has to use CSR as a strong determinant for attracting investors they should promote and advertise their CSR activities properly, so they contribute to creating brand value and awareness among people as well as for the investors. In this regard, one of the managers states: *"Attracting investors is a complex process you have to be convincing. Additionally, the CSR initiatives must be advertised properly so the world should know what exactly you are doing and up to."*

Another manager states: *"For CSR it has to be told, what options investors have when they'll research about us, our annual reports and reputation. Reputation is gained by proper marketing and advertisement! CSR also need proper marketing to make its role evident for the investors."*

For foreign investment managers, however, expressed that in India financial risks, competition and stability of banking policies impact a lot. The empirical studies in this regard also support the fact that CSR leads to a better organizational reputation that attracts investors (Lee et al., 2017). Foreign investment does not necessarily result in better financial performance but a firm attracting foreign investment give a positive image of itself. However, it is advocated that foreign investment driven by CSR can lead to better financial performance (Bilal, 2020).

## **3.4 CSR role in stimulating customer demands and bringing competitive advantage**

### **3.4.1 Perspective of UAE banks managers**

#### **Themes identified: Brings competitive advantage through sustainability**

The managers were asked to explain that if and how CSR leads to competitive advantage and attract more customers. In this regard, all the managers of UAE banks were on the view that CSR initiatives do provide

a source of competitive advantage by bringing benefits like the achievement of sustainability goals that ultimately lead to financial gains as well. All of them agree that it increases the brand reputation that attracts more customers as well as investors.

*“Well, obviously we don’t have to keep the demand and supply thing in the banking sector but yes sustaining and attracting new customers is the main goal, and I cannot deny that our CSR plays a major role.”*

Another manager states: *“I recall when we provided homes for homeless people in Ajman, it attracts a lot of attention and our reputation increases a lot.”*

Empirical evidence also provides the support that CSR strategies that help organizations gain competitive advantage involves obliging to moral standards that are beyond just fulfilling the rules and regulations (Saeidi et al., 2015). Further, they include having a healthy and positive relationship with governments, employees, stakeholders and consumers by improving their company’s reputation and image. Regarding customer demands either in banking studies or in any other industry, there is a lot of empirical evidence that supports the fact that sustainability activities of organizations impact the consumer’s behaviour and purchasing intentions positively (Ali et al., 2019). There is an increased awareness among consumers regarding sustainable products and they also respond positively to any positive CSR initiative taken by companies.

### **3.4.2 Perspective of Indian banks managers**

#### **Themes Identified: CSR increase reputation and gains customer’s loyalty**

Indian managers’ perspective on CSR role in maintaining and attracting more customers was almost the same. They also believed that CSR is useful in gaining many advantages like reduced operational costs, easy access of capital, organizational growth, customer loyalty as well company’s ability to attract better and skilled full talent. As one of the managers states: *“Well, yes it brings a competitive advantage! As the reputation grows it helps in attracting customers as well as talented and skilled employees who are looking to work in a reputable organization.”*

Some also share concerns that they do believe that CSR has a lot of potentials that can help in achieving competitive advantage, but their banks are not fully availing this opportunity. As one of the Indian Bank managers states: *“CSR have the potential to give us a competitive advantage and above all to meet the customer demands to sustain them. But it all requires its careful execution and support from all levels.”*

Another manager states: *“We could do a lot with CSR! But we have limitations!”*

A study conducted by Kaur (2019) in Indian banking sector reveals that banks develop their brand image by involving in CSR activities like developmental projects in rural areas and community welfare programs for children and women (Marcelin & Mathur, 2014). However, because India is a big economy and the banking industry has its challenges depending upon its geographical and cultural limitations that is why

achieving maximum benefit is always a challenge in a developing economy like India (Basuony et al., 2014). The responses of managers also give that insight that even though management is fully aware of the benefits that could be resulted from CSR, but they are bound by several internal and external organizational limitations.

