

Corporate social responsibility: Internet social and environmental reporting by banks

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Abstract

Purpose – The purpose of this paper is to provide further insight into internet social and environmental reporting (ISER) in the Middle East by investigating the ISER of Lebanese banks as well as their greenwashing behaviour and identifying its extent, quality and association with different variables such as profitability, size, religion and other variables.

Design/methodology/approach – This study adopted a mixed methodology. Interviews were conducted to seek the opinions of banks towards corporate social responsibility (CSR). Content analysis of bank's websites was used to examine the extent, quality and association of ISER with several bank characteristics.

Findings – The results show the prevalent use of ISER and greenwashing by Lebanese banks. The most disclosed category of ISER is community, whereas the least disclosed is environment. The study found a positive association between ISER and bank profitability, size, leverage and ownership concentration and an insignificant relationship with age and religion.

Research limitations/implications – The authors recognise that the sample is small and addresses a single context and that it could have been expanded to other Middle Eastern contexts. However, the study is exploratory focusing on the Lebanese banking sector which is one of the most developed in the region. Further longitudinal studies could also be conducted to complement the work. The process used to measure greenwashing could be enhanced by addressing the materiality of CSR disclosures to stakeholders and the purpose of communicating CSR information.

Practical implications – In light of the empirical findings, banks will gain a better understanding of the status and importance of ISER and will understand the risks of greenwashing leading them towards higher standard ISER and more ethical activities, which will have a positive impact on the Lebanese economy and society.

Originality/value – This study examines almost all aspects of online social and environmental disclosures including the webpage, CSR sections in addition to online published reports; it is an investigation about ISER with reference to Lebanon which has perhaps the most significant banking sector in the Middle East. It tackles the greenwashing issue in a new context and in a different way by examining its association with several variables. The study also investigates the association between religion and ISER which has seldom been tackled in similar studies.

Keywords Corporate social responsibility, Banks, Lebanon, Internet social and environmental reporting, Social disclosures

Paper type Research paper



1. Introduction

Corporate social responsibility (CSR) refers to a corporation's ethical or moral obligations towards society. Concern with such issues now dates back several decades

and has attracted many researchers' and, increasingly, business practitioners' attention. Institutions such as the Caux Round Table actively promote a moral capitalism, encouraging dialogue between critical moral theorists and business practitioners who aim to conduct their affairs in a manner which is at once ethical and profitable (Caux Round Table, 2010). The King report on corporate governance (Institute of Directors in South Africa (IOD), 2009) and the International Integrated Reporting council (IIRC, 2011) also work on fostering behavioural change and improvements in long-term performance and sustainable practices. Recently, the intensification of globalisation has thrown up a variety of new intercultural issues many of which have a clear moral dimension, and this has led to a heightened interest in this topic which has been the subject of several research studies in the fields of business ethics, marketing, finance and accounting. In particular, CSR has become a major issue in accounting studies (Hall, 2002). While society in general and stakeholders in particular are putting significant pressure on companies to engage and report about their social activities, accounting research has followed up by studying and developing tools for monitoring companies' CSR activity, making it increasingly normal if not imperative for companies to incorporate social information in their financial reporting. According to Aribi (2009, p. 12), "One of the operational tools which companies can use to demonstrate this social responsibility is corporate social responsibility disclosure".

Corporate social disclosures (CSD) is the communication of a company's socially responsible activities to its different stakeholders through multiple media including printed reports. This practice has attracted the attention of various user groups since the early '70s (Zain, 1999). Empirical research in this field examined the extent of social disclosures by companies, identifying especially the association between CSD and some company characteristics such as size, age and profitability. However, the past decade, characterised by remarkable technological advancement, witnessed the emergence of a newer practice known as internet social and environmental reporting (ISER), which refers to the online disclosure of corporate social and environmental information. Indeed, to reach a larger number of stakeholders with less time and cost, companies are progressively using the internet as a social reporting tool. Therefore, a deep analysis of the ISER behaviour of institutions is necessary to get a better understanding of its extent and determinants which eventually will lead to better ISER practices.

The main objective of this study is to identify the type, quantity and determinants of the ISER of Lebanese banks and shed light on the importance of using the internet as a financial and social reporting tool. While the literature abounds with research studies examining CSD in annual reports, few studies looked at the online social reporting behaviour of companies and its determinants and most of them were conducted in developed Western countries. To our knowledge, the subject of ISER has rarely been addressed in the accounting literature and has never been investigated in a Middle Eastern context. While some studies such as Osman (2016) explored the volume, nature and quality of social information on the websites of UAE and Egyptian banks, the association between ISER and different bank characteristics, specifically the religion variable, has not been tested before in a Middle Eastern context. Moreover, most studies tackling the subject of ISER in emerging economies such as China and India are descriptive in nature (Zhang *et al.*, 2007; Malarvizhi and Yadav, 2008). This paper tried to fill this gap in the literature.

The scope of the study was limited to the Lebanese banking sector as it is one of the oldest, most sophisticated, prominent and active banking sectors in the region. It is the core of the Lebanese economy and is known for its stability (Habib, 2013). In addition to providing descriptive information about the extent and type of internet social disclosures on the websites of Lebanese banks, the study analyses also the relationship between ISER and different bank-specific characteristics including profitability, size, age and leverage.

Another important contribution of this study is that it looks at the quality as well as the quantity of bank's social disclosures by examining the degree to which greenwashing behaviour is adopted in the Lebanese banking sector. Although greenwashing has been the focus of attention of quite a few papers recently, it has been examined in a different way by analysing its association with several bank-specific characteristics.

While one can find a number of slightly different definitions of greenwashing in the business ethics literature, the basic idea behind the concept is very simple; organisations engage in communications and even publicity regarding the environmental standards which they uphold in the conduct of their businesses while the reality of their environmental impact in practice is far removed from such standards as they proclaim. More recently, the term has begun to be extended to other areas of false or misleading organisational claims in respect to ethical standards and not just confined to environmental questions (Mandalaki and O'Sullivan, 2016). While certainly the term was originally used in relation to false claims made in respect to an organisation's environmental impacts and derived by analogy with the notion of a whitewash when guilty parties to a crime are somehow made to seem innocent, clearly given the nature of the immorality involved in environmental greenwashing (hypocrisy and deception) the term can easily be extended to all types of false claims in respect to ethical actions and CSR that an organisation may make; they all involve hypocrisy and/or deception.

Greenwashing, it should be emphasised, is not about small scale failure to live up to proclaimed standards. Rather, greenwashing refers to a glaring gap or contradiction between claimed environmental or more widely ethical standards and actually realised actions with the implication that the gap or contradiction is down to outright hypocrisy. High standards are claimed for purposes of creating a good company image or for public relations purposes, while in reality, the company puts nothing in place to realise the standards and in effect has little or no intention to do so. Because greenwashing involves hypocrisy and even outright deception, it implies a definitively immoral behaviour by the greenwasher (every known moral code prohibits lying and deliberate deception of others as a general principle), and this unethical deception is indeed laid over the unethical activity that is being glossed over in the first place.

Walker and Wan (2012) provide a clear and simple definition of the concept which will be useful in the context of this article. They propose that greenwashing is a "strategy that companies adopt to engage in symbolic communications of environmental issues without substantially addressing them in actions" (Walker and Wan, 2012, p. 227). The authors examined the social disclosures of 100 top Canadian companies in polluting industries and they distinguished between these two types of disclosures: symbolic and substantive actions.

Symbolic actions (green talk) are observed whenever a company makes claims or discloses information about certain social interests or actions that have not in fact been addressed in any serious way, whereas *substantive actions (green walk)* are company disclosures about actions that have been substantially addressed in actions and have had significant real practical impact. In other words, whenever the company discloses

information about a certain action by giving details and proof about it and whenever the veracity of the claims of the company is verified, it is considered a *substantive action*. However, when the company discloses information about certain socially responsible actions without providing proof about them and when in fact there has been no real impact from the claimed CSR, this would be considered as a *symbolic action*. Very few studies till now examined the relationship between the greenwashing behaviour of companies and different company-specific characteristics. This study made use of the Walker and Wan model to determine the level of greenwashing in the Lebanese banking sector and to investigate its relationship with different variables.

On the practical level, this study provides a sort of benchmark for banks to compare their social reporting with that of other banks. Accordingly, banks that have a limited social reporting behaviour are challenged to produce higher standard internet reporting. In parallel, banks that already have a good social reporting behaviour are encouraged to maintain their status to compete with other banks. The study also highlights the risks of greenwashing thus inciting banks to avoid such behaviour which if adopted may lead to reputational damages. Eventually, this will result in higher standard internet reporting and more ethical banking activities which will have a positive impact on the worldwide reputation of the Lebanese banking sector and will reinforce its position as a pioneer in the region. This increase in CSR activities will also have positive social implications given that banks will assist the government in meeting the society's social needs.

In the following sections, the different theories underpinning the CSD concept will first be analysed. Then, the association between CSD and different variables in the literature will be examined, leading to the formulation of six hypotheses and six sub-hypotheses. The quantitative and qualitative methodologies used will then be explored. This will be followed by a detailed examination of the findings. Finally, the study will end with a conclusion summarising the main research results and suggesting implications for future research.

