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Did the Attitude of Banks Towards Corporate Social Responsibility Reporting Change Since the Last Global Financial Crisis? A Comparative Study of Conventional and Islamic Banks in the United Arab Emirates

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ABSTRACT

Scoring the disclosure of corporate social responsibility (CSR) practices of banks has been extensively studied in the literature. However, a few studies covered the voluntary aspect of CSR practices disclosure in the banking sector. While the responsibility of banks has been seriously targeted, this study tends to do a comparative analysis of the reaction of conventional and Islamic banks to the financial crisis regarding the disclosure of their CSR practices and the possible inclusion of CSR dimensions in their strategy. The sample consists of 18 listed Islamic and conventional banks operating in the UAE over the period 2006-2014. The findings indicate that conventional banks in the UAE integrated the CSR dimension in their strategy starting from 2009 in order to rebuild their images with their stakeholders. However, Islamic banks did not react to the global financial crisis and continued with the same reporting attitude as prior to the crisis.

Keywords: Social Responsibility, Financial Crises, Banks
JEL Classifications: G01, G21, M14

1. INTRODUCTION

This study aims to analyze the extent of voluntary disclosure of corporate social responsibility (CSR) practices, based on empirical work applied to the banking sector. This is a particularly interesting field of investigation, considering its weight and its economic role, especially since the voluntary aspect of disclosure of extra-financial information has been relatively little studied. Until the early 1990s, the banking sector was also considered to have little impact on the social and environmental terms, compared to the industrial sector (Gonzalez Mde et al., 2006. p. 290). However, the social responsibility of banks has been pointed because of political and economic impact of the recent global financial crisis. Banks are thus brought to incorporate the issue of CSR directly in their organization, but also in their transactions with customers, considering that they could be held liable for the consequences of their decisions in terms of lending or investment (Gonzalez Mde et al., 2006. p. 291). Indeed, various CSR standards have been developed. Examples include the Equator Principles for project finance in developing countries, the UN principles responsible investment in asset management, and/or microfinance principles in retail banking. However, there are still discrepancies between discourse and the practice of banks, according to the study of a rating agency of 63 European banks.

The concept of CSR has an ambiguous status epistemologically. Indeed, although it is related to the search for better organizational efficiency in the management science, CSR is also a normative concept, a social construction that is viewed as a society project (Pasquero, 2005).

The expectations of stakeholders towards companies can differentiate significantly between sectors and countries (McWilliams et al., 2006. p. 2). The expectations of stakeholders towards companies can be different even in the same sector. In the banking industry, active banks in CSR influence the social and environmental behavior of other sectors through imposing conditions for project financing (Equator principles). Currently, the disclosure of CSR is being highly recommended by the financial community, which may influence banks behavior in boosting CSR (Hossain and Momin, 2008).

In addition to that, regulatory authorities consider that Islamic banks had been generally more resilient to the global financial crisis of 2008 than conventional banks (Hasan and Dridi, 2010). For this reason, this study intends to examine the voluntary disclosure of CSR practices of Islamic banks compared to that of conventional banks.

The next section covers a literature review regarding the voluntary aspect of the CSR practices disclosure in both conventional and Islamic banks. Section 3 will discuss the methodology adopted in the framework of the empirical study. Section 4 will cover the findings of the study and its robustness. Finally, the fifth section will provide elements for discussion and conclusion of study.

2. LITERATURE REVIEW

Academicians and practitioners are giving more and more interest to business ethics and to the activities of CSR in the global economy in general and in the banking sector in particular.

Although there is no universally accepted definition of CSR. It is described as an instrument, a concept or even a business model that requires companies to apply a radical change in attitude, De Bakker et al. (2005) defined CSR as "a company's voluntary contribution to sustainable development which goes beyond legal requirements." Based on this definition, any financial institution or company has to consider what is beyond its financial information costs and benefits, and include the social and environmental concern in order to maximize its social value.

Campbell (2004) defined CSR disclosure as the information that a company discloses about its environmental impact and its relationship with its stakeholders by means of relevant communication channels.

With regard to the banking industry, CSR initiatives have become an integral part of their business practices. This growing awareness is reflected in the increasing number of CSR and sustainability reports in the banking industry, especially in terms of Islamic banking, as this topic is very important to this new industry, since in Islam social justice plays an important role in developing a society. It is clearly mentioned in Holy Quran, "We send our Messengers with clear signs and sent down with them the Book and the Balance (Right and Wrong), that men may stand forth in justice" (The Holy Quran S57:25). Therefore, CSR practice is embedded in the Islamic banking mission according to the main principles of Islam, while in terms of conventional banking; CSR serves as an investment to build a positive corporate image especially with the bank stakeholders. That investment in CSR is supposed to pay back by attracting new customers and improving the bank's financial profitability.

