



## The Value Relevance of Corporate Social Responsibility and Bank Performance: Case of Egypt

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### Abstract

*Corporate social responsibility disclosure is still immature in developing countries, according to previous research on emerging economies, with room for improvement in both actions taken and disclosed information quantity and quality. Egypt is one of the countries that has made significant strides in this direction. Since 2016, the Egyptian Central Bank and Stock Exchange have required listed companies, including banks, to report more CSR. This paper examines how CSR reporting affects financial institutions' performance especially, after government initiatives. After excluding banks without financial data, the study examines 34 banks for the period (2015-2022). Two primary indices, which are based on the G4 Sustainability Reporting Guidelines (2013) and uses content analysis, are utilized to measure the quality and quantity of CSRD (the independent variable). Structural equation modeling (SME) and Person correlation examine empirically the relationship between CSRD and bank performance. ROA, ROE, and NIM determine bank financial performance (FP) (the dependent variable). Bank age and size are control variables. The findings reveal some progress in CSR reporting in Egyptian banks and that CSRD and FP are positively correlated. These findings suggest the government and Egyptian Stock Exchange regulate and standardize bank CSR disclosure. Regulations should consider information quality to benefit the community and reduce the disclosure gap between national and international banks.*

**Keywords:** Corporate Social Responsibility (CSR) Disclosure, Financial Performance, Corporate Governance, Egypt, Banking Industry, ROA, ROE, Emerging Economies.

**JEL Codes:** C33, G21, G32, M14, M41

### Introduction

Corporate social responsibility (CSR) is receiving more and more attention in both the academic and business communities. CSR initiatives are gaining importance in today's business world, and the banking industry's role in fostering sustainable development is being examined, because there is a tremendous amount of energy, paper, and waste produced by the banking industry. Corporate social responsibility (CSR) initiatives are one way to help ensure the long-term health of our collective society. CSR practice can have significant effects on a company's ability to contribute to a sustainable social and economic environment. Because of the banking sector's importance to national economies, bank managers should prioritize environmental protection over profit maximization for shareholders, as argued by Siueia et al. (2019).

An effective CSR strategy develops long-term success. CSR and sustainability are two sides of the same coin when it comes to improving financial performance (Goyal et al., 2013). A sustainable business actively

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engages in CSR, so the CSR index was chosen as the score for accountable businesses. The literature's main reasons for CSR engagement are listed by Li et al. (2019). CSR initiatives are primarily motivated by the desire to gain strategic advantage and enhance legitimacy among stakeholders (Bansal & Roth, 2000). Li et al. (2019) suggest that CSR practice is also motivated by external demands, such as legal regulations and standards. From a normative perspective, CSR initiatives have the potential to enhance a company's value. Incorporating CSR into corporate strategy can lead to two outcomes: adding value and fulfilling the company's moral obligation (Aguilera et al., 2007).

The Global Reporting Initiative (GRI) is the global sustainability reporting standard (Bebbington et al., 2012; Mahoney et al., 2013, Michelon et al. 2015). All reports and other materials released after 2018 must adhere to GRI Standards (GRI, 2016). The G4 Sustainability Reporting Guidelines (G4, 2013) require CSR reports to follow certain principles or disclosure categories to ensure sufficient information and proper presentation. Balance, comparability, accuracy, clarity, and reliability are the five pillars upon which these guiding principles rest. In order to achieve a greater level of transparency they detail the most common forms of CSR disclosure. As a result, stakeholders may be able to make more informed judgements about the company's performance (Beretta and Bozzolan, 2004, 2008; Brammer and Pavelin 2008; Chakroun and Hussainey, 2014; Beest et al. 2009; Brammer et al. 2012, Beest and Braam, 2013, Ali et al., 2017, and Manning et al., 2018). The GRI supplementary reporting guidelines, in 2006, 2008, and 2013, for the financial services sector are used in this study, as the basis for the development of two primary CSR indices in capturing the CSR's contents in Egyptian banks. One index measures CSR disclosure depth, which reflects CSR provision quantity, while the other measures CSR disclosure quality.

The literature uses legitimacy theory, agency theory, and stakeholder theory to explain the relationship between CSR and FP (Manrique and Martí-Ballester, 2017). This study tests its hypothesis using stakeholder theory. This theory suggests that social responsibility improves business competitiveness, as investors invest in competitive companies to expand operations and lower costs (Edward Freeman and Evan, 1990, Manrique and Martí-Ballester, 2017).