### **3.5 CSR and Business image**

#### **3.5.1 Analysis of UAE banks managers answers**

**Themes Identified: Improves Customer perception and Increase Company's value in business circle**

All the UAE CSR managers agree that CSR helps in improving the image of their institution to a greater extent. They expressed that involving in social activities, green practices and community welfare programs helps in creating a perception where customers believe that their existence is good for them and they do consider them merely as a money-making agency. One manager in this regard's states: *"Image plays a great role in the banking industry; we don't have any retail products that will determine the quality of our services. We have to prove our worth through our customer services and creating awareness that how well we care for the community and society as a whole."*

Managers also expressed that these activities not only create a positive image in the general public and for customers but also gain a good reputation among the business community that helps in making a connection. One of the manager's states: *"Of course, why not we have been funding Emirates Foundation and Emirates Crescent for the past few years. This not only helps us in contributing towards the welfare of the society but also improves our image and reputation significantly."*

Another manager states: *"One of our CSR programs involve supporting small business and it helps us attract local as well as international investors."*

There are a lot of studies that support the fact that CSR greatly impacts the image and reputation of an organization in the mind of the consumer. CSR activities involve a wide range of social initiatives that range from environmental protection, community welfare programs, sustainable business practices as well as promoting the wellbeing of the staff. (Seo & Yang, 2015) This not only creates a positive image of organizations among people and customers in general but also improves reputation among the business community. As discussed above such reputation helps in attracting investors, customers as well as skilled labor

#### **3.5.2 Analysis of Indian banks managers answers**

**Themes Identified: Increase Company's reputation through winning the hearts of people through act of kindness**

Indian CSR managers share the same perspective as UAE managers that CSR does help in building a better image of their banks. In addition, they also expressed that Indian culture is built on a lot of emotions

and people act as a response to their emotions. They can accept positively in love for anything, and they'll not hesitate to express their anger through their words or actions. As one of their manager's states: *"In India, the general population is very emotional, any act of kindness impacts their perception about the business and trust me their choices are very much emotion-driven."*

Another manager expressed that better reputation and image leads to better financial performance and CSR plays its role in it. A manager states: *"I would say that the main goal of CSR is to achieve high reputation, better brand equity and customer loyalties. These are the main indicators and determinants of banks financial goals."*

They also expressed that CSR helps to improve their business image in different aspects as environmentally friendly business practices and an organization that promotes employee development and that care for the society. A manager states: *"It helps to improve the image in many ways. We can be the ones who promote green practices, work to improve the quality and well-being of our employees, and can help the needy and much more."*

Studies in this regard reveal that CSR can increase the brand reputation that plays a significant role in increasing brand equity. Further, the power of brand equity and its impact on financial gains become much stronger in the presence of CSR activities (Trong Tuan, 2012).

### **3.6 CSR and Long-term objectives**

#### **3.6.1 Perspective of UAE banks managers**

##### **Themes Identified: Help in achieving long term objectives but require patience and time**

The analysis of UAE managers revealed that the majority of them are convinced that involving in CSR activities can help in meeting their long-term organizational goals. However, most of them also expressed that it requires effort and a lot of patience to see the benefits of CSR to their organization. This is because building a positive image, sustaining customers increasing sales and reducing operational costs all take constant and collective efforts from all the departments. As one of the manager's states: *"Well, it's a long journey. We have to be patient as well as consistent."*

Another manager said: *"It does and it will. Sustainable practices will lead to less operational cost, good employee policies will result in better employee performance and the positive image will lead to sustain the existing customers and attract new ones."*

Studies indicated that CSR results in such a material impact on the corporate performance that the change spread like a sea. The process of CSR has evolved from being involved in simple donations and voluntary programs to systematic and comprehensive social, governance and environmental (EGS) programs that result in automatically integrating sustainability in the business strategy. A lot of studies indicated that CSR results in short- and long-term financial benefits (Trong Tuan, 2012). A study in the

consumer goods supply chain revealed that institutions that incorporate “Triple Advantage” practices not only achieve profitability as well as also improve their social and environmental outcomes (Kumar, 2020).