2.1. Disclosure of CSR Practices in Conventional Banks

The recent accounting and financial scandals have shown that companies focusing on their financial information and ignoring the CSR activities have failed (Kiliç et al., 2015). Therefore, companies from different industries started to give more importance to CSR activities such as environmental protection, energy conservation, labor conditions, and other aspects of business operations that are not directly related to financial performance (Tang and Li, 2009).

In the banking industry, CSR activities are still limited compared to the CSR dynamic in other industries especially the manufacturing ones. It is due to the limited direct role of banks in socially disastrous events, like occupational accidents, environmental pollution or energy shortages (Kiliç et al., 2015). However, bank strategies in investments and lending can significantly affect this area. For example, financing companies, which do not deal with any materials harmful to the environment, will assist the bank to enhance its role in CSR. Vilar and Simao (2015) argued that numerous banks serve clients who are interested in responsible environmental practices by offering "green" products with better loan rates for investments that aim to reduce environmental pollution. Therefore, socially responsible banking is becoming a well-established idea because of the important role this industry plays in countries' sustainable development policies and practices (Scholtens, 2009).

In terms of CSR reporting in the banking industry, there is a significant number of research papers studied the banks' websites in order to determine their CSR information disclosure (see for example, Branco and Rodrigues, 2006; Hinson and Ndhlovu, 2011; Vilar and Simao, 2015).

Branco and Rodrigues (2006) studied whether Portuguese banks use their web sites as a medium to disclose social responsibility information and identify what types of this kind of information they disclose, and compare such disclosure with similar disclosure in annual reports. They found that banks with a higher visibility among consumers seem to exhibit greater concern to improve the corporate image through social responsibility information disclosure. Their findings suggest that legitimacy theory may be an explanation of social responsibility disclosure by Portuguese banks.

In another paper, Vilar and Simao (2015) tried to understand how banks use their websites to disclose their social responsibility concerns and activities, so they analyzed the websites of ten major banks from different regions of the world to determine their CSR disclosure levels. They found that there are geographic patterns in the quantity and detail of the information provided, as well as in the themes mentioned. The banks located in Europe, the American continent, and Oceania, are those who disclose more information, and these results confirm that the disclosure of social responsibility activities by banks is larger and more detailed according to the development indexes of the country where they operate.

The study of Akinpelu et al. (2013) investigated the various types of social responsibility activities information that were disclosed by Nigerian commercial banks and the factors that determine the level of disclosure in their annual reports and accounts. They used descriptive data analysis; their findings indicated that commercial banks in Nigeria disclosed more information on human resources and community involvement and very low information on environmental, product quality and consumer relation.

Masud and Hossain (2012) examined CSR reporting practices of selected banks in consideration of finance act 2010 and 2011. The study was based on annual reports of 2010 of listed banks in Bangladesh. It revealed that 100% of the sampled banks reported their CSR activities; however; it is a matter of concern that less than 60% of sampled banks describe their CSR disclosure according to the finance act. The research concluded that the private commercial bank's CSR reporting practice was steadily improving.

Jain et al. (2015) examined CSR reporting in six large banks from Japan, China, Australia and India over the period of 2005-2011, by analyzing CSR and banks' annual reports and websites using a comprehensive disclosure framework to evaluate the themes of ethical standards, extent of CSR reporting, environment, products, community, employees, supply chain management and benchmarking.

The findings of the study indicate that over the 7-year period from 2005 to 2011, CSR disclosure by banks improved in all of the four countries examined. Both Australian and Japanese banks had established reporting protocols in place in 2005. The extent of reporting in both countries continued to expand between 2005 and 2011, indicating a growing voluntary commitment to CSR activities. While Indian and Chinese banks demonstrated an increasing involvement in community activities and performed best in these areas of CSR. In terms of policies relating to employees, Australia was the leader, reporting on a range of initiatives that promoted equity and diversity. Japanese banks placed an emphasis on policies that encourage work/life balance, while Chinese and Indian banks had fewer targets in this area. These findings indicate that voluntary disclosure provides a wide range of information to stakeholders and the community at large.

2.2. Disclosure of CSR Practices in Islamic Banks

Among those important research papers which tried to discuss CSR disclosure we may cite Aribi and Gao (2010) who examined the influence of Islam on CSR disclosure in Islamic banks. Using the content analysis approach, the paper examined the influence of Islam on CSR disclosure by looking into the annual reports of 21 conventional banks and 21 Islamic banks operating in the Gulf region, and their main finding showed significant differences in the level and the extent of the disclosure between conventional banks and Islamic banks, largely due to the disclosure made by Islamic banks of religion-related themes and information, including Shari'ah supervisory board reports, the "Zakah"[1] and charity donation, and free interest loan (Qardhul Hasan[2]).

