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The American University in Cairo  
School of Global Affairs and Public Policy

**Corporate Social Responsibility in the Egyptian Banking Sector:  
A study on effectiveness and profitability**

A Thesis Submitted to the  
Department of Journalism and Mass Communication  
In partial fulfillment of the requirements for the  
Master of Arts

**By Yasmin Nabil Youssef Abdallah  
Under the supervision of Dr. Ahmed Taher**

Spring 2018

## **DEDICATION**

To my parents, the greatest blessing of all; who without you I wouldn't have achieved anything in my life and I wouldn't have been the person I am today. You believed in me and dedicated your life to give me the best education possible. I am proud to have you as my parents and I hope I can make you proud as well. I am forever grateful for you and I wouldn't have done it without your support. Thank you!

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## **Abstract**

Corporate Social Responsibility is a booming concept worldwide and all corporates are shifting towards undertaking some Corporate Social Responsibility activities. Banks play a major role in the Corporate Social Responsibility sector, as they are the base of any loan for any corporate, hence, they have the control of the Corporate Social Responsibility activities of a firm. Banks do Corporate Social Responsibility activities within different disciplines. This study analyzes the effectiveness of Corporate Social Responsibility activities, along with the relation between the bank's Corporate Social Responsibility activities and its profitability. Intensive interviews were conducted with Corporate Social Responsibility representatives/managers at the banks to get more in-depth information on the research variables -effectiveness and profitability- to enhance our understanding of the Corporate Social Responsibility sector in Egypt. The results indicate that there is a shift in the concept of CSR from philanthropy or just charity giving to sustainability, taking into consideration the economic, social, governance and environmental aspects of the society.

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## **I. Introduction**

Governments have taken the full responsibility for the enhancement and development of the living conditions of the public, yet, the society's needs became a burden on the governments solely. Hence, corporates should take part in the process of the fulfillment of the needs of the society, through Corporate Social Responsibility (CSR, hereafter) activities (Jamali & Mirshak, 2007).

CSR is always defined as the managerial role in protecting and improving the welfare of society, as well as meeting the interests of the corporation. CSR is an approach that has been popular and attracted the global attention and attained a new resonance in the global economy. Globalization and international commerce have been the reason for the popularity of CSR, in which it has increased business intricacy and new calls for intensified clarity and corporate citizenship (Jamali & Mirshak, 2007). Recently more companies are getting interested in CSR, this is because of the globalization and international trade, hence, making companies demand and call for developed transparency and corporate citizenship (Soliman, El Din & Sakr, 2012).

CSR is an outcome of the 20th century, specifically the earlier 50 years (Carroll, 1999). Carroll (1999) stated that the concern for social responsibility has been there during the 1930s and 1940s.

Many scholars have defined CSR since 1950s based on the social, economic, political and environmental background. All definitions have evolved from distinct sectors like economic growth, ethical exercises, environmental protection, stakeholders' participation, transparency, responsibility, moral obligation, corporate responsiveness and corporate social responsibility.

CSR as a concept, has developed with the growth of businesses fulfilling the needs of the society. Western countries were the ones who were practicing CSR the most (Rahman, 2011).

From this literature, the best definition for CSR is the obligation of a corporation towards the sustainable economic implementation, working with employees, their families, local community and society to enhance their quality of life (Kamal, 2013). The activities should be all voluntary.

Recently institutions are shifting from the concept of philanthropy to the concept of the development of the economy –sustainability- to include internal employees, clients and the society at large, looking into different dimensions; economic, environmental, social and governance.

There is a global call for shared goals that all countries would abide by. United Nations has introduced a set of goals ‘Sustainable Development Goals’ (SDGs, hereafter), where they are considered a vital commitment to reach sustainable development in the coming years. The SDGs consist of three aspects that are aligned with the main dimensions of sustainability; economic, social and environmental. Each of these dimensions must be achieved independently, yet, they should complement each other. The SDGs include 17 goals, as below (Costanza, McGlade, Lovins, & Kubiszewski, 2014),

- End poverty in all its forms worldwide
- End hunger, maintain food security and enhanced nutrition and encourage sustainable agriculture
- Guarantee healthy lives and support well-being for all people at all ages
- Guarantee wide-ranging and equitable quality education for all people

- Attain gender equality and empower all women and girls
- Guarantee sustainable management of water and cleanliness for all people
- Guarantee access to inexpensive, dependable and maintainable energy for all people
- Encourage sustained, comprehensive and sustainable economic growth, full employment and decent work for all people
- Form strong infrastructure, encourage comprehensive and sustainable industrialization and foster innovation
- Lessen inequality within and among countries
- Offer cities that are inclusive, safe, strong and sustainable
- Guarantee sustainable consumption and production patterns
- Take urgent action to fight climate change and its influences
- Sustainably use the oceans and seas resources for sustainable development
- Defend, restore and encourage sustainable use of global ecosystems, sustainably manage forests and fight desertification
- Encourage peaceful and comprehensive societies for sustainable development, offer access to justice for all people and build effective and inclusive organizations at all levels
- Reinforce the means of implementation and revive the global partnership for sustainable development

Egypt has adopted the SDGs and developed the Sustainable Development Strategy: Egypt Vision 2030 (SDS 2030). The strategy focuses on four main dimensions; social justice, knowledge, innovation and scientific research, economic development and environment. The social justice dimension aims at achieving by 2030, a fair dependent Egypt that has equal

economic, social and political rights, including social inclusion. Additionally, creating a society that encourages people's rights in participation, offers protection and supports underprivileged citizens. Knowledge, innovation and scientific research dimension aims at creating a society, that is innovative and creative in terms of technology and science. The economic development dimension aims at developing an economy, that is balanced, competitive, varied, can reach sustainable inclusive growth. The environment dimension aims at preserving natural resources and promote efficient use of resources. Also, it looks for a clean, safe and healthy environment achieving social justice (Egypt 2030 - SDS Egypt 2030, 2018).

The focus of this paper is to study such a shift within the Egyptian banking sector and their socially responsible activities. The study is centralized to analyze the effectiveness of such activities and their relation to the profitability of the banks. Intensive interviews were conducted to cover the two variables focusing on Egypt. The interviews were conducted with the banks' CSR experts/manager to better understand this research. The research is covering major banks, both governmentally owned and privately owned.

### **1. Corporate Social Responsibility in general**

CSR activities are divided into two types; responsive/convergent and strategic/divergent. Companies that abide by the responsive/convergent are looking for developing the stakeholders' relationship and good citizenship. On the other hand, corporates who abide by the strategic/divergent are looking for a competitive boundary through exclusive social acts. The most commonly adopted type of CSR activities is the responsive/convergent type, it is applied by stakeholders to a small set of activities, where they boost such activities to build relationships and be part of the business acts. Other corporations adopt the other type of CSR activities, the

strategic/divergent one, in which they try to reach a competitive edge through following different CSR strategies. They try to build their rare image to serve the interests of the stakeholders. They try to incorporate their business events with CSR practices with the aim of serving the society (Ibrahim, 2017).

Socrates has divided the CSR activities into six types; community support like educational support for the society, employee support like career security, environment like innovating environmental-friendly products, non-local operations like helping neighbor countries and product (Sen & Bhattacharya, 2001).

Investment in CSR should not be considered as an extra cost expense, but rather an allocation of assets to enhance associations with stakeholders. Nowadays, due to the enhanced education and effect of media, consumers are more aware of the concept of CSR, and it is becoming an obligation on corporates leaving little room for companies not doing CSR activities. Studies have shown that consumers now have positive reactions towards socially responsible companies. Yet, there are still little known on consumer behavior towards CSR initiatives (Eshra, & Beshir, 2017).

Corporates have been focusing on CSR activities, like philanthropy, minority groups support and socially responsible employment. They are publishing about these activities on their websites as well. However, still little is found on the effects of such CSR activities on consumers. Having said that, some studies have stated that there is a positive relationship between a firm's CSR activities and consumer's behaviors towards that firm's products or services (Sen & Bhattacharya, 2001).

There should be a couple of prerequisites for CSR; firstly, have operative markets where companies have a say towards their actions to the market, social or political aspects. Secondly, have operative governmental and legal entities that would assure, outline and manage the market and take actions on behalf of society to tackle requests of market failure. Thirdly, corporations neither capture nor are captured by market actors. Fourthly, civil society formulates social values and belief that the government and market factors react to (Matten & Mood, 2007).

## **2. Elements of Corporate Social Responsibility**

There are several elements of CSR, which are divided into different dimensions according to international agreements, codes of conduct and industry best practice. The elements are internal characteristics, external characteristics, accountability and citizenship. Internal characteristics include non-discrimination policies, equal chances, fair salaries, having appropriate working hours with overtime policies, employees' enhancement with trainings and internal educational programs, right of freedom of association and human rights within entity's processes. External characteristics consist of labor standards including child labor, examining suppliers' services for health, safety and environmental dimensions, obligation towards protecting local community, responding to stakeholders' policies, fair trade policies, protection of local community's rights policies and code of ethics. Accountability includes reporting on CSR and sustainability and policies for involving stakeholders in two-way communication. Citizenship includes support for sustainable enhancement, educational plans for enhancing corporate citizenship and awareness campaigns for social and sustainable development matters (Welford, 2014).

Additionally, there are several accountability tools that corporations should abide by, in order to achieve societal impact and ensure the effectiveness of their CSR activities. Such tools have been emerging within countries in different corporations, due to the on-going call for the disclosure of CSR performance of companies by stakeholders. Several global entities have developed reporting systems according to specific characteristics. The reports cover carbon footprint, economic, social and environmental disclosure, human rights, labor including child labor, pollution and anti-corruption.

### **3. Aspects of Corporate Social Responsibility**

CSR activities should combine the interests of the stakeholders, along with the needs of the society in their strategic and daily decision-making process. There are three forms for CSR; economic, social and environmental. The economic form of CSR includes knowing the economic impacts of the firm's activities. It also includes the financial performance of the company, along with the ambiguous and unambiguous economic effects that the firm activities should have on the society at large. The economic activities could be contributing with taxes and not committing actions that cause harm. The social form includes being obliged to the positive social impacts that the companies should have on the society, and meeting the interest of the company itself. It combines employees within the company and in the supply chain of the company and stakeholders of the company. It should take into consideration the obligation towards employees, society and company itself. The environmental form includes the environmental effects on the society through the actions of the companies. Such effects could include overuse of natural, non-renewable resources, pollution, waste disposal and deforestation (Uddin, Hassan & Tarique, 2008).



#### **4. Benefits of Corporate Social Responsibility**

There is a two-dimensional model for CSR, which managers can abide by in order to achieve long-term competitive advantage. The two aspects of the model are; the CSR development and the CSR commitment. CSR development allows the decision makers to position their corporations according to their CSR activities implementation level. CSR commitment evaluates the company's commitment level towards the economic, legal, ethical and philanthropic CSR initiatives, based on the Global Reporting Initiative (GRI) regulations (Calabrese, Costa, Menichini, Rosati, & Sanfelice, 2013).

There are benefits for any corporation for undertaking CSR that lead to competitive advantage. These benefits could be both internal and external.

The *internal benefits* of CSR are divided into several dimensions. CSR activities help companies progress new resources and skills that are associated with corporate culture. These resources and skills would then be developed internally, leading to more efficient use of resources. Activities conducted by the Human Resources department could help in developing an experienced work environment, which affects the financial performance of a corporation through abiding by the business strategies effectively. These activities can help enhance the employees' productivity and reduce costs. CSR activities help motivate employees and make them committed to their workplace. Internal CSR includes fair salaries, flexible working hours, a healthy and safe environment, training programs, health and education aids for employees and their families, childcare facility, etc... Such activities help decrease employee turnover, reduce expenses of hiring and training new people and increase their productivity and self-esteem.

Companies doing frequent CSR activities tend to attract better employees, maintain them and their loyalty (Branco & Rodrigues, 2006).

Also, creating competitive advantage could be through pollution avoidance quality management programs and supplier relations, which create chances for the companies to change their production processes. This could be through recycling, use of less harmful materials, etc... Such changes would lead to cost savings in resources, due to the technological advances used within these programs. Additionally, there is the environmental responsibility of a firm, in which it can help increase revenues. This could be through developing and creating new procedures and making their products or services more appealing to the consumers. These programs and enhancements involve a vital change in the company's environment and human resources abilities to lead such programs. Following environmental enhancement programs would lead to the reduction of waste, reuse of materials, recycling, preserve water and electricity. Other internal benefits include reduced operating expenses, increased revenue from incentives. All of the above- mentioned benefits would lead to an impact on financial performance (Branco & Rodrigues, 2006).

Entities should offer more than just quality products and services to the public. They should develop an open organizational culture, creating responsible and ethical employees. The companies should involve their employees in their decision making and delegate tasks to them, hence, increasing their productivity and quality of work (Yeung, 2011). Also, corporations should offer programs and services tailored to the youth, women and the special needs.

CSR activities have a positive association with internal employee motivation. This can be shown on the employee satisfaction, self-image, loyalty, team efforts, retention, trust, sense of belonging and commitment (Skudiene & Auruskeviciene, 2012).

Internal CSR is composed of aspects that a company should follow in order to satisfy its employees and make them committed to their workplace. These aspects include both the internal activities, as well as the employee's participation in the external activities. The company should be concerned with the participation of the employees with the social programs, as this what formulates the positive impressions of the employees towards their corporation. The firm should offer equal opportunities to their employees, promote them fairly and offer them fair working conditions. Internal CSR should be a strategy set by a business firm in order to invest in the employee through different techniques, for example trainings, participation in programs, social integration and development plans. With such approaches, a company will be able to maintain its employees and grows their commitment, hence, motivating them to give their best at work (Abdel Wahab, 2016).

Self-determination theory suggests that there are two categories of rewards for employees' motivation; external and internal. External incentives outline the external motivation association with compensation programs. Such incentives include bonuses, fair wages, benefits bundle, etc... the external rewards were considered just actions for keeping employees on the job. Hence, the internal incentives were developed to act more effectively in motivating employees. These rewards include employee satisfaction, appreciating the tasks, overcoming challenges, feeling rewarded and appreciated, fairly and equally treated, getting feedback and being part in the decision-making process (Skudiene & Auruskeviciene, 2012).

Employer attractiveness is defined as the interest and motivation to work in a specific company for the benefits that they are offering for its employees. A study has divided employer attractiveness into five types; interest value, social value, economic value, development value and application value. The interest includes the company's work environment, creativity and development to innovate premium products and services that would attract employers to seek applying for such companies. The social value includes the teamwork spirit and engaging work environment that would make people want to work in the company that offers such things. The economic value includes the competitive offerings and benefits that the company offers to its employees. The development value includes the attractiveness of the individuals to work in an environment that takes into consideration the society and environment at large. The application value includes the level of attractiveness a company offers to its employees in which they take the chance to join a company that cares for the humanitarian value of giving back to the society, along with the customer-oriented environment (Ibrahim, 2017).

The *external benefits* of CSR are mainly concerned with the company's reputation and image. Companies with good CSR reputation tend to enhance the relations with external parties, like customers, bankers, suppliers, investors and competitors. Also, they can attract better staff and enhance current employees' motivation, loyalty and commitment to the company. All of these will impact the financial performance of the company. Communication of CSR of a company can help in building the brand's image and enhance its reputation within the stakeholders. Hence, attracting new suppliers and government entities. Corporations benefit from the communication of their CSR activities, as it supports the employees and the companies themselves in developing community bonds and become socially united (Branco & Rodrigues, 2006).

Companies can enjoy charging special prices for their products and services, where they can attract resources and develop its activities. The company's reputation depends on the stakeholders' support, such as employee commitment, consumers' loyalty, attractiveness to investors, collaborations with partners and coverage from media. On the other hand, the reputation is destroyed when companies lose the support from its stakeholders. In some cases, the products or services of a company should be tried and used before consumers can determine their values. In such cases, the company's reputation plays a vital role in determining the quality of the products or services of the company. CSR could be considered one of the tools for brand differentiation, and companies should disclose their CSR activities, in order to achieve good brand's reputation. Engagement in CSR activities can increase the stock value of the company, attract new investors and decrease the risk in managing crises. CSR activities can be effective when the company's main stakeholders are served (Branco & Rodrigues, 2006).

The external CSR is divided into three dimensions; customer related, business partners related and local communities related. The customer related dimension states that socially responsible entities have to offer products and services in an efficient, ethical and environmentally friendly way. The business partners related dimension states that for companies to be socially responsible, they have to have good relationships with their partners, in order to attain quality objectives and acquire quality control processes. The local communities related dimension includes philanthropic activities, such as sponsorships for supporting sports, arts and culture, investments in infrastructure of underprivileged areas, schools and hospitals. Additionally, it includes helping children, special needs and economically challenged people by offering programs that target them specifically, offering financial help to social projects and

motivating employees to take part in the CSR initiatives. All of these CSR activities offer added value to the community, as well as the company itself (Skudiene & Auruskeviciene, 2012).

The external CSR is the obligation of the business firm to consider their external aspects, like use of resources, caring for their society and work closely to the benefit of the economic and social benefits of their society. The more corporates invest in their employees and balance the interest of shareholders with the stakeholders, the more they gain in return. There is a very strong relation between employees' participation in external CSR activities and their commitment to their corporate place. Their loyalty increases when they volunteer in the external CSR activities (Abdel Wahab, 2016).