### **3.6.2 Perspective of Indian banks managers**

#### **Theme Identified: CSR is not viewed as means for achieving financial goals**

The perspective of Indian bank’s managers was quite different from the UAE banks managers. Despite the fact they do agree that CSR leads to many benefits like investing in employee policies will lead to having more hardworking and enthusiastic workers but they did not see CSR as a means for achieving their long terms goals. Also, they expressed that they don’t have setups like other retail and production businesses and usually they invest as partners or investors with other businesses therefore, usually their CSR is an independent function that is used to bring green practices as well. As one of the manager’s states: *“The case of banks is different. We are usually not engaged in production and sales like other businesses do so CSR is usually not considered the critical element in achieving long terms goals, our main focus is on our products and services to satisfy the customers.”*

Further, they also add that they had a lot of challenges while convincing shareholders regarding CSR initiatives and in the case of CSR the outcomes are usually not quantifiable. As one of the manager’s states: *“Here in India, we need to convince a lot to make it understandable that CSR can help in achieving long term objectives. We usually need results quickly and that we can present in forms of numbers or profits, so I won’t say that we take CSR as a major aspect in achieving our long-term objectives.”*

Another manager states: *“Well, I think we merely use it for building a good image! Long term goals are usually not in the visions of CSR activities.”*

In conclusion, CSR is not considered of vital importance in the eye of Indian bank managers when it comes to seeing it as a means for achieving long term goals.

## **3.7 Challenges faced in planning CSR initiatives and activities**

### **3.7.1 From the perspective of UAE banks managers**

#### **Theme Identified: Challenge of Budget, Human resource and controversy**

When UAE managers were asked about the challenges they faced while planning CSR initiatives and activities for banks they expressed different internal challenges. Budget allocation, Availability of appropriate human resources, industry-based challenges were mentioned by the managers. One of the managers' states: *“The planning itself begins with the budget allocation, we may have a lot of strategies but if we don’t have the required budget it’s not possible to effectively plan CSR strategy for the bank.”*

A similar concern was also expressed by another UAE manager as he states: *“We are often given appropriate budget; however, the main challenge of planning is how to use this resource in a way that it becomes productive for the bank.”*

Regarding, human resource managers expressed that one of the challenges is that the staff is fully aware that how CSR execution is done. As one of the manger states: *“Often our CSR projects involve multiple departments, we have to make sure that the department involve has the knowledge and expertise required for effective implementation of our CSR strategies.”*

Industry base challenges were also mentioned by the managers as some expressed that the banking industry has to be more corporate and social along with promoting the wellbeing of their employees. So, planning strategies that cover all these aspects is a challenge for CSR managers.

Another important challenge expressed by managers in planning CSR strategies is to avoid any controversy in future. Almost all of them expressed that social initiatives are carefully planned so that they don't hurt the feelings and emotions of any sect. As one of the managers' states: *“Planning is not easy for sure, we have to make sure that our CSR is productive, promotes well-being and most importantly does not involve us in any controversy.”*

### **3.7.2 From the perspective of Indian banks managers**

#### **Theme: Challenge of resource allocation, transparency and Human resource**

When the responses of Indian managers were analyzed, it was found out that they do share the same challenges as UAE managers in terms of resources allocation and finances as well as trained and expert human resources for CSR. However, additionally, they also mentioned that transparency is the main challenge. One manager state: *“Planning is a complex process, it involves multiple aspects of business especially, it's a planning of a strategy whose benefits are unclear and sometimes risky. So, we have to be very careful that these company finances go in the right.”*

Further, managers expressed that transparency is a challenge in planning as it ultimately leads to the satisfaction and trust of the customers as well as improves the overall image of banks. As another manager states: *“We should be careful to invest our efforts and resources. To make sure that all the activities and people involved are transparent and trustworthy, we have to carefully plan out individuals and groups that will be involved in the execution of the CSR strategies.”*

Research in CSR also suggested that that CSR transparency influences shoppers' behavior by 36%, increases consumer spending by 73% and foster brand loyalty by 93% (Bashar, 2012). So, the main challenge for Indian managers was the limitation in the allocation of resources because of transparency issues.