Maali et al. (2006) examined the level of CSR disclosure in Islamic banks. They investigated the extent of social activities disclosed by Islamic banks. They compared the disclosure of such activities with social practices that Islamic banks are expected to adopt which are particularly relevant to society. The expected social practices were then combined into a benchmark for social reporting by Islamic banks. Using content analysis, they found that the level of social disclosure by the sampled banks was well below their benchmark index. They concluded that banks complying with mandated matters such as paying Zakah or adopting accounting and Shari'ah standards of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) tend to provide more disclosure than non-compliant banks. In addition, Islamic banks tend to accentuate disclosures that construct a positive Islamic image such as charitable activities.

In another related research, Haniffa and Hudaib (2007) studied the annual reports of seven Islamic banks in four different Arabian Gulf countries and examined the contradiction between the communicated information (based on information disclosed in the annual reports) and ideal disclosure (i.e. disclosure of information deemed vital based on the Islamic ethical business framework) using content analysis and taking eight dimensions of ethical identity namely:

1. Mission and vision statement;
2. Board of directors and top management;
3. Products and services;
4. Zakat, charity and benevolent funds
5. Commitments towards employees;
6. Commitment towards debtors;
7. Commitment towards society; and
8. Shari'ah supervisory board.

While it expects that Islamic banks must comply with the precepts of Islamic law (Shari'ah) in their reporting, they got an important result indicating that there is a serious gap between the ideal ethical disclosure and the communicated one in the seven Islamic banks annual reports. These reports varied across the 3-year period, showing that communication by Islamic bank is minimal, and found that the largest incongruence was related to four dimensions: Commitments to society; disclosure of corporate vision and mission; contribution to and management of Zakah, charity and benevolent loans; as well as information regarding top management.

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1 A term used in Islamic finance to refer to the obligation that an individual has to donate a certain proportion of wealth each year to charitable causes. Zakat is a mandatory process for Muslims in order to physically and spiritually purify their yearly earnings that are over and above what is required to provide the essential needs of a person or family. Source: Zakat http://www.investopedia.com/terms/z/zakat.asp#ixzz4Y4hT5ZqN.

2 In Islamic finance, an interest-free loan. In Qardhul Hasan, the borrower only repays the principal amount. Because the Quran forbids paying or receiving interest, Qardhul Hasan is the only permissible loan in Islamic finance. However, this does not preclude a number of other investment vehicles that imitate the payment of interest. Source: http://financial-dictionary.thefreedictionary.com/Qard+al+Hasan.

They concluded that in order for Islamic banks to remain in a competitive position, they have to communicate in more advanced ways with their stakeholders, and this will lead to enhance their reputation and image among society.

Hassan and Harahap (2010) carried out a study similar to Haniffa and Hudaib (2007) focusing on the disclosure of social activities in the annual reports of seven Islamic banks. They found a significant expectations gap in all but one of the seven Islamic banks, and surmised that CSR issues are not the main concern for most Islamic banks. They concluded that some Islamic banks pay limited attention to disclosing their social activities and thus argued for a standard on CSR disclosure relevant to Islamic banks.

Maali et al. (2006) investigated the influence of Islam on social reporting. Based on Islamic principles and Islamic code of ethics, they made an important effort to examine the social disclosure practices of Islamic banks. They studied a sample of 29 Islamic banks from different countries and compare CSR disclosure to a pragmatic benchmark based on Islamic values. They found that CSR disclosure by Islamic banks is still below the expected level. They conjectured as to a number of possible explanations from the CSR literature (Maali et al., 2006). Referring to economic incentives that may drive CSR disclosure, Maali et al. (2006) also stipulated that Islamic banks may only disclose CSR information to construct an Islamic reality while not subscribing to that reality and its resultant obligations.

It is essential that in addition to the role of Islamic banks in providing Islamic financial products, they must ensure that they continue to play a social mission; Islamic banks need to fulfill a collective religious obligation that individual Muslims cannot fulfill (Kamla and Rammal, 2010; Farook, 2007). This will ensure that Islamic banks will conform to the social functions attributed to them by the contemporary founders and advocates of Islamic finance.

In this regard, Babacan (2012) examined the extent to which two Islamic banks in Australia reported CSR matters in their websites and reports, by utilizing content analysis of their websites and reporting which focuses on the quality and nature of CSR reporting rather than a quantitative analysis. The most important finding of this study indicated that there is a large gap between the theoretical claims as to the social mission of Islamic banks and the empirical findings. The CSR disclosures made by the Islamic banks studied in this paper do not demonstrate that they have clear policies, which target socially motivated projects as social reporting rarely surfaces in the websites and reports of both companies. This study concluded that the CSR disclosure made by the studied Islamic banks are less than which may be expected from Islamic institutions which also aim to fulfill a social role, as it is argued that Islamic banks have a duty to adequately disclose CSR information.