There are *other benefits* for CSR for corporations. These benefits are employee turnover, entity reputation and customer satisfaction. Employee turnover is a vital, as the loss of employees within an entity impacts the competitive advantage of the company. Entity reputation is vital, as it shows how a company is perceived by its stakeholders in comparison to its competitors. Customer satisfaction is vital, as it affects the profitability of the corporation and the overall process of developing loyal customers (Galbreath, 2010).

Employees are the most cherished asset for any corporation, and keeping them for several years is considered a success for the company. Retaining employees shows that the company offers a good workplace. It also shows an impact on the company's financial performance and productivity. Most companies are keen to work on activities to retain its employees, so that they can reduce their staff turnover. Employee justice perceptions theory states that the companies that are undertaking CSR frequently have reduced their employee turnover. It also states that employees generate justice perceptions according to the level of fairness that the company offers.

Scholars have concluded that companies that show fairness with their employees, tend to affect the employee welfare positively, as well as the company's outcomes, in terms of reduced absence and employee commitment (Galbreath, 2010).

Researchers have concluded the customer satisfaction through the equity theory, which is concerned with fairness, rightness and conclusions people make. This theory states that if customers sense that they are fairly treated, then satisfaction is attained. There are different ways where companies achieve the equity theory. First, companies should try to increase customer satisfaction through internal activities. These activities include trainings and investments in employees. Second, customers are looking for value from the products or services they acquire. This perceived value is considered an element that achieves the equity theory, as customers can feel the fairness and equal treatment offered by the company. Third, ethical standing affects the customers' views of equity offered by companies. An example of that is Sears, Roebuck and Company, the retail store. Sears has implemented an employee-customer-profit chain model, which aims at enhancing the employees learning through trainings (Galbreath, 2010).

Companies achieve competitive advantage through positive reputation. CSR initiatives offer signals that stakeholders receive to formulate their perception about the company. So, CSR and company's reputation are positively associated (Galbreath, 2010).

### **5. Ownership structure and Corporate Social Responsibility**

There are many definitions for CSR as will be mentioned below, yet, CSR could be defined briefly as integrated responsibilities including economic, legal, ethical and philanthropic assumptions that the firms should undertake. With all the research done on defining CSR, little attention was given to the ownership structure that affects the company's social performance.

Different owners have different goals and different ways of impacting the decision-making process, so Soliman, El Din & Sakr (2012), have divided the ownership into three types; managerial ownership, institutional lenders and foreign investors. They have classified them this way for three reasons; first, they think that the institutional lenders are big and have lots of shares in an entity. Second, that managers have the most knowledge on the company and they can mostly affect the company's strategy and investments. Third, that foreign lenders are not like local ones, as they have their own desires and choices.

According to the literature in the article of Soliman, El Din & Sakr (2012), there are three ownership classifications for the reasons why organizations should invest in CSR activities; role of managerial ownership, role of institutional lenders and role of foreign ownership.

The role of managerial ownership states that high-level managers have the authority to assign resources for their support. There is a positive relation between ownership by managers and CSR implementation, in which managers are more likely to take decisions to increase the stakeholder's values, such actions are applicable on the CSR activities, where socially responsible actions are likely to maximize the company's value (Soliman, El Din & Sakr, 2012).

The role of institutional ownership states that there is a positive relationship between institutions and CSR, in which institutional lenders can have a huge role in engagement of the firm in the CSR activities. This could take place through two directions, through playing a major role in their decision making processes or through investing in companies that consider social responsibility within their operations. Institutional investors care more about the long-term investments and profitability, so socially responsible activities are taken into consideration as a stimulus for cash flows (Soliman, El Din & Sakr, 2012).



Institutional investors prefer to invest in companies that have high-performance with CSR activities, as they can build long-term risk and return policies (Moscariello & Masiello, 2013).

The role of foreign ownership states that there is a positive relationship between foreign ownership and CSR, in which the higher the investment from abroad, the higher the effect of the foreign practices. This could be seen in the developing countries, where the CSR activities have been somehow similar to what the West are doing in terms of management of the activities. However, to have such big effect from the foreign investment, there should be clear identification of the foreign lenders profiles, their preferences and choices. Since there is an uncertainty factor within the investment decision, foreign investors opt to invest in a firm that is socially responsible (Soliman, El Din & Sakr, 2012).

## **6. Consumer Behavior and reactions to Corporate Social Responsibility**

Consumers' reactions may not be only concerned with the marketing and communication of a specific brand or company, however, they are concerned with the consumers' acknowledgment of the brand, along with their motivations. Studies have elaborated this through stating that the consumers' desire for considering a new product happens through the overall judgment of the consumers regarding the company. Also, consumers' reactions towards CSR are dependent on the amount of compliance they distinguish between the company's character and its CSR activities. The support for this can be summarized in two points; role of person-organization fit and organizational recognition fit. The person-organization role means that it is the fit between the person and the organization, in which when a consumer knows more about the entity they are referring to, the more their reactions are similar to the person-organization fit. The organizational recognition means that the more the consumer knows information about the

company through its good CSR activities and efforts, the more they will have confidence in such companies (Sen & Bhattacharya, 2001).

A socially responsible consumer behavior is defined as the behavior of the consumer who is socially attentive to social change. Consumer behavior includes mental, physical and emotional actions that people consider while purchasing a product or service according to their needs and wants. Consumers take into consideration the ethical behavior as an implication throughout their purchase process. On the other hand, other studies have stated that consumers consider legal aspects as a more important factor in the purchase process. Other studies have shown that CSR activities of the company play a major role in the consumers' minds while purchasing. Another study has stated that Egyptians are aware of the CSR concept and are willing to have positive attitude towards the companies that do such activities. On the other hand, other studies have shown that consumer buying decisions depend first on the basic factors, such as price, quality, and accessibility and then on the damage or benefits to the society. Another study conducted on Egyptians have shown that there is a minor association between the consumer buying behavior and CSR components, which means that Egyptian consumers do not consider the CSR components during their purchase process, due to the inadequacy in income that forces them to only consider prices when buying (Eshra, & Beshir, 2017).

## **II. Statement of the problem**

This research aims to investigate the effectiveness of the CSR initiatives, along with the relation between profitability and CSR activities through in-depth investigation into the Egyptian banking sector. The study is with the official CSR managers of major banks, within both governmentally owned and privately owned banks.

### III. Summary of Variables

#### 1. Effectiveness of CSR

The grounding of the below figure (*Figure 1*) is detailed in the literature review under section V, in which it shows the different aspects of the CSR activities to be effective.



*Figure 1: Pictorial Representation of the aspects of effectiveness of CSR Practice in theory based on literature review (Developed by the author)*

## **2. CSR and Profitability**

The grounding of the below figure (*Figure 2*) is detailed in the literature review under section VI, in which it shows the relation between the CSR activities and the profitability of the bank.



*Figure 2: Profitability and CSR perpetual cycle  
(Developed by author)*

## **3. Relation between the two models**

Effectiveness is defined as the concept of how effective an organization is in achieving the outcomes the organization intends to produce (Organizational effectiveness, 2018). If an organization is effective in CSR, that means it accomplishes the goals set by management for the CSR activities or initiatives in the organization. So the management has to first set a goal for CSR and allocate resources to achieve this goal, including human resources, financial and organizational resources.

The point is whether management does this when it achieves a specific level of comfort that they can spare some resources to commit to CSR. In such cases CSR is perceived as a secondary priority on the demand for resources in the organization, management would argue that doing their best in what they do and challenging competition to innovate and provide better quality products and service is indeed a subtle form of CSR. Some may even argue that their choice of business was to improve the life of people and its quality.

Profitability (profit margin) is measured by dividing the net profit by sales (Profit margin, 2018). If compared to the profitability of the industry, it is an indicator of the amount of differentiation the organization has achieved in delivering its products or services relative to the competition. One form of differentiation is the practice and communication of CSR activities that customers hold in respect. If so, then CSR is an antecedent to and one of the contributors to profitability. However, not all managements see it as such, and many believe that CSR is a luxury that only big firms can afford when they are highly profitable. The effective application of CSR can thus be seen as a consequence to profitability.

The relationship between the two models is still a dilemma, and this paper tries to show this relation in practice within the Egyptian banking sector.

## **II. Literature Review**

### **1. History of Corporate Social Responsibility**

#### **a. Corporate Social Responsibility in the 1950s**

The 1950s were the beginning of the modern era of corporate social responsibility, where managers and board directors had duties towards their societies, in terms of anticipated goals, standards and strategies (Rahman, 2011).

CSR in the 1950s was referred to as social responsibility (SR, hereafter), and this was due to the absence of the modern corporation's prominence and control in the business industry and the absence of businesswomen (Carroll, 1999). As stated in Carroll's (1999) article, the roles of the businessmen towards social responsibility are their duties towards pursuing and taking decisions and actions that are desirable towards the values of their societies.

In 1953, one of the early founders of definitions of CSR in academic literature, Howard R. Bowen, defined it as the duties of business firms to achieve rules and make decisions to attain the goals of their societies (Rahman, 2011).

In 1957, Heald, has defined CSR as the acknowledgment of the management of a business firm towards its roles to serve its society for the sake of the economic conduct and productive social acts (Rahman, 2011).

#### **b. Corporate Social Responsibility in the 1960s**

During the 1960s, many business firms and corporations were trading in harmful products to their societies and environments. Hence, societies were not serving the poor people,

so bribery evolved and ethics of people were welcomed by money and power. Consequently, the evolution of CSR increased (Rahman, 2011). Below are some definitions that came during this period by major contributors towards CSR and businesses.

Keith Davis, defined CSR as the actions and decisions of the businessmen taken beyond their entity's economic and technical favor (Carroll, 1999). Also, he defined SR, as the decisions and actions of the businessmen that are concerned with the economic and technical interests (Rahman, 2011). CSR is a process where businessmen make some socially responsible decisions, in which will benefit their economies on the long run, consequently pays back for their socially responsible stance (Carroll, 1999).

Another definition by William C. Frederick for SR, is that businessmen should consider all economic aspects of their society that would be in favor of the citizens, and accordingly the economy's means of production should be working in such a way that production and distribution should boost the total socio-economic well-being (Carroll, 1999). Frederick defined SR, businessmen should manage the process of an economic system that achieves the interests of the public. And in turn the economy's means of production should be active in a way that production and distribution should improve total socio-economic prosperity (Rahman, 2011).

A third definition by Joseph W. McGuire for SR, is that an entity should have economic, legal and social responsibilities towards its society. The entity should have a role in politics, well-being of the community, education and level of happiness and satisfaction of its internal employees, and the society at large (Carroll, 1999).

Generally, social responsibility could be defined as the responsibility of each person to consider his or her actions and decisions towards the society at large. Businessmen employ social

responsibility when they acknowledge the needs and wants of the others towards their business actions (Carroll, 1999).

In 1967, Keith Davis has elaborated on his definition of SR, by stating that it ascends from the ethical concerns of a person's acts that might affect the interests of others; hence it extends the person's consideration of the total social system (Carroll, 1999).

In 1967, Clarence Walton defined SR, by acknowledging the understanding of the associations between the business firm and the society in such a way that these associations should be within the agenda of the senior managers in achieving their objectives (Rahman, 2011). Also, Clarence C. Walton has defined SR, as the relationship between an entity and the society, in which such relationships must be taken into consideration from the top managers, as they attain their goals and objectives. This could be achieved through an indirect relationship between the corporation and specific voluntary entity (Carroll, 1999).

### **c. Corporate Social Responsibility in the 1970s**

In the 1970s, CSR has evolved and corporate people were involved with corporate donations and community relations. A couple of definitions evolved during this period that focused on the addition of stakeholders, matching with public anticipation and employment of CSR for long term benefits of the society. Also during this period, four aspects had risen; social responsibility, social accounting, social indicators and the social audit (Rahman, 2011).

The definition of SR in the 1970s was similar to what was defined above in the 1960s, by Morrell Heald in his book of *The Social Responsibilities of Business: Company and Community*.



He was concerned with the idea of how the businessmen explained it, and how it should be required in the actual rules they are related to (Carroll, 1999).

Milton Friedman defined CSR, by stating that a business firm should have an objective, which is to make use of its resources and be involved in actions that are considered to grow its revenues (Rahman, 2011).

In 1971, another term evolved 'conventional wisdom' by Harold Johnson in *Business in Contemporary Society: Framework and Issues*. He defined this term, by stating that a socially responsible entity is one whose managerial employees acquire variety of interests and instead of working for larger revenues, they are working for the benefit of employees, suppliers, dealers, local communities and the society at large (Carroll, 1999).

Harold Johnson had different point of view, in which he came up with four definitions of CSR. Firstly, a socially responsible entity should have employees that could function multiple aspects, and that this entity should take into consideration their employees, suppliers, local communities and the society at large. Secondly, a business firm should take actions within social programs to add revenues to their firm. Thirdly, a socially responsible manager should be keen to benefit other members of the business entity and not only his own welfare. Fourthly, the objectives of the business firm should be arranged by importance and targets must be set to achieve each single objective. Many aspects affect these objectives, but more importantly are the previous acts of the similar business firms (Rahman, 2011).

Then, Johnson developed another three views for the definition of CSR emerged; first definition states that an entity does social programs for the sake of revenues, which is considered a long-term profit expansion. The second definition states that an entity looks for several targets

instead of revenues. The third and last definition was that the targets of a specific company varies by different factors, but the most vital is the past experience with those targets and how they were achieved. He then elaborated, that a firm involves in socially responsible acts until they reach their revenue objectives, then they start treating these socially responsible acts as an important goal, even though they aren't (Carroll, 1999). All four definitions are conflicting, but they are balancing the ways of showing the same reality (Carroll, 1999).

Later in 1971, the breakthrough definition came out by the Committee for Economic Development (CED, hereafter), when they published *Social Responsibilities of Business Corporations*. They have defined CSR as any entity that works by the public agreement and its main aim is to fulfill the gratification of the society's needs and wants (Carroll, 1999).

CED has divided the definition of CSR to three levels, naming them circles; inner circle, intermediate circle and outer circle. The inner circle consists of the elementary tasks for the effective implementation of the economic jobs. The intermediate circle consists of the tasks to practice these economic jobs with a subtle consciousness of altering social standards and urgencies. The outer circle sketches the recently evolving tasks that entities should consider to become more engaged in vigorously enhancing the social setting (Carroll, 1999).

Moreover, George Steiner has defined CSR in his textbook *Business and Society*, a firm should always remain an economic organization, but it should also have tasks and responsibilities to aid society attain its essential goals and does (Carroll, 1999).

In 1972, Henry G. Manne defined CSR, by stating that any working firm should acquire three fundamentals, voluntary, actual corporate spending rather than individuals and marginal returns of business activities should be less than the returns from similar spending. His definition

is related to both Davis's and Frederick's definitions of CSR. Another definition came out by Professor Wallich, stating that a CSR activity requires three essentials; putting targets, decision to attain these targets and financing these targets (Carroll, 1999).

In 1973, Keith Davis defined CSR again as, a corporation should take into consideration while making their decisions what could affect the public and the society at large, in which they should aim to benefit the social society along with the economic (Carroll, 1999).

Henry Elibert and I. Robert Parket had another definition for CSR, in which they viewed CSR as 'good neighborliness' and was it into two stages. One taking actions that won't harm the society and the other is voluntary belief that one should solve the neighborhood issues, like racial discrimination, transportation, pollution, etc... (Carroll, 1999).

Votaw said that SR differs in meaning from one person to another. To some people it delivers that concept of legal obligation; to others it is an attitude with an ethical obligation and charitable contribution (Carroll, 1999).

In 1975, Jules Backman defined SR as, the targets in addition to its economic activities that should be assigned by an entity. He gave a couple of examples for CSR activities that companies can undertake, such as offering jobs for the minority groups, taking roles in programs that could help the society at large, enhancing medical offerings. All his examples were under the title of SR focusing on the benefits of the public and their standard of living (Carroll, 1999).

Another definition came out from S. Prakash Sethi, in which he stated that SR suggests taking the business firm to a higher level that is consistent with the usual social standards, ideals

and expectations. At the same time, he had a defensive view, which stated that a business firm should adjust to the social needs and requirements (Carroll, 1999).

Following the definition of Votaw in 1973, Lee Preston and James Post in their book *Private Management and Public Policy: The Principle of Public Responsibility*, they limited their definition of SR to an unclear and general sense of social concern that tends to regulate several specific managerial regulations and acts. However, they lack any clear relation to the managerial internal practices. After that, SR was referred to as 'public responsibility' in which it is clearer towards the managerial practices, and the use of the word public instead of social refers to the importance of the benefit of the public and the public policy process (Carroll, 1999).

Another definition emerged in 1976 by H. Gordon Fitch, in which he stated that CSR is an entity's efforts to fix the social problems that are caused by corporations. He then elaborated on his concept stating that a business firm should state its social problems, then choose which problem to start with solving and how (Carroll, 1999).

In 1979, Carroll defined SR stating that, an entity should include economic, legal, ethical and voluntary prospects that society has of firms within a period of time (Rahman, 2011).

Carroll has divided the concept of CSR into four dimensions that was enclosed with corporate social performance (CSP, hereafter); namely, economic, legal, ethical and voluntary. He also stated that corporations should meet specific aspects to be effectively engaged in CSP, knowing the problems that made social responsibility exists and understanding the philosophy of responsiveness to the problems. Carroll then elaborated on the four dimensions, where he defined the economic dimension as the company's economic role in the society, in which it should do some activities like employing people and offering them proper wages, innovation and

technological advancements and developing new products and services. The legal dimension is within the part where the society is expecting corporations to meet the economic objectives within the frames of legal obligations. The ethical dimension is when firms set ideologies to overcome the limitation of law, including respecting people, protecting and avoiding social harm. The voluntary dimension is when firms have their judgments and choices, including activities that are concerned with philanthropic activities that are targeted to serving and giving back to society (Matten & Mood, 2007).