## **3.8 Harmony of Company CSR policies with Government Rules**

### **3.8.1 About the answers of UAE banks managers**

#### **Themes Identified: CSR is compulsory for commercial Banks in UAE**

UAE banks managers in response to Government guidelines regarding CSR in UAE expressed that although the government has not defined any specific laws or regulations for Banking CSR however all commercial firms must register on the CSR Smart platform. As both First Abu Dhabi Bank and Emirates NBD banks are commercial banks and operate on a large scale offering a wide variety of commercial services to people, therefore, both banks were found to be registered on the CSR Smart platform. As one of the managers' states: *"The first requirement is the registration on legal CSR platform, and we already have the registration."*

Another manager states: *"Yes, being a commercial bank, we have the registration and it is mandatory."*

Secondly, managers expressed that there is a function CSR ministry in UAE and its FAQ has clearly outlined some of the areas where they encourage companies to contribute and participate to promote wellbeing. The UAE CSR encourages to contribute in fields of environmental and social fields as well as incorporation healthy employee practices and involve in promoting innovations and scientific research.

As one of the managers' states: *"We make sure, that our CSR fall under the outlines defined by the government, in this way there is a less likely chance of conflict with government policies."*

Another manager states: *"Our policies are totally in compliance with government rules. We are working on the best lines to promote the well-being of society through our charity initiatives. Along with that, we are constantly improving our human resource policies to make the working environment comfortable for our employees and believe in employee growth and development."*

So, it can be concluded from their responses that both these banks are careful that their policies and strategies do not conflict with government rules and regulations.

### **3.8.2 About the answers of Indian banks managers**

#### **Themes Identified: No clear guidelines by Government**

When Indian banks managers were asked that how they comply with their CSR strategies with government rules and regulations then it was found out that the Indian government had no proper set rules and regulations for implying CSR in the banking industry. The Indian Reserve Bank (IRB) did encourage banks to involve in CSR in their 2007 circular however CSR in Banking does not fall under any Law. However, there is a law that if any company made a net profit of more than 50 million (Indian Rupee), they are implied to spend 2 per cent of their financial income on CSR for three years. A manager state: *"We don't encounter any difficulty in planning or implying CSR as CSR in Banking industry is not covered in any law, it's our personal decisions that how we make rules and regulations for CSR initiatives."*

Another manager states: “We don’t have to comply with our rules and regulation with the government because there are none, however, we did fall into the category of high-profit banks so we do abide by the CSR law made by the Indian government.”

### **3.9 Meeting Stakeholder demands and Expectations through CSR**

#### **3.9.1 From the perspective of UAE banks managers**

##### **Themes Identified: Meeting Stakeholder expectations and demands is a major challenge**

The UAE banks managers expressed that in the current business environment they face demands by a different group of people working directly or indirectly with banks. These demands let them make different business decisions that can affect stakeholders from different perspectives. Financial investors, employees and customers all are their most important stakeholders therefore they are incorporating social responsibility strategies that reflect their concerns for their employees, local communities as well as convince their financial investors. According to them, managing stakeholder demands and expectations is the most complex and challenging task for them as it requires expensive and complex strategic activities.

As one of the managers' states,

*“As we have stakeholders at different levels, so we have to make our CSR strategy that convinces and meet their expectations according to their perspectives. We should have our investors share the same view of progress as well as we have to make sure that our efforts reach customers and their expectations are met!”*

They also expressed that the support of top management is crucial for this process. As a manager state: *“Of Course, it is a difficult process to get all our stakeholders at the same level of understanding and acceptance, but we cannot do it without top management support. Top management should be equally supportive if we wish to achieve the CSR goals presented to our financial investors.”*

Managers also expressed that they value their employees and workforce therefore, they make an effort that employees participate in these activities with the same level of conviction as we have when we develop these strategies. It can be only possible if we promote their well-being.