2.3. Disclosure of CSR Practices: Comparative Studies between Conventional and Islamic Banks

In terms of comparison between the actual difference of CSR disclosure between Islamic and conventional banks, we reviewed a number of studies, among them is the study of Ershad and Rahman (2015) which compared the CSR practices in Islamic and conventional banks of Bangladesh. They collected the data mostly from concerned banks annual reports, websites, newsletters and other secondary sources. To sum up, it was found that the selected banks are directly engaged in CSR activities mostly in the area of Education, Health, Disaster Relief, Environment, Social welfare and Sport and Culture, and they found that both banks had established foundation for operated their CSR activities, but anyway the total spending of CSR activities of Conventional banks is wider than Islamic banks in Bangladesh, and in most of those disclosures there were little differences between Islamic and Conventional banking in Bangladesh.

Moreover, Chintaman (2014) examined the preferences and patterns of conventional and Islamic banks and compared between them, and in order to answer his research questions his study used case study method, content analysis and dimension score analysis. The findings of this study indicate that Islamic banks are more innovative in their CSR practices and the effects of Islamic tenets could be reflected in their practices, while conventional banks are at par with the Islamic banks. While in another paper Basah and Yusuf (2013) conducted similar study and analyzed the relationship of Islamic banks and CSR performance, and they found that the concept of Islamic banking that comply with religious provision should exhibit more proactive CSR activity and policies, and Islamic bank performance should be superior compared to conventional bank counterpart.

Al-Tamimi (2014) tried to investigate CSR practices of the UAE banks. He developed a modified questionnaire focused on the important issues of CSR, like for example, CSR instruments, and community activities carried out by the UAE banks, voluntary activities to mitigate climate change, CSR practices, public policy support for CSR and the relationship with the stakeholders. Overall, the findings indicate that the UAE banks are aware of the concept of CSR; and they place more emphasis on compliance with mandatory social and environmental legislation, but less on the non-mandatory legislation. This research confirmed that it is important for banks to enhance their voluntary CSR disclosure to the stakeholders.

Based on the literature review, we summarized the findings of the reviewed research papers:

- The concept of CSR was introduced in Islamic banking earlier than conventional banking because CSR practices are mostly related to Islamic terms like social justice and responsibility, inference of zakat, microfinance schemes and adoption of ethical values of Islam.
- The CSR literature on Islamic banks is largely qualitative-based studies that measure the volume of narrative CSR disclosures against an ideal benchmark drawn from Shari'ah-based CSR objectives and AAOIFI standards.
- The researchers generally find an expectation gap between actual/communicated disclosures and ideal disclosures in the banking industry.
- However, the main limitations of these studies are their reliance on data collected from the annual reports of the banks, which

does not often provide the true picture of CSR disclosure. Islamic banks, for example, may disclose some of their CSR separately in other reports, e.g., Shari'ah Supervisory Board report, corporate governance report, sustainability reports or other reports on their websites.

Our study tries to explain the bank attitude in disclosing its CSR practices. We are looking to detect any significant patterns of that attitude pre and post global financial crisis of 2008. Therefore, our study focuses on the voluntary aspect of CSR disclosure.

3. METHODOLOGY

3.1. Sample Selection

We selected 24 banks operating in the UAE during the period 2006-2014. Our selection criteria was to include in the sample only banks headquartered in the UAE so their reporting attitude is driven by the local context. Therefore, branches of foreign banks have been excluded such as HSBC, Chartered Bank, Swiss Bank, etc. In fact, these bank branches follow strict reporting rules dictated by their headquarters located outside the UAE. Excluding these banks will allow fair comparison between local conventional banks and local Islamic banks. We used Bankscope database to select the sampled banks according the criteria detailed above.

Banks that did not publish any report for three continuous years were eliminated from the sample to guarantee findings' robustness. The sample was reduced to 18 conventional and Islamic banks in the UAE. The sampled banks are listed in Appendix 1. The sample of 18 banks is divided into two sub-samples:

- Sample A: 14 Conventional banks.
- Sample B: 04 Islamic banks.

Our categorization criteria of conventional and Islamic banks is based on the following statement: Conventional banks that have a window for Islamic banking are considered as conventional banks because we assume that their reporting attitude is mainly influenced by their conventional banking philosophy especially in CSR reporting. Therefore, the window of Islamic banking will not affect the reporting attitude of these banks.

3.2 Measures and Analysis

3.2.1. CSR score

In our paper, we used the content analysis of reports and the data of rating agencies since they are among the most common methods to assess social performance (Decock-Good, 2001. p. 30). And although all of these approaches are limited, they offer certain benefits, such as a consistent methodology and supposedly independent evaluation of corporate social performance (Waddock and Graves, 1997). While the US Kinder, Lydenberg, Domini and Company (KLD) dominated the market for social rating to financial market in the 1990s, other rating agencies have emerged since that date (Ethibel, SAM, Axia). Their methodologies are structured around four approaches, which are often combined together (Schafer, 2005): Risk assessment, oriented towards risk reduction, the efficiency models oriented the conquest of competitive advantages, identification of promising industries, from innovations in products and production and management models, with reference to industry best practices.