2. Theoretical frameworks

The literature abounds with theories supporting the concept of CSD (Hackston and Milne, 1996). Each theory explains the motivation of this phenomenon differently, although of course multiple motivations could underpin CSD. According to Gray *et al.* (1995), three distinct categories of theories have been recognised: decision usefulness explanations of CSD, economic explanations which are based on agency theory and social and political explanations within the framework of the stakeholder theory and the legitimacy theory, respectively.

Decision usefulness theories describe accounting as the process of providing relevant information to decision makers. According to this theory, companies report social information because it is useful for their different stakeholders to have it. However, this approach does not investigate in depth the motives for companies to disclose such social information, for example, why they want to make information available to stakeholders in the first place (Maali *et al.*, 2003). The agency theory suggests that there are always at least two parties involved in a typical modern business: the principals (owners) who assign the other party called the agents (managers), to act on their behalf (Weshah *et al.*, 2012). The theory explains that the separation of ownership and control of a company results in agency costs due to the diverging interests between managers and owners (Jensen and Meckling, 1976). In this approach, the suggestion is that social information should be disclosed only if it results in the reduction of current and future agency costs. According to Ness and Mirza (1991,

p. 212), companies would voluntarily disclose social information only “when the benefits from disclosure outweigh the associated costs”.

Stakeholder theory is one of the most cited theories in the social disclosures literature and is considered as “the reference theory for the analysis of CSR” (El Alaoui Amine *et al.*, 2013, p. 73). Freeman and Reed (1983) developed this theory, which suggests that companies are not only responsible towards shareholders but also towards other stakeholders who are increasingly exercising pressure on companies to meet their expectations. Wheeler and Sillanpaa (1997) further emphasise on the importance of developing inclusive and loyal relationships with all stakeholders to succeed in business. Therefore, just as financial performance is disclosed to shareholders in annual accounts, companies will need to disclose information on their broader social performance in relation to stakeholder demands and expectations. Legitimacy theory is also widely cited in the CSD literature. It suggests that companies must react to the expectations of the society or community in which they are operating to make sure that their activities are perceived as legitimate by the society. Meeting society’s expectations is thus perceived as a necessity for companies to succeed (DiMaggio and Powell, 1983; Dowling and Pfeffer, 1975; Suchman, 1995). Under this theory, companies should abide by what may be called a social contract. Under this contract, firms agree to operate according to the social desires of outside parties. However, if it fails to do so, society will invalidate the contract and prevent the company from continuing its operations (Guthrie and Parker, 1989). For this reason, companies use social disclosures to provide information about their social activities and thereby (hopefully) legitimise it.

In a nutshell, different theories have strived to explain why companies disclose social information but there is still a lack of consensus on any one specific theoretical framework. In fact, according to Choi (1999), no single theory can explain the concept of CSD and in any case there is the likelihood of multiple motivations for CSR activity. Indeed, some of the above theories, such as the stakeholder theory and the legitimacy theory, overlap and even complement each other, and they all agree that companies should provide their different stakeholders with social information.

Within the theoretical framework, the following section will examine previous empirical studies on the topic, specifically the association of CSD and ISER with some selected variables. On the basis of the literature review, a set of research hypotheses will be defined.

3. Literature review and hypotheses

The different theories elaborated earlier point towards possible relationships between CSD and different company characteristics. Previous empirical studies have also suggested that the level of social reporting by companies is affected by different factors such as time and industry-specific characteristics (Gray *et al.*, 1995) but also by some company-specific characteristics including financial performance, size, age and religion. In this paper, our aim is to analyse the ISER behaviour of Lebanese banks and to identify its determinants. Accordingly, our dependent variable (DV) is the ISER of Lebanese banks. The study will examine the association between the DV defined in the previous section and six independent variables (IV) defined hereafter.

3.1 Profitability and internet social and environmental reporting

The first IV considered in this study is profitability (PROF). Profitability is one of the most studied variables in CSR, CSD and ISER research. Although results were

inconclusive and inconsistent, most studies on this subject found a positive association between ISER and profitability (Andersen and Olsen, 2011; Bayoud *et al.*, 2012; Menassa, 2010; Tagesson *et al.*, 2009) and gave different explanations for their results. While Belkaoui and Karpik (1989) suggested that profitable companies have the necessary knowledge to disclose social information, Dye (1985) asserted that profitable companies disclose social information to enhance their social image and to differentiate themselves from other companies. However, the most logical explanation was provided by Cowen *et al.* (1987) who suggested that profitable companies disclose more information because they have the required economic resources to do so. In this study, our main objective is to analyse the ISER behaviour of Lebanese banks and its determinants. As the literature suggests, profitability is believed to be one of the major variables having an impact on social disclosures. This led us to the formulation of the following hypothesis:

H1. The financial performance (PROF) of Lebanese banks is positively associated with their internet social and environmental reporting (ISER) behaviour.

Banks' net profit was used as a proxy for profitability since this measure shows how much profit in dollars a bank makes after subtracting all its expenses. Hence, this measure gives an indication about the ability of the company to sacrifice profits for future investments, mainly investments in CSR activities.

Moreover, with a view to achieving a deeper insight into the nature of ISER being practised, based on the Walker and Wan 2012 model, the ISER of Lebanese banks was categorised into substantive actions (SUB) and symbolic actions (SYM). Walker and Wan (2012) found an insignificant association between profitability and substantive actions and a negative association with symbolic actions. To get a better understanding of the association between profitability and the greenwashing behaviour of banks, the following sub-hypothesis was formulated:

H1a. The profitability of Lebanese banks is positively associated with the proportion of substantive disclosures (SUB) and negatively associated with the proportion of symbolic disclosures (SYM) reported by each bank.

3.2 Size and internet social and environmental reporting

The second IV examined is size. This variable is also one of the most frequently observed variables in studies of this type. Most investigations on the topic resulted in a positive association between size and ISER, although some exceptions exist such as Ratanajongkol *et al.* (2006). This finding could be explained by the fact that big institutions are influenced by a large number of stakeholders and are thus exposed to more pressure from the media and the general public (Hackston and Milne, 1996). In line with this reasoning, Watts and Zimmerman (1986) postulate that large companies tend to disclose more social information because they are subject to high visibility. Cowen *et al.* (1987) argued also that large companies having a lot of stakeholders usually have more social interests than smaller companies. Consequently, they tend to disclose more social information to the public. On the basis of the literature, a positive association between size and ISER is expected. Therefore, it is hypothesised as follows:

H2. The size of Lebanese banks is positively associated with their internet social and environmental reporting (ISER) behaviour.

Total assets of banks were used as a proxy for size.

Moreover, to detect whether some bank characteristics have an impact on the quality of online social disclosures, the association between size and both symbolic and substantive actions was measured. To the best of our knowledge, this association has never been tested before in the literature. While a positive association is expected between size and substantive actions (SUB), larger banks are supposed to be less involved in symbolic actions (SYM). Hence, it is thus hypothesised:

H2a. The size of Lebanese banks is positively associated with the proportion of substantive disclosures (SUB) and negatively associated with the proportion of symbolic disclosures (SYM) reported by each bank.

3.3 Age and internet social and environmental reporting

The third IV studied is age. The age variable is less observed in the CSD literature compared to profitability and size. A positive relationship is expected between age and ISER because usually older companies that possess a good standing attempt to preserve this reputation gained through their long years of existence (Menassa, 2010). Although some researchers such as El-Bannany (2007) and Rettab *et al.* (2009) suggest the opposite on the grounds that some new firms at least may be more idealistic in their approach to business, most researchers including Choi (1999) propose a positive association between the two variables. Consequently, *H3* is formulated as follows:

H3. The age of Lebanese banks is positively associated with their internet social and environmental reporting (ISER) behaviour.

In this study, age was calculated as the number of years of existence of the bank from its date of establishment till the end of 2013.

As for the association between the age of the bank and its greenwashing behaviour, newer banks might be expected to be more involved in greenwashing than older banks on the grounds that older banks are more likely already to have had the experience of the negative effects on reputation when greenwashing of any kind is publicly exposed as is increasingly the case; consider the high profile case in September 2015 of Volkswagen diesel exhaust emissions or the case of Fiji Water's flop in the UK (McMaster and Nowak, 2009). Therefore, the following sub-hypothesis was formulated:

H3a. The age of Lebanese banks is positively associated with the proportion of substantive disclosures (SUB) and negatively associated with the proportion of symbolic disclosures (SYM) reported by each bank.

