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CORPORATE SOCIAL RESPONSIBILITY COMMUNICATION IN WESTERN BALKANS BANKING INDUSTRY: A COMPARATIVE STUDY

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Abstract

The purpose of this paper is to study corporate social responsibility (CSR) reporting activity in the Western Balkans (WB) banking industry. The first aim of the study is to measure the level of CSR reporting activity of banks within Western Balkan Countries (WBC), and the second is to compare the results within WBC and with other countries and regions in the world. We apply the method of content analysis to measure the CSR reporting activity of all licensed banks in WB actively operating until May 2019. Findings indicate that almost half of the banks from WB do not disclose any social responsibility information on their websites. Only a small number of banks prepare independent CSR report, while almost half of the banks who have CSR disclosure, report their CSR initiatives through a web link/heading. One-quarter of the banks report their CSR activities within their financial or annual report. External disclosures are most frequently reported. The category of community involvement is the most frequently reported, while the second most reported CSR activity is under the category of environment. The regression analysis revealed that the size of the banks represented in terms of total assets is a modest predictor of the level of CSR reporting. The paper contributes to the scarce literature of CSR reporting in the banking industry from WB. The results from this study can help academic researchers, business practitioners and policymakers to better understand the phenomenon of CSR communication in the banking industry in the region of WB.

Keywords: corporate social responsibility; corporate communications; online reporting; banking; Western Balkans.

1. INTRODUCTION

The main purpose of this work was to measure the level of CSR reporting in the banking industry in WB and to conduct a comparative analysis with other studies. Banks have an important role in financial stability and economic development in developing countries. They need to be socially responsible to be able to build their “reputational capital”, thereby enabling them to attract high-quality employees, negotiate better contracts, expand their customer base, attract investors and win public trust and confidence (Achua, 2008). Institutions like the World Bank, International Monetary Fund and Global Reporting Initiative increasingly seek to promote CSR policies and practices, especially in developing countries (Dorasamy, 2013). Being socially responsible is becoming a focus among banks since their reputation is judged on their CSR policies and programs (Dorasamy, 2013).

Md Zaini *et al.* (2018) in a literature review paper indicate that the amount of research on voluntary disclosure practices, by companies, in emerging countries, remains low. While there is a huge literature on corporate social responsibility (CSR), the literature on CSR communication is disproportionate in size, with relatively little cross-disciplinary research on the topic (Ihlen, Bartlett and May, 2011). CSR reporting in all countries from WB is a relatively new concept, taking into account that in the past they were communist countries and social initiatives were predominantly covered by the state institutions. In the past, only a few studies (Rogosic, 2014) have addressed some CSR reporting issues, including only a few of the countries belonging to the WB (Bosnia and Herzegovina and Montenegro). Rogosic (2014) statistically confirmed the positive relationship between the value of assets and profits and the level of CSR reporting in banks from Croatia, Bosnia and Herzegovina and Montenegro. But, the study of Rogosic (2014) did not include all the countries from WB and lacks content analysis of CSR disclosure. Our study through content analysis and application of the scoring method, investigates the extent of CSR reporting in WB more thoroughly. The comparison of the obtained results

between different countries from WB highlights the areas of voluntary disclosures of CSR initiatives. We further compared the results from our study with the results from other similar studies pertaining to other countries and regions in the world.

Consumers and the government put pressure on business organizations to be more involved in social responsibility initiatives. Therefore, companies are striving today to be more involved in CSR initiatives and to communicate their CSR activities publicly online through their websites. In addition, Christian Aid's report 'Behind the mask' published in January 2004, indicates that some leading companies do not thoroughly follow their corporate responsibility policies when they are operating in developing countries. Hence, it is worthy to explore how foreign banks, members of the larger financial groups, communicate their CSR initiatives in developing countries from WB.

We have selected banks from WB to be our objects of study from several reasons. First, the banking sector plays a vital role in developing countries contributing to economic growth and social welfare. Second, historically, banks have been considered as public trust institutions; thus, the expectations have arisen concerning their high professionalism and socially responsible behavior (Molyneux et al., 2014). Third, CSR initiatives covering environment protection and sustainability, community involvement, occupational health and safety, employee development and training, bank products addressed to marginalized groups, etc. have increasing importance in the banking sector. Finally, prior studies which investigated CSR reporting in the banking industry have not included all the banks from the WB in one comprehensive comparative analysis.

- The several important drivers to study CSR reporting in WB are summarized below:
- There is a lack of studies covering CSR reporting of the banking industry within this specific region. To the best of our knowledge, there are no studies covering this geographical gap.
- All WB Countries have openly declared their will to join the EU and they are actively taking steps to join the EU in some near future.
- Political and economic conditions between the countries within the WBC region are not significantly different.
- The process of political and economic convergence between the countries from WB Region and EU is very important for the future process of EU enlargement.