Among these are the sustainability assessment model (SAM) methodology, which was originally, developed in the late 1990s for the UK oil and gas industry by the petroleum company British Petroleum (BP), genesis oil and gas consultants, and the university of Aberdeen. The model was developed over 3 years from a combination of primary research, conceptual work, and applied experience with actual projects at BP.

SAM is based on the evaluation of the performance of organizations in the economic, social and environmental sectors in relation to their key stakeholders. These dimensions are broken down into 12 criteria, which are also detailed components that are assessed based on standards, best practices, procedures and expert opinion (Appendix 2). Finally, specific criteria have for almost half of the total mark. However, it also attaches importance to risks, especially through the analysis of companies in the media and stakeholders on the various dimensions of social performance. The SAM database provides several additional enhancements over the base KLD, such as international coverage of companies, weighting and updating of the criteria, or industry analysis.

The disclosure of extra-financial information for both conventional and Islamic banks is also non-mandatory (with some exceptions that will be detailed later) according to the main regulators in the UAE (The Central bank, Abu Dhabi Financial Services Authority and Dubai Financial Services Authority [DSFA]). The central bank of the UAE published a revised draft of Corporate Governance Guidelines for banks in 2009. It stipulates the following: "Transparency reinforces sound CG, therefore public disclosure is desirable in the following areas: (1) Board structure (2) senior management structure (3) basic organizational structure (4) Incentive structure such as: Remuneration policies, executive compensation, bonuses, options (5) transactions with affiliates and related parties." In the above statement, the central bank of the UAE used the word "desirable," so it is not compulsory for banks in the UAE to disclose information on its corporate governance.

In addition, The DFSA developed a set of Public disclosure requirements[3] (updated in January 2017). The DFSA requires public disclosure of the following elements of information: Capital, capital adequacy, risk exposures and securitization exposures. Therefore, public disclosure of extra-financial information is not mandatory for a bank in order to be listed in the Dubai stock market.

Moreover, Islamic banks are supervised by an international regulation body, which is the Islamic Financial Services Board (IFSB) and follow (mandatory or voluntarily) Auditing, Governance and Ethics standards issued by The AAOIFI. First, IFSB Serves as an international standard-setting body of regulatory and supervisory agencies that have vested interest in ensuring the soundness and stability of the Islamic financial services industry,

3 http://dfsa.complinet.com/net_file_store/new_rulebooks/d/f/DFSA1547_17395_VER260.pdf.

broadly defined to include banking, capital markets and takaful[4]. AAOIFI is an Islamic international autonomous non-for-profit corporate body that prepares accounting, auditing, governance, ethics and Shari'a standards for Islamic financial institutions and the industry. It ensures the Standardization and harmonization of international Islamic finance practices and financial reporting in accordance with Shari'ah. AAOIFI's Auditing, Governance and Ethics standards are not mandatory for Islamic financial institutions in the UAE, they are followed as guidelines only[5].

We also examined the Federal Law no (6) of 1985 regarding Islamic banks, Financial institutions and investment companies, the circulars[6] issued by the central bank of the UAE in addition to the DFSA approach which regulate Islamic finance[7], we found that, there was not any focus on disclosure requirementsfor Islamic banks except the disclosure of details of its Shari'ah Supervisory Boards.

Based on this, we adapted in our study the SAM methodology in order to score the voluntary disclosure of CSR practices in the UAE banks. Therefore, some criteria have been excluded from the score because the disclosure of its elements is mandatory in the UAE. For example, the criterion "risk and crisis management" is not counted in our score because the DFSA requires public disclosure of risk elements in the annual reports of listed companies. In addition, the element "media and stakeholder analysis" is excluded because it does not reflect an information which is published by the bank. Therefore, eleven criteria are considered and the binary scoring is adopted for the components of each criterion (Appendix 3).

After excluding one criterion from the Economic dimension, the criteria's weights have changed according to the following formula:

$$\frac{\text{Criterion weight}_{SAM}}{\text{Total criteria weight}_{SAM}} = \frac{\text{Criterion weight}_{\text{Our study}}}{\text{Total criteria weight}_{\text{Our study}}} \quad (1)$$

Then,

$$\frac{\text{Criterion weight}_{SAM}}{\text{Total criteria weight}_{SAM}} = \frac{\text{Criterion weight}_{\text{Our study}}}{(\text{Total Criteri weight}_{SAM} - \text{Risk criterio weight})} \quad (2)$$

For example, if we consider the criterion 'Human development', the application of the above formula is as follows:

$$\frac{5.5\%}{100\%} = \frac{\text{Criterion weight}_{\text{Our study}}}{(100\% - 6\%)}$$

Criterion Weight$_{\text{Our study}}$=5.85%

We followed the above detailed approach in the calculation of the .new criteria weights in order to minimize the impact of excluding the risk criterion from the score on the weight structure. In fact, this approach will ensure that each criterion has relatively the same weight in our study as in SAM methodology.