#### **3.9.2 From the perspective of Indian banks managers**

##### **Themes identified: Difficulty in convincing Investors**

Indian banks managers also share the same concerns as UAE managers in terms of facing difficulties to meet stakeholder expectations and demands. However, their responses reflect more issues in convincing financial investors to allocate appropriate budgets for their CSR initiatives as they are not willing to take risks where the return on investment is usually in the form of intangible benefits. One of the Indian managers, in this regard state: *“Of course, we face a lot of difficulties in attracting investors especially when*

*it comes to a social cause. Their main objective is to maximize profit so convincing them to invest in social cause requires a lot of planning and strategy.”*

*Another manager states: “Convincing and living up to our stakeholder expectations is the most challenging task for us. First, we have to convince them for resource allocation and its benefit to the banks, secondly, we have to train and convince our employees of the efficacy of these corporate strategies and most importantly our welfare message must be understood and appreciated by our customers.”*

In conclusion, managers do face difficulty in convincing stakeholders and managing and allocating of funds is the major challenge for them.

### **3.10 Pressure Management on CSR failure**

#### **3.10.1 Perspective of UAE banks managers**

##### **Themes identified: Apply Social Risk Analysis**

UAE banks managers when asked that whether they face pressure on CSR failure to which they respond that they already planned their CSR activities with a lot of consideration so that they won't be a failure for the company however if by any chance CSR fails to give the desired results they opt for proper analysis and intervention to identify the external or internal factors that are impacting the performance of their CSR initiatives.

*A manager state: “Although CSR is carefully planned, we analyses all the possible risks and threats so that CSR strategies may not conflict with our other business operations or affect our progress, even if does we always have a backup plan.”*

*Another manager states: “To avoid failure, we run social risk analysis which allows us to study the social aspects that will be impacted with our CSR. This analysis gives insight about the risks associated with initiatives so we address them beforehand so that there will be no damage to the company either to its image or financially.”*

In terms of intervention, the manager expressed that they carefully analysis the issue, identified the key problems and then made modifications accordingly. These modifications can be an actual plan, employees involved or an increase in resources as per requirement.

#### **3.10.2 Perspective of Indian banks managers**

##### **Themes Identified: Great pressure, Risk of Job loss**

As compared to UAE banks managers, Indian bank managers expressed a great amount of pressure and challenges faced if their CSR initiatives failed to bring the expected financial gains. According to their responses, it was evident that first, they face a challenge in convincing their investors to invest in CSR initiatives then they face pressure if CSR fails to bring any financial benefit to the bank. A manager state:

*“Oh, of course, we have a lot of pressure, firstly CSR is not very convincing in terms of financial gains and if we lack behind the regular gains then there is a lot of trouble for us to face.”*

*Another manager states: “Usually, the financial gains are not very well defined, but we had worked for increased bank reputation and customer satisfaction, if we failed to achieve that then obviously, we have the pressure and we have to convince stakeholders for future investment in CSR.”*

In terms of managing the failure, they expressed challenges that intervention in CSR programs means more investment in terms of efforts and money which is usually not possible, so they usually come up with new plans.

## **Conclusion, Limitations and Recommendations**

The current study was designed to study, explore, and investigate the role and relation of Corporate Social responsibility with Corporate Financial Performance. The study's main aim was to get a managerial perspective in this regard in banking industry. The researcher conducted an extensive literature review to provide the theoretical significance of CSR for the growth, development, and financial gains of the organization. The literature provides sufficient research evidence that CSR is a broad term that involves covering organizations' economic, legal, ethical, and philanthropic responsibilities. The theories of CSR advocate that economic responsibility is the ability of an organization to make and maximize their profits is their primary obligation as, without this, the existence of firms cannot be possible. Second, the legal responsibility of the firms implies that companies must adhere to all the legal obligations and are not involved in activities that cause conflict with the governing bodies. Ethics is considered a foundation of CSR as it goes beyond the rules and regulations. This responsibility focuses primarily on respecting and protecting others' rights and beliefs. In this regard, it is encouraged that CSR ethical responsibility should be beyond the financial goals and focus on the betterment of the community in which firms are operating. It involves the welfare of the people like investors, employees, customers, and the general public. Philanthropic responsibility is a much broad term that advocates that firms must contribute to social welfare programs and initiatives even though they are not directly related to them.