3.4 Leverage and internet social and environmental reporting

The fourth variable considered is leverage (LEV). It refers to the amount of debt used to finance a bank's assets, and it was measured in this study by the debt/equity ratio (D/E). A few studies suggested leverage (LEV) as a determinant of ISER and the literature generated inconclusive results which imply the need for further investigation on the topic. According to Jensen and Meckling (1976) and based on the agency theory, highly leveraged institutions strive to reduce their agency costs. On the basis of this line of reasoning, companies are expected to increase their social disclosures to reduce agency problems and consequently reduce their costs. On the other hand, Purushothaman *et al.* (2000) and Uwugbe and Egbide (2012) negate the relationship between leverage and ISER. Purushothaman *et al.* (2000) claim that highly leveraged companies having close contacts with their creditors usually disclose

information directly to them, which limits the amount of publically disclosed information. [Uwuigbe and Egbide \(2012, p. 164\)](#) propose that “firms with high debt profile and a higher risk of insolvency would be unwilling to incur extra costs on corporate environmental issues”. Thus, highly leveraged companies operating under financial constraints are expected to reduce their costs, specifically those associated with the disclosure of social information. However, this is not the case in the banking sector because the major part of bank’s liabilities emanates from customers’ deposits and not from bank debts. So the higher the customers’ deposits, the higher the leverage ratio is and the better the banks are in terms of attracting customers’ deposits and sometimes in generating revenues. Therefore, they are expected to disclose more social information to preserve their good image. Accordingly, the following hypothesis was formulated:

H4. The leverage level of Lebanese banks is positively associated with their internet social and environmental reporting (ISER) behaviour.

To understand the association between the leverage level of Lebanese banks and their greenwashing behaviour, the following sub-hypothesis was formulated:

H4a. The leverage level of Lebanese banks is positively associated with the proportion of substantive disclosures (SUB) and negatively associated with the proportion of symbolic disclosures (SYM) reported by each bank.

3.5 Ownership structure and internet social and environmental reporting

Ownership structure, or OS, is the fifth IV examined in this study. OS is the distribution of equity among owners. In this study, ownership was considered concentrated whenever a single party or a group of interrelated parties (i.e. family members, affiliated companies, etc.) owns 50 per cent or more of the shares of the bank. In this case, it has the power to affect the decision making process.

Many researchers including [Roberts \(1992\)](#), [Reverte \(2009\)](#) and [Tagesson et al. \(2009\)](#) suggested that OS is one of the determinants of CSD and ISER. Ownership is considered dispersed when the number of owners is very large. In such a case, the company is more prone to conflicts of interests between managers and owners according to [Jensen and Meckling \(1976\)](#). Consequently, it might tend to disclose more social information in an attempt to reduce its agency problems. Within this line of reasoning, when ownership is concentrated, organisations disclose much less social information. On the other hand, some studies such as [Abu Sufian and Zahan \(2013\)](#) showed a positive association between ownership concentration and social disclosures. Actually, when the company is controlled by one or by a few dominant shareholders, information disclosed will reflect the interest of these shareholders ([Fan and Wong, 2002](#)). Accordingly, the presence of dominant shareholders will put more pressure on companies to disclose social information to preserve their image and reputation ([Anderson et al., 2003](#)). If it is the case that smaller firms are those where ownership is most concentrated, then any linkage between OS and ISER may simply reflect the impact of the size factor on ISER or vice versa. Existing literature provides evidence on the existence of a link between OS and social disclosures, but not surprisingly findings are still inconsistent. To test this association, the following hypothesis is proposed:

H5. Lebanese banks that have a concentrated ownership structure have a higher level of internet social and environmental reporting (ISER) than those having a dispersed ownership structure.

In an attempt to analyse the association between the OS of Lebanese banks and the quality of their disclosures, the following sub-hypothesis was formulated:

- H5a.* Lebanese banks having a concentrated ownership structure have a higher proportion of substantive disclosures (SUB) and a lower proportion of symbolic disclosures (SYM).

3.6 Religion and internet social and environmental reporting

The last variable examined in this study is religion (REL). This variable refers to the religious beliefs of the bank's main owners and members of the board of directors. Religion is thought to have a tremendous effect on the extent and quality of social disclosures. In fact, secularism prevails in Western countries. Religion is thus considered a private matter and does not intervene in the life of citizens (Rice, 1999). Accordingly, there is no automatic link between religion and business conduct. However, a good Christian or Muslim is supposed to act with respect and love to all other human beings in their daily lives and in business dealings. On the other hand, in many Middle Eastern countries, Islam and Sharia principles pervade all aspects of a person's life and business dealings including the level of CSD. A significant amount of research has tackled the subject of social reporting by Islamic financial institutions and banks (Al-Baluchi, 2006; Aribi, 2009; Farook and Lanis, 2007; Hassan and Harahap, 2010). However, most of these studies are only descriptive and provide little analysis on the disclosure practices of Islamic banks.

Islamic banking is a special banking system which conforms to the Sharia or Islamic law. It thus prohibits the charging of interest, requires Halal or lawful transactions and recommends the payment of a religious tax called Zakat.

Based on the above definition that reflects the social concerns of Islam, a high level of social disclosures by Islamic institutions is anticipated. However, empirical studies do not always provide evidence for such a belief. A couple of studies have examined the ISER behaviour of Islamic banks (Aribi, 2009; Farook and Lanis, 2007), and most of these studies anticipated a high level of social disclosures by Islamic institutions. While Farook and Lanis (2007) found differences in the level of social disclosures of Islamic financial institutions mainly due to the socio-political context within which each institution operates, Aribi (2009) found that religion, and specifically Islam, has an impact on manager's perception towards CSR and consequently on its practices and disclosures. On the other hand, Hassan and Harahap (2010) demonstrated that CSD is not a major priority of Islamic banks. According to Aribi (2009, p. 4), the different CSD theories presented previously "exclude religion as a foundation for explaining why organisations should disclose social responsibility information". Thus, further investigation on the relationship between religion and CSD is deemed necessary.

This study did not look particularly at Islamic institutions; rather, it analysed the impact that the religious beliefs of the bank's main owners might have on the level of social disclosures of traditional commercial banks.

In this regard, it is important to differentiate between the two types of commercial banks: Islamic banks and traditional banks. An Islamic bank conforms to the Sharia or Islamic law. However, a traditional commercial bank does not conform to Sharia and could have a Muslim or non-Muslim owner. One of the contributions of the study is that unlike other studies which examined the CSD practices of Islamic institutions in comparison with traditional banks, it looks at the impact that the religious beliefs of the bank's main owners and board members has on the level of social disclosures of traditional commercial banks. Knowing that Lebanon has the most religiously diversified community in the Middle East,

embracing at least 18 different confessions, it would be very interesting to perceive whether religion affects the social reporting practices of Lebanese banks. For the sake of this study, the two main religious beliefs that were considered are Christianity and Islam.

In line with [Aribi's \(2009\)](#) finding that Islam has an impact on owners and manager's involvement in CSR and based on Sharia's perception of profit and society, banks whose owners are Muslims are expected to disclose more social information due to the pressure they face from their community to abide by Sharia requirements. Consequently, the following was hypothesised:

H6. Lebanese banks whose main owners are Muslims are expected to have a higher level of ISER.

The following sub-hypothesis was also formulated to assess the impact that Islam has on the greenwashing behaviour of banks:

H6a. Lebanese banks whose main owners are Muslims have a higher proportion of substantive disclosures (SUB) and a lower proportion of symbolic disclosures (SYM).

4. Research design

4.1 Methodology

This study adopted a mixed methodology both quantitative and qualitative. The main research method used was quantitative content analysis; however, to prepare the quantitative work on ISER, some in-depth interviews were conducted with bank representatives responsible for CSR reporting. The main purpose of this approach was to get a better understanding of the perception of banks towards CSR and their motivation to engage in ISER, in addition to some important insights on the association between ISER and the different variables of interest. These interviews helped also in assessing the meaningfulness of the developed model and of the variables. We examine below the qualitative and quantitative methods used in this study.

4.1.1 Interviews. Knowing that one of the aims of this study is to capture the perception and motivations of banks regarding ISER, semi-structured interviews were conducted as they allow for dialogue between the two parties. Interviews were conducted with five banks' representatives responsible for CSR reporting mainly heads of communications, marketing or CSR departments. The following process was adopted:

- An interview guide was prepared including the main questions to be asked ([Appendix 1](#)).
- A detailed email explaining the purpose of the interview and asking for an appointment was sent to the potential interviewees.
- On the day of the interview, the participants were assured that the interview process is confidential. Then, they were asked for permission to record the interview.
- The recorded interviews were transcribed into a written word-by-word transcript, which allowed the researcher to analyse the interview content in detail. Similarities and divergences in opinions were considered and analysed to draw up conclusions on the ISER behaviour of Lebanese banks.

4.1.2 Content analysis. The study used content analysis to measure and to quantify the internet social disclosures of Lebanese banks and to determine their association with different bank-specific characteristics. While different methodological approaches have

been used in CSR and ISER research, content analysis is the most commonly used method in social accounting studies (Milne and Adler, 1999). Abbott and Monsen (1979, p. 504) defined content analysis as a “technique for gathering data that consists of codifying qualitative information in anecdotal and literary form into categories to derive quantitative scales of varying levels of complexity”. Adopting content analysis as a research method was done through a planned process which entails following seven steps, as determined by Wolfe (1991). The process followed is described later in the text.

4.1.2.1 Sampling unit. *Sampling unit* refers to the data source or the document to be analysed by the researcher. This study analysed the whole websites of Lebanese banks including the homepage (CSR sections, news, products, services, etc.) and Web-based reports (annual reports, sustainability reports, etc.). The study thus covered the major part of the bank's social reporting activity. As the information disclosed online changes rapidly (McMillan, 2000), the different websites were accessed during the last two weeks of January 2014 to minimise website changes during the analysis and the needed information was saved to be analysed at a later stage. A clear distinction and separate analysis of the website data and of the online published reports' data is made in the findings section.