#### **d. Corporate Social Responsibility in the 1980s**

All definitions that evolved throughout the previous years opened a gateway for other aspects, like corporate social responsiveness, CSP, public policy, business ethics and stakeholder management (Carroll, 1999). During this period, other major definitions have been introduced.

A great stakeholders' theory was developed by Freeman, which shows the role of stakeholders in promoting CSR. Also, the definitions that came out in the 1980s have helped in classifying the relation between CSR and effectiveness. This happens when a business firm's reputation rises from its CSR activities that increase the certainty of consumers towards the products and services; hence, profitability is achieved (Rahman, 2011).

In 1980, Thomas M. Jones, defined CSR, by stating that entities should have a duty towards the society not only shareholders and abiding by law and union. His definition included two aspects regarding this duty; to be voluntary implemented and to spread beyond the obligations towards the owners. He then elaborated saying that Preston and Post's definition of CSR 'public responsibility' was not enough, as it is still didn't tackle or solve the problems of

CSR. Jones also addressed the idea that a socially responsible behavior is not yet well defined, and that it should be seen and dealt with a process, not only set of results (Carroll, 1999).

Another point of view for CSR emerged by Thomas M., in which he stated that CSR is a concept where entities have a duty towards basic clusters in society beyond its stockholders. And to achieve this duty, two important aspects should be met. Firstly, should be voluntary. Secondly, should be extended to other groups in society like customers, employees, suppliers and near communities (Rahman, 2011).

In 1981, another two contributors, Frank Tuzzolino and Barry Armandi, referred to CSR by suggesting a need-hierarchy following Maslow's need hierarchy. They didn't propose a new definition, however, they stated that any company needs principles to be met, just like individuals, just as mentioned by Maslow (Carroll, 1999). Tuzzolino and Armandi stated that organizations are like individuals, they need a need-hierarchy same as Maslow's need hierarchy (Rahman, 2011). In 1982, Dalton and Cosier stated that a socially responsible corporate should be functioning legally and responsibly (Carroll, 1999).

In 1983, Rich Strand didn't come out with a new definition or concept; however, his point of view towards CSR was taken into consideration among other contributors. He stated that an organization should consider SR, social responsiveness and social connections with environment (Carroll, 1999). Also, Carroll has defined CSR by stating that it includes the behavior of a business, in which it is economically profitable, law abiding, ethical and socially supportive. So basically Carroll's definition of CSR stated that it should involve four aspects; economic, legal, ethical and voluntary (Rahman, 2011). Carroll developed his definition stating that CSR consists of a corporation being economically lucrative, law abiding, ethical and socially

supportive. And that CSR includes four aspects; economic, legal, ethical and voluntary (Carroll, 1999).

In 1984, Peter Drucker defined CSR, by stating that profitability and responsibility were ideas completing each other, where corporates should turn social responsibilities into business opportunities (Carroll, 1999). Also, Freeman defined the stakeholders were defined as customers, competitors, trade, relationships, media, suppliers, government, local and business communities. These stakeholders acquire effective contribution for successful CSR application (Rahman, 2011).

In 1985, Aupperle, Carroll, and Hatfield came up with four definitions for CSR; economic, legal, ethical and voluntary, concerned for economic performance and society. Most people consider economic obligations as actions that companies do for their favor, and not as part of social duties (Carroll, 1999).

In 1987, Edwin M. Epstein tried to combine social responsibility, responsiveness and business ethics together, by stating that they are close to each other and could be integrated. He defined CSR by stating, that attaining results from corporations' actions towards specific problems that are for the sake of the stakeholders. He then combined social responsiveness and business ethics into one aspect calling it 'corporate social policy process' (Carroll, 1999). Epstein then explained that CSR is linked to attaining results from business firm's decisions regarding specific issues that are beneficial on corporate stakeholders (Rahman, 2011).

### **e. Corporate Social Responsibility in the 1990s**

During this period, not many new definitions were introduced; yet, CSP, stakeholder theory, business ethics theory, and corporate citizenship were the major aspects (Carroll, 1999). However, according to Rahman, other major definitions have evolved (Rahma, 2011).

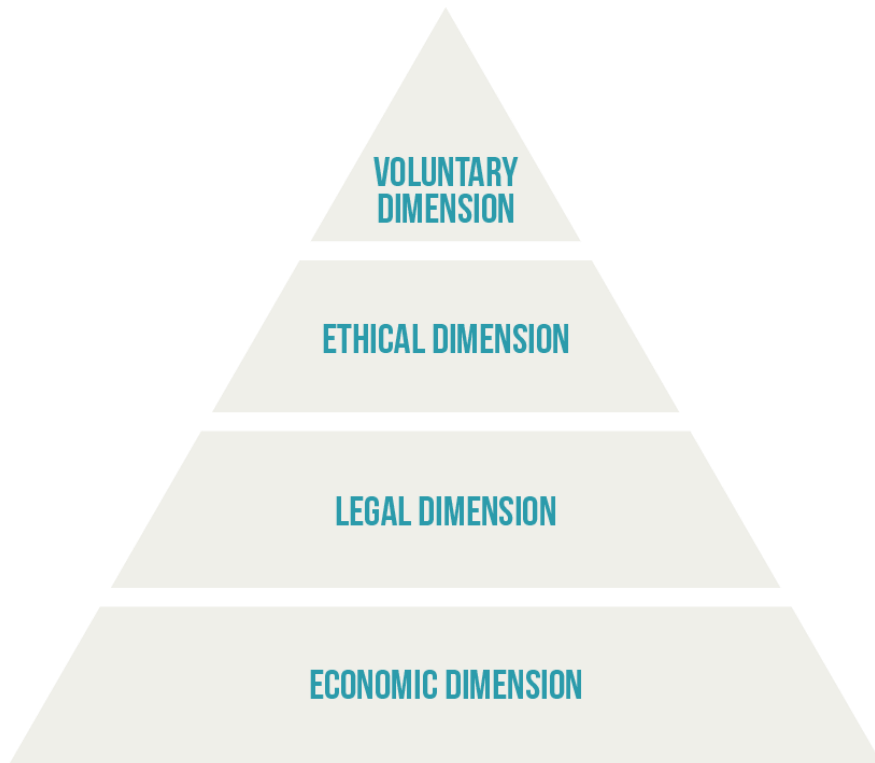
In 1991, Donna J. Wood has redefined the CSP concept through Carroll's three-dimensional concept and Wartick and Cochran concept. The three-dimensional model includes values, progressions and regulations that fall under the Wartick and Cochran concept. Wood has developed a three points model. Firstly, Wood has taken the four aspects of Carroll –economic, legal, ethical and unrestricted– and introduced their relation to CSR values of social validity, public responsibility and managerial decisions. Second, Wood acknowledged that corporate social responsiveness beyond Carroll's responsiveness sets –responsive, protective, accommodative and active– which Wartick and Cochran had articulated as regulations. Third, she came up with a new concept 'outcomes of corporate behavior', in which she went beyond Carroll's social issues aspect (Carroll, 1999).

Wood has redefined the CSP concept beyond listing the types of obligations. Her definition has moved CSR beyond than just a definition and a conceptualized CSP as the product of a corporation. Following Wood's definition, a researcher should acknowledge and analyze a company's obligations on three levels; institutional (motive to achieve credibility within societal factors), organizational (sense of public obligation) and individual (decisions and personal obligation of managers). The CSP model could combine and merge two or more of these obligations (Matten & Mood, 2007).



The results of companies' behavior are of direct and clear concern of the judgment of the CSP. Wood has divided the results into three categories; social effects of corporate behavior, the programs companies adopt to develop responsibility and regulations implemented to work on social problems and stakeholder interests (Matten & Mood, 2007).

Carroll elaborated on his four-model CSR definition by stating that they should be constructed as a pyramid, where the economic aspect being the base of the pyramid, then the legal, then the ethical and the voluntary. This pyramid was a depiction of his definition of CSR, in which he defined it as when a corporate would look for gaining revenues, abide by the law, be ethical and a good corporate citizen (Carroll, 1999). Carroll has revisited his definition, in which he mentioned that a corporation should be divided into a pyramid. In this pyramid, the economic obligation is the base and the unrestricted dimension on the top, as shown in *Figure 3* (Matten & Mood, 2007).



*Figure 3 - Carroll's pyramid of CSR*

In 1998, Hopkins defined CSR, as being focused with treating the stakeholders –internal and external– of the corporation ethically and socially responsible; hence, increasing the human improvement of stakeholders (Rahman, 2011).

In 1999, two other scholars, Woodward and Clyde, defined CSR as an agreement between business and society, in which society gives a business firm a license to work and in return the business firm meets specific regulations (Rahman, 2011).

The above-mentioned definitions were concerned with stakeholders. Other definitions to be mentioned below are concerned with the employees themselves.

CSR was defined by Khoury et al. as, the total association of the business firm with all its stakeholders, including customers, employees, communities, investors, government, suppliers and competitors. The features of social responsibility contain investment in community outreach, employees' dealings and financial acts (Rahman, 2011).

A new concept was developed 'Triple Bottom Line', by Elkington, which stresses on three aspects; social responsibility –people–, environmental responsibility –planet– and economic responsibility –revenue–. A corporation should meet all three to be a socially responsible one (Rahman, 2011).

Carroll and Buchholtz defined CSR, by stating that a person should consider their social system while taking decisions (Rahman, 2011).

#### **f. Corporate Social Responsibility in the 21<sup>st</sup> Century**

This period was the rise of CSR, where big companies have hired CSR managers in CSR specialized departments, along with CSR consultants. Universities are holding CSR conferences and events, in addition to researchers that are tackling CSR in their literature. Books and journals have been published on CSR, along with journalists covering CSR activities in newspapers. Also, the public is more interested now on what corporations say and what CSR activities they are doing. During this period, few scholars have defined CSR in the business world (Rahman, 2011).

In 2002, European Commission has defined CSR as an association between corporations and societies to include social and environmental concerns (Rahman, 2011).

Lantos has stated that there are three types of CSR; ethical, philanthropic and strategic. Ethical aspect is the call for business entities to be ethically accountable. Philanthropic aspect is the voluntary personal or organizational expense. Strategic aspect is when an entity does specific corporate activities that achieves strategic business targets (Rahman, 2011).

World Business Council for Sustainable Development has defined CSR as the ongoing acts by firms to act ethically towards economic growth while enhancing the quality of life of the employees and their families, along with the overall public (Rahman, 2011). The World Business Council for Sustainable Development (WBCSD) defined CSR, as the obligation of corporation to be part of sustainable economic enhancement, working with staff members and their families and local society. This means that companies have an obligation towards the society's needs, so they have to widen their activities to reach wider stakeholders. Hence, meeting the ethical, economic, legal, commercial and public's expectations (Jamali & Mirshak, 2007).

#### **g. Summary of Definitions of Corporate Social Responsibility**

The CSR definitions have been divided into categories based on the years of development of the concept. They can be divided into dimensions; duty towards society, stakeholders contribution, enhance the quality of life, economic growth, ethical business actions, law abiding, voluntariness, human rights, protection of environment, transparency and accountability. These categories are defined as below figure (*Figure 4*), where it shows the different keywords that emerged throughout the years, what have been replaced and what continued till nowadays.



Figure 4 – Chronological Summary of Definitions  
(Developed by author)

## **2. Corporate Social Responsibility in the Developing Countries**

With all the popularity of the CSR as a concept and the demand for ethical and authoritative attitude in business, it still is not very prominent and favored in the developing countries. Scholars have focused on Western CSR consideration (Matten & Mood, 2007).

The focus was on CSR activities in the developed countries, and little attention was given to the smaller developing countries. The focus was on the need for the research focus to be targeting the developing countries (Matten & Mood, 2007).

There are aspects that should contribute in the understanding of the CSR definition, perceptions and activities. These aspects include the national socio-economic culture and the level of the national economic advancement. With these variables available, CSR would have grown beyond the levels of compliance and public relations. A study has focused on Portuguese companies, it has stated that there should be more attention in the research for the socio-cultural variables in CSR in the newly developing countries (Matten & Mood, 2007).

Another study was conducted that reflected the vital attention needed from the upper management leadership towards CSR, while bounding the attention towards the philanthropy and the long-term profitability of the business (Matten & Mood, 2007).

A study in Italy was conducted, which has stated that almost 60% of corporations are treated as socially responsible with the help of a stakeholder path, taking into consideration the time and cost restrictions (Matten & Mood, 2007).

In Spain, another study was conducted, in which it has shown that firms view CSR differently. Some believe that it is a philanthropy activity and others see it as maximizing revenues (Matten & Mood, 2007).

The company should be held responsible in a way that people sometimes are not individually responsible when it comes to combining efforts within a corporation (Matten & Mood, 2007).

There are three main reasons for CSR activities in the developing countries. First, developing countries have frequently growing and profitable economies. Second, developing countries encounter different CSR claims and attributes than the developed countries. Third, social and environmental impacts allow for a positive and negative effects on economic growth, investment and businesses. The main objective of CSR activities within the developing countries is still profitability and with doing more CSR, entities gain both profitability and maximize their social performance. There are three drivers for CSR; values, strategies and public pressure (Yang & Crowther, 2012).

In developing countries, scholars stated that Carroll's pyramid should be changed to have the economic aspect the base of the pyramid, then the philanthropic, then the legal and then the ethical aspect (Gon & Mititelu, 2016).

### **3. Role of Corporate Social Responsibility in the Banking Sector**

There are several factors that affect customer's choice of a bank; bank reputation and image and the bank's quick and effective services (Belle & Al-Fayoumi, 2016).

CSR in the banking sector is known as 'Community Service Banking' and it is affected by two aspects; stakeholders model and triple bottom line. The stakeholder model states that a

corporation should engage its stakeholders with their CSR activities. The triple bottom line states that companies should not only be judged by their financial performance, but with their social and environmental performance (Narwal, 2007).

Banks have significant effects on the environment, both direct and indirect. The direct impact is concerned with the banks being strong consumers of resources, so they have to make sure that they don't harm the environment. The indirect impact has to relate the banks financial role towards the economy (Chakroun, Matoussi & Mbirki, 2017).

The banking industry has faced vital changes during the previous years, because of the changes that occurred in the global markets, like globalization, financial development and new technology innovations. Customers did not actually experience these changes, however, it is the banking firms that face such changes which led by time to loss of society's trust and credibility in the financial processes. Consequently, actions should be taken by the banking firms to manage their corporate image to identify themselves from the competition to win again the confidence of the customers. Banking firms should adopt a strategy to enhance their image within the society, and CSR is considered one of the tools within this strategy (Pérez, Martínez & Del Bosque, 2013). The 2008 financial crisis has affected many banks worldwide, including the banks that have good history with CSR (Laidroo & Oobik, 2014).

There are five directions for CSR in the banking sector; CSR targeted to customers, CSR targeted to stakeholders, CSR targeted to employees, CSR targeted to society and CSR targeted to legal and ethical aspects. CSR targeted to customers includes trusted communication of products and services. CSR targeted to stakeholders includes information for company profitability. CSR targeted to employees includes employment opportunities. CSR targeted to society includes charity, community enhancement and protection of environment. CSR targeted



for legal and ethical aspects includes all ethical and legal corporate considerations (Pérez, & Del Bosque, 2014).

#### **4. Corporate Social Responsibility in the Egyptian Banking Sector**

CSR in Egypt goes back to the Arab origins and the culture of giving -philanthropy, and is considered vague and unclear. It is from the origins of religion -Islamic Zakat and Christian psalms. Egypt is ranked among the slow CSR initiators, in which all their activities were philanthropy with no CSR regulations. Egypt CSR activities are defined by the World Bank as being business obligation towards sustainable economic development by working with employees, their families, local societies and community at large. Studies in Egypt have shown that CSR is being functioned either through PR or marketing departments and that it doesn't have a separate department, reporting to the general manager (Darrag & Crowther, 2017).

The Egyptian government has issued a program in the 1990s called the Economic Reform and Structural Adjustment Program (ERSAP). The program's objective was to liberalize the financial markets and restructure the banks backing the role of the Egyptian banks as collaborators in economy development. Following this program, the Central Bank of Egypt (CBE, hereafter) has implemented several rules; fine control, information system efficiency and good competency principle for management (Kamal, 2013).

During that period, there was no code for CSR to check the level of engagement of the Egyptian banks in socio-economic factors of the economy. Also, there was no evident research that states that there is a direct correlation between the CSR activities that are executed within the bank and their financial performance. Banks used to name any social and environmental obligation they have towards the society with Corporate Sustainability, Corporate Duty,

Corporate Responsibilities and Business Ethics. Such namings' used to show the vital obligation of the banks in taking part in continuous social development and profit maximization (Kamal, 2013).

CSR initiatives prior to January 2011 revolution were under the umbrella of philanthropy and minimum government regulations. CSR budgets were allocated through PR, marketing or Human Resources departments. After the January 2011 and 30 June 2013 revolutions, government has set rules and regulations that all the CSR activities should follow and abide to, shifting them from the normal philanthropic activities they used to have (Darrag & Crowther, 2017).

Profitable banking sector usually is the main factor in the economic development. Egypt has lived a great economic development for several years, until the unprofitable public banks have appeared and took the attention of the public conversations, where unsteady supervision and performance issues with loans were dominant (Kalhoefer & Salem, 2008). And it is still under study how CSR is being practiced in Egypt.