The adopted 11 criteria and their corresponding weights are shown in Appendix 3. Empirically, we used the approach of content analysis of bank annual reports, corporate governance reports, CSR reports, sustainable reports and reports issued by social rating agencies if published on the bank websites during the studied period. We considered only reports that have been published by the sampled banks on their websites in order to assess the voluntary aspect of CSR reporting. Therefore, all mandatory information that serves the CSR score was excluded from the content analysis; for example, according to DFSA, it is compulsory for banks to disclose to the public details of its risk exposures in order to be listed in Dubai Stock Market. Therefore, it allows them to make their own decisions about the reliance they are prepared to place on its rulings.

We constructed the voluntary SCR score as follows:

$$\text{VSCRscore}_{jt} = \sum_{i=1}^{11} w_i * \frac{\text{Score}_{ijt}}{\text{Max score}_i} \quad \text{For } j = 1, 2, \ldots, 18 \text{ and } t = 2006, \ldots, 2014 \quad (3)$$

$$\text{VSCR score}_{jt} = \sum_{i=1}^{3} w_i * \frac{\text{Score}_{ijt}}{\text{Max score}_i} + \sum_{i=4}^{9} w_i * \frac{\text{Score}_{ijt}}{\text{Max score}_i} + \sum_{i=10}^{11} w_i * \frac{\text{Score}_{ijt}}{\text{Max score}_i} \quad (4)$$

$$\text{VSCRscore}_{jt} = \text{Econ Dim Score}_{jt} + \text{Social Dim Score}_{jt} + \text{Envir Dim Score}_{jt} \quad (5)$$

Where VCSR Score j, t, is the CSR score of bank j in year t, Wi represents the weight of component i, Score i, j, t is the score of bank j in year t regarding component i and Max Score i represents the maximum score that a bank could get if fulfilling component i.

3.2.2. Scoring methodology

We adopted the scoring methodology to assess the voluntary CSR disclosure of the sampled banks. Based on SAM methodology, the VCSR score consists of three sub-scores; economic, social and environmental. Each of these dimensions consists of relevant criteria with their corresponding weights. Each criterion is covered by a set of components.

Using the content analysis approach and following the binary system, each component is assigned one if the bank disclosed related information in one of its published reports and zero if it did not.

4. FINDINGS AND ITS ROBUSTNESS

4.1. The Findings

Figure 1 shows the evolution of the voluntary CSR index of conventional and Islamic banks in the UAE for the period 2006-2014.

Figure 1 shows that conventional banks are slightly over performing Islamic banks in the VCSR during the period 2006-2008, however

4 http://dfsa.complinet.com/net_file_store/new_rulebooks/d/f/.DFSA1547_17395_VER260.pdf.
5 http://aaoifi.com/adoption-of-aaoifi-standards/?lang=en.
6 http://www.centralbank.ae/en/index.php?option=com_content&view=article&id=76&Itemid=96.
7 www.ifsb.org.

VCSR indexes for both systems are relatively low (around 5%). Starting from 2009 (In 2009, the global financial crisis affected the UAE economy) on average VCSR for conventional banks started to increase considerably until 2014, while Islamic banks showed similar VCSR index levels prior to the financial crisis.

The above-detailed findings indicate that conventional banks in the UAE integrated the CSR dimension in their strategy starting from 2009 in order to rebuild their images with their stakeholders. In fact, they changed their attitude radically in reporting CSR activities since that date. However, Islamic banks did not react to the global financial crisis and continued with the same reporting attitude as before the crisis.

4.1.1. Descriptive statistics

Tables 1 and 2 show that standard deviation of VCSR index for conventional banks (26.27%) is significantly higher than the standard deviation of VCSR index for Islamic banks (3.14%). This result indicates that a huge disparity exists among conventional banks in the UAE regarding their attitude in Voluntary disclosure of their CSR activities. Therefore, the National Bank of Abu Dhabi is the leader of conventional banks that voluntarily disclosed their CSR activities in 2014 (87, 23%) however, the National Bank of Umm Al-Quwain PSC and Ajman Bank have received the lowest score (2.96%).