4.1.2.2 Coding units. *Coding units* refer to the basis for counting the amount of disclosures. Different measurement units have been used in content analysis studies such as words, sentences, pages or a mixture of those measures. This study used two recording units to assess the ISER of Lebanese banks. Knowing that the purpose of this study is to measure both the quantity and quality of social disclosures, word count was used because it is the most powerful measure of the extent of disclosures. In addition, sentence count was measured to assess the quality of disclosures because sentences provide a better insight into the meaning of disclosures. More precisely word count was used to test hypotheses (H1 to H6), but sentence count was used to differentiate between substantive and symbolic actions and thus to test the sub-hypotheses (H1a to H6a) to detect the greenwashing behaviour of banks. The authors are aware of the extreme crudeness of this approach to coding and have considerable reservations in using it because in simply counting words and sentences the whole dimension of the meaning of what is being said in ISER is obliterated and ignored. After all, the words could have no meaning! In fact, several studies such as Cho *et al.* (2009), Rennekamp (2012), Loughran and McDonald (2014) and Bozanic and Thevenot (2015) have examined how sentence length and structure can confuse and mislead readers of social disclosures. However, that is perhaps relatively unlikely and in applying content analysis we are following an approach which has been used in various other studies on this and other topics. Moreover, as noted in the fourth point below, we make a limited attempt to address the question of the quality of disclosures by looking at their substantive versus symbolic character. But our reservations are duly noted.

4.1.2.3 Coding themes. *Coding themes* were selected to inform the coders of the information that qualifies as a social disclosure. This study drew upon the previous categorisations used in the literature mainly the categorisation used by Aribi (2009) and Menassa (2010) to develop its own categorisation of ISER. The set of codes used in this study includes five main themes: environment, employee, community and philanthropy, customers, products and services and others. Table I lists the different themes adopted and provides a detailed explanation of each theme.

4.1.2.4 Coding categories. To capture at least to some degree, the quality of social disclosures, the study distinguished between two types of disclosures: substantive and symbolic actions. Symbolic actions refer to disclosures about social actions that have not been substantially addressed by the bank. They are just claims without any details or proof of action (and where typically there are no real practical actions to record). Such types of

Table I.
ISER Themes and
description

Theme	Description
Environment	This theme includes any disclosure related to environmental issues including sustainability, conservation of resources, recycling, energy, waste management, environmental policy, lending and investment policy
Employee	This theme covers any disclosure related to the human resource of the organization such as employee remuneration, benefits, pension plans, end of service indemnity, employee morale, training and development, health and safety, work environment, equal opportunities, job creation and promotions
Community and philanthropy	Disclosures under this theme include any reference to the community and philanthropic activities including charitable giving, support of NGOs, public health, education, social, cultural and sports events, contribution to the national economy (projects financing, low interest loans to support community)
Customers, products and services	This theme includes disclosures related to customer relations, customer service, customer complaints/satisfaction, special services for disabled or aged customers, product and service quality, product development
Others	This theme includes any social disclosure of not belonging to any of the above mentioned themes such as general beliefs or statements about CSR, commitment to business ethics, mission statements

disclosures are usually used by institutions to market themselves as socially responsible while, in reality, they are not as socially active as they claim. In contrast, substantive actions refer to “real, material change to organisational goals, structures and processes, or in socially institutionalised practices” (Savage *et al.*, 2000, p. 48). They include any truthful disclosure describing social actions that have been undertaken in practice by the organisation. Each sentence was individually assessed for the presence of a factual action that could be proven. The veracity of bank’s claims was checked by looking for the presence of photos of the events on the websites, links to press releases, Youtube videos, contacting banks to provide proof of their action, etc. In this regard, it is important to note that some sentences do not describe a factual action; however, they supplement previous sentences by elaborating the reason behind undergoing this specific action, for example. All sentences, including supplementary descriptive sentences related to a proven factual action, were considered as substantive disclosures.

We acknowledge that the process used to measure the quality of disclosures does not capture all the possible measures and dimensions of quality. Our research does not tackle the issue of the materiality of disclosures to stakeholders. Some banks may have a big proportion of symbolic disclosures, but their substantive disclosures might address fundamental issues to stakeholders. Other banks may have a few symbolic disclosures and a large number of substantive one, but the latter address only minor issues. Therefore, future studies on the topic could attempt to measure the quality of disclosures by taking into consideration how stakeholders view and value the interventions of the banks.

Moreover, this study assumes that a high proportion of symbolic disclosures implies a greenwashing behaviour. This assumption was made based on interviews with several bank representatives responsible of CSR reporting who claimed that any communication of social information should be backed by measurable details and evidences. Nevertheless, as noted by Michelon *et al.* (2015), previous studies suggest that disclosures should be complete, meaning that they should report actions and results not only intentions. However, Hopwood (2009) suggests that disclosures are more focused on strategies, plans and

intentions rather than on actions and results. Therefore, a bank that reports about his intentions or plans to undergo a specific CSR activity might not necessarily be engaged in greenwashing. This is an inherent limitation of this study that could be tackled in future research by following an in-depth case study methodology in which the purpose of the communication or what is called by [Michelon et al. \(2015\)](#) the managerial orientation towards CSR disclosures of several banks is interrogated. This would certainly be a more reliable approach to measure the greenwashing behaviour of banks. Nevertheless, we believe that ours is a limited yet useful initial attempt to measure at least to some degree the greenwashing behaviour of banks.

4.1.2.5 Coding mode. Two types of coding can be used in content analysis studies: computer or manual coding. As for this study, and despite all the benefits of computer coding in terms of speed and minimum errors, manual coding was adopted since the purpose is to capture the quality of disclosures and differentiate between substantive and symbolic actions, and computer coding fails to reveal the exact implicit meaning of disclosures. A coding sheet ([Appendix 2](#)) was developed to simplify the work of coders.

4.1.2.6 Pilot test. A pilot test was conducted on 15 randomly chosen Lebanese banks to check the robustness and accuracy of data and the feasibility of the testing process. The websites as well as online published reports of banks were coded. The pilot test helped coders become more familiar with the coding process which increased the reliability of the method.

4.1.2.7 Validity and reliability. Different measures were undertaken to enhance the validity and the reliability of the research method:

- A coding sheet was provided to coders as well as a detailed checklist of all social themes and sub-themes to be coded ([Appendix 3](#)).
- A set of coding rules ([Appendix 4](#)) was developed to facilitate the coding process and to reduce the subjectivity of coders.
- To make sure that the coding will remain stable over time, five banks' websites that were coded during the pilot test were coded again at a later stage by the same coder.
- The different documents were coded by one of the researchers (the main coder) and were also cross-coded simultaneously by a research assistant.
- Both the main and the cross coder have undergone a period of training in coding, through discussions with academics having previous experience in coding.
- During the coding process, any discrepancy in results was discussed, and the coding was repeated when necessary to ensure the reproducibility of results.

4.2 Population, sample and period chosen

Because the main objective of this study is to examine the ISER behaviour of Lebanese banks, the population of interest belonged to only one economic sector, the Lebanese banking sector. In 2013, 41 Lebanese commercial banks including four Islamic banks were listed as members on the Association of Banks in Lebanon. However, two banks had no websites and two banks were subsidiaries of other banks and shared the same website and thus were not included in the study. Besides, three banks had no financial information disclosed and were eliminated from the analysis. Consequently, the final sample consisted of

34 banks, out of which two were Islamic banks. The sample constitutes more than 80 per cent of the total population of interest and thus was considered as representative of the whole population. The authors recognize that the sample is relatively small; however, given that the study is exploratory in nature and that the intention is not to generalize the results, it was not considered as a threat to the reliability of results. To overcome this limitation, future research could consider expanding the study to other Middle Eastern countries to increase the sample size.

As for the period of study, websites were accessed during the past two weeks of January 2014.

4.3 *The quantitative analysis process*

As previously mentioned, the websites of all banks in the sample were accessed in a period of two weeks. All the information related to social disclosures was copied and pasted to a word document to prevent website changes and were analysed at a later stage. The bank characteristics specific to each bank (profitability, size, age, etc.) were collected either from annual reports or from the websites. As for the religion variable, it was identified based on the religious beliefs of bank's main owners and board of director's members. In fact, in the Lebanese context, religion is not a private matter and is widely known by the public. In this study, the religious beliefs of a bank's owners were known to the researcher, and, in certain cases, they were determined by contacting acquaintances in some bank. The CSR information retrieved from each bank were coded separately by the researcher and by a cross coder. Each sentence was read, analysed and verified to differentiate between substantive and symbolic disclosures. All factual proven disclosures as well as the sentences related to them were considered as substantive actions whereas all claims or disclosures that lack any practical record were considered as symbolic actions. Moreover, sentences were categorised into five themes (Table I). Coding results were then included in the sample coding sheet (Appendix 2) which constitutes a summary of each bank's characteristics and ISER information. After completing the coding sheets of all banks in the sample, the information was entered into SPSS to be analysed further. First, descriptive statistics related to the extent and availability of ISER by theme, category and location were produced. Then, multivariate regression was used to determine the association between ISER and the different IV defined previously.