## **V. Effectiveness of the Corporate Social Responsibility**

CSR accountability is a vital aspect within the measurement of the effectiveness of the CSR activities a corporation undertake. There are specific reporting systems that companies, including the banking sector, can adopt to ensure effectiveness of their initiatives, serving the overall benefit of the society.

The CSR activities of a company would be effective and have impact on society when companies choose wisely their means of communication, strategy and objectives. Companies that promote their CSR activities and their social responsibility roles tend to gain consumers' trust and be perceived as positive in their minds. However, this positive perception could lead to backfiring on the brand if they stopped communicating or showing their social responsibility roles (Swaen & Vanhamme, 2004). CSR communication is likely to achieve strong and positive relations with stakeholders and the more a company communicates its ethical and social activities, the more they gain stakeholders attention (Morsing & Schultz, 2006).

When companies undertake CSR activities and they don't communicate them, they actually lose endeavors on CSR. On the other hand, when they communicate their CSR activities, they have two impacts. One that this communication would be positive in terms of transparency in the messages delivered to the stakeholders. While on the other side, this communication would be negative when the delivered messages are misunderstood by the stakeholders (Tench, Sun & Jones, 2014).

Stakeholder theory focuses on building long-term relationships rather than short-term profits. It works on the engagement of the companies with stakeholders, not stakeholders with companies. This is achieved by managers through building relationships with stakeholders

(Morsing & Schultz, 2006). Stakeholders theory works on the banking sector when seniors or managers consider stakeholders in their CSR strategies (Belle & Al-Fayoumi, 2016).

A company spend years building its name and reputation, which could be ruined in just one action. A ruined reputation can have major effects on the company's performance in terms of sales and revenues, especially when they don't reply back. Companies should respond effectively with communication to regain their reputation and reply back to the negative publicity. Years ago, studies have shown that CSR could be one of the forms of communication to respond to negative publicity. Studies also have concluded that consumers do consider such communications, and that CSR activities affect people's perception of the company. Other studies claim that companies who are already involved in CSR for a long period of time are more likely to get highly affected from bad reputation like the companies who are not doing CSR activities (Vanhamme & Grobбен, 2009).

Corporates communicate their CSR initiatives as a tool to fight for their reputation. Also, past activities could play a vital role for gaining consumer's trust and for the company to maintain its good reputation. The public seems to trust the company that has good reputation and has been communicating its CSR activities to the public, such companies have gained the trust and goodwill of the stakeholders. Due to this advantage, companies have acquired donations and charity initiatives as their CSR activities, so the study states that companies should be wary on how to acquire their activities to fight for their reputation (Vanhamme & Grobбен, 2009).

CSR activities are one of the tools to build corporate reputation and brand image. Once it is built, business firms can attract top talents and employees, build strong relationships with stakeholders, boost sales and customer loyalty, enhance financial performance and improve stakeholders value (Yang & Crowther, 2012).

Some studies have shown that CSR communication plays a vague part in the CSR strategy. While other studies have conducted that CSR communications is still done for the favor of stakeholders and profitability of the company (Chaudhri, 2016).

CSR communication helps in building good relationships and trust with stakeholders, in which companies can administer the expectations of the stakeholders through CSR communication. Firms should have specific strategies for their CSR communication to achieve this. Although CSR communication is not an easy task on the company, as stakeholders' needs keep changing, it is very important (Tench, Sun & Jones, 2014).

CSR communication has several advantages like superior recruitment and holding of employees, enhanced internal decision-making process and cost savings, enhanced image and relations with stakeholders and enhanced financial performance (Khan, Halabi & Samy, 2009).

CSR communication should include four characteristics. Firms should communicate to the public the CSR aspects they have, such as values, assumptions and perceptions. Firms should communicate their CSR programs to the public. Firms should make sure that their communication results are documented and recorded. Finally, firms should communicate the issues they are facing to their shareholders (Tench, Sun & Jones, 2014).

### **1. Accountability**

There is a huge demand for accountability of the CSR activities of the corporations from stakeholders and publics, as they require transparency in their stakes in the company to better formulate related decisions. Since stakeholders are requesting more accountability and disclosure from corporations, hence, there has been a move from corporations to abide by mandatory reporting systems. Such reporting systems allow for a comparable measure and benchmarking. On the other hand, there is a shift towards self-governance and regulation by non-governmental

entities that provide social and environmental voluntary disclosure activities to companies, like Global Reporting Initiative (GRI). Such voluntary reporting allows for managing risks that stakeholders face from the environmental and social issues. Banks are getting involved in the standardized reporting systems following timely, relevant and reliable disclosures (Crawford & Williams, 2010).

As mentioned in Yeung (2011) by McIlroy, he suggested several regulatory tools for the banks to achieve the CSR aspects. These tools are human rights, environment, fair controlling activities and consumer issues. There are specified measurement reports that measure the effectiveness of the CSR activities within the corporations. These reports include the Carbon footprint, Sustainability reporting, Sustainability evaluation and reporting system (SERS, hereafter), Global Reporting Initiatives (GRI, hereafter), United Nations Global Compact (UNGC, hereafter) and Equator Principles.

The climate changes are causing harm to the environment all over the world. Several entities are trying to take actions to lessen this harm, such actions make the corporations socially responsible. The banking sector is considered an environmentally friendly sector through their internal activities. However, their external activities through the loans that they give to their customers in the distinct fields, could be harmful and increase the carbon emission. Hence, the banking sector has a vital role in the economic enhancement and promoting environmental and social sustainability. *Carbon footprint report* states that the banking sector should finance green technology products and programs and pollution reduction projects, even if this sector is not considered a main driver to the polluted environment. This would achieve 'Green Banking' that indicates that the banking sector helps the overall minimization of the external carbon emission and internal carbon footprint. The internal carbon footprint includes lighting, air conditioning,

electrical equipments, IT, paper wastage, lack of green buildings, overuse of resources, etc...If the banking sector minimized their internal carbon footprint and external carbon emission, this could result in creating a sustainable business entity (Meena, 2013).

The benefits of adopting such Green Banking concept –carbon footprint– are avoiding paper work, creating awareness to corporations about the environment, lessening the rates for the loans and adopting environmental values for financing. Avoiding paper work means that banks should try to be computerized and follow digital and electronic correspondences in their activities and reporting systems. Hence, limiting deforestation. One way to create the awareness about environmental aspects is through collaborations with NGOs through adopting special programs, activities and sponsorships. Also, awareness could be achieved through developing bank's own programs that disseminate environmental caring information. Hence, enhancing the bank's image and reputations. Lessening the rates for financing means that the banks should offer green bank loans, that would help businesses to be more environmentally friendly, such as fuel consumption, solar systems, etc... Adopting environmental values would lead to changing the attitudes of the businessmen to make them care about the environment (Meena, 2013).

There are several methods to adopt Green Banking concept. These methods could include online banking, online savings accounts, sending emails instead of printing papers. All of these would lessen the use of paper and would make it easier for the banks to limit their carbon footprint internally. As mentioned in article Meena, (2013), banks could adopt the Green Banking concept in different ways, such as,

- Spreading their news and educating people through the bank's website, Intranet or press

- Hosting events and outlets to promote green business
- CSR and socially responsible activities
- Carbon footprint minimization through energy awareness and mass transportation
- Promoting education through online programs
- Including such green banking activities within the annual report of the bank

Sustainability was developed through the advancements in the CSR sustainable development and stakeholder theory. It states that the profitability and corporate growth are vital aspects, along with the societal impacts, social justice, environmental protection and economic development (Christofi, Christofi, & Sisaye, 2012).

There is a call for *sustainability reporting* from the governmental and non-governmental sector, consulting and research agencies, since it is considered the most detailed and integrated reporting system for any entity. Accountability, legality, reputation and risk management, stakeholder and political economic models are the drivers for the call for sustainability reporting. Nowadays, corporates are trying to integrate the environmental, social and financial aspects of the reporting in several ways; distinctive stakeholder specific reports, standalone report, or extended financial and business reports. The distinctive stakeholder specific reports include several aspects; environmental, social and corporate citizenship. Each aspect tackles different stakeholder group. The standalone report allows companies to post standalone sustainability reports that would give information about ecological, social and economic sustainability initiatives of the company to the interest groups. Extended financial and business reports include elements of corporate activities that have gained more attention during the years to the targeted stakeholders and key customers. It could also integrate the environmental and social reporting of



the company with the business reporting, to form a one-compiled report for regulatory authorities (Herzig & Schaltegger, 2011).

*SERS* is looking for collecting distinct management aspects, such as social and environmental reporting and KPIs into one compiled model. This reporting system aims to create an efficient and effective approach for a collective evaluation of the corporate sustainability, for the goal of helping and enhancing a new accounting and reporting corporations. Additionally, it aims at the integration of both the financial and non-financial performance measure, enhances the quality of decision-making processes and management style to cater to all stakeholder groups. These reports are divided into three sections; overall sustainability reporting system, including annual, social and environmental reports, integrated information system and KPIs for corporate sustainability (Perrini & Tencati, 2006).

*GRI* was established in 1997 (Isaksson & Steimle, 2009) and published in 2000, with the collaboration of the United Nations Environmental Programme (UNEP), the Coalition for Environmentally Responsible Economies (CERES) and the Tellus Institute. It aims at offering the international community with a reporting and recording guidelines for their sustainable activities and processes. GRI then became an independent reporting initiative that aligns with the UNEP and UNGC. It became the world's forerunner and creator of guidelines to report ecological footprints within the sustainable reports. It bases its guidelines according to the transparency concept, economic accountability, environmental and social effects, towards the distinct stakeholder groups. GRI can be adopted and applied by different organizations regardless of size, sector or location (Christofi, Christofi, & Sisaye, 2012).

The GRI report covers the corporation's profile, governance and performance. The profile and governance include three main elements; profile aspects (brands, products, services, location, ownership, assets and labor structure), governance construction (codes of conduct, risks, aligning with international regulations and values) and strategic aspects (targets, goals, strategies, objectives, challenges, opportunities and failures). The performance includes three elements; economic and financial (revenues, costs, labor compensation, donations and community servicing activities), environmental (effect on natural system, emissions and waste) and social (effect on human rights, labor, benefits, trainings, education, health, safety, equality, anti-corruption and procurement rules) (Christofi, Christofi, & Sisaye, 2012).

*UNGC* was established in 2000 by United Nations agencies, government and civil society groups (Christofi, Christofi, & Sisaye, 2012), after a speech by General Secretary, Kofi Annan, at the World Economic Forum in 1999. He was asking for initiating a conversation with corporations to solve the global issues (Voegtlin & Pless, 2014). *UNGC* aims at directing the businesses towards aligning their processes and strategies around four main principles. These principles are the worldwide assertion of human rights, international labor assertion, environment and development assertion and UN agreement against corruption (Christofi, Christofi, & Sisaye, 2012). There are ten principles that are included in the *UNGC* reporting serving four main areas; human rights, labor, environment and anti-corruption (Voegtlin & Pless, 2014).

Human rights include two principles;

- Businesses should respect and abide by the protection of internationally declared human rights
- Businesses should make sure that they are not complicit in human rights abuses

Labor includes four principles;

- Businesses should support the freedom of collaborations and the effective gratitude of the right for negotiations
- Businesses should remove any form of forced and obligatory labor
- Businesses should abide by effective elimination of child labor
- Business should ensure removal of any employment and occupation discrimination

Environment includes three principles;

- Businesses should abide by a preventive environmental aspects model
- Businesses should do activities that are environmentally responsible
- Businesses should boost the enhancement of the environmentally friendly technologies and advancements

Anti-corruption includes one principle;

- Businesses should aim at working against corruption in all its types

UNGC is considered the biggest voluntary global governance enterprise that focuses on the social and ecological responsibilities of the corporations (Voegtlin & Pless, 2014).

The development of the private banks has led to the *Equator Principles*, which states that financial sector should take into consideration the social and environmental problems in their financing operations. It was formed with institutional support from the International Finance Corporation (IFC) and the World Bank (Wright & Rwabizambuga, 2006). It is a “voluntary code”, in which it consists of a set of guidelines that banks could submit to voluntarily, then they start developing their social and environmentally consideration projects financing. Banks adopting the equator principles should categorize their projects into three categories; A, B and C,

following the Internal Finance Corporation screening criteria, according to the level of their environmental and social risk (Macve & Chen, 2010). If any project is considered a medium or high risk, then the bank should create a management plan, aiming at minimizing the risk and loan agreements that ask clients to abide by this plan. In 2006, the equator principles were adjusted to add firmer obligations for social problems (labor, health, safety and security), development responsibilities before starting any project and obligations for public reporting. This new modification was constructed of ten principles (Conley & Williams, 2011);

1. Abiding by the Equator Principles Financial Institutions (EPFI) to categorize new projects according to the IFC's environmental and social screening criteria
2. For the category B (medium-risk) and category A (high-risk) projects, banks should do a social and environmental assessment and how to minimize the risks
3. For categories A and B, the assessment has to depend on the IFC Performance standards and Environmental, Health and Safety (EHS) guidelines
4. Borrower have to create an action plan, including risk management
5. Borrower have to consult with all impacted communities
6. Borrower must create a tool for category A and B projects, to make sure that consultation is ongoing throughout the whole project
7. For categories A and B projects, there should be a self-governing evaluation of the social and environmental assessment, action plan and consultation documents
8. Borrower should ensure the availability of the contractual deals within the loan agreement documents
9. For categories A and B, borrower should employ a self-governing evaluation for the environmental and social aspects to review their periodic reports

10. EPFI should report publicly on a yearly basis

## **2.Message**

The CSR message to be communicated by a company is most likely to be something around the social cause that the company is doing and taking part in. Usually the CSR communication is about the company's role in social causes, and not on the social causes themselves. When communicating CSR activities, there are several aspects to be considered; the engagement with the cause, effect it has on the cause, reasons to engage in the activities and coherence between the cause and the business firm (Du, Bhattacharya & Sen, 2010).

The engagement with the cause has several factors, such as the supply of consistent income and durability of the relation. Examples for the actions could be allocating budget for funds, offering corporate consultancy and research and development, all related to the cause. The engagement could be with one aspects or several aspects. The effect of CSR should be within both the internal and the external sides of the cause, in which the external side includes societal effects and benefits to the target audience of the social cause. The reasons to engage in social activities should focus on several aspects. A study has shown that some companies communicate their CSR activities through their websites and they differ in their types of motives conveyed to their stakeholders. Another study has stated that business firms do CSR activities to meet their business goals and objectives. The congruity between the cause and the business firm means that stakeholders usually think that companies should do CSR initiatives that have a good fit with their business objectives. The congruity may include relations with the brand products, affinity with special target, or business image that is built through years (Du, Bhattacharya & Sen, 2010).

### **3. Channels**

There are various channels to communicate CSR activities through, like yearly reports, press releases, websites, along with traditional media such as TV commercials, press, outdoors and product packaging. Companies can control how they communicate their CSR activities, but they can't control the external communicators like media, public blogs and customers. Usually people prefer to read about whatever interests them from self-interested sources. The same applies for CSR news, people tend to read or know them from their own preferable sources, rather than from company's communication channels, as company's sources can trigger more hesitation. From company's duty as well to try as much as they can to control the external communicators and have positive relations with them, so that they could publish about them in a positive way. This would hugely boost the company's CSR associations. Other channels that companies should consider are the word-of-mouth of both consumers and stakeholders, as consumers can be a very credible source for a company. Also, social media could work and be very credible for CSR communication (Du, Bhattacharya & Sen, 2010).

Annual reports are one of the main vehicles for CSR communication to stakeholders. For a company to choose its communication channel, it depends on its availability of resources and strategies to target its stakeholders. The more the bank has branches, the more they should communicate their CSR activities, as they have more obligation towards their societies. Also, big banks in terms of capital and framework tend to communicate their CSR initiatives more than small banks, hence attaining market acceptability (Hinson, 2011).

The different means of CSR communication are electronic media (online), print, television and websites. Internet can contribute to building a positive image with stakeholders, as

companies can communicate their goals and deliver information and get feedback in return (Hinson, 2011).

The results of several researchers that are done on the CSR between Europe and the United States resulted that companies within these regions differ in their social responsibility activities. These differences would include their approaches towards CSR, language they use to describe their activities towards the society (Matten & Mood, 2007).

A study was conducted on how companies were representing CSR on their websites; the results showed that 53% of US companies talked about their CSR and only 29% French and 25% Dutch. Later, more companies have implemented the language of CSR within their activities; from those countries were Africa, Australia, South America and South-East Asia (Matten & Mood, 2007). A study has shown that corporate companies are still not using their websites as their communication channels for their CSR activities. Another study has stated the same and elaborated saying that actually companies don't know the advantages of using their own websites as means of CSR communication (Amaladoss & Manohar, 2013).

#### **4. Aspects for effectiveness of Corporate Social Responsibility Communication**

There are some company-special aspects and stakeholder-special aspects for the effectiveness of the CSR communication. The company-special aspects have two components; company reputation and CSR positioning, where they affect the corporate-controlled communication. CSR reputation is the company's acts and outcomes that can explain the company's ability to reach good results to several stakeholders. It includes distinct factors such as product quality, advancements, investment value and CSR. Companies' reputation can help stakeholders to provide information about a company including CSR. Companies with good

reputation tend to have positive effects on their CSR communication. While on the other hand, companies with bad reputation have negative effects on their CSR communication and could backfire them. Another factor that could affect the effectiveness of the CSR activities is the field that the company is working in. CSR positioning is the level to which a company tries to place or position themselves in consumers' minds in relevance to competitors. A company's CSR positioning is supposed to boost the effectiveness of CSR communication, as stakeholders are more likely to focus on the authenticity of its CSR activities, hence, achieving good favor to the company (Du, Bhattacharya & Sen, 2010).