The banking sector was selected for various reasons in this study. Bank managers should priorities profit maximization. Banks play a crucial role in fostering both social and economic development. Furthermore, banks are public trust institutions that bear significant social responsibility obligations. Despite the recent increase in studies on banks' CSR activities and reporting, there remains a lack of research in developing countries. This research adds to the existing literature on CSR reporting in the banking sector.

Before the Egyptian 2011 revolution, CSR was philanthropy and minimal government regulation. CSR budgets came from PR, marketing, or HR. The revolutions of January 2011 and June 30, 2013 resulted in new government regulations for (CSR) initiatives, which shifted their focus from charity to profit (Darrag & Crowther, 2017; and Youssef, 2018). Several initiatives and decisions were made by the Central Bank of Egypt (CBE) with little involvement from the Egyptian government. The CBE issued a circular on bank governance in August 2011 with the goal of promoting global governance standards, such as having banks' officials and managers in key sectors meet competency standards and having transparent information systems. The absence of a published CSR code or index impedes the evaluation of the banking sector's contribution to wider societal and economic objectives.

Accordingly, one of the main objectives targeted by this study is examining the Egyptian banks' CSR practices after such initiatives and the growing number of published sustainability reports. Additionally, it seeks to determine the impact of the quantity and quality of bank CSR on its financial performance (ROA, ROE, NIM) in a developing country. Existing literature indicates a correlation between the two variables, which can be negative, positive, or neutral. The lack of consensus and inconclusive findings in the current literature has prompted the researcher to conduct this study in order to contribute to the field. The study's findings can be used by regulators, policymakers, and managers to improve the banking industry's financial performance through a focus on the quality of corporate social responsibility and the implementation of

effective strategies. Banks can use this study to evaluate how well their policies benefit their communities. They also recognize their weaknesses and strengths. This study highlights Egypt's developing businesses' lack of CSR awareness. It also shows that CSR is new to emerging economies. The study's findings and recommendations for further research will benefit professionals and students.

The paper is organized as follows. In Section 2, the literature review and theoretical framework are presented. Section 3 provides a detailed analysis of the research methodology employed, including the used data collection methods, the construction of the (CSR) indices, and the econometric models utilized for analysis. In Section 4, the empirical results are presented and provide an interpretation of findings. Section 5 concludes the study by discussing its main findings, limitations and proposing future research directions.

## LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Corporate social responsibility (CSR) has emerged as a focal point for many industries, including banking (Ehsan et al., 2018). CSR emerged in the financial sector as a defense against financial scandals and a means to restore banks' damaged reputations. After the 2008 financial crisis, central banks took responsibility for maintaining financial stability and actively advanced their CSR strategies (Lentner et al., 2015). Due to the rising trend and significance of CSR, many financial institutions, including the banking sector, have incorporated it into their regular operations and corporate strategies (Platonova et al., 2016). Thus, banks are under pressure from shareholders to maximize profits while also addressing social and environmental risks.

While corporate social responsibility is not a new concept, the relationship between CSR and company performance has only recently attracted the attention of academics (Laskar & Maji 2016). Financial Performance and CSRD have been widely studied from diverse theoretical viewpoints. Manrique and Martí-Ballster (2017) have identified legitimacy theory, agency theory, and stakeholder theory as the primary theoretical frameworks used to explain such relationship in the literature.

Stakeholder theory (Freeman, 1984) and legitimacy theory (Suchman, 1995) suggest that CSR disclosure is associated with improved financial performance. Freeman (1984) defines a stakeholder as a person or group who can affect or be affected by an organization's goals. Stakeholder theory recognizes stakeholders' vital role in business success. In order to succeed, businesses must manage stakeholder relationships by meeting environmental, employee, and societal needs (Freeman and Evan, 1990). Adebayo (2000) states that stakeholders expect an enterprise's corporate social responsibility initiatives to efficiently use natural resources, reduce waste and pollution, promote workforce diversity, hire people with disabilities, and end discrimination. Environmental and social disclosures satisfy stakeholders' needs (Grey et al., 1995) and affect companies' performance. According to Busch and Hoffmann (2011), stakeholder theory, also known as good management theory, prioritizes stakeholder well-being to boost company growth and productivity. Socially responsible companies may be profitable.