The list of banks included in the quantitative study is provided in Appendix 5.

5. Findings

This section reports the main qualitative and quantitative findings of the study.

5.1 *The qualitative findings*

Different topics were discussed with the interviewees as outlined in the interview guide. As previously stated, CSR is a new concept in the Lebanese banking sector, and most banks are trying to engage in it. However, interviews showed that some banks are much more advanced than others in terms of concept understanding, engagement and reporting. Diverging opinions emerged regarding the motivation of banks to engage in CSR. While a few believe that it is fully voluntary without any embedded motivation behind it, most banks stated that CSR has a positive impact on the community and on the bank in terms of brand image and differentiation; therefore, it is perceived as a win-win situation. As for the impact of ISER on the bank's profitability, respondents agreed that ISER has a positive impact on profitability in the long run. However, in the short run ISER might have a

minimal impact on profitability but banks have set no tools to measure it. When asked about the impact of financial performance on the extent and quality of social disclosures reported by each bank, diverging opinions emerged. Some respondents stated that ISER is naturally linked to financial performance because the higher the profitability of the bank, the higher the budget allocated for CSR. Actually, CSR spending usually constitutes around 2 to 3 per cent of the banks' turnover. This opinion coincides with previous studies' that found a positive association between profitability and CSR disclosures (Bayoud *et al.*, 2012; Menassa, 2010; Tagesson *et al.*, 2009). However, other banks believe that CSR is a culture that should be integrated in the whole business. Obviously, when profitability declines, the budget allocated for CSR might be limited; this will eventually decrease the amount of philanthropic activities and donations. However, other less costly CSR activities such as recycling and employee activities might increase. Eventually, the total amount of social disclosures will not necessarily decrease.

Interviewees were also questioned about the influence of the religious beliefs of their bank's main owners on social engagement and reporting. Some respondents suggested that religion has no impact on CSR activities and disclosures. This opinion matches the interview finding of Aribi (2009, p. 182) which states that "religion does not encourage the use of good deeds for publicity or showing off". However, other banks and especially the Islamic bank had a different observation. They proposed that while CSR is a new notion in the Lebanese banking sector, CSR is part of the values of Islamic banking from decades. Actually, one of the most important values of Islamic banking, stated in the Sharia, is to take care of the society. Conversely, when asked about the impact of Islam on the CSR engagement of non-Islamic or conventional banks, the Islamic bank representative did not give a conclusive answer. He believes that engaging in conventional banking by itself is against Sharia principles which prohibit dealing with interest, so if the owners neglect this principle, they might also ignore other Sharia principles such as CSR. But later, he added that Muslim owners of traditional non-Islamic banks face more pressure from the Muslim community to engage in CSR to abide by Sharia principles, which perhaps might lead to a higher CSR engagement by these banks. In fact, both Christianity and Islam preach about love and respect of all human beings in their daily lives and business dealings. They also encourage people to respect and take care of the environment. However, the Islamic bank representative suspected that Muslim owners might tend to disclose more CSR information to meet the pressure made by the Muslim community to abide by Sharia requirements.

Moreover, to assess the level of greenwashing by Lebanese banks, interviewees were asked if they provide detailed evidence about their social activities. Respondents agreed that in communicating social disclosures, measurable details should be provided. Some banks claimed that in previous years they used to report vague or unclear CSR information which could be perceived as greenwashing. But according to them, this is due to the lack of knowledge that they had about CSR reporting at that time, but they had no greenwashing intentions. However, currently, they are trying to abide by the Global Reporting Initiative and the ISO 26000 guidelines to eliminate such occurrences.

The qualitative study provided general insights about the perception of banks towards CSR, the importance they give to ISER reporting and the impact of some bank-specific characteristics on their ISER behaviour. This information helped in preparing the quantitative work whose purpose is to measure quantitatively the extent and quality of Lebanese bank's ISER and its association with different variables.

5.2 The quantitative findings

Descriptive statistics were first produced to get an insight about the extent and availability of ISER on bank's websites and online published reports. [Table II](#) provides information about the availability and the extent of social disclosures by category. It reveals that only one category of social disclosures, customers, products and services (CUST) is available on the websites of all the banks included in the sample, 94 per cent of banks disclose general CSR information (OTHERS), 76 per cent of banks disclose information about employees (EMP), 74 per cent of banks report about community activities (COM) and only 56 per cent of banks disclose environmental information (ENV).

As for the extent of disclosures, [Table II](#) shows that the most disclosed categories are community and philanthropy (30.79 per cent), followed by others (24.52 per cent) and customers, products and services (22.73 per cent), which indicates that Lebanese banks attribute great importance to the community in which they operate and to their customers. This result is not surprising knowing that such a behaviour will have a positive impact on the banks' reputation and image. As for environmental disclosures, they account for only 7.97 per cent of total disclosures which means that banks attribute less importance to environmental issues than to other disclosure categories. This could be explained by the fact that the banking sector, unlike other polluting industries, has little effect on the environment. This result is consistent with the findings of [Menassa \(2010\)](#) who found that Lebanese banks attribute the greatest attribute to community and employee disclosures and less importance to environmental disclosures.

As for the distribution of ISER between symbolic and substantive disclosures, results showed that substantive disclosures account for 48.37 per cent of banks' total social disclosures while symbolic disclosures account for 51.63 per cent which means that more than half of total bank's disclosures are symbolic. The percentage of symbolic disclosures is considered very large, which allows us to conclude that Lebanese banks are widely involved in greenwashing. This finding contradicts the qualitative interview results with bank representatives who claimed that CSR should not be used as a marketing tool and that ISER should include measurable details about each reported action. [Table III](#) provides more details about the distribution of substantive and symbolic disclosures by category. More precisely, it shows that around half of total substantive disclosures belong to the community and philanthropy category (47.54 per cent). On the other hand, the highest percentage of symbolic actions (38.23 per cent) belongs to the others category which usually includes general CSR statements.

Moreover, the below chart provides information about the proportion of substantive and symbolic disclosures in each category ([Figure 1](#)).

The chart shows that the majority of disclosures related to community and philanthropy (80.88 per cent) and those related to environment (75.57 per cent) are substantive. It also

Category	Availability		Extent	
	No. of banks	(%)	No. of words	(%)
ENV	19	56	13,304	7.97
EMPL	26	76	23,349	13.99
COM	25	74	51,397	30.79
CUST	34	100	37,945	22.73
OTHERS	32	94	40,935	24.52
Total			166,930	100.00

Table II.
Availability and
extent of disclosures
by category

shows that most of the disclosures in others (79.17 per cent), customers (68.32 per cent) and employees (55.88 per cent) categories are symbolic. A possible explanation of this finding is that community actions, charitable giving and environmental actions are subject to high visibility from stakeholders and the media. Therefore, it would be very difficult for a bank to claim an untruthful charitable contribution for example because it will be harshly criticised by the media, which will eventually ruin its brand image and reputation. However, other categories of ISER are more prone to greenwashing because they cannot be easily noticed and verified by the media.

As for the location of ISER, Table IV shows that all the banks included in the sample disclose social information in other sections of the websites such as news and press releases. These sections are the preferred locations for social reporting, and they account for 44.18 per cent of total disclosures.

The second preferred location for ISER are annual reports published online, as 65 per cent of banks disclose social information in annual reports and these disclosures account for 28.9 per cent of total disclosures. A closer look at the table shows that 38 per cent of the

Table III.
Distribution of ISER
by category and type

Type of disclosure	Substantive No. of sent	(%)	Symbolic No. of sent	(%)
ENV	362	12.11	117	3.67
EMPL	439	14.69	556	17.42
COM	1,421	47.54	336	10.53
CUST	446	14.92	962	30.15
OTHERS	321	10.74	1,220	38.23
Grand total	2,989	100.00	3,191	100.00

Figure 1.
Proportion of
substantive and
symbolic disclosures
by category

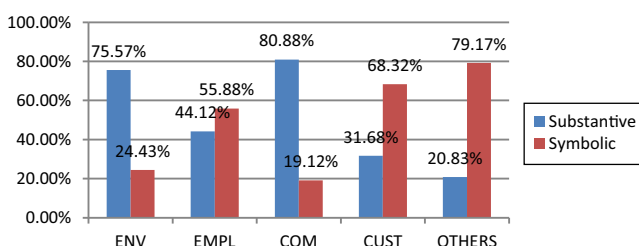


Table IV.
Location of social
disclosures

Location	No. of banks	(%)	No. of words	(%)
Annual report	22	65	48,249	28.90
CSR Section	13	38	27,350	16.38
Sustainability Reports or other Reports	6	18	17,575	10.53
Other sections of the website	34	100	73,756	44.18
Total			166,930	100.00

banks included in the sample have CSR sections on their websites but only 18 per cent of banks prepare and publish sustainability reports. The presence of CSR sections on the websites of 38 per cent of banks indicates that the Lebanese banking sector is increasingly attributing importance to social activities. However, the absence of sustainability reports on most banks' websites could be due to the high costs incurred in the process of issuing separate CSR reports. This could also be a reflection of greenwashing as, by definition, a sustainability report should provide full description and details about the social actions undertaken. Hence, banks that use greenwashing in their ISER might be less inclined to prepare CSR reports.