The stakeholder-special aspects have three components; the stakeholder type, the issue support and the social value orientation. The stakeholders' types are divided into two; opinion leaders (media, lenders and NGOs) and general public (consumers and local communities). They differ in their expectations of the business firms, information needs, consequently, they reply back differently to CSR communication channels, so it is vital that they target CSR communication according to stakeholders (Du, Bhattacharya & Sen, 2010).

Opinion leaders are more likely to look for CSR communication about a specific company. Therefore, companies should consider updated reporting regulations and standards when they communicate their CSR activities. One type of opinion leaders is the 'mainstream investor', which are concerned with shareholder value expansion, so companies should take them into consideration in their communication. On the other hand, the general public don't actually care about CSR communication of companies. When they do, they get their needed information from their preferred sources and not the company's communication channels. Examples for their preferred sources are advertising, press and word-of-mouth. Companies should consider such



channels while communicating their CSR initiatives to ensure they reach all the people (Du, Bhattacharya & Sen, 2010).

Issue support is the stakeholders desire to action CSR information that affects communication effectiveness, and it shows stakeholders personal wants and beliefs. Individuals information and knowledge of a social concern usually leads to huge support towards that specific concern. To boost the stakeholders' issue support, companies have to provide information and communicate the importance of the central concerns of their social activities. Also, to maximize the stakeholders' issue support, companies should employ stakeholders in the social activities. Moreover, companies should consider marketing research before doing their social activities, in order to benchmark stakeholders support for social issues (Du, Bhattacharya & Sen, 2010).

Social value orientation is the individual's constant desire for specific aspects of results for oneself and others and this is another factor that affects CSR communication effectiveness, as it is linked to stakeholders' desire to action CSR information. There are three categories; prosocial, individualistic and competitive. The prosocial cares about maximizing their own results and those of others. Individualistic cares about maximizing outcomes of themselves only. Competitive cares about maximizing their own outcomes at the expense of the competitors. Later on, studies have identified another category, which is the CSR activists, in which they care about ethical principle, have knowledge on the CSR activities of firms and usually research firms' attitudes towards CSR (Du, Bhattacharya & Sen, 2010).

## **5. Corporate Social Responsibility and Marketing Strategies**

CSR activities are moving from just philanthropy or donations to following strategies in their CSR performance. Donations were the starting point in the CSR performance, in which companies wanted to develop a long-term beneficial effect and decrease any negative impacts on society. There are two types of donations; conditional and unconditional. The conditional is related to profit maximization in terms of revenues. While the unconditional is not related to profit maximization. And this is where CSR has developed its voluntary aspect (Sughra & Crowther, 2015).

A lot of money is being spent worldwide on CSR activities and it is gaining attention more than ever. Most companies now have a separate dedicated CSR department that handles the strategies, activities and reporting. In most companies CSR departments are working apart from the marketing departments, which makes the company lose as the CSR and marketing strategies are not aligned and not working together, for the overall benefit of the company. The CSR and marketing departments need to work closely together following a strategy for their success and the company's success. This strategy works for the favor of the CSR activities to make them effective. There are three steps for making CSR strategy integrated and effective; determine the level of support of firm's objectives and activities, analyze the tactics of the objectives that best support the CSR and the brand, and support these tactics with main activities, main messages and proof points (Blomqvist & Posner, 2004). CSR strategies should be built with both the business target and human resources target, as it has the strongest relation with the business firm internally and externally (Yang & Crowther, 2012).

There are three ways to combine CSR with marketing; integrated, selective and invisible. The nature of the business, objectives, consumers and competitors, all can affect the company's

decision on which way to use to promote their CSR activities. The integrated way means that the brand and CSR should work in harmony together, this is applicable when companies have enough market research that could show responsible business activities that plays a vital role of the brand preference. It works best on companies that have responsibility as a vital aspect within their business. The selective way means that CSR displays itself in a very targeted and selected way. It works either when market research shows responsible business activities that play a vital role of the brand preference, or when only some categories of the target market places have vital effect on brand preference. It is effective the most when it can bring effective edge from the competitive market that would back up the image of the company from any backfires. The invisible way just from their CSR initiatives (Blomqvist & Posner, 2004).

There are other three main directions for CSR communication strategies; instrumental, relational and constitutive. The instrumental direction acts as the base of the CSR activities, where it is considered the strategic tool for CSR objectives. The communications part is to coordinate with stakeholders to achieve the company's targets towards CSR. CSR communication should work on both external stakeholders and internal as well. Internal communication is mandatory, as it engages employees with the CSR activities of the company, which makes them more loyal and attached to their companies. CSR communication as well enhances the company's image and reputation (Chaudhri, 2016).

The main components of the relational direction are conversation, associations and trust, in which CSR is a mutually respectful relationship that is to be developed between stakeholders and company. Public relations experts are the ones that should be responsible for social responsibilities. The objectives of communication are to build relationships by making conversations with stakeholders and engaging them with the CSR messages. However, this could

be difficult in some cases, as it may clash with the company's objectives. The constitutive direction states that corporations are systems of communication, hence, CSR is formed through communication. The way companies talk about themselves through communication are constitutive activities (Chaudhri, 2016).

There are other three CSR communication strategies; information strategy, response strategy and involvement strategy. The information strategy states that communication is always a one-way communication from the company to the stakeholders. Its purpose is giving information objectively about the company. The tools of communication are public relations and materials like brochures and pamphlets. In this model, stakeholders are the influential part in either supporting the company, or boy cutting it. It also states that CSR department role is to ensure that they deliver the appropriate message based on the company's objectives (Morsing & Schultz, 2006).

The response model is a two-way communication model, in which the company works on changing attitudes of the public, so they involve the stakeholders by taking decisions that goes with their interests. In this model, communication acts as a role for getting the feedback of the public and what they accept. The involvement model is a conversation with the stakeholders. The company ensures that it meets the stakeholders' expectations, the company's effects on these expectations and the effects it has on the company itself. This model is similar to stakeholder information model, in which both models state that stakeholder is influential. The company following this model should always have frequent conversations with the stakeholders (Morsing & Schultz, 2006).

There are three classifications for CSR strategies; ideological, procedural and consequentialist. The ideological is concerned with values and ideologies. The procedural is concerned with specific processes provided by managers. The consequentialist is concerned with benefits and results of actions (Marques-Mendes & Santos, 2016).

There are three strategies that lead to CSR; delineating events, stakeholder effect, and drivers. Delineating events are the company's events ordered in a specific order, in which they include values, market trends and stakeholders. These events help in forming and developing the CSR strategy. Stakeholder effect includes the connection between company's legitimacy and its ability to achieve the needs of the stakeholders. Drivers are events that are from within the company, like positioning of the brand, societal values and economics sustainability (Mostardeiro & Duarte, 2007).

## **6. Measures of Strategic Corporate Social Responsibility**

To effectively merge CSR into business vision and mission, it is vital to integrate the CSR values into the organization. The CSR activities of a corporation has to be linked to the general business objectives and strategies, for them to generate the required value. Strategic CSR should determine the following decision making throughout the overall execution process of the vision and mission of the company. The CSR value created through the mission and vision cannot be substituted with any non-CSR initiative (Ooi, Amran & Yeap, 2017).

There are two approaches to achieve this; top-down and bottom-up approaches. The top-down approach directs the entity in its daily processes and employs the resources efficiently to achieve fixed value. On the other hand, the bottom-up approach states that the widespread civic engagement is vital to encourage sustainable business (Ooi, Amran & Yeap, 2017).

The merging of the CSR values within the organizational mission and vision statements that guide the overall strategy and directions of any corporation, will result in building a stakeholder oriented society, hence will lead to sustainable competitive advantage. For this merge to happen, there should be enough resources within an entity to work on achieving a sustainable business. They have to make sure that the CSR activities are within the strategic direction of the organization, and they shall make use of their experience, skills and knowledge. These dedicated resources convey the dedication and commitment of the company towards its stakeholders. Moreover, they measure and report their CSR activities performance publicly and internally, which shows the company's will to undertake its CSR activities responsibly (Ooi, Amran & Yeap, 2017).

Non-governmental organizations (NGOs) are one of the vital stakeholder groups, in which the banks cooperate with them in their CSR activities using their resources, knowledge and skills. This cooperation is further motivated by global institutions like the World Bank and the United Nations Development programs. Such collaborations are considered effective and efficient tool for the CSR strategy, as it achieves mutual benefits for both parties, consequently the society at large (Ooi, Amran & Yeap, 2017).

## **VI. Profitability of Corporate Social Responsibility**

### **1. Corporate Social Responsibility and firm value/Corporate Financial Performance**

To predict the relation between CSR activities and company's financial performance, researchers try to study the association from different angles, like questionnaire from business students and faculty members or yearly analysis to shareholders. With all their attempts to know the relation, still there is no one relation that all studies have concluded (Tsoutsoura, 2004).

CSR may decrease the firm value when entities invest minimal on CSR activities just to meet the interests of the managers. On the other hand, when firms invest in CSR activities frequently, the firm value increases, hence, engaging consumers with the entity and increasing profitability. The firms that are capable of doing frequent CSR activities are the ones with ongoing cash-flows and low debts. Recently, companies started to announce their CSR activities, as consumers, stakeholders and lenders are more interested now with companies that are socially responsible (Alsaid, 2016).

There are many arguments on the relation between CSR activities and the company's financial performance. Some studies have concluded that it is a negative relationship, as they think CSR activities are costs on the companies. Other researchers suggest that entities who invest little in their societies tend to show more stock returns, which implicates that CSR activities affect negatively the firm value. However, other studies have concluded that there is no relation between CSR activities and the financial performance. On the other side, other studies have stated that CSR activities indeed help improve the entity's image and reputation, production efficiency and lessen the managerial uncertainties. Since the image and reputation are built over time, so when the entity invests frequently in CSR activities that helps with having better long-

term financial performance. This shows the positive relation between the two factors, in which when a company invests in CSR activities, it is more likely to have better non-financial performance. Hence, achieving better financial performance (Alsaid, 2016).

As stated in Soana's (2011) article that the Anglo-American studies have concluded that the relation between CSR and corporate financial performance can be summarized in four types; positive, negative, null and mixed. The negative relationship was supported, in which he has stated that CSR activities are costs for corporates, which lessens the CFP. The positive relationship shows that there is growth and development between corporate social performance (CSP, hereafter) and CFP. The null relation shows that there is no correlation between the factors, hence, no financial changes. The mixed relation states that the correlation between CSP and CFP is not stable, as sometimes CSR activities can acquire more costs than revenues. Hence, there should be a middle ground level for CSR, beyond that being socially responsible becomes dangerous on the entity itself.

Research has stated that the CSR - financial performance could be negative, positive or neutral. The negative relation could be interpreted as socially responsible entities have a competitive disadvantage, which is because they require expenses that decreases the stakeholder's profits, especially that the CSR activities incur costs, so entities tend to minimize such activities. The positive relation could be interpreted as banks doing CSR activities would acquire trust, reputation and credibility of stakeholders. The neutral relation could be interpreted as other factors that would hinder the relation between the financial aspects and the society, as the relation is difficult (Kamal, 2013).



## **2. Effect of Corporate Social Responsibility activities on Company's Reputation**

Several studies have concluded that there is a positive relationship between CSR activities and financial performance. Other studies stated that there is no relationship between the two factors. On the other hand, other studies have stated that there is a negative association between CSR and the financial performance of an entity. Studies have been centered on the consequences of CSR on the stakeholders like employees and customers. Research have stated that managers are more likely to invest in CSR from the company's revenues after they are exposed to its CSR activities (Sen & Bhattacharya, 2001). In CSR, the aims of directors, owners and other major stakeholders shape the way corporations are led (Matten & Mood, 2007).

Chang, Hsieh, Wang & Hsieh (2014), have divided the impact of CSR on the firm's cost of capital into four aspects. First, when investors lessen their will to hold stock in a firm, the risk diversification -allocation of capital in a way that lessens exposure to risk- opportunity decreases and the non-diversifiable risk increases. Second, lenders tend to view socially responsible firms as having high risks and encounter more ambiguous future claims. Third, CSR acts as a risk management engine and plays as a guarantee for the firm. Fourth, struggles between managers and shareholders over investment on CSR, in which managers favor to use the firm's expenses to satisfy their own interests at the expense of minority stockholders. Also, they have stated that companies that invest in CSR tend to have greater investor base.

Other studies have concluded that corporations that have stable financial performance would have enough assets to spend in social performance and employees' investment. They can afford to spend on long-term strategies that would make them gain brand image, good relation with society and invest in their employees and attract new ones (Tsoutsoura, 2004).

### **3. Factors affecting Corporate Social Responsibility Disclosure in Egypt**

As mentioned in Hussainey, ElSayed and Abdel razik (2011), there is a positive correlation between social acknowledgment policy and profitability in management's knowledge. They have elaborated saying that managers who have enough knowledge to have their firms profitable, have also knowledge in the social responsibility understanding. However, different researchers have different point of views, some stated that there is no relation and others stated that the relation is positive.

Also, scholars have researched the association between liquidity and reporting the social responsibility activities. Some argued that there is no relationship between the two variables and other have stated that there is a positive relationship, in which companies with low liquidity would publish more about its voluntary information in their annual reports to meet the satisfaction of the stakeholders (Hussainey, ElSayed & Abdel razik, 2011).

Hussainey, ElSayed and Abdel razik (2011) concluded that profitability of a company is the key driver for Egyptian companies to announce its CSR activities.

A study was conducted to research the relation between CSR activities and profitability, and it resulted in a positive relationship, and that companies that show ethical commitment, tend to have better financial performance (Yang & Crowther, 2012).

## **VII. Research Questions**

**RQ1:** How to measure the effectiveness of the Corporate Social Responsibility activities?

**RQ2:** What is the relation between Corporate Social Responsibility activities and the firm's financial performance?

**RQ3:** What comes first, is it profitability or the Corporate Social Responsibility?

## **VIII. Objective & Methodology**

The objective of this thesis is to study the effectiveness of the CSR initiatives and the relation between the CSR activities and the profitability within the Egyptian banking sector. In order to fulfill the objective of this research, and since most of the literature review does not cover Egypt fully and is giving information about different foreign countries, the researcher utilized a qualitative method, intensive interviews with the CSR managers of the banks to collect more in-depth information about Egypt.

Intensive interviews provide in-depth wealth of information and elaboration on specific topics, including respondents' personalized opinions, experiences and feelings. The disadvantage of intensive interviews is that the respondent's answers are not generalized (Wimmer & Dominick, 2006).

The sampling strategy is a non-random purposive sample, in which these banks' CSR representatives are serving the purpose of the study. Some of the interviews were conducted face-to-face upon interviewees' convenience and others were done through email. Institutional Review Board (IRB) approval has been granted by the AUC IRB, along with the Central Agency

for Public Mobilization and Statistics (CAPMAS) approvals, where the interview questions were translated into Arabic.

The sample consists of both governmentally owned banks and privately owned banks. The researcher has contacted all CSR people in the banks and followed up on her initial contact. However, after these CSR representatives promised to conduct the interview, some weren't able to take the interview. The banks that accepted and fulfilled the interview are; Arab African International Bank (AAIB, hereafter), Suez Canal Bank, ALEXBANK, Attijariwafa Bank, Emirates NBD and First Abu Dhabi Bank (FAB, hereafter). They were conducted after a brief telephone discussion to introduce the topic and the research.

## **1. Sample**

### **Arab African International Bank (AAIB)**

AAIB opened originally as a joint-venture between CBE and Kuwait Investment Authority (KIA) by Special Law. It was incorporated in 1964 and was considered the first Egyptian Multinational Bank with main shareholders as CBE and KIA. It is the fastest developing bank in size and profitability, leading to being considered as the leading Financial Group in Egypt offering wide services in the region. It is the only private bank in Egypt that is present in the Gulf region. In 2008, the bank established five firms; Arab African Investment Holding (AAIH), Arab African Investment Management (AAIM), Arab African International Securities (AAIS), Arab African International Mortgage Finance (AAIMF) and Arab African International Leasing (AAIL), all these firms led the bank to be considered as the full-fledged Financial Group (Arab African International Bank, 2018).

In 2003, the bank started their socially responsible activities (CSR activities) making it a vital aspect of the bank's core values. The bank developed a new concept 'Sustainable Finance with Value Creation'. Their sustainable activities were awarded in 2012 by Arabia CSR Network, as being the first bank in Egypt and the region to start its own foundation for 'Social Development in Health and Education: We Owe It to Egypt' (Arab African International Bank, 2018).

### Suez Canal Bank

Suez Canal was established as a commercial bank in 1978 in accordance to the provisions of the Egyptian Investment Law, they offer financial services to both corporates and individuals according to three pillars strategic business model. The head office is in Ismailia, and started expanding through the years to reach 38 branches around Egypt. They have several shareholders; the Arab International Bank with 41.48%, Libyan Foreign Bank Tripoli with 27.71%, Suez Canal Authority (Pension Fund) with 10.11%, Arab World Co. for Financial Investments with 2.50% and others with 18.20%. They are committed to enhancing their human assets through different training programs offered in collaboration with financial institutions and universities. They started their CSR activities with the establishment of the bank in 1978 in distinct sectors, like health, social, special needs and economically challenged individuals (Suez Canal Bank, 2018).