CSR disclosure in the banking industry is mainly done on a voluntary basis. This paper focuses on local and international banks in WB including all licensed banks which actively operate in those countries until May 2019. Findings of our study contribute to the business and management literature through covering a geographical research gap which was not addressed in previous studies. Also, the findings from the study can help researchers, business practitioners and government bodies interested in corporate communication of CSR initiatives in the banking industry. Through content analysis and measurement of the extent of CSR reporting, we further add to the existing body of literature in the field of CSR communication. Overall, findings from our study can help bank's officials to adopt and establish new policies regarding online CSR reporting and can help academic researchers to better understand the extent of CSR reporting within this particular region.

The remainder of the paper is structured as follows: in the next section, we give the literature review regarding the concept of CSR reporting. In the third section, we explain the research process followed in the study, together with the data collection process and the data sample. In section 4, we present and discuss the findings from our work, followed by research limitations and at the end of the paper, we give our conclusions.

2. LITERATURE REVIEW

Starting from the 1950s, the understanding and conceptualization of social responsibility (SR) has evolved from "obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen, 1953) to corporate social responsibility (CSR) depicted by the four domain approach, applying "the economic category as the base (the foundation upon which all others rest), and then built upward through legal, ethical, and philanthropic categories" (Carroll, 1991). In practice, CSR has extended its scope, becoming inclusive and global (Carroll, 2006). Companies should strive not only do not harm society in the process of creating wealth but even redress

social ills (Margolis, Elfenbein & Walsh, 2007). As Porter and Kramer (2006) suggest, successful companies need healthy society and vice versa.

Grounded in the stakeholder theory and legitimacy theory, CSR can be understood as a set of activities of an entity striving to acquire legitimacy for its operations (Branco and Rodrigues, 2006; Branco and Rodrigues, 2008) and to fulfill expectations of the society about its operations (Matuszak, Róžańska, & Macuda, 2019). The main idea of the legitimacy theory is that “social contract” exists between business and society (Lindbloom, 1994). Lindblom (1994) defined organizational legitimacy as “a status, which exists when an entity’s value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity’s legitimacy”. Through the lens of the stakeholder theory, companies should adjust their actions to their stakeholders’ expectations (Matuszak, Róžańska, & Macuda, 2019) which will result in generating benefits for stakeholders, as well as in improving the company performance (Claessens & Yurtoglu, 2013). Namely, companies should focus on a broader group of stakeholders’ needs, not only on shareholders’, thus striving to improve social performance, not only on financial performance (Sulemena, 2016). Even further, companies should not miss the link between practicing CSR and reporting it, as usually is a case (Dawkins, 2005). They should use different communication channels (web sites, annual reports, CSR reports, etc.) to acquire social support (Barako and Brown, 2008). CSR reporting is “the disclosure of information about a company’s interaction with society” (Branco and Rodrigues, 2006). Besides other benefits, CSR reporting is expected to reduce the information asymmetries between the entity and the stakeholders (Cormier et al., 2011; Hill and Jones, 1992).

As presented in the theoretical framework in figure 1, CSR disclosure could be focused internally and externally (Fifka, 2013). Branco and Rodrigez (2006) developed four categories which should be comprised in social responsibility disclosure: (1) environmental; (2) human resources; (3) products and consumers; (4) community involvement. Internal disclosure addresses employees’ well-being, comprising human resources category, while “products and consumers” category is oriented on client displeasure and/or satisfaction, product superiority, and access conditions for customers who are physically challenged (Nyarku and Hinson, 2017). External disclosures, on the other hand, cover initiatives regarding environmental and community engagements (Nyarku and Hinson, 2017). Environmental issues, as well as, investment and lending policies are part of external disclosure, accompanied by community involvement, such as sponsorships, donations for support, education or public health initiatives, etc. Slightly different categorization is developed in the study of Sulemena (2016), where five domains are comprised, combining product and customer, human resources and environmental involvement (Branco & Rodrigez, 2006; Hinson, Boateng & Madichie, 2010) and community involvement (Branco & Rodrigez, 2006; Dineshwar, 2013) and ethical disclosure (Dineshwar, 2013).