For empirical analysis, the researcher developed an interview questionnaire conducted by the CSR and financial managers. The primary purpose of conducting the interview was to get an in-depth managerial perspective that how CSR managers plan, develop, and implement CSR strategies in the banking sector, the challenges they face, and the financial implications of CSR. Thematic analysis was applied to the responses from Indian and UAE bank managers. The results suggested that both Indian and UAE banks are effectively involved in planning and implementing CSR according to their capacities and budget. Both Indian and UAE bank managers expressed that they regularly updated their CSR policies; however, the CSR system in UAE banks was found to be more organized than Indian banks. UAE banks were involved in CSR planning covering social, environmental, and humanitarian aspects.

Further, they plan regular annual or biannual meetings for CSR planning and develop a proper risk analysis system to ensure that CSR policies achieve the set targets. The most crucial thing identified in UAE bank managers' response is that they believe in developing a mutual understanding and long-term establishment with the investors and stakeholders. Further, they also believed that CSR plays a significant role in bringing a competitive advantage to the firm. It not only helps to lift the bank's image in society but also helps to improve its reputation in the business community, which helps to attract more investors. In terms of achieving long-term goals, UAE bank managers reflect the understanding that CSR is an ongoing process and require time and patience. However, they believe that CSR can play its part in achieving long-term sustainability and financial goals. In terms of challenges faced by CSR and financial managers, it was found that for UAE managers, the main challenge was to get the right amount of budget, train human

resources accordingly and avoid any controversy or cultural conflict. The study also covers the legal aspect of CSR. Managers expressed that they are registered to legal platforms for CSR and try to restrict their activities in areas mentioned by the government.

Indian banks were also found to be actively involved in CSR. However, CSR was not considered the main component to gain financial benefits. The strategic path they follow for CSR is to convince top management and follow a systematic approach. Risk analysis for CSR was absent in the Indian banking system. Additionally, there is always pressure on CSR managers that what happens if the CSR fails to achieve the set goals. Further, Indian bank managers do not believe that CSR alone can benefit the banks financially. Therefore, they face challenges in developing CSR policies and strategies that will bring immediate results and find challenges in convincing stakeholders to invest in CSR. The main reason was that there is a high rate of corruption, and CSR is usually utilized to cover illegal or non-humanitarian policies. That is why managers struggle to convey the actual vision or purpose to the top management and the customers. The Indian managers express that they believe CSR can bring many benefits. Despite practicing sustainable business practices, CSR is strongly believed to improve an organization's reputation in society. In this regard, Indian culture plays a vital role as the general population perspective is very much affected by the social causes and cultural benefits gained by a company. So, managers believed that CSR plays an essential role in earning customers' loyalty and improving their company's image. Indian managers also expressed many challenges while planning and implementing CSR initiatives. The most crucial challenge was to convince investors to invest money in something that gives the most intangible benefits. Further, the human resource and employees were also found to lack understanding about the potential benefits of CSR. Eliminating corruption was also the main challenge for Indian banks managers. In India, there is no proper legal system to cover CSR. However, companies have the compulsion to participate in CSR when they make a particular profit.

The study results clearly explain the difference between CSR practices and challenges in two different demographic settings. The common thing is that both in India and UAE, banks are actively involved in CSR, and managers reflect how CSR works and its potential financial benefits. However, the change in organizational culture and society plays a role in how firms view CSR for their financial gains.

There were certain limitations to the study. The number of samples is relatively small as it was selected based on the availability of managers. However, a large sample would help increase the validity and reliability of the research. Compared to quantitative research, qualitative research always has the limitation of not providing quantifiable results that can be compared with other research results. There may be a chance that participants may not discuss the actual problems of CSR because of considering it against their organization. There is always a chance of biasness whenever someone in a qualitative study interprets results.

Based on the study and research conducted during this project, the researcher came up with specific recommendations. First it is important that management should believe in CSR, no matter how much effort and resources are put into CSR, the most important thing is that the company and its management believe in CSR. If the bank does not believe in CSR, all the efforts will be non-genuine, ultimately reflecting. Banks must follow or implement CSR with a reasonable goal and aim rather than just for the sake of CSR. Secondly, they should recognize the cultural values and incorporate them into the CSR. For CSR to be effective in any industry, the organization needs to identify and recognize the cultural and social values of the area where they will be implementing their CSR initiatives. For instance, some communities are driven towards green sustainability, and some want to improve the quality of education in their area, or others may want a recreational or sports activity. Social welfare programs related to cultural values and are directed towards the needs of the people have a profound impact on their lives. They feel socially and emotionally connected with the organization portraying their values.