Regarding the distribution of social disclosures by location and by type of disclosure, results showed that other sections of the websites report the highest percentage of substantive disclosures (40.72 per cent), whereas the highest percentage of symbolic actions is present in annual reports (50.17 per cent). This finding could be explained by the fact that banks usually do not give measurable details about their CSR activities in annual reports as they do on other sections of the website because annual reports focus mainly on reporting financial information rather than social information. In addition, Figure 2 shows the percentage of substantive and symbolic disclosures in each location. Unsurprisingly, substantive disclosures account for 73.12 per cent of sustainability reports disclosures and 65.84 per cent of CSR sections disclosures. The chart suggests also that most of the other website disclosures (56.81 per cent) and annual reports' disclosures (60.71 per cent) are symbolic. While the issue of greenwashing is increasingly being mentioned in recent studies, this study tackles it in a different way by looking at the categories and locations that are more prone to greenwashing in addition to measuring its association with different bank characteristics in the Middle Eastern context.

5.2.1 *Website versus published reports data.* Another contribution of this study is its focus on CSR website data rather than solely on published reports data. A deeper analysis of Table IV presented above shows that website data (CSR section and other sections of the website) represent 60.57 per cent of total CSR disclosures, while published reports data (annual and sustainability reports) represent 39.43 per cent of disclosures. This finding shows the increased reliance on the internet and especially corporate websites as a social reporting tool. Figure 3 presents graphically the distribution of ISER between website and online published data. However, as previously mentioned, only 38 per cent of banks have a separate CSR section and these sections include only 16.38 per cent of total CSR disclosures. Thus, although Lebanese banks are increasingly attributing importance to CSR disclosures, the social reporting behaviour of banks is still at its early stages and lacks organisation and professionalism, which may be due to the absence of CSR units in most Lebanese banks.

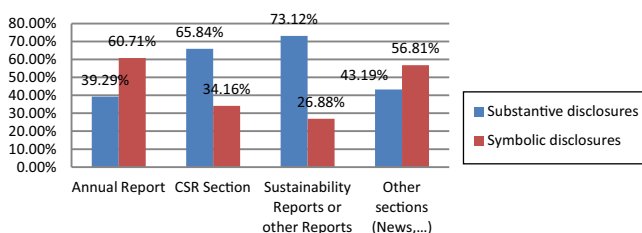


Figure 2. Extent of substantive and symbolic disclosures by location

Regarding the distribution of substantive and symbolic disclosures between website and published reports, statistics show a high percentage of symbolic disclosures in both locations. In fact, Figure 4 shows that symbolic disclosures account for more than half of total disclosures in each location which gives an indication that greenwashing is prevalent in Lebanese bank's social reporting regardless of the location.

Overall, descriptive statistics provide strong evidence of the widespread use of ISER by Lebanese banks as a mean of communication with their different stakeholders. However, banks appear to be widely involved in greenwashing in their social reporting since more than half of total bank disclosures are symbolic.

Now that this section has provided descriptive statistical analysis about the availability and extent of ISER by category, type and location, the following section will test the previously formulated hypotheses.

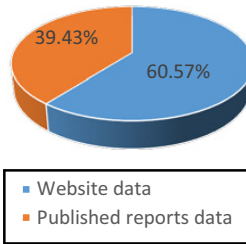


Figure 3.
Distribution of ISER between website and online published reports

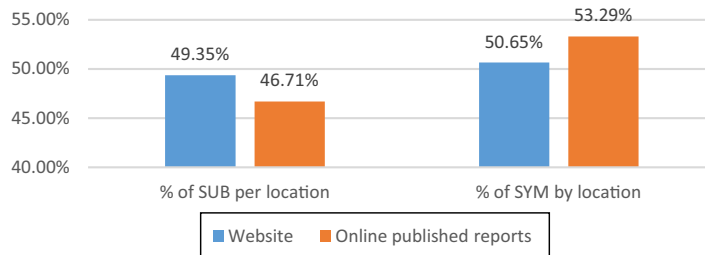


Figure 4.
Distribution of substantive and symbolic data between website and online published reports

Variable	Mean	Minimum	Maximum	SD	Skewness	Kurtosis
Profitability	47809627	-1808000	383607960	90613134.4	2.759	7.537
Size	5.00×10^9	379263	3.1302×10^{10}	7.51×10^9	2.167	4.559
Age	48.06	8	93	21.018	0.005	-0.228
Leverage	9.9415	0.608	16.718	3.885449	-0.676	-0.113

Table V.
Characteristics of the independent variables

Note: Profitability refers to the net income of banks in US Dollars; Size denotes the total assets of the bank in US\$; Age is the total number of years of existence of the bank from date of establishment till end of 2013; Leverage denotes the debt/equity ratio

5.3 Hypotheses testing

As previously explained, one of the main objectives of this study is to determine the association between ISER and different bank-specific characteristics. Table V presents the descriptive statistics of the metric independent variables of the model.

As for categorical independent variables, descriptive statistics show that 58.8 per cent of the banks included in the sample have Muslim owners while 41.2 per cent are Christian. Also, 58.8 per cent of the banks included in the sample have a concentrated OS and 41.2 per cent have a dispersed OS. However, it is important to note that although we had the same percentages, not all concentrated banks are Muslims or vice versa. Below is a graph showing the distribution of banks by religion and ownership concentration (Figure 5).

To meet the objective of the study, different hypotheses were formulated. Multivariate regression was mainly used to measure the association between the different variables of interest. The multiple regression assumptions were checked. To satisfy the normality assumption, the data was transformed to make the residuals normally distributed. No outliers were available; however, multicollinearity was found between profitability and size. For this reason, one of the variables, size, was eliminated from the multiple regression test in order not to affect the results. The association between ISER and the size variable was assessed using a Pearson correlation. The following Table VI presents the multiple regression results.

Table VI shows that the model is efficient in measuring the association between ISER and the different bank characteristics, and that the latter explains 63.8 per cent of the

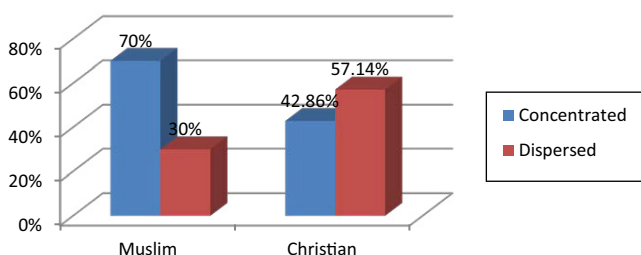


Figure 5. Distribution of the sample of banks by religion and ownership structure

Independent variables	Dependent variable	
	ISER Standardized coefficients	Symbolic actions (%) Standardized coefficients
Profitability	0.752***	-0.587***
Age	0.023	0.092
Ownership structure	0.271**	-0.004
Leverage	0.302**	-0.288*
Religion	-0.145	0.118
N	31	31
Adjusted R ²	0.638	0.391
F-Statistic	11.904	4.978
p-value	0	0.002

Table VI. Multiple regression results

Note: Significant at the 10*, 5** and 1*** % levels respectively (two tailed)

variability in ISER. The following regression model was used to test the relationship between ISER and the different bank-specific characteristics:

$$ISER = \beta_0 + \beta_1 x PROF + \beta_2 x Age + \beta_3 x ownership\ structure + \beta_4 x Leverage + \beta_5 x Religion + \sum_{i=1}^n \beta_i X_i + \varepsilon$$

The results provide strong support for *H1* which claims the existence of a positive association between profitability and ISER. A closer look at the table shows a relatively high and positive standardised beta coefficient of 0.752 which provides evidence to support that a strong positive association exists between profitability and ISER. To test the association between profitability and the different categories of ISER, Pearson correlation was used. The results are displayed in [Table VII](#).

The table supports the regression findings by showing a high positive correlation between profitability and all categories of disclosures. More specifically, the category of disclosure that is the most associated with profitability is community and philanthropy ($r = 0.719$) followed by employee disclosures ($r = 0.695$). This shows that community and environmental disclosures are the most affected by changes in profitability.

On the basis of the above, *H1 is supported*. This result is consistent with previous literature findings such as [Menassa \(2010\)](#) and [Tagesson et al. \(2009\)](#) which showed a high positive association between profitability and social disclosures. It is also in line with qualitative interview results which expected a positive relationship between the two variables in the long run.

Pearson correlation was used to test *H2* which supposes the existence of a positive relationship between size and ISER.

[Table VII](#) shows a large positive correlation between size and ISER ($r = 0.707$). This association holds for all categories of disclosures. However, as in the case of profitability, the highest correlation exists between size and community disclosures ($r = 0.722$) followed by employee disclosures ($r = 0.656$).

On the basis of the above results, we can conclude that *H2 is supported*. This finding is in line with many recent studies on the topic ([Tagesson et al., 2009](#); [Menassa, 2010](#); [Reverte, 2009](#)). A possible explanation for this finding is that large institutions disclose more social information because they are subject to more visibility which renders them subject to greater public resentment and government attention ([Reverte, 2009](#)).