Legitimacy refers to the perception or assumption that an entity's actions are appropriate within a socially constructed system of norms, values, beliefs, and definitions, as mentioned by Suchman (1995) and Deegan (2002). According to Kaplan and Ruland (1991), an organization seeks society's approval by aligning its social values with the norms of acceptable behavior in the larger social system they operate in. Patten (2002) argues that real social responsibility can build customer trust. Management's CSR disclosure may provide legitimacy but not actual CSR performance (Cho & Patten, 2007; Freedman & Patten, 2004; Patten, 2000). However, Haniffa and Cooke (2005) found that companies that share social and environmental information are seen as more legitimate and make more money. Rahman & Abdul Rasid,(2020) also find that higher market valuations are associated with CSR disclosure by Islamic banks compared to conventional banks in Bangladesh, because higher CSR information helps market participants assess the risk of legal action and upcoming obligations, reducing information asymmetries and adverse selection.

Stakeholder theory and legitimacy theories are similar. Both theories suggest firms use social and environmental disclosures to improve their reputation, engage stakeholders, and fulfil their social respon-

sibilities to environmental and social groups. Frooman (1997) found that social responsibility and legal compliance improve shareholder value, but not enough.

Multiple studies (Dixon-Fowler et al., 2013; Orlitzky et al., 2003; Matuszak and Rozanska, 2017, Vishwanathan et al. 2020; Szegeedi et al., 2020; Zheng et al., 2022; Velte, 2022; and Jan et al., 2023) have discovered a positive correlation between CSR and FP (financial performance). CSRD boost financial performance by increasing employee motivation and productivity, product acceptance by customers, and investor acceptance of social or environmental values. Profitability, costs, brand image and reputation, sales, customer loyalty, quality and productivity, employee recruitment and retention, regulatory compliance, and access to capital markets are all positively impacted by CSR, as stated by Abou Fayad et al. (2017). Thus, CSR disclosures may outweigh their costs as improved (CSR) can boost financial performance and capital market enterprise values (Khlif et al. 2015).

Hence, the empirical research on the correlation between corporate performance and CSR disclosure, spanning over 60 years, has not yielded conclusive results. Aggregating CSR ratings across industries and countries can enhance financial performance, but may result in incongruities. Baird et al. (2012) recommend analyzing industries and countries separately, as comparing companies from different industries is unsuitable due to their incompatibility. Therefore, the purpose of this paper is to investigate this relationship within one crucial industry, namely banking.

There is little consensus on whether or not CSR and FP are related in the banking industry because few authors have studied the topic. Several countries, including Bangladesh, Egypt, Albania, Czech Republic, Iran, Poland, Pakistan, India, South Africa, Greece, Palestine and Jordan have been studied in relation to this topic (Ullah and Rahman, 2015; Kamal, 2013; Kahreh et al., 2013; Bello and Meka, 2014; Kansal et al., 2014; Lenka and Jiří, 2014; Sharif and Rashid, 2014; Hafez, 2015; Krasodomska, 2015; Matuszak and Rozanska, 2017; Siueia et al. 2019; Bucala, 2021; Naqvi, 2021; Chalevas et al., 2021; Nour et al., 2022; and Jan et al., 2023). Other scholars (Haniffa and Cooke 2005; Beck et al. 2010; Cormier et al. 2011) argue against including the banking sector in sustainability reporting, mentioning the sector's perceived minimal impact on the natural environment, product safety, and employee safety when compared to industries such as chemical, mining, health/drug, petroleum, and textile.

The banking sector is crucial to any nation's economic and financial system (Zçelik and Ztürk, 2014; and Ghabayen et al., 2016). This may be due to the sector's outsized impact on economic and social progress, human rights, and social justice. According to zçelik and ztürk (2014), financial institutions' fund flows may impact environmental and social sustainability in a globalizing world. This factor is crucial to international policymaking and macroeconomic stability. As intermediaries, banks' primary social function is to facilitate the flow of savings into investments. In doing so, they safeguard the interests of both depositors and owners. In the banking industry, CSR practices emphasize the promotion of responsibility in lending, investing, and asset management. These practices also include important anti-corruption and anti-money-laundering safeguards (Tulcanaza-Prieto et al., 2020).

Bank CSR responsibilities are summarized by Decker and Sale (2009). First, banks have an economic responsibility to improve stakeholders' well-being, profitability, and growth. Banks use financial innovation to meet changing customer and business needs. Second, legal responsibility stems from the banking industry's high regulation, which reduces risk and boosts financial system confidence. Third, ethical responsibility is based on stakeholder expectations and personal integrity. Each bank's code of ethics promotes integrity, fairness, respect, and transparency in the market. Fourth, the Bank's discretionary (philanthropic) responsibility is to promote public trust in the financial system through its own and its customers' operations by providing reliable services and accurate data.