Management should localize their efforts to attract more local investors. Banks must have a local focus when they plan and implement CSR. Even if they are operating at an international level, their efforts will first impact the local communities and, most importantly, the people involved in the project. So, the CSR should also address the concerns and requirements of the working people. All activities must be planned in a way that will impact the local and international communities. Additionally, all levels of management should be involved for better results. As discussed in the results and conclusion, all top management levels must be involved in CSR planning and implementation. CSR is a long ongoing aspect of a company, and like other departments, it also requires considerable attention and guidance from top management to make it productive and effective. Most importantly, it involves investing in projects that are not directly related to increasing financial revenues; however, their long-term benefits must be comprehended at all levels to convince internal and external stakeholders.

Encouraging employee participation through counseling and effective leadership can also contribute in successful CSR implementation. As the literature and analysis suggested, CSR must be appreciated at all levels of management, and employees must be clear and equally motivated to achieve the CSR goals. In this regard, effective communication plays a key role. Employees must be informed about all the planning and its potential benefits to the company's growth. The role of leadership is crucial in this regard. They should counsel and motivate them to participate with clarity and enthusiasm. Consequently, management should identify and recognize the financial implications of CSR. For the banking industry, the financial implication of CSR is a significant concern. Setting up social welfare initiatives can cost much money, but the financial gains are usually unclear. Although, the benefits of CSR are recognized as long-term benefits and help improve reputation and customer loyalty which ultimately increase sales. However, still, it is important to plan CSR strategies in a way that they will not end up in additional financial burden rather be a productive process for the banks.

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# Appendix 1: Interview Questions

Part 1:

1. To what extent do you believe that your bank is involved in CSR activities?

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2. What strategies do you follow to plan and implement CSR activities and initiatives?

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3. Do you think that involving in CSR helps in attracting more investors?

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4. Do you think CSR helps banks in sustaining and stimulating customer demands and a source of competitive advantage?

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5. Do you think that CSR impacts or improve Business image? If yes then how please explain

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6. How do you think CSR can impact the other core business activities? Does the effectiveness of CSR impact the performance of banks other departments especially sales?

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7. To what extent to do think CSR plays a role in meeting the long-term objectives of your bank?

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Part 2:

1. As a CSR/Financial Manager, what are the main challenges do you face while planning CSR initiatives and activities for bank?

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2. To what extent do you think Company Rules and Government guidelines are in harmony with each other especially when it comes to CSR?

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3. How difficult it is to meet stakeholder demands and expectations? What are the main issues faced by managers in convincing stakeholders for investing in CSR initiatives?

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4. Do you feel pressure when CSR activities fail to bring expected financial gains and performance? If yes then how to you manage it and what steps do you take

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## Appendix 2: Research Consent Form

<b>Name of Researcher(s)</b> <i>(to be completed by the researcher)</i>
<b>Title of study</b> <i>(to be completed by the researcher)</i>

**Please read and complete this form carefully. If you are willing to participate in this study, ring the appropriate responses and sign and date the declaration at the end. If you do not understand anything and would like more information, please ask.**

- I have had the research satisfactorily explained to me in verbal and / or written form by the researcher. **YES / NO**
- I understand that the research will involve collecting my personal data and my opinion on the matter under study through a questionnaire. **YES / NO**
- I understand that I may withdraw from this study at any time without having to give an explanation. This will not affect my future care or treatment. **YES / NO**
- I understand that all information about me will be treated in strict confidence and that I will not be named in any written work arising from this study. **YES / NO**
- I understand that data provided by me will be used solely for research purposes and will be destroyed on completion of your research. **YES / NO**
- I understand that you will be discussing the progress of your research with others ..... at your University **YES / NO**

I freely give my consent to participate in this research study and have been given a copy of this form for my own information.

**Signature:** .....

**Date:** .....