Figure 1: Evolution of VSCR score for Conventional and Islamic banks in UAE

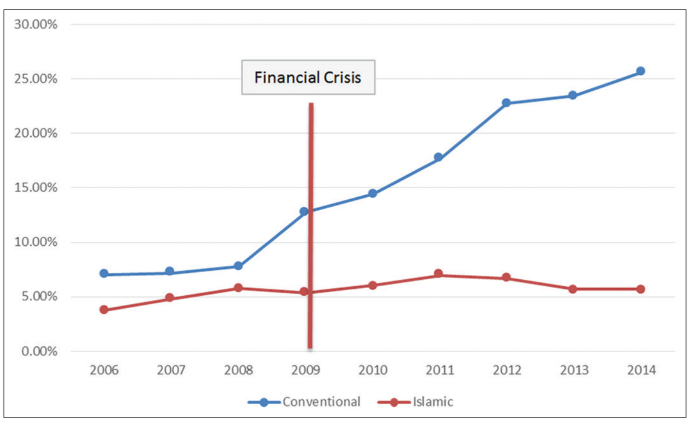

Table 1: Means and standard deviations of VCSR index for conventional banks

Variable	Mean	Standard deviation
Econ dim score	12.91%	9.41%
Social dim score	7.18%	9.37%
Environ dim score	5.48%	9.30%
VCSR index	25.57%	26.27%

Table 2: Means and standard deviations of VCSR index for Islamic banks

Variable	Mean	Standard deviation
Econ dim score	3.77%	2.82%
Social dim score	1.91%	2.20%
Environ dim score	0.00%	0.00%
VCSR index	5.67%	3.14%

In addition, on average, the means of the three sub-scores are higher for conventional banks than for Islamic banks. Both conventional and Islamic banks pay more attention to the economic dimension of CSR followed by the social and the environmental dimensions. The UAE banks (either conventional or Islamic) focus mainly on disclosing their anti-corruption policies, corporate governance and monitoring of customers' satisfaction. They are giving little interest to the social and environmental dimensions; Islamic banks in the UAE did not disclose any of the CSR activities related to the environment protection in any of the studied years (environ dim score = 0%). Therefore, the UAE banks should considerably improve these two dimensions.

4.2. Robustness of the Findings

The uniqueness of our study consists in the coverage of all possible means of communication that banks are using to disclose their extra-financial information to their stakeholders: Annual reports, corporate governance reports, sustainability reports and reports issued by social rating agencies (if available).

As we have mentioned, we selected 24 banks operating in the UAE during the period 2006-2014. Our selection criteria were to include in the sample only banks headquartered in the UAE so their reporting attitude is driven by the local context. Therefore, branches of foreign banks have been excluded such as HSBC, Chartered Bank, Swiss Bank, etc. In fact, these bank branches follow strict reporting rules dictated by their headquarters located outside the UAE. Excluding these banks will allow fair comparison between local conventional banks and local Islamic banks. We used Bankscope database to select the sampled banks according the criteria detailed above.

5. DISCUSSION AND CONCLUSION

5.1. Contributions

Few studies to date have examined the voluntary aspect of CSR disclosure in the banking sector, the vast majority of them being confined to the disclosure of both mandatory and non-mandatory of extra-financial information (Margolis and Walsh, 2003). Given the findings obtained, this empirical study shows that both conventional and Islamic banks in the UAE are reporting relatively low on their CSR practices for the period 2006-2008. When the global financial crisis hit the economy, conventional banks started to pay more attention to their reporting on CSR practices; however, Islamic banks did not change their attitude in reporting extra-financial information to the public. Figure 1 shows the inflexion point starting from the year 2009.

The examination of a sample of the UAE banks seems to accredit and model assumptions prove its relevance in the context of the banking sector, at least for the period 2006-2014, including some of the impact of the financial crisis. The findings of our study are consistent, in a sense, with Al-Tamimi (2014) because the UAE banks place more emphasis on compliance with mandatory social and environmental legislation, but less on non-mandatory legislation. This statement is proven by our study: Voluntary disclosure levels are relatively low for conventional and Islamic banks. In fact, the highest average score for voluntary disclosure of conventional banks and Islamic banks is 26% and 7% respectively.

Moreover, our findings are consistent with Maali et al. (2006), Haniffa and Hudaib (2007), Hassan and Harahap (2010) and Babacan (2012). The common conclusion is that Islamic banks pay limited attention to the reporting of their CSR practices. However, our findings are in contradiction with Aribi and Gao (2010) and Chintaman (2014).

5.2. Limitations

Several limitations to this pilot study need to be acknowledged. Firstly, the unavailability of extra-financial data on missing facilities over the period studied introduces a survivorship bias. This leads to the under-representation of Islamic banks (4 banks) compared with the number of conventional banks in the sample (14 banks).

Secondly, our study does not allow explaining explicitly why conventional banks over performed Islamic banks in the voluntary CSR reporting after the financial crisis had occurred.