Barako and Brown (2008), Branco and Rodrigues (2008), and Khan (2013) examined banks' social and environmental roles and CSR disclosures for such an important sector. Gibbons (2011) found that poor CSR disclosure prevents many U.K. banks from acting transparently. Pérez and Del Bosque (2012) state that in

Spain, banks only push CSR when it's in their financial interest. They identified three distinct types of customers for banks to serve: customers whose financial needs are met, employees whose needs are met through ideal working conditions, and the local community to which the banks contribute via sustainable development.

Soana (2011) examined Italian banks' social and financial performance and found that they are unrelated. This study shows banks' CSR investments fail. Chakroun et al. (2017) examined how institutional factors and ownership structure affect CSR reporting in annual reports and online in Tunisian banks. Bolton (2013) stated that CSR engagement is positively associated with better bank performance, however, the nature of CSR activities may vary in their impact. CSR activities that align with the bank's core business mission can add value to its financial results, while others may not. Platonova et al. (2016); Siueia et al. (2019); Nour et al., (2022); Itoya et al., (2022); and Bennett & Obalade (2023) found profitable banks practice CSR. Corporate governance and employee relations improved financial performance. The findings show that banks' financial success and competitiveness depend on CSR, and recommends that bank managers engage in Corporate Social Responsibility Disclosure (CSRD) because there is a positive correlation between financial performance and CSRD. CSR disclosure and FP may also depend on country development. Belasri et al. (2020) use the Dynamic Network Model to assess bank efficiency and CSR effects. Only developed countries with strong investor protection and stakeholder orientation benefit from CSR. Socially responsible banks have lower earnings management rates, thus improving financial performance (Bolibok, 2021).

Hereafter, the literature reports a negative, positive, or neutral association between these variables. Such results lack consensus and are inconclusive. Previous research concentrated on the influence of corporate social responsibility (CSR) disclosures on financial performance (FP), ignoring the potential benefits of both positive and negative CSR indicators. Few studies have assessed CSR disclosure quality and quantity. The researcher wants to know how much banks participate in CSR and how much information they've shared. The hypotheses are proposed due to the lack of evidence and research scope as follow:

*H<sub>1</sub>: A positive correlation exists between the level of CSRD quality and bank performance*

*H<sub>2</sub>: A positive correlation exists between the level of CSRD quantity and bank performance.*

Egyptian researchers as Tantawi and Youssef (2012) examined retail banks' use of corporate social performance metrics and place branding. Companies' social performance was driven by external pressures like international financial institutions. Without real change, this will only encourage passive compliance without improving corporate accountability and transparency. El Kayaly (2014) found that the Egyptian banking industry uses CSR for marketing and PR, supporting the previous findings. Alshorbagy (2016) argues that Egypt needs an international CSR legal framework for social justice and long-term prosperity. Both researchers stressed the importance of CSR as a development catalyst in an emerging market like Egypt and suggested better stakeholder cooperation. Youssef (2018) found that the traditional meaning of CSR in Egypt, has evolved from philanthropy to sustainability by incorporating all four pillars of society (economic, social, governance, and environmental). Shahwan & Habib (2023) find that Egyptian banks have moderately implemented corporate social responsibility (CSR). Actually, Egypt's narrow social perspective limits CSR disclosure for some reasons. The unreliability of the Egyptian legal system is a major factor. Profit maximization also forces businesses to put financial concerns ahead of social ones. On the other hand, some Islamic banks exist in Egypt that emphasize philanthropy in their CSR practices. The weak correlation between philanthropy and their financial performance may be due to Islamic ethics, which discourage philanthropic disclosure. Islamic charity is usually private. Customers may view such practices negatively if disclosed (Ur Rehman et al., 2020). In addition, Egypt's CSR rules are ineffective. CSR is driven by the private sector and non-governmental organizations. Although the government has participated in CSR initiatives and appears enthusiastic about encouraging such practices among companies, it lacks a well-defined approach, such as mandating, facilitating, or partnering, to do so. Only the top 30 companies listed on the Egyptian Stock Exchange are



evaluated for their CSR practices by the S&P/EGX ESG Index. In light of this, it's possible that CSR promotion is wasteful. Another constraint is a lack of public sector incentives for voluntary CSR compliance. Few Egyptian banks release sustainability reports. Zhang et al., (2020) find that corporate performance is impacted by the number of disclosing companies in the country, which is partially mediated by the quality of CSR information disclosure. Non-disclosing companies will be seen as socially irresponsible, putting ethical and moral pressure on them. However, disclosing companies use CSR quality as a signal to their stakeholders.