### ALEXBANK

ALEX Bank was founded in 1957, currently it is one of the leading private banks in Egypt. The bank contributed in Intesa Sanpaolo Group in 2007. Within the private sector banks, ALEX bank has around 170 branches with 5,000 employees and 1.5M customers, which is

considered one of the biggest private sector branch networks. The bank offers value added financial services, products and solutions to corporate, small and medium enterprises, small business and retail customers. They provide value to enlarge their global effect not only for business success, but for the benefit of the society at large. The bank tries to merge their CSR activities with their day-to-day activities, so that they can create long term value towards the enhancement of the society in different sectors; economic responsibility, social responsibility, civic responsibility and environmental responsibility. They work to maximize their CSR and sustainability activities both internally and externally including all their stakeholders (ALEX Bank, 2018).

### Attijariwafa Bank

The bank has been in Egypt for 150 years, under Barclays leadership, operating within 55 branches with 1,550 employees over the main cities in Egypt. Attijariwafa head office is in Morocco, operating in 26 countries with 4,090 branches with almost 19,400 employees, serving 8.8 million customers. It is leading bank in North, Western and Central Africa offering financial services within several sectors; insurance, mortgage, consumer credit, fast transfers, leasing, factoring, stock brokerage, asset management, M&A and market advisory, etc... On May 3rd 2017, Barclays Bank PLC has moved its full shareholding in Barclays Bank Egypt S.A.E. to Attijariwafa bank group. On November 3rd 2017, the bank has been disclosed as Attijariwafa bank Egypt S.A.E. and is presently operating under the new trademark and logo (Attijariwafa Bank, 2018).

The bank is keen on social, corporate and environmental challenges on the regional level, and works on applying them on the day-to-day process by embedding the responsible finance

within its strategy. This CSR strategy is working for the benefit of the stakeholders of the bank and is offering distinct values; Leadership, Commitment, Solidarity, Ethics and Citizenship.

### Emirates NBD Bank

Emirates NBD was founded in 2007, when the shares of the bank were officially on the Dubai Financial Market (DFM). It is a merge between Emirates Bank International (EBI) and the National Bank of Dubai (NBD), making it a regional alliance, as the merge is between the second and fourth banks in the United Arab Emirates (UAE). They offer financial services in different dimensions; corporate, retail, individual, Islamic and investment banking. In 2017, the bank was acknowledged by the BAI Global Innovation Awards as the Most Innovative Financial Services Organization. The bank operates through 228 branches with 9,000 employees covering UAE, Egypt, Kingdom of Saudi Arabia, India, Singapore, United Kingdom and offices in China and Indonesia. They have large social media following, which makes the bank the only bank in the Middle East that is within the top 20 in the 'Power 100 Social Media Rankings' (Emirates NBD, 2018).

Emirates NBD entered the Egyptian market in 2013 through the acquirement of the BNP Paribas subsidiary in Egypt. Currently, it is functioning with 1,500 employees with distinct knowledge and skills in both local and global markets. It is operating through 65 branches covering Egypt big cities; Cairo, Giza, Alexandria, North Coast, Delta, Upper Egypt, Sinai and Red Sea (Emirates NBD, 2018).

The bank states on their website, that they are a socially responsible corporation; being an active supporter of the UAE's main development activities in alignment with the UAE government's strategies, to cater for providing financial literacy and the inclusion of disabled

people under their own platform “#Together”. The bank is the ambassador of the economic and social development for the UAE to the world (Emirates NBD, 2018).

### FAB

National Bank of Abu Dhabi (NBAD) and First Gulf Bank (FGB) have merged, founding the biggest bank in the UAE, one of the world’s largest financial corporations and leading bank in the Middle East. The bank’s head office is in Abu Dhabi serving 19 countries. The bank was founded in Egypt in 1975, and currently is considered one of the largest foreign banks offering wide range of financial services within Cairo, Alexandria, Delta, Upper Egypt and the Red Sea. In 2015, the bank celebrated their 40<sup>th</sup> anniversary. Since they are biggest bank in the UAE, they are keen to play a vital role in the development of their local communities, from giving support to employees to spreading awareness on local aspects, to having powerful effect on the society (FAB, 2018).

The researcher conducted six interviews with,

1. Director of Marketing and Communication Division, AAIB
2. General Manager Corporate Communications, Suez Canal Bank
3. Head of CSR and Sustainable Development, ALEXBANK
4. Marketing and Corporate Relations Director, Attijariwafa Bank
5. CSR and Internal Communications Assistant Manager, Emirates NBD Bank
6. Sustainability Champion and CSR Team Leader, FAB



## **IX. Research Findings**

The findings of each interview are divided into eight sections; definition of CSR, objectives of CSR, KPIs to measure effectiveness of CSR activities, CSR activities, CSR management within the bank, communication of the CSR activities, competition and relation between CSR activities and the bank's financial performance.

### **1. Definition of CSR**

**AAIB** calls it sustainability, which is the second level of CSR. The first level is philanthropy or giving. Sustainability is within the same spectrum but it is more into the business. CSR is any voluntary giving to the community in any field that has social value or environmental impact. Anything that we voluntary give.

CSR is a one-way thing and the difference is that sustainability is into the business and defined as how you make your business and its impact. CSR is outdated now, it was very popular within the beginning of the 2000s. CSR is divided into corporate and giving to the community, and sometimes when we do something good there is a possibility of having a correlation between both, but this is not the case all the time. As a bank, it can offer millions and tons of money to fund a project, yet this project may harm the society. This is a safer concept. Abdel El Kader quoted that CSR is the 'cherry on top of the cake.'

However, now it is the sustainability concept, some corporates call it Sustainable Finance. Sustainability is defined within a bank, in which that every transaction has environmental, social, governance and economic dimensions. Here the relationship and symbiosis are stronger, as when AAIB does a project, they can have environmental and

economic benefits, which will lead to profit and environmental value. So there is a very intrinsic relationship between your giving and your business, just because the concept is different, that's why this new concept is more into the business. The profit in the sustainability concept is the value the bank creates; value for shareholders, value for environment, value for society and so on. Sustainability achieves better results.

Sustainability concept has better risk management, as it is already taking into consideration within its activities the four previously mentioned aspects or dimensions. There should be audits to be done on all four dimensions before giving loans and funds to any project. In AAIB, there are certain criteria for each business field. AAIB sustainability activities are embedding the society, environment and governance into business operation both internally and externally. Internally in managing their carbon footprint, in terms of plastic bottles, paper, electricity, consumption of gas for employees' cars, etc... The indirect effect on the society is way stronger than the direct impact, so AAIB has to manage their external environment.

Sustainable finance is about risk and revenue. The risk is through environmental and social risk management, where people always look at it only from the perspective of reputation, however, it should consider the financial aspect, as if a client or business faced a major crisis, it will affect the bank's profitability. The revenue includes the green inclusion and social inclusion. The sustainable finance stops you from facing risks and at the same time it opens up new markets for you

The difference between CSR and sustainability is that CSR is just charity whatever the consequences of the business are. While sustainability is the new trend after CSR, in which it is doing your business while paying attention to environment, society and governance

The bank cannot confirm the direct cause effect of their activities, but there is a correlation. Correlation becomes very strong within the sustainability concept, as when doing the business, they are thinking of its impact, CSR gets more developed and the symbiosis as well.

The awareness of sustainability and sustainable finance concepts increased within the bank. They have their own internal communication that is distributed daily ‘Good Morning AAIBians’. In addition to a sustainability unit that integrates all departments together, along with sustainability reports.

They report yearly to Equator Principles (divide risk into three categories for any business to set its own funding criteria), United Nations Global Compact (10 principles – human rights, labor rights and anti-corruption), LBG (pure CSR – yearly contribution in terms of number of employees and money contribution) and sustainability reporting (report that includes all what is mentioned above – first bank to do such report in 2010). Also, they issued their first Global Reporting Initiative (GRI) report in 2017.

Since the foundation of the **Suez Canal bank**, it was committed to have an impactful role within the society, so they allocate a budget that is administered and supervised by a fixed committee to look for and assess the needs of the different segments of the society by unceasingly offering financial aid and donations for distinct fields, like health, social, special needs and economically challenged individuals.

On the other hand, **ALEXBANK** changed the concept completely from CSR to Creating Shared Value (CSV, hereafter), and they are very proudly doing this now within the bank’s activity. They are trying to redefine their community investments platforms and their CSV outlook and approach internally and to the community at large. CSV is where the bank shifts

completely from a bank that has some agendas and responsibilities towards the community to a bank that is economically responsible and provides equal economic opportunities to the less fortunate, as well as to be a responsible organization in itself. They first look to be internally sustainable, responsible in the supply chain and dealing with customers in their transparency and reporting. At the same time, be very focused on value creation towards the community.

**Attijariwafa bank** had another point of view for the definition of CSR, where the interviewee stated that CSR started as early as history. People started to give different definitions, yet the same concept remained, which is give back to the community and people, and be the force for good in certain communities. With the evolution of corporations and public relations, CSR came to serve the organizations sometimes as a PR tool or tactic to build company's image and sometimes as a separate activity with separate objectives than what the PR and communications leverage on, to instill the company's brand image. Attijariwafa bank defines CSR as citizenship, in which it includes all the activities whereby they are seeking to develop the economy, raise the living standards of the citizens in the markets they operate in and the way they are doing things in all the activities of the organization. Citizenship is very strong at the bank by which they are calling it a "lens", in which they can look into the things they do. They are good citizens when it comes to doing business, they never mislead or missell.

Corporate social responsibility (CSR) is how **Emirates NBD** manages their business processes to produce an overall positive impact on society. It covers sustainability, social impact and ethics by organization through partnerships and staff volunteering program "Exchanger Program".

**FAB** defined CSR as, the social role, contribution, team work, donations, knowledge, society contribution awareness, education improvement, society conscience, anything which might help the society to be developed not only with money, but also with efforts.

## **2.Objectives of CSR**

**AAIB's** main objective and goal from their sustainable activities is to put Egypt on the map of sustainable finance through all initiatives they are doing. They want a better environment and society through creating value to all stakeholders.

**Suez Canal Bank** stated that their main objective and goal is supporting the community in the health sector, special needs, economically challenged people and areas with urgent need for development. They want to be not only a bank that offers financial services, but have a contribution and impact on the society. They try to work on the basic needs, offering decent educational and health conditions and upgrading the living standards of the public.

**ALEXBANK** had another set of objectives that they created three platforms to work on. These platforms are; employees volunteering and engagement, community investments/CSV and sustainable finance. Employees volunteering and engagement is trying to do a lot of initiatives that are sustainable and responsible for the employees and not only making them volunteer to take part in CSR activities. They are also focusing on women empowerment, environmental activities inside the bank, having flexible working hours, give trainings to their suppliers, dealing with their suppliers fairly and communicating with their customers. They are trying to make their employees agents and responsible individuals.

Community investments/CSV is never entering any project without having a sustainable plan, but also an exit plan. They are trying to endeavor in projects that have the value creation for the bank itself, in the financial literacy and awareness, youth, economic empowerment, female economic empowerment and children saving products and awareness sectors.

Sustainable finance is a whole new unit at the bank and it is really dedicated to drive the business to find new banking products to serve the economically vulnerable population and reporting on the big loans that are provided to fund projects, to make sure they are good and sustainably responsible and not affecting the environment.

The overall objective of **Attijariwafa Bank** is to cater to the welfare of the community in several ways, they focus on certain platforms or themes, like growing real economy, youth economic empowerment, women economic empowerment and entrepreneurship and innovation. They came up with a new strategy after the sale of the bank, in which they studied the market needs, using what they had in previous years as Barclays, and global sustainable development goals. They have studied the SDGs that Egypt had adopted and took from them what is applicable for the bank. They have a new strategy called “Five and Five”, in which they have five big goals to achieve in five years. They are not looking for publicity; they make sure their activities are effective on the recipients. Also, they want to build their own brand persona in terms of the projects or activities they are undertaking.

The main objectives of **Emirates NBD** are people with disabilities under their initiative "Together Limitless" that is committed to helping create a world where there are no barriers for people with disabilities, to attain the same dreams and potential as everyone. Other objectives are youth employment, women empowerment, financial literacy and financial inclusion. In addition

to the Exchanger Volunteering Program with weekly activities all over the year, this program forms chances for their employees to exchange their time for social good. **FAB** is focusing on developing several sectors; healthcare and youth empowerment.

### **3.KPIs to measure effectiveness of CSR activities**

**AAIB** is committed to all the reports that were mentioned above, so they have set guidelines and criteria that they follow. They are doing well and are expanding by getting their peers on board to create value to their environment and society through ‘MOSTADAM’ initiative, in which they are disseminating their sustainability concept to other banks to force all banks to serve the society and environment and have set regulations to abide to.

**Suez Canal bank** is different, as they don’t have specific KPIs, but they measure the success of any activity on three main aspects; documentation of the different stages of the activity, publicity in media and feedback of beneficiaries.

**ALEXBANK** differs in their way of measuring effectiveness, where it has a new unit that is called “Social Performance Sustainable Unit” that is functioning under the CSV department and is dedicated to report and create all financial and non-financial aspects of the bank, like newsletter, quarterly report and sustainability report. Also, it has a dedicated section for the impact assessment of the projects. They have their own templates, where their partners have to fill before, during and after the project. These templates are helping the bank to measure their impact on beneficiaries.

For each activity, **Attijariwafa bank** have a separate KPI, however the concept is there, in which they make sure the approach and methodology are available, and they must have one

applicable employee component within the activity to give back to the community. Moreover, monitoring and evaluation reports should be available. The main KPI is to have a direct noticeable effect on the beneficiaries, they encourage their partners to continue the monitoring of the beneficiaries even after receiving the service by years.

Both **Emirates NBD** and **FAB** doesn't have specific KPIs, as they are new to the field. Emirates NBD mentioned that they will start adopting KPIs from 2019.

#### **4. CSR activities**

**AAIB**, when they first started, they started in 2003 with strategic philanthropy. Then, they realized that it is not enough, so they shifted to sustainable business in 2005. Then, in 2014, they shifted to industry movement, in which all banks are to stand up for the society and have unified goals, restrictions, audits and regulations that they abide to. None of these stages stopped. They started in 2003, by founding 'We Owe It to Egypt' foundation, the Arab African International Award. 'We Owe It to Egypt' foundation is for health and education industries mainly. They are the first back to do such foundation, in which they were arguing that doing something for the community, the value you create there will somehow affect the sense of belonging within the employees, they will feel better, they are better to clients, then shareholders will be reaping the organization, the cycle of 'Happy Clients, Happy Shareholders'. There is an argument that any value you create tends to migrate.

In 2014, the bank started an initiative called 'MOSTADAM', the first platform for sustainable finance in Egypt and MENA region that works on three pillars; capacity building, policy advocacy and promoting sustainable products and services. Through this initiative, capacity building is developed through modules on other bankers in corporate and risk areas. The



vision for this initiative is *“To be the national drive behind the significant impact and sustainable development of health and educational sectors in Egypt.”* (Arab African International Bank, 2018).

The bank is still in the stage of capacity building, in which they have achieved almost 200 graduates from this initiative. These graduates have taken different courses, like introduction to sustainable finance, Small and Medium Enterprises finance, clean and renewable founding. Some courses were in corporation with the Egyptian Banking Institute, which is the training arm for the CBE, and other courses were in collaboration with Frankfurt School of Finance and Management. They are developing their courses to include entrepreneurship and environmental and social risk management. And they are working as well on the other two pillars, in the research and collaboration phase

A lot of research was done on the part of industry movement, they resulted in two main barriers that are hindering the movement, which are lack of awareness and lack of policy, in which there should be rules and regulations set from the CBE that all banks should follow. For lack of awareness, we should do trainings. For lack of policy, we should do policy advocacy

Benban Solar Park in Aswan, it is the largest solar park in the world. It is called ‘Infinity 50 project’, in which it is part of the feed in tariff program that Egypt is part of. AAIB is financing the project.

From the projects they undertake within the sustainable business are having branches for the differently abled, they give trainings to their neighborhood creating awareness and ‘Financial Inclusion’, in which it is a one week centralized by the CBE every year to include people who

were excluded before. Before this inclusion, the bank already developed their branches for the differently abled to be served within any of their branches.

Another initiative by AAIB is ‘Keep the Coast clean’ that was targeted to create awareness of the beach pollution solutions for a clean North Coast. It started on social media by a competition to engage public in the approach of cleanliness of the North Coast. Then, it continued by putting recycling bins and ash trays in 2015 on the shores. In 2016 they started doing on-ground activations and activities for the kids and in 2017 it was different as they collaborated with government to have competitions with prizes to take pictures for the shores before and after, as an awareness technique to show how there is development of the cleanliness of the North Coast shores (Arab African International Bank, 2018).

AAIB have initiatives within education, in which they have developed ‘MQ tips’, in which they have weekly social videos that give banking tips. They host school students in their branches to explain the banking industry. For new hires, they have training sessions dedicated for sustainable finance. In carbon footprint field, AAIB is the first bank to issue a carbon footprint report, they have done assessment for their carbon footprint consumption that led to developing carbon task force that includes employees from sustainability team, engineering and IT. They all collaborate to find solutions for energy saving. They do a lot of engagement with employees, in terms of internal competition, acknowledgment of employees’ participation in such activities.