INTERNAL DISCLOSURE	
Human resource disclosure	Products and customers disclosure
1) Employee health and safety	1) Product quality
2) Employee training	2) Customer complaints/satisfaction
3) Employee remuneration	3) Provision for physically challenged customers
EXTERNAL DISCLOSURE	
Environmental disclosure	Community involvement disclosure
1) Company’s concern for the environment	1) Charitable donations and activities
2) Lending and investment policies	2) Support for education
3) Conservation of energies in business operations	3) Sports sponsoring or recreational projects

FIGURE 1 - FRAMEWORK FOR BANK ONLINE CSR COMMUNICATION HINSON, BOATENG & MADICHIE, 2010

Following Matuszak et al. (2019) and previous studies (Fatma & Rahman, 2014; Kılıç, & Uyar, 2014; Nyarku and Hinson, 2017) in our research study we focused on the four important areas of online CSR communication in banking sector given in figure 1. This framework was adopted from Branco and Rodrigues, 2006, and it was widely used in other research studies concerning CSR communication in banking industry (Hinson, Boateng & Madichie, 2010; Nyarku and Hinson, 2017; Matuszak et al., 2019).

The internet has become powerful medium and one of the main tools for CSR disclosure. Therefore banks are increasingly interested to use the internet as faster and less expensive tool for CSR online communication with

their stakeholders. Studies conducted in past reported different results regarding the extent of the level of CSR reporting in banking industry focusing on various aspects of CSR reporting. We summarize the results of some more important and recent studies further in the text. Branco and Rodrigues (2006) discovered that banks in Portugal disclose more information about CSR activities mainly under categories of environment protection and human resources. Another more recent study of Da Silva Oliveira et al., (2019) reported that macroeconomic environment and the banks' economic conditions do not impact on CSR. Only institutional forces acting at three different levels influence banks' CSR reporting: political level (the country's legal environment), organizational field level (the industry self-regulation) and the organizational level (banks' commitment to an institutionalized dialogue with stakeholders. Rogosic, (2014) statistically confirmed the positive relationship between the value of assets and profits and the level of CSR reporting in banks from Croatia, Bosnia and Herzegovina and Montenegro.

The study of Hetze and Winistörfer, (2016) research on CSR reporting and communication in the global banking sector covering all continents discovered that three-quarters of the banks communicate on CSR issues on their corporate website - either located in the section "About Us" or under a separate "CSR" heading which is directly accessible on the front homepage. Also, it was found that company reports published on the website are the most important vehicle for CSR communication. Hinson, Boateng & Madichie, (2010) findings suggest that banks tended to disclose more on their contributions to community development than on any other aspect of CSR activities. From their findings can be concluded that banks disclosed more on donations to needy individuals and communities and their support for education. Nyarku and Hinson (2017) discovered that both local and foreign banks have more reported external CSR disclosures covered CSR engagements in education, sports and development and health. Local banks reported more CSR external disclosures than foreign banks, while foreign banks reported more CSR internal disclosures than the local banks.

3. METHODOLOGY, SAMPLE AND RESEARCH DATA

The sample for this research study is comprised of 102 banks, actively operating in the WB until May 2019. The final list of banks in the sample included all banks from WB who have the official authorization to operate granted by National Bank of the respective country. The data about granted licenses were obtained from the official websites of every National Bank from the countries of WB. Each bank to become part of the sample needed to fulfill three criteria: 1) to belong to the banking industry in one of the 6 countries from WB 2) to hold officially granted license for operation from the National Bank of the respective country and 3) to have an accessible web site on the internet.

In the period from March to May 2019, we accessed each of the banks' website to identify the nature and to evaluate the level of social responsibility disclosure included on the banks' websites. The procedure we followed in the web site examination is similar to Branco & Rodrigues (2006) and Patten & Crampton, (2004) and can be described as following: 1) Entire websites of all banks from the sample were thoroughly examined; 2) All links were followed including on-line copies of annual reports, financial reports, and social and/or environmental reports for a period of three years (2015-2017) 3) links to external press release disclosure were not followed (but press releases of the companies are not examined for social responsibility disclosure) (C. Branco and L. Rodrigues, 2006; Patten and Crampton, 2004) 4) links to company publications such as newsletters or products catalogs were not followed (C. Branco and L. Rodrigues, 2006).

The research studies done in the past give evidence of using different methods for measuring CSR activity in the banking industry. To measure the CSR reporting activity in WB banking industry, we applied the method of content analysis. Previous studies (Branco and Rodrigues, 2006; Hinson, Boateng & Madichie, 2010; Nyarku and Hinson, 2017) have often used this method in examination of social responsibility disclosure in annual reports and corporate websites. The simplest form of content analysis consists of detecting the presence or absence of social responsibility information (Branco and Rodrigues, 2006). The main shortcoming of this form of content analysis often emphasized in the literature (Branco and Rodrigues, 2006; Zeghal and Ahmed, 1990) is that it does not provide measurement of the extent of information disclosure.