Table VII.
Correlation between
ISER and
profitability, size and
leverage

Dependent variable by category	Profitability	Size	Leverage
ISER (all categories)	0.729***	0.707***	0.407***
ENV	0.483***	0.427**	0.297
EMP	0.695***	0.656**	0.352**
COM	0.719***	0.722***	0.378**
CUS	0.434**	0.358**	0.365**
OTHERS	0.455***	0.465***	0.316

Note: Significant at the 5** and 1*** % levels, respectively (two tailed)

Unlike other variables such as profitability and size, fewer studies (Choi, 1999; Menassa, 2010) measured the relationship between age and CSD. Given that the literature review provided inconclusive results about this association, this study intended to re-examine this relationship in the Lebanese context. Multiple regression results presented in Table VI do not support the third main *H3* which assumes that ISER is positively associated with the age of the bank. Therefore, *H3 is not supported* by the data. This finding could be explained by the fact that old banks are already well known by the general public; thus, they do not need to use social disclosures as a means of enhancing their image or reputation (El-Bannany, 2007). On the other hand, newer banks might be inclined to engage in social actions and disclosures to build a good reputation, brand name and eventually attract more customers.

Very few studies considered leverage as a variable affecting the level of CSD, and they resulted in conflicting findings. Multiple regression results presented in Table VI suggest that the leverage level of Lebanese banks is positively correlated with ISER (standardised beta = 0.302). As the coefficient is not very large, we deduce that there is a moderate positive correlation between the two variables.

To test the association between leverage and the different categories of ISER, Pearson correlation was used. Table VII shows a moderate positive association between leverage and all the categories of ISER except environmental disclosures (ENV) and other disclosures (OTHERS). Nevertheless, although the association does not stand for all the categories, we can conclude, based on the multiple regression results and on the significant correlation with total ISER, that *H4 is supported*. A possible explanation for this result is that highly leveraged banks are those having high deposits levels, so they are expected to increase their social reporting to satisfy their customer base.

Studies examining the association between CSD and ownership concentration generated contradictory results. Therefore, this association was re-examined in this study. Multivariate regression results presented in Table VI also show the presence of a significant positive association between the OS of banks and their ISER. However, the standardised beta coefficient is 0.271 which indicates a moderate association between the two variables. Consequently, *H5 is supported*. This finding could be explained by the fact that concentrated ownership banks that are usually family owned, grant a big importance to reputational issues. Thus, they tend to engage and disclose more social actions to preserve their image and reputation. Actually, when there is a clear family identification in the bank, the moral stance of the family members may strongly affect CSR specifically when the family members are clearly committed to such values.

With reference to the literature that confirms the influence of Islam and Sharia on people's behaviour, and based on the interview findings with the Islamic bank's representative which suspected that Muslim bank owners might be more inclined towards social activities to abide by Sharia rules, a hypothesis was formulated to test the impact of Islam on ISER. The last hypothesis, *H6*, which assumes that Muslim banks report more social actions online than Christian banks because of Sharia requirements, was not validated by the regression results (Table VI) that showed no statistically significant correlation between religion and ISER. Thus, *H6 is not supported*. This finding could be explained by the fact that all religions preach about values and promote social welfare. Therefore, any believer whether Muslim, Christian, Buddhist or other, would be inclined towards social actions regardless of his or her religion, and the reverse is true for non-believers. While it is totally true that Muslim bank owners experience more pressure from their community to engage in social actions to meet Sharia principles, this does not mean that Christian owners will not

engage equally or even more in social actions than their Muslim counterparts. However, there might be differences in the perception of ISER between managers/owners with strong religious beliefs, and those who are less religiously oriented regardless of their religion. Although the level of religiosity of a person is not an obvious matter and cannot be determined easily, future studies on the topic could attempt to determine any differences in the ISER behaviour based on the level of religiosity.

These quantitative results partially contradict the interview findings. In fact, while traditional bank's representatives from both religions stated that religion has no impact on CSR behaviour, the Islamic bank representative suspected that Muslim bank owners might be more inclined towards CSR as they face pressure from their community to meet Sharia requirements. In light of the insignificant association between religion and bank's social reporting, the Islamic bank representative was contacted to discuss the findings. He stated that his belief emanated from the fact that Islamic banks are required to be socially responsible; however, this does not necessarily apply to traditional banks having Muslim owners. He stipulated that all religions preach about social values and welfare, and that Sharia requirements will only have an impact on Islamic non-traditional banks.

Figure 6 summarises the hypotheses testing results presented above.

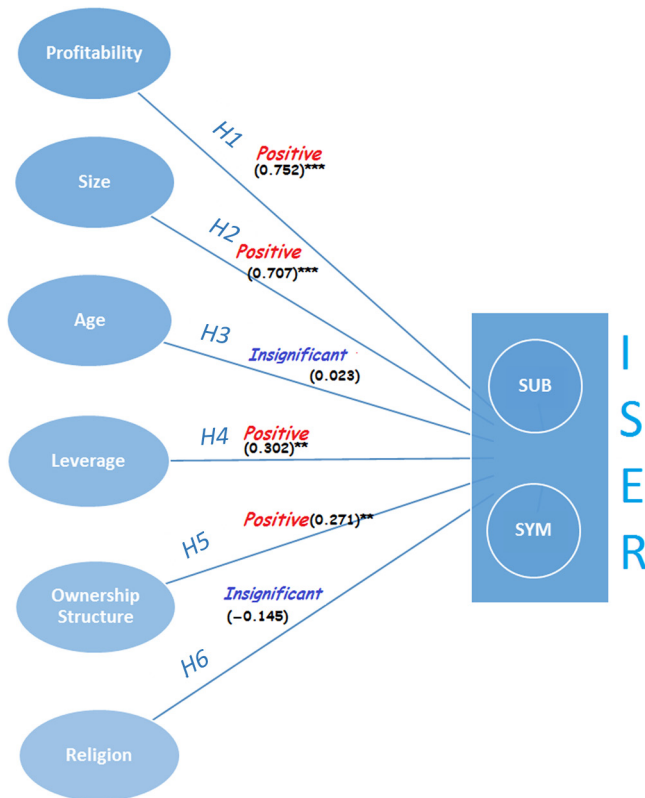


Figure 6.
Graphical
representation of the
model and
hypotheses testing
results

Notes: ***p - value < 0.01; **p - value < 0.05

Multiple regression was also used to test the sub-hypotheses (*H1a* to *H6a*). Specifically, the association between the different variables and the proportion of symbolic actions was examined to find out whether these variables are associated with the level of greenwashing in the Lebanese banking sector. The results are displayed in [Table VI](#) previously presented.

Multivariate regression results show that the different variables explain around 40 per cent of the variability in symbolic actions. It also shows a significant negative correlation (standardised beta = -0.587) between profitability and the percentage of symbolic actions disclosed. Therefore, an increase in profitability leads to a decrease in the percentage of symbolic actions which consequently leads to an increase in the percentage of substantive actions out of total social disclosures. This finding supports *H1a* which claims the presence of a positive association between the profitability variable and the proportion of substantive actions and a negative association with the proportion of symbolic actions. Thus, *H1a* is supported.

The association between size and symbolic actions was tested using Pearson correlation. The results show a negative association with the proportion of symbolic actions ($r = -0.599$), which suggests that the higher the size of the bank, the lower the proportion of symbolic actions, and thus the higher the proportion of substantive disclosures.

Therefore, *H2a* is supported. This finding shows a strong significant association between size and the level of greenwashing in the Lebanese banking sector.

Multiple regression findings presented in [Table VI](#) also show an insignificant relationship between age and the proportion of symbolic actions which leads to the conclusion that the age variable has no impact on the greenwashing behaviour of banks. Consequently, *H3a* is not supported.

Regarding the association between the leverage level of banks and their symbolic disclosures, findings show a correlation coefficient of -0.288 between the two variables; however, the p -value is slightly above the predefined level of 5 per cent ($p = 0.057$) but very close to it. Consequently, we can conclude that *H4a* is marginally supported which implies a weak association between leverage and greenwashing.

Moreover, it has been previously proposed that banks having a concentrated OS, which are usually family owned, might be less involved in greenwashing practices because families give a big importance to reputational and ethical issues. However, this hypothesis turned out to be insignificant. The association between OS and the percentage of symbolic actions is insignificant according to the multivariate regression results presented in [Table VI](#). Hence, *H5a* is not supported. This unexpected result could be due to the fact that dispersed ownership banks are generally run by professional people rather than by their owners. These assigned professional managers have sufficient experience to avoid engaging into greenwashing, knowing the negative impact that this practice might have on the bank's reputation especially in a very visible sector as the Lebanese banking sector.

As for *H6a*, it was also not supported by the multiple regression results which show an insignificant association between religion and the proportion of symbolic actions. Thus, *H6a* is not supported. A logical explanation for this result is that all religions preach about social values and prohibit untruthful claims. Therefore, religion is not directly associated with bank's greenwashing behaviour.