Finally, our study adopted a score dedicated to the voluntary reporting of CSR activities in the UAE banks only. This score could not be used in a cross-country comparative study as mandatory extra-financial information differs from one country to another, and therefore studying the voluntary disclosure in the banking sector does not allow the generalization of our findings.

5.3. The Research Perspectives

The study of voluntary disclosure of CSR activities deserves to be continued. The most important research perspectives probably reside in the identification, within the banking context, of key components that may affect the level of voluntary disclosure of CSR activities for banks. It would be interesting to study how the best performing banks report their CSR activities compared to the worst performing ones. Finally, future research could examine how banks manage to reconcile economic and social imperatives through their structures, strategies and practices. In this context, critical approaches would compare their commitments with their achievements.

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APPENDIX

Appendix 1: List of UAE banks selected in the sample

No.	Conventional banks
1	National Bank of Abu Dhabi
2	Emirates NBD
3	First Gulf Bank
4	Abu Dhabi Commercial Bank
5	Mashreq Bank
6	Union National Bank
7	Commercial Bank of Dubai
8	National Bank of Ras Al-Khaimah
9	Bank of Sharjah
10	National Bank of Fujairah
11	United Arab Bank
12	Commercial Bank International
13	National Bank of Umm Al-Quwain
14	Ajman Bank
No.	**Islamic Banks**
1	Dubai Islamic Bank
2	Emirates Islamic Bank
3	Abu Dhabi Islamic Bank
4	Sharjah Islamic Bank

Appendix 2: Criteria used by SAM to assess CSR performance of banks

Dimension	Criterion	Weight (%)	Components (selection)
Economic (weighted: 38.7%)	Code of conduct and Corruption	6	Coverage of codes of conduct, compliance systems, coverage of the anti-corruption policy, reporting, media and stakeholder analysis
	Governance	6	Board size, share of executive directors, responsibilities and committees, diversity, conflict of interest, executive compensation, and media analysis of stakeholders
	Risk and crisis management	6	Responsibility and reporting, risk hedging and risk management, media analysis and parts stakeholder
	Industry criteria	20.7	Anti-crime measures, customer relations, brand management, monitoring customer satisfaction, frequency of investor perception studies, media analysis and stakeholder
Social (weighted: 38.3%)	Social indicators	5	Performance indicators: Diversity, equal pay male/female, freedom of associations, layoffs, conflict management, media analysis and parts stakeholder
	Human development	5.5	Skills mapping, performance indicators, individual and organizational learning
	Head hunting and retention	5.5	Scope of the evaluation, percentage of compensation linked to performance by employee category, type of individual performance assessment, analysis and media stakeholders
	Social reporting	3	Reporting content, share of employees covered by the reporting
	Philanthropy	3	Measuring the impact of CSR practices, CSR practices volume, ratio of social contributions by the net profit before tax
	Industry criteria	16.3	Ethical code for financing operations, financial inclusion, standards for suppliers, job security, media analysis and parts stakeholder
Environmental (weighted: 23%)	Environmental reporting	3	Content and scope of reporting
	Industry criteria	20	Climate change, project financing, environmental policy performance indicators: CO_2 emissions, consumption water, WMC, media analysis and stakeholders

Sources: Dow Jones STOXX Sustainability Indexes Guide, version 8.1, 2008, and SAM Sustainability Yearbook 2009 (http://www.sustainability-indexes.com). CSR: Corporate social responsibility, SAM: Sustainability assessment model

Appendix 3: Criteria used in our study to assess CSR practices of banks

Dimension	Criterion	Weight (%)	Components (selection)
Economic (weighted: 34.8%)	Code of conduct and corruption	6.4	Coverage of codes of conduct, compliance systems, coverage of the anti-corruption policy, reporting
	Governance	6.4	Board size, share of executive directors, responsibilities and committees, diversity, conflict of interest and executive compensation
	Industry criteria	22	Anti-crime measures, customer relations, brand management, monitoring customer satisfaction, and frequency of investor perception studies
Social (weighted: 40.7%)	Social indicators	5.32	Performance indicators: Diversity, equal pay male/female, freedom of associations, layoffs, and conflict management
	Human development	5.85	Skills mapping, performance indicators, individual and organizational learning
	Head hunting and retention	5.85	Scope of the evaluation, percentage of compensation linked to performance by employee category and type of individual performance assessment
	Social reporting	3.19	Reporting content and share of employees covered by the reporting
	Philanthropy	3.19	Measuring the impact of CSR practices, CSR practices volume, ratio of social contributions by the net profit before tax
	Industry criteria	17.3	Ethical code for financing operations, financial inclusion, standards for suppliers and job security
Environmental (weighted: 24.5%)	Environmental reporting	3.2	Content and scope of reporting
	Industry criteria	21.3	Climate change, project financing, environmental policy performance indicators: CO_2 emissions, consumption water and WMC

CSR: Corporate social responsibility