Therefore, to avoid this weakness of the method, in our study we followed the approach of Jiang et al., (2010) and Nyarku and Hinson (2017). Hence, we have employed binary scoring approach of the CSR disclosures

recorded in 1) annual reports 2) financial reports and/or 3) web content as a separate CSR heading. Any CSR item reported in the bank's annual report (or financial report) or bank's website earns a score of "one", and "zero" otherwise. At the end when the scoring of individual items was finished, the scores of the items for each bank were added up and the total score per bank was calculated. Following Matuszak et al. (2019) and previous studies (Fatma & Rahman, 2014; Kılıç & Uyar, 2015; Nyarko & Hinson, 2017) we have used legitimacy and stakeholder theoretical perspectives in identification of four key stakeholder groups in the banking sector (environment, employees, customers and society). Thus, the scoring method applied in this study pertains to assigning scores to each corporate social responsibility disclosure category. Disclosure scores for each bank are added up and not weighted, being assumed that each item of disclosure is equally important (Branco & Rodrigues, 2006). Following this approach, each bank for one year can attain max 5 points (1 for the verified presence of CSR reporting and 4 for the presence of CSR reporting referring to all four categories of external and internal disclosures). One point was assigned if the bank has any type of disclosure and additionally one point is added for each of the respective categories which in total give 5 points per year of observation. The max score for each of the categories was one. Because the period of three consequent years (2015-2017) was evaluated, a total of 15 points can be achieved as a max score by each bank. The relationship between bank size and the level of CSR reporting was tested through linear regression analysis.

4. RESULTS AND DISCUSSIONS

In this work, we sought to measure the level of CSR reporting in the banking industry in WB and to compare the obtained results. It is evident from the results presented in table 1 that large number of banks almost half (46.07% or 47 from 102) of the banks from WB do not disclose any social responsibility information on their websites. The Albanian banking sector has the highest CSR average score of 4.71 followed respectively by Kosovo with 4.7, Macedonia 4, Serbia 3.73, Montenegro 1.23 and at the end Bosnia and Herzegovina with 0.95. Although each country has banks which did not have any CSR reporting online, Bosnia and Herzegovina have the largest number of banks with no CSR reporting (15 or 62.25%) while all the other countries have an equal number of banks (5) with no CSR reporting. The relative proportion of banks with no CSR reporting within the countries of WB is the following: Kosovo 50%, Serbia 46.15%, Montenegro 38.46%, Albania 35.71% and Macedonia 33.33%.

TABLE 1 - CSR REPORTING IN BANKING INDUSTRY FROM WBC REGION

Country	Number of banks	Total CSR score	Avg.CSR score	Max score	Min score	Number of banks with max score	Number of banks with min score
Albania	14	66	4.71	12	0	0	5
Bosnia and Herzegovina	24	23	0.95	6	0	0	15
Kosovo	10	47	4.7	14	0	0	5
Montenegro	13	16	1.23	6	0	0	5
Macedonia	15	60	4	15	0	2	5
Serbia	26	97	3.73	15	0	2	12
Total	102					4	47

Results regarding the instruments used from banks to conduct social responsibility disclosure on their website are presented in table 2. The results presented in Table 2, indicate that banks within WB, opt mostly for separate web link (45.45%) as an online instrument for CSR disclosure. The use for independent CSR report as an instrument for reporting social responsibility is a very rare case in banks from WB. Only 2 banks from Albania and 3 banks from Serbia (total 9.08%), have reported CSR activity with a independent report. The same banks from Serbia, who use the independent report as an instrument for CSR reporting, at the same time have separate web CSR link. The analysis of data in table 2 indicates that the largest number of banks (45.45%) report CSR activity through web content as web heading or link. Nevertheless, If we sum up the number of banks who report CSR activity as part of their annual or financial reports, regardless whether they in parallel have used web CSR as an instrument, then 25 banks or 45.45% of banks in WB report CSR activity as part of own annual or financial report. It is apparent that banks from WB in general report CSR activity as part of their annual or financial reports or as web CSR link or heading.

TABLE 2 - INSTRUMENTS OF CSR REPORTING

	Independent report	Part of annual or financial report	Web CSR link/heading	Web CSR link/heading and part of report	Web CSR link/heading and independent report
Albania	2	6	1	0	0
Bosnia and Herzegovina	0	1	7	2	0
Kosovo	0	4	0	1	0
Montenegro	0	0	8	0	0
Macedonia	0	1	6	3	0
Serbia	0	2	3	5	3
Total	2	14	25	11	3
Total (%)	3.63%	25.45%	45.45%	20%	5.45%

Results regarding the external and internal CSR disclosure, covered by banks from WB, are presented in table 3. It is evident from results that banks, from WBC predominantly reported on external disclosures, including environmental and community involvement disclosures. The scoring of CSR activity reporting, used in this study, ranks community involvement as most often reported CSR category with a total of 100 points, followed by environmental disclosure with a total of 40 points. Only in two cases, in Albania and Kosovo, banks reported slightly more on internal disclosures (specifically human resources) comparing to external disclosures related to environmental issues. CSR initiatives under products and customers disclosures received a very low score (22) and it was the least reported CSR activity in WB banking industry. In general, banks from WB mostly report on external disclosures, mainly community involvement initiatives, followed by environmental issues, often reported in the form of a list of sponsorships awarded throughout the years. The CSR reporting regarding human resource issues (37) are slightly lower reported CSR activities comparing to environmental issues (40) as external disclosure.