Egypt's banking industry's CSR disclosure quality and quantity have been little studied due to data shortages. Most Egypt research focuses on non-financial industries. Egyptian banks' CSR initiatives must be examined due to the industry's quick developments and well-regulated and organized nature.

### Limitations of the study

This research is limited to Egypt's service sector, specifically banking. Manufacturing, agriculture, and construction are excluded. Ratio analysis used is another limitation since it is useful for measuring bank performance, but its narrow focus and reliance on a few variables limit its ability to provide a comprehensive view of a business' performance. Seven-year-old data was only used in the study. To ensure results validity, more research should be done over a longer period of time. Study data came from annual reports, sustainability reports, and financial institution websites. A company's CSR commitment may not be fully communicated through such voluntary disclosures.

### Research Methodology

#### Sample and research data

Egypt has experienced different phases of CSR disclosure following the 2011 and 2013 revolutions and the Central Bank's CSR practice policies. Egypt's first GRI-based sustainability report was published by Arab African International Bank (AAIB) and Ernst and Young (EY) in 2014. In 2015, Banque Misr and Commercial International Bank (CIB) followed AAIB in publishing GRI-based Sustainability Reports. Since sustainability reports were available from 2015 onward, the researcher focused on period starting by this time. Thus, Egyptian Central Bank-registered banks from 2015 to 2022 were empirically studied. Thomson Reuter Eikon, bank annual financial statements, and sustainability reports were used to obtain quantitative and qualitative data for the study. The analysis eliminated banks without enough data. In Table 1, 34 banks were selected for 7 years period.

**Table 1. List of banks**

1-Banque Misr	2-National Bank of Egypt
3-Agricultural Bank of Egypt	4-Banque Du Caire
5-The United Bank	6-Bank of Alexandria
7-Misr Iran Development MID Bank S.A.E	8-Commercial International Bank (Egypt)
9-Attijariwafa bank Egypt S.A.E	10-Societe Arabe Internationale de Banque
11-Blom Bank - Egypt	12-Credit Agricole Egypt S.A.E
13-Emirates National Bank of Dubai S.A.E	14-Suez Canal Bank
15-Qatar National Bank Alahli S.A.E	16-Arab Investment Bank
17-AL Ahli Bank of Kuwait – Egypt	18-First Abu Dhabi Bank – Misr
19-Ahli United Bank - Egypt	20-Faisal Islamic Bank of Egypt
21-Housing and Development Bank	22-Al Baraka Bank of Egypt S.A.E.
23-National Bank of Kuwait - Egypt (NBK)	24-Abu Dhabi Islamic Bank - Egypt
25-Abu Dhabi Commercial Bank Egypt	26-Egyptian Gulf Bank
27-Arab African International Bank	28-HSBC Bank Egypt S.A.E
29-Arab Banking Corporation – Egypt S.A.E	30-Export Development Bank of Egypt
31-Arab International Bank	32-Citi Bank N A / Egypt
33-Arab Bank PLC	34-Mashreq Bank

### Research Design

#### 1- Empirical Models

The equation used in the research to examine the correlation between CSR quality level and bank performance is presented below.

$$BANK\ PERF_{it} = \alpha + \beta_1 CSR_{it} + \beta_2 BANK\ SIZE_{it} + \beta_5 BANK\ AGE + \sum YEAR + \epsilon_{it}$$

Another research equation was utilized to examine H2, which pertains to the correlation between the quantity of CSRD and bank performance. The equation is presented below:

$$\text{BANK PERF}_{it} = \alpha + \beta_1 \text{CSRDQN}_{it} + \beta_2 \text{BANK SIZE}_{it} + \beta_5 \text{BANK AGE} + \Sigma \text{YEAR} + \epsilon_{it}$$

The bank's financial performance, measured by ROA, ROE, and NIM, is the dependent variable. It is influenced by the independent variables of CSR quality and quality indices score, while being controlled for the bank's size and age. The symbol  $\epsilon$  denotes error, which is inherent in all models due to the presence of error percentages that prevent complete accuracy. This study employed structural equation modelling, a statistical technique that assesses causal relationships among multiple variables.