AAIB looks for all aspects of sustainable finance and clients as well. They raise awareness for their clients through MQ tips and their own touchpoints that are catered for their existing clients. And at the same time, they are working towards the better environment and

society. As stated by the interviewee, “sky is the limit” for the improvement and development of their sustainable finance activities.

**Suez Canal bank** focused on several aspects. In the health sector, the bank is keen to provide aid for more than 30 central and regional hospitals, including university hospitals, so that they can provide health services for the public for free. Also, they collaborate with Non-Governmental Organizations (NGOs) that offer health services for free for public.

In the social sector, the bank offers support to more than 80 charitable institutes that provide care for orphans and economically challenged individuals.

In the special needs sector, the bank provides support those with special needs by offering transportation and compensatory tools.

In the economically challenged individuals sector, the bank offers support to the low and no source income families and individuals to offer them medical treatments for long-lasting diseases and transplantation of organs procedures.

In addition, Suez Canal CSR activities recently were within the development of schools, districts and slum areas, in which in 2017, they have allocated a specific budget to the development of schools in Ismailia. In the end of 2017, another budget was allocated in “تطوير” in Cairo governorate. In 2018, they allocated a considerable amount in a project in collaboration with the Federation of the Egyptian banks, in which it aimed at the development of the slum areas.

**ALEXBANK** has a widespread portfolio of CSR activities, which are catering different needs of the society. Their activities are offered in different sectors; Employees CSR

engagement, environment and sustainability, Relief projects, Economic Empowerment and Sovereign engagements. From their employee engagement activities, they have “Those who need us” initiative that is an employee volunteering campaign launched in 2014, where employees propose ideas for volunteering across Egypt centered around medical relief and engaging marginalized communities (such as orphans or the elderly). Over 10.5% of bank’s employees engaged in this activity. In addition, there is a competition “For My People” that was launched in 2012 focusing on engaging all employees across all regions. Employees’ propose a specific CSR project for ALEXBANK to fund. Projects are selected through a mass staff voting and a dedicated committee. In 2016, the bank has decided to expand the competition outreach and approved the increase projects enrolled from 5 to 8 to cover ALEXBANK’s regions.

From their environmental and sustainable initiatives, they have “Energy Efficiency Project”, in which ALEXBANK was the first bank to develop such an initiative that collaborates with Ministry of Electricity and the United Nations for Development (UNDP). They started it in 56 branches, and they are promising to expand it further. Moreover, the sustainable finance and reporting, in which they are committed to the Equator principle and UN Global Compact reports. In 2017, the bank has launched their first sustainability report following the GRI standards reporting on all internal and external activities.

From their Relief projects, they have “57357 Children Cancer Hospital” initiative since 2009, where they had a role in funding, volunteering programs and blood donations employees’ campaigns. This initiative has achieved over 600K EGP employee donations per year. Also, “Upper Egypt Villages Development – EDFU” initiative, in which it was a 2-year partnership with Egyptian Zakat Foundation in 2016 to help and support five villages in Aswan. In 2017, the bank partnered with Khair Wa Baraka NGO to develop 5 more villages. This has achieved more

than 2,500 indirect beneficiaries. Moreover, they are working with the homeless kids, in collaboration with Sawiris Foundation for Social Development and Banati NGO on enhancing the homeless children situation and current status. They are trying to have a decent shelter and life for girls and they offered educational kitchen inside Banati shelter, where the kids are learning a lot of cooking abilities, some of these girls are now hired by Movenpick Hotel with a full time job chef.

Another initiative within the same sector called “Educate Me – Transformational Teaching Program” that is in partnership with Educate Me NGO and MetLife. The timeframe of the project is from 2016 – 2019 and it focuses on enhancing and delivering development programs and trainings for teachers working in governmental schools. It targets 3500 beneficiaries across 150 schools. “Cottonforlife” initiative that was launched in 2015 focusing on promoting sustainable fashion through eco-friendly and socially responsible textile production chain. It is a 5-year partnership with Filmar SpA. “Eastern Saft Preparatory School Transformation” that is in partnership with Takatof foundation to enhance infrastructural, educational and human development programs in Saft el Sharkeya school in Beni Swief – Upper Egypt.

From their Economic empowerment sector, they have a very big initiative that is called “Ebda3 men Masr” that was launched in 2015 and is dedicated to support, help and promote the Egyptian Crafts to celebrate the Egyptian power to boost it locally and internationally and increase entrepreneurial chances for the economically and socially underprivileged communities (ALEX bank, 2018). This initiative works on skill-ability and vocational training of handicrafts – how to produce good products-, writing up their stories and their marketing and how to develop and package their products, selling through international exhibitions, selling through local

exhibitions – International Handicrafts Show, where they sold for over than 3 million Egyptian pounds last November- and fair trade certifications. They are working on the five aspects that the market needs as handicrafts. This initiative is reaching 3,500 craftsmen in all governorates, in collaboration with several NGOs, like Fair Trade Egypt (FTE). They have created an online platform dedicated for promoting and selling the products of the handicrafts through Souq.com, a strategic CSR agreement between two parties.

Another initiative within the same sector is “Fair Trade Empowerment and Promotion in Egypt” that is a strategic partner of Ebda3 men Masr where more than 1000 local artisans -90% women- are targeted and empowered. It is mainly functioning in Upper Egypt and Delta and focuses on the necessary skills and tools, creating new marketing and export channels and developing current ones. “Female Economic Liberation in The Creative Industry”, in which it is an initiative by Egypt Network for Integrated Development (ENID) to enhance sustainable employment chances in Upper Egypt by operating in 4 villages, reaching around 1000 beneficiaries -100% women- in Qena governorate.

“Supporting Handcraft Community” initiative is a one-year partnership aiming to reach 400 female artisans to support their handicrafts across Cairo, with 100% women being beneficiaries. They have another project that is with the cooperation of pdf, ilo and Sawiris Foundation that targets enhancing the employability of youth and women through participating in education, skills building, developing entrepreneurship skills in four governorates; Beni Sueif, Minya, Assiout and Sohag. “Abu Teeg Carpets Production Unit” is a project that is following Egypt’s 2030 plan in enhancing rural areas with the aim of finding job opportunities for people in Upper Egypt. This project is a three-years in collaboration with Sawiris Foundtaion for Social

Development, Ministry of Trade and Industry and Egyptian Handicrafts Chamber and Export Council.

From the Sovereign activities, they have Social Development Committee (SDC) following the Federation of Egyptian Banks (FEB) that aims to deliver accountability on aspects that are related to social responsibility. Also, they take part in the Financial Inclusion Week – Arab financial Week in May 2017 under the CBE-, in which they were considered the most dynamic participant in their on-ground activations (Financial Literacy roadshow for spreading financial literacy to children and unbanked public). This achieved almost 1,953 new accounts that were opened in the bank.

In addition, they have started their first capacity building workshop for local artisans in collaboration with the Egyptian Banking Institute and the Egyptian Export Council of Handicrafts, in which they have offered trainings on quality control, financial planning, sales, packaging and marketing. Finally, they are aiming to be the pilot bank for a national financial inclusion program focusing on women in the cooperation with the National Council for Women (NCW) under the supervision of the CBE.

**Attijariwafa bank's** group holding has a very big foundation that was founded 40 years ago that is mainly supporting sports, arts and culture. They try to lower their carbon effect on the environment and have a more environmental friendly approach in their operations, like lighting. They treat customers fairly, no fraud and raising awareness on banking in general that leads to economic development. They do this in two ways; business lending –banking offerings- to small and medium enterprises and the big corporates, or through allocating budget up to 1% - 2% of giving back to the community based on board of directors' agreement in the shape of funds for

NGOs or government entities for certain causes. These causes should be aligned with the strategy of citizen ship of the bank that mainly looks after growing real economy, sustainable development and women, youth and entrepreneur focus. This year they will shed light to disabled people. They fund NGOs to skill set advancement for some women or youth or entrepreneurs by offering trainings. They fund activities and programs that target the underprivileged segments like women and youth.

They worked with UNICEF on a two-phased project, where each phase was for three years. Its objective was to help equip youth to the job market place and give them the basics of going to the job market.

They are still new in executing the new strategy, but they are keen to stay within the same themes; women support, disability, youth, entrepreneurs' empowerment and innovation.

**Emirates NBD** signed a contract with HELM to access their premises and branches to be disability friendly, to train bank's staff to deal with customers and colleagues with special abilities and to train people with disabilities to hire them at the bank. They have another initiative, "Education for Employment", in which they are training 200 of the youth age from 25 years old to 35 years old from public universities who are unemployed and lack languages and skills, so they offer them jobs at the bank and their corporate accounts. Also, another activity with Misr El Kheir to offer youth job opportunities by gardening their houses.

**FAB** served different aspects of the society, In the education, healthcare and orphanages care sector, they have several activities; MNS internship in 2016, Zayed Marathon for four consecutive years starting 2014 until 2017, Shefa El-Orman, 57357, FAB school in Giza, liver institution and blood donation campaigns inside the bank branches, inviting the staff and



customers to participate. Also, they have Ramadan El-Khair initiative, in which all employees participate to collect the maximum goods that will be distributed to several orphanages.

### **5.CSR management within the bank**

**AAIB** sustainable activities take place under the marketing department, yet they work closely with all the other departments. All their departments work closely with each other to achieve a common goal, which is the vision of the bank, that states *“To be the leading financial group in providing innovative services with a strong regional presence being the gateway for international business into the region.”* (Arab African International Bank, 2018). They have task forces between all departments. They do activities for their employees separately, like breast cancer awareness session, cycling day within the health sector and competitions. AAIB involves their employees in their sustainable finance activities as voluntarily activity.

**Suez Canal bank** started their CSR activities since the inception of the bank. They don't have CSR under a separate department, it is managed and supervised through the corporate communications department.

The bank works in two ways; either by being approached by different Non-for profit organizations, they study their request, evaluate it according to the general objectives of the bank, or, allocation of budget, where the priority goes to the main pillars that they are focusing on as mentioned above. They involve their employees with their CSR activities, in which they circulate a message internally to engage the employees to participate and take place in an activity.

The bank mainly looks on the societal impact, within special consideration to Ismailia, as their first branch was there.

**ALEXBANK** is somehow similar to AAIB, but with different way of management. The bank started as pure philanthropy from 2008 till 2010, in which they were only donating to social causes and limited volunteering initiatives. From 2011 till 2015, they adopted the CSR concept, in which they were offering corporate citizenship and sustainability activities. In 2016 they shifted completely to CSV, by becoming a full-fledged partner to the society through tackling the societal needs and 360 approach to reach the concept of CSV. It functions within a separate department called “CSR” and it is reporting directly to the Chief Executive Officer, making it very strategic. It includes three units under it; social performance, sustainable finance development and CSV.

They have a new strategy with new mechanisms and templates that the bank will start to adopt. The strategy is a 4-year one from 2018 till 2022, where the bank will be focusing on inclusive finance, responsible business and CSV.

They involve their employees in their activities, with 15% rate of physical participation. They engage them through incentives and paid working hours.

They look for value creation for both entities, the society and the bank, they never do any project without conducting an impact assessment. Part of their CSR now is including their clients to be financially included, especially people with disabilities, women and handicrafts, as they are potentials clients for the bank. ALEXBANK is trying to be champion bank for women financial inclusion, where they have a protocol for it and will soon launch a product dedicated for women.

They are working to improve their performance through their new strategy that will soon be launched, where they list everything they are doing and how they can develop it including challenges, opportunities, etc... Through this strategy, there will be new procedures that the bank will issue and declare inside and outside the bank. Also, through their sustainability report, they are including their main issue and how they will tackle it. They will work directly with CBE to digitalize the process for ease of access.

**Attijariwafa bank** CSR activities started back in 1973, and it has always been considered a big part of the strategy. The evolution in the process itself, started with charitable donations with all multinationals, then shifted to more sustainable programs impacting beneficiaries. Now, they reached a stage where their programs are interlinked with the economies of the markets.

CSR is functioning under the corporate marketing communications or corporate affairs department, which is divided into internal communication and employees' engagement, external communication, PR, media relations and events and citizenship. However, they are all in harmony with each other, where citizenship has developed to be a brand attribute in the brand character. It is taking a big part of the advertising budget and is part of the brand investment.

Citizenship has its own budget and governance and it is not meant for publicity, it is meant for being a good citizen, and since they are a for-profit organization, they cease the opportunities to communicate to the stakeholders that they are investing, operating and doing good for the society. They are not seeking publicity, but they use it for publicity. Marketing supports what they do in terms of projects and publicize them. They do a lot of monitoring and reporting, with milestone checkpoints in every program.

They try to engage their employees and customers with their activities in every possible opportunity. For the employees, they already have giving back to the community in their brand DNA, especially in seasons like blood drives, crises, Ramadan, the month of giving. They like to take part in physical activities like marathons and transferring skills and knowledge. They have two initiatives; employee led and bank led. The bank led activities are selected by the bank according to the strategy and it is funded by the bank and the employees can support. However, the employee led activities are activities that colleagues are encouraged to remain aligned with the strategy, however if they came up with ideas the bank supports, they give them funds and grants, so they can lead on their activities. In the employees led, the activities are driven by the employees and the bank supports them through publicity. All employees volunteer for such activities, yet the bank highly encourages them to take part and they actually give them rewards for giving back to their local communities.

They usually have citizenship separately to look merely at societal impacts, even when they have slowdown of activities, however, it remained on the bank's agenda and is well-recognized, yet it is linked to the profits. They mean to highlight what they do, as they think it affects how their stakeholders perceive them.

The CSR activities started in **Emirates NBD** in June 2017 operating within a specialized department until January 2018, it became under the marketing umbrella. Yet, with separate manager and separate budgets. They mainly focus on sustainability and development, in which it includes the socio-economic aspects and the living conditions in society are inseparably linked to have a positive impact on the society. They involve their employees through their Exchangers program, they actually have 28% of their staff engaged regularly in the volunteering program and they have succeeded to achieve +8000 hours and +40000 beneficiaries since June 2017. The

bank makes sure they reach all their clients through their CSR activities, hence, having an impact on the society. Emirates NBD is planning to improve their CSR performance by measuring KPIs and coping with the CBE strategy.

**FAB** started their CSR in 2007, functioning through the General Administration department, in which it consists of teams from different departments. They involve their employees in their CSR activities, as they are keen to teach people how to help their local society. They mainly look for societal impact when they consider doing CSR activities.

### **6.Communication for the CSR activities**

**AAIB** does communication for their sustainable activities. The channels they use are social, website, events, outdoors and press. The message they communicate is targeted according to their stakeholders' level of awareness.

**Suez Canal Bank** communicates for their CSR activities. The channels they use are internal branding within their branches, website, media releases and annual reports. The message they communicate is the activity itself and the amount that is being spent on such activities.

**ALEXBANK** does a lot of marketing and communication for their activities mainly through social media, website, limited TVC in conferences, press releases, annual report and their first sustainability report. They have created a song for handicrafts with Adaweya and Zap Tharwat, and it was on Anghami for 3 months as third ranking. They create a lot of episodes that try to make people aware about financial inclusion, they have an initiative called "Ask the Expert" that is a financial inclusion program. The messages they communicate are their strategy,

activities, partnerships, results, code of ethics, code of conduct, their own reporting mechanism for CSR that reaches the CEO and CSR directly, whistle blowing policy.

Also, **Attijariwafa bank** does a lot of communication for their CSR activities, where it is becoming a considerable amount that they are willing to just spend on communicating what they do for their local society. They use different smart tools, like click donations. The channels they use are online, internally through emails, citizenship awards, newsletters and mail group, press releases and media releases, SMS with call to action for employees and customers and traditional media if needed. The messages they communicate are linked to their CSR strategy and their care for welfare of their society and giving back. They also talk about the specifics of the projects. They usually want to highlight that they are doing these activities to raise the living standards of the people and raise the economy and that they care for sustainable development.

**Emirates NBD** bank sends the activities on monthly basis through their micro site, newsletter and announcements and TV screens internally. Also, the bank communicates externally through sustainability report, PR and social media and through the social media channels of their partners, and they communicate the activities they undertake.

**FAB** communicates their CSR activities through press releases and social media mentioning the activities themselves and use pictures to support the activities.

## **7.Competition**

**AAIB** considers themselves ahead of their competitors, as they started in 2003. They are the first bank to commit to Equator Principles, UN Global Compact and is still the only bank to issue sustainability reports. It is also the first and only bank to develop a health and social

initiative 'We Owe It to Egypt', establish social initiative 'Keep the Coast Clean' and create a platform for sustainable finance 'MOSTADAM' serving MENA region.

**Suez Canal bank** provides considerable amounts towards serving the society in comparison to the competition. The bank is aiming to improve their CSR activities through aligning with the ministry of the solidarity, as they have the map of projects that need development.

**ALEXBANK** perceives themselves as pioneers in the CSV in the banking sector. On the other hand, **Attijariwafa bank** always do comparison analysis with the market and they keep themselves aware of what competitors are doing in terms of activities globally and locally. They praise the good efforts done by others. What triggers them to change is to have higher direct impact on beneficiaries with being cost efficient, so they are motivated to give more.

They view themselves as trendsetters, as they have always been one of the pioneers when it comes to charity and sustainable development. They are miles ahead with doing beyond what is considered charity. They started very early on developing the education curriculum and embed financial awareness and literacy into the curriculum. They have always been there in equipping youth to the job market through trainings. They always learn from others and look for competitors doing activities within the same area, yet they see themselves high on the map of all competitors within this field.