TABLE 3 CSR DISCLOSURE OF BANKS IN WBC REGION

Period (2015-2017)	External disclosures		Internal disclosures		
	Country	Environmental	Community involvement	Human resource	Products and customers
Albania		8	23	12	0
Bosnia and Herzegovina		1	7	1	1
Kosovo		8	15	9	1
Montenegro		0	5	0	5
Macedonia		9	18	6	6
Serbia		14	32	9	9
Total		40	100	37	22

To compare the level of CSR disclosure between local and foreign banks in WB we have categorized banks in three groups: 1) local, 2) foreign (EU+USA) and 3) other foreign countries. Comparing the average score of CSR disclosures of local and foreign banks, findings revealed that in Albania, the average score of local banks regarding CSR disclosure is 7.5, while the average score of foreign banks is 4.25. The total average score of CSR disclosure (7.5) for local banks in Albania is greater compared to the total average score of CSR disclosure (4.25) of foreign banks in Albania. Further analysis of the total average score of foreign banks shows that banks coming from EU countries plus the USA have a slightly higher average score of CSR disclosure than banks coming from other foreign countries.

Comparing the results regarding internal and external disclosures, between local and foreign banks in Albania, indicate that local banks under the category of external disclosure attained 8 points and under internal disclosure attained 2 points (under the category of HR). Local banks in Albania did not report any CSR activity under the category of products and customers and consequently received 0 points under this category. Foreign banks in Albania attained 23 points for external disclosures, covering CSR initiatives under the category of community involvement (18 points) and under the category of the environment (5 points). Further, they did not

differ at all from local banks, regarding the internal disclosures of CSR initiatives under the category of products and customers. Thus, both foreign and local banks attained 0 points under this category. But, foreign banks have more frequently reported CSR initiatives as internal disclosures covered by the category of HR for which they attained 10 points. The results regarding internal and external disclosures between local and foreign banks in Albania suggest that both categories of banks (local and foreign) reported mostly CSR initiatives within external disclosures. The most frequently reported CSR initiatives from local and foreign banks are external disclosures under the category of community involvement. The only significant difference between local and foreign banks under internal disclosures is that foreign banks more often reported CSR initiatives under the category of HR (10 points) comparing to local banks (0 points).

TABLE 4 - ALBANIA CSR SCORE OF LOCAL AND FOREIGN BANKS

	Local	Foreign	Foreign (EU Countries +USA)	Other foreign countries
Total	15	51	36	15
Average	7.5	4.25	4.5	3.75

The analysis of results in table 5 indicates that local banks in Kosovo have significantly lower CSR reporting average score (only 2 points) comparing to the average score for foreign banks (5.37 points). From the results in table 5, it is evident that foreign banks coming from EU countries and USA have a significantly higher average score (8.75) of CSR reporting than banks coming from other foreign countries (2.66). The results for internal and external CSR disclosures between local and foreign banks in Kosovo showed significant differences. Local banks in Kosovo attained 3 points under external disclosure and 0 points for internal disclosure, while on the other hand, foreign banks attained 20 points under the category of external disclosure and 10 points for internal disclosure. External disclosures of local banks covered CSR initiatives categorized only under community involvement (3 points).

The foreign banks attained points for CSR initiatives in both external and internal disclosures, with the following distribution of points within all categories: environment protection (3 points), community involvement (12 points), human resources (9 points) and products and customers (1 point). The analysis of the results for Kosovo indicates that both, local and foreign banks, attained more points for CSR external disclosures. Local banks attained points only for community involvement (3 points) while foreign banks covered both categories. However, it is evident from the results that foreign banks in Kosovo posted the far more reaching amount of information about CSR initiatives covering all four categories of CSR disclosure on their websites than local banks. Foreign banks, unlike local banks, reported CSR initiatives under internal disclosures covering HR and products and customers.