6. Discussion and conclusion

The main goal of this study was to provide insights into the ISER practices of Lebanese banks as well as their greenwashing behaviour. After analysing the content of 34 Lebanese banks' websites, the results showed that there is extensive use of ISER by

Lebanese commercial banks as a communication tool with their owners and other stakeholders. The most disclosed category of ISER is community and philanthropy (COM) and the favourite location for social disclosures is bank's websites which shows the importance of the internet as a social reporting tool. Statistical results show a strong positive association between ISER and both profitability and size. This result was expected given that large and profitable institutions have the economic, financial and human resource means to engage in social activities and disclosures. A positive but weaker association was found between leverage and ISER. In addition, banks having a concentrated OS seem to disclose more social information online than those having a dispersed OS. The study also found that there is no significant association between ISER and either religion or age of firm. Furthermore, the findings suggest that Lebanese banks are widely involved in greenwashing in their ISER reporting. As for the impact of bank-specific characteristics on the level of greenwashing, three variables showed to be predictors of this practice: profitability, size and the leverage level of banks. However, insignificant association was found with age, OS and religion.

The study has sought to make an academic contribution to the CSR and ISER literature by examining empirically the current status of ISER and greenwashing in the Lebanese banking sector and its association with different variables, in particular the religion variable. It also makes a managerial contribution insofar as it has informed Lebanese banks about the status of their ISER in comparison with other banks which in the light of the high level of apparent greenwashing may incite them to adopt a higher standard ISER and engage in more ethical activities to be competitive in the market. In fact, all interviewed banks showed high interest in the study and asked for a copy once the study is accomplished. The results were communicated to all interested banks. Particularly, the findings attracted banks' attention on the issue of greenwashing inciting them to reduce such behaviour. In light of the empirical findings, Lebanese banks will hopefully gain a better understanding of the status and importance of ISER and its determinants leading them towards higher standard ISER in terms of quantity and quality and leading also to more ethically oriented banking activities which will have a positive impact on the Lebanese banking sector, the Lebanese economy and society. Such behaviour will have positive social implications in a developing country like Lebanon in which society's needs exceed government capabilities. In fact, the heightened interest in CSR by banks will assist the government in improving the welfare of society.

Despite its contributions on the theoretical and managerial levels, the scope of this study was limited to the Lebanese banking sector, which is nonetheless one of the most prominent, developed and influential banking sectors in the Middle East. We acknowledge that the generalisability of the results is limited because the sample was drawn from a single national context. The authors also recognize that the sample is small; however, it was not considered as a threat to reliability given the exploratory nature of the study and given that the results are not intended to be extrapolated. Moreover, the study examined the ISER of banks in the 2014 calendar year only as historical social information was unreachable due to the volatility of online information. Other inherent limitations of the study are that it fails to consider what information is material to stakeholders and ignores the purpose of the communication while measuring the greenwashing behaviour of banks. Future research could thus exploit these limitations by expanding this model to other Middle Eastern contexts and conducting a longitudinal analysis of social disclosures over the coming years. An investigation of the materiality of CSR disclosures to stakeholders could also be tackled

in future studies. The purpose of communicating CSR information could be addressed while measuring the greenwashing behaviour of banks. This would probably illicit rich information about the behavioural practices and the policies that these banks have in place, and as a result, recommendation for policy changes may be put forward. Future studies could also explore more deeply *Sharia* bank's perception of CSR in comparison to the results of the study. The impact of the banks' owners' religiosity level on their ISER level is a prominent topic that could also be explored.

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Appendix 1. Interview guide

Part one: general information

- What do you understand by corporate social responsibility (CSR)?
- Do you *personally* think that CSR is important? If yes, why?
- Is your institution involved in CSR? If Yes, how? If no, why not?
- If involved, what types of social actions is your institution most interested in? (Environmental, community, employee [. . .]).
- If involved, what motivates your institution to engage in CSR actions?
- Does your bank disclose CSR information publically? If yes, how (Annual reports, websites, CSR reports, internal reports [. . .])? In your opinion, which one of these mediums of reporting is the most visible to stakeholders?
- Why does your bank disclose social information to the public? What are the potential benefits that your bank might obtain from disseminating such information?
- When you disclose social information publically, do you always provide detailed description and proof of your actions?

Part two: the impact of corporate social disclosures and internet social reporting on the bank's performance

- Do you think that disseminating information about your bank's social activities will affect the financial performance of your bank? If yes, how?
- Is it the case that the decision to disclose social information is more likely to be taken when your bank's performance is expected to improve as a result of such disclosures or is it rather done for its own sake?
- Knowing the cost required to engage in CSR activities and to disclose it publically would your bank be willing to engage in such activities even if this action will negatively affect its profitability?

Part three: the impact of bank-specific characteristics on corporate social disclosures and internet social reporting

- Does your bank’s board of directors and owners interfere in the decision of disclosing social information?
- Do you think that the religious beliefs of your bank’s owners and management have any influence on the bank’s CSR activities and social disclosures?
- Do you believe that the financial performance of your bank affects the level of CSR activities and the extent of social disclosures of your bank? For example, is it the case that your company will increase its social disclosures and activities when it generates high profits and decrease such actions when its income declines?
- In your opinion, what other factors might affect the level of CSR reporting by your institution?

Appendix 2. Coding sheet

Sample Coding Sheet																
Bank Name																
Profitability																
Size																
Age																
Ownership Structure																
Leverage																
Religion																
ISER	Annual reports				CSR sections				Sustainability Reports				Others (News...)			
	Words		Sentences		Words		Sentences		Words		Sentences		Words		Sentences	
	Total	Sub	Sym	Total	Total	Sub	Sym	Total	Total	Sub	Sym	Total	Total	Sub	Sym	Total
ENVIRONMENT																
EMPLOYEE																
COMMUNITY & PHILANTHROPY																
CUSTOMERS, PRODUCTS & SERVICES																
OTHERS																
TOTAL																

Appendix 3. Coding themes and sub-themes checklist

Environment

- Sustainability.
- Conservation of resources.
- Recycling.
- Renewable energy.
- Waste management.
- Environmental policy.
- Lending and investment policy.
- Others.

Employee

- Employee remuneration and benefits.
- Pension plans, end of service indemnity.
- Employee morale.
- Training and development.
- Health and safety, work environment.
- Equal opportunities, job creation and promotions, etc.

Community and philanthropy

- Philanthropic activities (charitable giving etc.)
- Support of non-governmental organisations, public health, education, social, cultural and sports events.
- Contribution to the national economy (projects financing, low-interest loans, etc.)

Customers, products and services

- Customer relations, customer service.
- Customer complaints/satisfaction.
- Special services for disabled or aged customers.
- Product and service quality, product development, etc.

Others

- General beliefs or statements about CSR.
- Commitment to business ethics, corporate governance.
- Mission statements etc.

Appendix 4. Coding rules

- All disclosures should be coded according to the checklist of themes and sub-themes provided.
- All disclosures should be related to the bank's social, ethical, environmental activities and interests and not to another organisation.
- All disclosures should be explicitly stated and not implied.
- If any disclosure has more than one categorisation, it should be classified under the theme most emphasised in the disclosure.
- If any disclosure is repeated, it should be coded each time it is mentioned.
- In case there are photos or diagrams in the documents analysed, only their titles would be included in the analysis.
- Substantive actions or green walk refer to actions that have already been performed by the bank. Detailed description of the activity should be provided to be considered as a substantive action. Veracity of claims should be checked.
- Symbolic actions or green talk refer to the disclosure of information about certain social interests or actions that have not yet been addressed by the company.

Appendix 5. List of banks included in the study

- FRANSABANK S.A.L.
- BANQUE LIBANO-FRANCAISE S.A.L.
- B.L.C. BANK S.A.L.
- BLOM BANK S.A.L.
- SOCIETE GENERALE DE BANQUE AU LIBAN S.A.L. (SGBL)
- BANKMED S.A.L.
- AUDI SARADAR PRIVATE BANK S.A.L.
- BBAC S.A.L.
- BANQUE DE CREDIT NATIONAL S.A.L.
- BYBLOS BANK S.A.L.
- BANQUE DE L'INDUSTRIE ET DU TRAVAIL S.A.L. (BIT BANK)
- IBL BANK SAL.
- BANK AUDI SAL – AUDI SARADAR GROUP.
- FENICIA BANK S.A.L.
- LEBANESE SWISS BANK S.A.L.
- BSL BANK S.A.L.
- BANK OF BEIRUT S.A.L.
- JAMMAL TRUST BANK S.A.L.
- BANQUE BEMO S.A.L.
- LEBANON AND GULF BANK S.A.L.
- AL-MAWARID BANK S.A.L.
- FIRST NATIONAL BANK S.A.L.

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- MEAB S.A.L.
- BLOM DEVELOPMENT BANK S.A.L.
- BANQUE MISER LIBAN S.A.L. (BML SAL)
- SYRIAN LEBANESE COMMERCIAL BANK S.A.L.
- CREDIT LIBANAIS S.A.L.
- NORTH AFRICA COMMERCIAL BANK S.A.L.
- NATIONAL BANK OF KUWAIT (LEBANON) S.A.L.
- AHLI INTERNATIONAL BANK S.A.L.
- EMIRATES LEBANON BANK S.A.L.
- AL BARAKA BANK S.A.L.
- NEAR EAST COMMERCIAL BANK S.A.L.
- STANDARD CHARTERED BANK S.A.L.

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