Additionally, **Emirates NBD** has stated, in terms of projects, the bank is working quite well. In terms of volunteering, they are the only bank that has an organized program for volunteering for staff with 25% of the CSR budget. **FAB** thinks that they are within the average level when compared to competitors

## **8.Relation between CSR activities and the bank's financial performance**

**AAIB** started with pure charity (giving back to the community in which we belong), then they became matured into sustainability. It focused at the beginning on profits, yet, then they realized it is not about money, that's why the upgrade took place. All crises that took place worldwide are not only because of money, but because of environmental and social crisis. "Finance cannot be disconnected from the environment and the society" as quoted by the interviewee. Profitability increased through all the initiatives they have developed, yet, they cannot guarantee that this increased profitability is all from their sustainable finance activities. Their aim is shifting all banks into this sustainable finance concept, so profitability is not their main goal, as by now these activities are costs, later on they will be revenues.

Part of the strategy of **Suez Canal Bank**, is to contribute towards the society, and the factors of contribution were mainly because of the society's needs. The bank aspires to support the society. The CSR activities affected the bank's image, in which the feedback of the media was mainly stating that the Suez Canal Bank is contributing to the society despite the fact that they are not market leaders and don't have the biggest market share, yet they are keen towards serving the society and community. They didn't witness an impact on the clients. As for the employees, they are proud that they are in Suez Canal and they are contributing towards the society.

The bank doesn't have exact measurement of profitability against the CSR activities, as their main objective was not profitability, but to help the society, which reflects on the good will of the bank.



**ALEXBANK** started their CSR years ago, and when Ms. Hosni joined the bank, she started developing the unit to include activities that are related to sustainability, good citizens and good clients. It is not related to profitability, but when they witness growth rate, their CSR activities increase in terms of financial spectrums.

Their CSR activities are always complemented by customers and clients. Their giveaways are all from the handicrafts products that are distributed to all their partners, and they receive written thank you letter every time, as they can see and experience the real value that the bank is creating. They do competitions for their employees in Ramadan, where they submit products and they actually vote for these products throughout the month. Through a transparent voting mechanism, they get to choose almost 5% of the CSR budget.

They see and witness the impact on the profitability of the bank, as the bank is working a lot on women empowerment projects and women led initiatives, which led them to sign a protocol with the CBE and National bank of women to be the pioneer bank in financial inclusion, it is helping a lot in the profitability of the bank, not only in terms of financials, but also business level and how the bank views the community and how it is working with all partners for the good of the society.

On the other hand, **Attijariwafa bank** stated, since 2004 CSR was a separate activity that is supervised by the management and is not meant for publicity. It wasn't part of the marketing nor advertising budget. It is not meant for profitability, yet it is linked to it in terms of the amounts. They consider CSR an activity that they are making use of.

They witness the impact of their CSR activities on their brand's image, employees' engagement and respect of their clients. In previous years, they developed the employees'

opinion survey (EOS), and they always ranked high in terms of the recognition of employees about citizenship. Before they publicize their activities externally, they have to inform them internally prior to communication, to make them live the brand, feel the pride and strengthen their sense of belonging. They are very well-respected from their clients, even if they don't take part in the bank's activities, but they are very aware within the business field. All of this pays back to the bank's image, and the more the reputable and responsible the bank is, the more they give to the community. Citizenship has become a given nowadays, meaning an entity should give back to the community.

The relation between CSR and profitability is like "Investing in the brand", as stated by Ms. Ibrahim, in which she clarified that you cannot pin point the effect on the Return on Investment (ROI), this could be done on a product campaign. The brand has its own KPIs, and citizenship has direct impact on the brand. The brand has eventual impact on the profitability, so it is a cycle. It is eventually affecting profitability and impacting the brand. Unless the entity is profitable, you cannot give back to the community. You have to develop your own business, and when it is sustainable and generating profits, you can then start cutting an amount of the profits and giving back to the welfare of the society. It can never be the other way round that CSR activities would result in profitability of a business. If an entity gave back to the community without being profitable, they will be perceived as a charity organization only. Business cannot be functioning without profitability and with only CSR activities.

**Emirates NBD** Dubai has already started years ago, and it was time Emirates NBD Egypt to take the lead in 2017 in terms of CSR activities, and this what drove the bank in Egypt to start CSR initiatives. In the short time they started doing actual CSR activities, they have witnessed an impact on the bank's image and reputation and the respect of their clients, in which

they are trying to offer them a wide variety of products that would cater to all sectors. The satisfaction of employees, in which they have high engagement in their CSR activities. Also, with the short time undertaking CSR initiatives, the bank has witnessed an impact on their profitability, in which there was an increase.

**FAB** started their CSR activities due to the high social awareness of the management. They have witnessed impact on company's image, satisfaction of employees and respect of clients with their activities. Profitability is not the main goal of the bank when they consider doing CSR activities, they practice CSR for societal impact. There was no measure conducted for measuring the relation between the bank's CSR activities and profitability.

## **X. Discussion and Conclusion**

CSR has been and will always be a player in the social development of a society. Social development of any community will not take place without the contribution of corporates, especially the banking sector, as they are the main entities that fund any corporate. The main purpose of this research is to study the CSR activities within the banking sector, in terms of effectiveness of CSR activities and the relation of such activities on the profitability of the banks. The method was intensive interviews conducted with the CSR managers within the five interviewed banks.

The results of the interviews have shown that there is a shift in the nature of the CSR, in which the banks CSR strategies are shifting from just charity or philanthropy to considering the social, economic, governance and environmental aspects of the society, so they are moving to sustainability.

With this shift, every bank has their own naming and definition for CSR, like citizenship, sustainability, sustainable finance and creating shared value (CSV). However, still some banks are within the philanthropy concept, by which they just allocate a budget for the development of a specific area or district. Their definitions all revolved around giving back to the community in which they belong to and being a good citizen, ones who take into consideration the social, economic, governance and environmental dimensions in any of the projects they undertake. Also, CSR activities should create value for the stakeholders of the bank, involve employees within the initiatives. This supports the stakeholder theory mentioned above in the literature review, in terms of building long-term relationship with stakeholder is more effective than short-term revenues. All of these will affect the brand's image consequently. As mentioned in

Tsoutoura article above, corporates with stable financial performance, can afford to spend on long-term strategy in CSR activities to build brand image and reputation. As supported in the literature review, CSR is a tool to enhance a brand's image and enhance financial performance and stakeholders value.

Most of the banks' objectives are to serve the community in specific themes, mainly women empowerment, youth empowerment, health, special needs, low-income people, economically challenged people, education and underprivileged areas. They want to raise the living standards of the public at large, hence achieving economic development. They want to increase awareness about financial services to create financial literacy. The banks either have reporting systems following the global standards (like Equator Principles and UN Global Compact), or have their own templates, including assessment of the impact on the society.

Most banks started their CSR activities with the inception of the bank, as it was included within the big strategy and objective of the bank. Some of the banks actually work with NGOs on specific causes. Some have CSR under a separate department, and some under marketing, corporate communications or General Administration or with standalone association. In all cases, they are aligning their CSR strategies to the overall strategy of the bank. As supported in the literature review above, the banks try to use the integrated way of combining CSR with marketing and communication, in which both brand strategy and CSR strategy work in harmony together.

All the interviewed banks do communication for their CSR activities, using different channels; online, website/micro site, annual reports, sustainability reports, newsletters, events, outdoors, press releases and media relations, internal communication to employees, SMS and

traditional media if needed. The messages they mostly communicate are the strategy of their CSR and the specifics of the activity itself. As supported in the literature review above, the banks abide by the response model of communication strategy, in which they have a two-way communication between bank and the stakeholders in a way that the brand studies their needs and tries to cater and serve them.

As mentioned in the literature review, most studies have concluded a positive relationship between CSR activities and the entity's financial performance. Most of the banks claimed that they are not doing the CSR activities for profitability, however, they are looking for the societal impact. At the same time, all interviewed banks stated that their CSR activities have shown an increase in the profitability of the bank, even if it wasn't the main goal. As stated in Alsaid article that the firm value increases when corporates invest in CSR, hence having ongoing cash-flows and low debts. Most of the interviewed banks didn't sense the question that asks about what comes first, is it profitability or CSR, but when discussing the question further, they were able to state that they think that profitability should come first, followed by CSR, making it an interesting point for future research.

CSR concept is shifting to sustainability, in which corporations are looking for sustainable societal impacts. Through sustainability, corporations should consider their four main aspects; social, economic, governance and environmental. The best definition for CSR/sustainability is, the responsibility of the business entities towards serving and fulfilling the needs of the society, including internal employees, stakeholders and public at large.

There are several benefits for corporations that are doing CSR activities, both internally and externally. Internal benefits could be summed up in; fair wages and treatment of employees,

health and safe environment, opportunities for best employment, corporation can sustain crises, pollution avoidance, waste management, proper paper usage, tailored services and reduced employees' turnover. On the other hand, the external benefits are; brand's reputation and image, loyalty of publics, charging premium prices and customer satisfaction.

This paper has focused on two main variables; effectiveness of the CSR activities and the relation of such activities on the profitability of the banks. The relationship between the two variables is still a dilemma, and this paper tried to show this relation in practice within the Egyptian banking sector.

Effectiveness is divided into two main dimensions; accountability and communication of CSR activities. In Egypt, the most commonly adopted measurement tools by the banks are; the Equator Principles, United Nation Global Compact, Sustainability reports, Global Reporting Initiatives and Carbon Footprint. They are trying to follow such global standards for the aim of being a good citizen and impact their societies positively. Communication is considered a vital aspect of effectiveness of CSR activities, where corporations should communicate their strategy, along with the activities they are undertaking. Communication could be through different channels, both internally with employees and externally with publics, through distinct channels, such as newsletter, annual and sustainability reports, press releases and media relations and traditional media.

In some cases, CSR is perceived as a consequence to profitability. In other cases, CSR is perceived as the driver to profitability. With all the attempts of researchers to know the relation between CSR activities and profitability, still there is no one relation that was concluded. However, as mentioned above, the interviewees have stated that profitability should come first,

then CSR activities, or else, the entity will be considered a charity organization, and not a socially responsibly business.

People are skeptical on the ethical standards of the banks, particularly people that consider the religious aspects within their financial services. Banks should take such people into consideration while undertaking their CSR activities. Hence, banks should show and communicate their CSR and sustainability activities more than any other sector.

CSR doesn't have to mean spending money. CSR can be well-practiced without allocating significant budgets, either through internal CSR activities as mentioned above, or through product or services alignment with the overall CSR activities of a corporation.

## **XI. Limitations and Future Research**

There was a great difficulty in obtaining appointments to conduct the in-depth interviews with the person heading corporate communication or the decision maker for CSR within the banks. Also, there were some banks that didn't facilitate the willingness of the decision makers for CSR to entertain the research and give information about the bank's activities and intentions (like QNB). Additionally, for multinational banks, the focus of the decision was not in Egypt (like Arab Bank) and it was handled by the headquarters.

The present research is one of only a few activities that tackles the CSR in the Egyptian banking sector, focusing on effectiveness of the CSR activities and the relation of such activities on the profitability. The use of intensive interviews is considered a valued method of understanding the two studied variables. This research could cater as basis for future studies. Future research could be expanded within several aspects, as below,



- **Geographical domain:** research could be extended to wider geographical reach, like the Middle East
- **Types of banks:** studying the variables associated with CSR (effectiveness and profitability) across different types of banks, for example, large vs small, old vs young, multinational vs local, profitable vs less profitable, etc...
- **More insights:** garner insights from members of the board of directors as representatives of the shareholders of the bank. Glean insights from stakeholders with the focus on the publics of the banks particularly customers and employees
- **Profitability relation:** since the relation of CSR towards profitability is still a dilemma, so further research can dig empirical data to answer the research question of whether profitability is an antecedent or a consequence of CSR

## **XII. Managerial Implications**

There are several managerial implications for this study, as below,

- **Models of CSR:** there are multiple models for CSR, that could be beneficial for each bank. Banks may choose a model based on management style, competence of corporates and stakeholder structure
- **Stakeholder involvement:** involving stakeholders in CSR decision making and activities is an essential ingredient to the success of CSR and achievement

of objectives. Such involvement allows firms to build individuals that are socially responsible towards their societies

- **CSR strategy:** having a formal long-term CSR strategy and hiring professional CSR executives will turn CSR into a profitable endeavor, as CSR strategies are aligned with the business objectives
- **Support:** tying the CSR activities to the main domains of the nation will reap more support from the government, the public and the media, as CSR serves the different aspects of a society; economic, social, governance and environmental
- **Media relation:** leveraging CSR in the media by collecting donations from key bank customers towards a cause allows the bank to maximize its return on investment (ROI) in CSR, as such customers publicize for the CSR activities undertaken regarding a specific cause
- **Bank values:** the CSR goals and selected causes must reflect the values declared by the bank. Any inconsistency will raise skepticism from the board and the publics, as both, CSR and business strategies should work in harmony for the success of the bank's values
- **Concept:** CSR is different from philanthropy and far more than simple charity. Acquiring a CSR consultant to charter a strategy and define a roadmap for the banks CSR is a good investment if the executives in the bank lack such capacity

- **Association:** establishing an association focused on managing the bank's CSR initiatives is a practice that brought significant results in many cases. It also allows donors to contribute to the bank's selected cause(s). It makes the CSR activities more known to the public, where they could benefit. Such associations may lead to the success of the CSR activities of any firm
- **Commitment of top management:** it is mandatory for the success of the CSR activities in the banking sector. This is a sign of visionary leadership. The more progressive banks tend to be more observant and adhering to the CSR principles than traditional banks
- **Perception:** banks that are under financial stress, perceive CSR as an academic luxury they cannot afford. Yet, they resort to some minimal philanthropy or charity to cover their commitments

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### XIII. Appendix

#### 1. Interview Questions

1. How do you define CSR?

كيف تعرف المسؤولية الاجتماعية للشركات؟

2. Do you have specific objectives for CSR for this bank? If yes, what are they? Are they documented - please share?

هل يوجد لديك اهداف محددة للمسؤولية الاجتماعية للشركات لهذا البنك؟ اذا كانت الاجابة نعم، هل هي مسجلة؟ نرجو الافادة

3. Do you have specific KPIs to measure the effectiveness of the CSR activities? If yes, can you please give me any sort of documentation for them. How are you measuring them and with what mechanics/aspects? If no documentation, what is the weight of each KPI?

هل يوجد لديك مقياس معين لمؤشر الاداء الرئيسى لقياس المسؤولية الاجتماعية للشركات؟ اذا كانت الاجابة نعم هل يمكن الحصول على الوثائق التى تؤكد ذلك؟ كيف يتم قياسها و بأى وسيلة؟ اذا كان لا يوجد الوثائق لذلك ما هى نسبة كل مؤشر للاداء الرئيسى؟

4. What CSR activities do you do?

ما هى نشاطات المسؤولية الاجتماعية للشركات لديكم؟

5. When did the CSR start in the bank officially? Do you have it as a separate department?

What is its relation with marketing department?

متى بدأت المسؤولية الاجتماعية للشركات رسميا فى البنك؟ هل يوجد لديكم قسم مخصص لها؟ ما هو علاقتة بقسم التسويق؟

6. How do you do CSR? What strategy do you follow?

كيف يتم تطبيق المسؤولية الاجتماعية للشركات؟ وما هى الاستراتيجية التى تتبعها؟

7. Do you involve employees/stakeholders in CSR activities?

هل تشارك الموظفين/ اصحاب المصلحة فى نشاطات المسؤولية الاجتماعية للشركات؟

8. Do you do any kind of marketing and communication for your CSR activities? If yes, what are the messages and channels that you use?

هل تقوم بأى نوع من الدعاية و الاعلان للمسؤولية الاجتماعية للشركات؟ اذا كانت الاجابة بنعم ما هى الوسائل و الرسائل التى تستخدمها؟

9. When you consider CSR activities, do you look on the impact on clients of bank or merely look on societal impacts?

عندما يتم الاتفاق على أنشطة المسؤولية الاجتماعية للشركات، هل يتم التقييم وفقا لتأثيرها على عملاء البنك أو تأثيرها على المجتمع فقط؟

10. How do you plan to improve/enhance your performance in CSR in the future?

كيف تخطط لتحسين الاداء الخاص للمسؤولية الاجتماعية للشركات فى المستقبل؟

11. Where do you see yourself in comparison to other competitors? Ahead/behind/average

كيف ترى نفسك مقارنة بمنافسيك؟ فى المقدمة / فى الخلف / فى الوسط

12. You started in year ....., was this because the bank had achieved high profitability? Or what drove the bank to start CSR activities?

بدأت عام ..... هل هذا بسبب ان البنك قد حقق ارباح عالية؟ او ما الذى قاد البنك لبدء نشاطات المسؤولية الاجتماعية للشركات؟

13. CSR activities usually have an impact on company's image, satisfaction of employees and respect of clients, did you witness that?

نشاطات المسؤولية الاجتماعية للشركات دائما تؤثر على صورة الشركة و رضا الموظفين و احترام العملاء، هل لاحظت ذلك؟

14. Do you see any effect/impact on profitability since you started CSR activities?

هل لاحظتم أى تأثير على الارباح منذ ان بدأت نشاطات المسؤولية الاجتماعية للشركات؟

## **2. Definition of Terms**

### **a. Definition of Stakeholder**

‘Any group or individual who can affect or is affected by the achievement of the firm’s objectives’ - definition by Freeman (Morsing & Schultz, 2006).

### **b. Definition of Corporate Reputation**

‘A general organizational attribute that reflects the extent to which external stakeholders see the firm as “good” and not “bad”.’