TABLE 5 KOSOVO CSR SCORE OF LOCAL AND FOREIGN BANKS

	Local	Foreign	Foreign (EU Countries +USA)	Other foreign countries
Total	4	43	35	8
Average	2	5.37	8.75	2.66

The results for Serbia presented in table 6 indicate that local banks have a slightly lower average score of CSR reporting activity (3 points) comparing to the average score of foreign banks (4 points). As can be seen from the same table a striking result of 0 points is for banks coming from other foreign countries comparing to average 4 points for banks coming from EU countries or the USA. Similar to the results for Kosovo, the results for internal and external CSR disclosures between local and foreign banks in Serbia showed significant differences. Local banks in Serbia attained 12 points under external disclosure and 0 points for internal disclosure, while on the other hand, foreign banks attained 34 points under the category of external disclosure and 18 points for internal disclosure. External disclosures of local banks covered CSR initiatives categorized under environment protection (3 points) and community involvement (9 points). The foreign banks attained points for CSR initiatives in both external and internal disclosures with the following distribution of points within all four categories: environment disclosure (9 points), community involvement (23 points), human resources (9 points) and products and customers (1 point).

Similar to the results for Albania and Kosovo, the results for Serbia indicate that both local and foreign banks attained more points for CSR external disclosures. Local banks in Serbia attained points only for external disclosures while foreign banks covered both types of internal and external disclosures. The results for Serbia are consistent with the results for Albania and Kosovo showing that foreign banks are significantly more active in external and internal disclosures of CSR initiatives than local banks, focusing to cover all four categories. Nevertheless, foreign banks show more readiness to disclose information for CSR initiatives under the categories of environment and community involvement.

TABLE 6 - SERBIA CSR SCORE OF LOCAL AND FOREIGN BANKS

	Local	Foreign	Foreign (EU Countries +USA)	Other foreign countries
Total	21	76	76	0
Average	3	4	4	0

As can be noticed from Table 7, local and foreign banks in Bosnia and Herzegovina have a very low average score of CSR reporting activity comparing to other countries from WB. But, the average score of CSR reporting for local banks is significantly lower to the average score of foreign countries. The analysis of CSR reporting activity only for foreign banks in Bosnia and Herzegovina indicates that banks coming from other countries than EU or USA have significantly lower CSR score (0 points) than banks coming from EU member states or USA. The results for Bosnia and Herzegovina follow almost the same pattern previously identified in Albania, Kosovo, and Serbia. Local banks in Bosnia and Herzegovina (including the banks from the Republic of Srpska) have a substantially lower score for CSR initiatives disclosure and have only 2 points for community involvement.

The foreign banks in Bosnia and Herzegovina covered all four categories for disclosure of CSR initiatives with the following distribution of points under each category: environment (1 point), community involvement (7 points), HR (1 point) and products and customers (1 point). Although the results for Bosnia and Herzegovina follow the previously identified pattern for Albania, Kosovo, and Serbia where foreign and local banks have more external disclosures of CSR initiatives under the category of community involvement, it is important to stress that generally local and foreign banks in Bosnia and Herzegovina posted significantly less information about CSR initiatives compared to the previous three countries WB. But, the same pattern occurred again, where both local and foreign banks attained the largest number of points for external disclosures under the category of community involvement and for the rest of the three categories only foreign banks attained points. These results again confirm that external disclosures are substantially more present than internal and that only foreign banks have modestly covered internal disclosures.

TABLE 7 - BOSNIA AND HERZEGOVINA CSR SCORE OF LOCAL AND FOREIGN BANKS¹

	Local	Foreign	Foreign (EU Countries +USA)	Other foreign countries
Total	2	21	21	0
Average	0.2	1.5	2.1	0

The results for Montenegro, given in table 8, indicate that foreign banks in Montenegro have a higher score of CSR reporting activity (1.4 points) than local banks (0.67 points). Further analysis of the CSR disclosure of foreign banks shows that banks coming from EU countries or the USA have a significantly higher average score (2 points) than banks coming from other countries which did not attain any points. Comparing the results for local and foreign banks in Montenegro regarding reporting of CSR initiatives shows that local banks attained 2 points only for having web CSR link or heading with very insufficient information about CSR initiatives. Foreign banks attained in total 14 points for external and internal disclosures with the following distribution of the points under each category: environment (0 points), community involvement (5 points), human resources (0 points) and products and customers (5 points).

The results from Montenegro are consistent with the results for other countries from WB discussed before, placing community involvement as the most frequent category for CSR initiatives disclosure. It can be noticed that foreign banks in Montenegro attained the same number of points for internal disclosures under the category

¹ The results for banks operating in Republic of Srpska were also included in the table of Bosnia and Herzegovina.

of products and customers as for community involvement (5 points). Foreign banks in Montenegro opted more for internal disclosures for products and customers, rather than human resources which was not the case with foreign banks from other countries discussed before. In all previous cases usually, foreign banks favored internal disclosures for human resources than product and customer disclosures.

TABLE 8 MONTENEGRO CSR SCORE OF LOCAL AND FOREIGN BANKS

	Local	Foreign	Foreign (EU Countries +USA)	Other foreign countries
Total	2	14	14	0
Average	0.67	1.4	2	0

The scores for Macedonia presented in table 9 show that there is no difference in average scores of CSR reporting activity between local and foreign banks where both groups scored 4 points. What is surprisingly different comparing to the previous results is that the average score of banks coming from other countries is significantly higher (15 points) than the average score of the banks coming from EU member states or USA (2.77 points). The analysis of results for Macedonia followed almost the same pattern previously identified in all countries from WB Region. Local banks from Macedonia favored external disclosers attaining (3 points) under the category of the environment (8 points) and under the category of community involvement (10 points). Foreign banks in Macedonia covered all four categories for disclosure of CSR initiatives attaining 28 points in total with the following distribution of points under each category: environment (6 points), community involvement (10 points), HR (6 points) and products and customers (6 points).

The results for Macedonia are generally consistent with the previously discussed results for other countries from WB. Community involvement is the most often reported CSR category from local and foreign banks. The only difference for Macedonia comparing to all other countries from WB is that one foreign bank classified under the category of other foreign banks obtained max 15 points and that was the only bank in Macedonia which can be classified within that group. Therefore, the average score for this group of banks is very high 15 points.

TABLE 9 MACEDONIA CSR SCORE OF LOCAL AND FOREIGN BANKS

Macedonia	Local	Foreign	Foreign (EU Countries +USA)	Other foreign countries
Total	20	40	25	15
Average	4	4	2.77	15

Table 10 presents the results regarding CSR reporting activity of banks from WB taking into consideration the type of bank ownership. Accordingly, two categories were created, including banks which have private ownership and banks which have state ownership. Albania, Kosovo, and Montenegro did not have any banks which have state ownership and therefore these three countries were excluded from the analysis. The analysis of the results in the table indicates that the average score of CSR disclosure for private banks is greater than the score of state-owned banks in all three countries. Nevertheless, the difference between average scores of CSR disclosure between private and state-owned banks within a particular country in WB is not substantial.

TABLE 10 CSR REPORTING OF PRIVATE AND STATE BANKS IN WBC REGION

Country	Private banks total score	Private banks avg. score	State banks total score	State banks avg. score
Serbia	91	3.95	6	2
Bosnia	23	1.15	0	0
Macedonia	55	3.67	5	2.5

Many of the banks operating in the markets within the countries from WB are subsidiaries and members of the same banking group. Hence, it is interesting to make a comparison between the scores of subsidiaries which belong to the same group but operate on different markets within the region of WB. The results presented in Table 11 show that apart from some banks (such as A3, A8, and A13) which have a very low score of CSR disclosure for period 2015-2017, all other banks which operate within same banking group on the different market within WB region have varying scores from low to high. This indicates that although banks are subsidiaries of a larger banking and financial group they show inconsistency in disclosure of CSR initiatives on

different markets. These results demonstrate that specific country and market context of the financial sector has a strong influence on the way how subsidiaries members of the same group disclose information about CSR initiatives.

TABLE 11 CSR REPORTING OF SUBSIDIARIES IN WBC REGION²

Country	CSR score of banks members of the same group (Group A1-A14)													
	A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	A11	A12	A13	A14
Albania	0	0	0	12										
Bosnia and Herzegovina	1		0	6	5	1		0				6	0	1
Kosovo			0	14	12									
Montenegro		1			1	1	1			0	6		0	
Macedonia			0		1				15		1	15		
Serbia	15		0	6	8	2	15	0	0	6	7			
Republic of Srpska					0	1		0		0				0

Following Matuszak *et al.* (2019) and Rogosic, (2014) we tested whether the size of the bank has a significant positive relationship on the level of disclosure of CSR initiatives. The size of the banks was represented by their total assets for the year 2017 obtained from annual or financial report of each bank from their respective website. Some banks have only reported their total assets in the local currency and then we converted all the data for assets in Euros using online converter. Linear regression analysis was used to test if the size of the bank significantly predicted the level of CSR reporting. The results of the regression analysis indicated that one predictor (bank size) explained only 8.3 % of the variance ($R^2 = .083$), $F=8.725$ and the size of the B coefficient was 0.289, while the p-value was $p=0.004$. The results from the regression analysis indicate that a significant relationship with $p=0.004$ was found between the predictor variable and the response variable, but the predictor variable explained only less than 10% of the response variable. This means that the size of the bank in terms of total assets is not a very strong predictor of the level of CSR reporting taking into consideration the banks operating on the markets within WB. This result is, in general, in line with previous studies (Rogosic, 2014; Matuszak *et al.*, 2019) who have also confirmed a positive relationship between bank's size and level of CSR reporting.

Generally, the results of CSR reporting in the banking industry in WB are in line with the results from other studies. Md Zaini *et al.*, (2018) in a literature review paper revealed that social responsibility and environmental information are the most popular categories for voluntary disclosure, while risk and human capital/intellectual capital are the least popular categories. The results of our study to great extent are in line with the results in the study of Md Zaini *et al.* (2018), indicating that community involvement and environment protection as external disclosures are most often reported by banks in WB. Findings from our study are similar to the results in the study of Hinson, Boateng & Madichie, (2010) suggesting that banks tended to disclose more on their contributions to community development than on any other aspect of CSR activities.

The results regarding CSR reporting of local and foreign banks are too great extent similar to conclusions of Nyarku & Hinson (2017) that both local and foreign banks have more reported external CSR disclosures covered CSR engagements in education, sports and development and health. A slight difference exists between our findings and the results of Branco & Rodrigues (2006) who discovered that banks in Portugal disclose more information about CSR activities mainly under categories of environment protection and human resources. The results in our study indicate that the difference in the total score for environment protection and human resources is very low (only 3 points) which give both categories almost the same importance. But, community involvement with a score of 97 points is by the most often reported CSR category by banks in WB which is not the case with the results in the study of Branco & Rodrigues (2006).

² The notation (A1-A14) used in the table 11 was selected to label the different bank and financial groups to which different subsidiaries from various WB Countries belong. We used abstract notations because we wanted to protect the bank's group privacy.

5. RESEARCH LIMITATIONS

The main purpose of this work is to investigate the level of CSR reporting in the banking industry in WB. Although the research study contributes to the existing body of knowledge, by covering the geographical research gap including developing, post-communist countries, it has inherent limitations that warrant caution in the interpretation of the results. First, the whole study was based on data collected by two researchers through desk research. Secondly, the scoring of CSR initiatives disclosure was done by the same two researchers who were collecting the data. Thirdly, additional data from primary sources such as surveys or interviews with banks officials were not included in the analysis. Those data could provide a deeper understanding of the bank's motivation to disclose CSR initiatives online. Fourthly, subjective and biased interpretation of the results can be a limitation of the study. And at the end, the findings from this work refer to a specific region (WB region) indicating that the results might be biased toward that specific regional context.

6. CONCLUSIONS

The research paper accounts for the study of CSR reporting activity in the banking industry in WB. We applied the method of content analysis to measure the CSR reporting activity of all banks actively operating until May 2019. The focus of the content analysis was on external and internal CSR disclosures, done by banks on their respective websites. The main research goals were to conduct a comparative analysis between the countries within WB and between the WB region and the results from other countries and regions in the world. Findings indicate that the greatest average score of CSR reporting has Albania, followed by Kosovo, Macedonia, Serbia, Montenegro and at the end Bosnia and Herzegovina. Findings indicate that almost half of the banks from WB have CSR link/heading on their website with some information regarding their involvement in CSR activities. A very small number of banks prepare independent CSR report, while one-quarter of the banks report CSR activities within their financial or annual report. The content analysis revealed that most of the banks make more external than internal disclosures of information regarding CSR activities. The most frequently reported CSR activity is under the category of community involvement, which is in line with many other studies done in other countries and regions. The second most frequently reported CSR activity is under the category of environment, while the third most often reported is HR. The difference between the second and the third most frequently reported category is not very high, only 3 points. The least frequently reported CSR category by banks in WB is customers and products.

Comparing the results for CSR reporting by local and foreign banks revealed that only local banks in Albania attained higher average score compared to foreign banks, while in Serbia, Kosovo, Bosnia Herzegovina, and Montenegro, foreign banks have attained a higher score. In Macedonia, foreign and local banks attained an equal average score of CSR reporting. Comparing the results for foreign banks indicate that for all countries from WB (except Macedonia) the banks coming from the EU or the USA have larger average score than foreign banks coming from other countries.

Further, the findings from our study regarding the CSR reporting of bank subsidiaries operating in a different country from WB show inconsistency in disclosure of CSR initiatives on different markets. This means that bank subsidiaries which belong to the same group but operate on a different market use a different instrument for CSR reporting and provide a different level of transparency regarding CSR reporting. The regression analysis revealed that the size of the bank in terms of total assets is a modest predictor of the level of CSR reporting, considering the banks from WB. The results from this paper can help academic researchers, business practitioners and policymakers to better understand the phenomenon of CSR communication in the banking industry in WB. The results from this study can pave the way for future research in this field retaining regional approach, but including other organizational and country-specific indicators which influence the level of CSR reporting.

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