## 2- Measurement of Research Variables:

### *CSR disclosure (independent Variable):*

Studies using various sustainability reporting metrics, such as the Environmental, Social, and Corporate Governance (ESG) score, the Global Reporting Initiative (GRI), the Kinder, Lydenberg, and Domini (KLD) Social Index, and the Integrated Reporting Initiative (IRI), yielded inconsistent results. Most of these indices are meant for developed countries rather than emerging ones (Yoon et al., 2018). Using CSRD indices, this research analyzed the extent to which Egyptian banks disclosed their corporate social responsibility (CSR) in their annual reports, CSR reports (Branco and Rodrigues, 2006), and websites (Platonova et al., 2016). The content analysis method was also used to collect the CSRD qualitative and quantitative items. Content analysis has been widely used in previous studies (e.g. Lipunga, 2013; Gray et al., 1995; Branco and Rodrigues, 2008; Hossain and Reaz, 2007; Al Janadi et al., 2013; Jarboui & Driss, 2014, Chakroun and Hussainey 2014; Kilic 2016; Alotaibi and Hussainey 2016b; Viktoria-Vasiliki, 2016, Ali et al. 2017; Chakroun et al. 2017; Mita et al., 2018 and Ananzeh et al., 2023) because it is the most systematic and reliable way to record the items that have been publicly discussed.

The GRI supplementary reporting guidelines, in 2006, 2008, and 2013, for the financial services sector are used in this study, as the basis for the development of the CSR indices. The (GRI) suggests integrating CSR principles into the "daily" operations of the bank, such as ensuring that employees are treated fairly in terms of human rights, pension funds, training and development, health and safety, and the bank's internal culture. The indices' contents have been modified to reflect the unique features of Egypt's banking services and laws. CSR indices are developed using a number of different resources, including the Egyptian corporate governance code and existing literature (e.g. Patelli and Prencipe, 2007; Newson and Deegan, 2002; Branco and Rodrigues 2006 and 2008; Khan et al. 2013; El-Halaby and Hussain 2016; Kalai & Sbais, 2019; Bucala, 2021 and Van Nguyen et al., 2022).

### *CSR Quantity Indices*

One possible definition of CSR disclosure quantity is "the extent or amount of disclosed information" (Chakroun & Hussainey, 2014). Content can be collected using a variety of content analysis techniques, such as word counts (e.g., Unerman 2000; and Guthrie et al., 2004) and classified indexes (e.g., Patelli and Prencipe, 2007; Chau and Grey, 2002) to identify key concepts. The CSR disclosure quantity index was used by Chakroun and Hussainey (2014), Alotaibi and Hussainey (2016), and Kalai & Sbais, (2019). It includes categories for disclosing information about environmental concerns, products and services, employees, community engagement, customers, governance and other relevant topics. These components, drawn from prior CSR research (Abdul Hamid, 2004; Douglas et al., 2004; Akano et al., 2013; Lipunga, 2013; El-Halaby and Hussain 2016 and Kalai & Sbais, 2019; Bucala, 2021; Zheng et al., 2022; and Ananzeh et al., 2023) are consistent and compatible with the Egyptian culture and economic environment.

Thus, the CSR disclosure quantity index used includes 44 CSR disclosure items divided into five sub-indices: employees, environment, customers and products, community, and Islamic activities. Several Arabic

banks have recently disclosed information about their Islamic banking services (El-Halaby and Hussain 2016; and Ur Rehman et al., 2020), and Egypt followed suit, prompting the latest index. The bank's annual report/statements, social responsibility reports, environmental reports, and website provide each index's item. A dichotomous coding method was used to analyze the 44 items' presence or absence. A CSR item was given a value of 1 if it was mentioned in the bank's annual report, website, CSR or sustainability report and zero if it not mentioned (e.g Hossain and Hammami, 2009; Chakroun and Hussainey, 2014; Lenka and Jiří, 2014; Kilic, 2016; and Platonova et al., 2016). The CSR disclosure quantity index Score is calculated each year of the 7 years period for all the investigated banks using the following formula:

$$\text{CSR Quantitative Index} = \sum_{i=1}^{nj} x_{ij} / nj$$

Where:  $n_j$  = Total items per  $j^{\text{th}}$  bank. (value from 0 to 44);  $x_{ij}$  = the score of each  $j^{\text{th}}$  bank is One if the  $i^{\text{th}}$  item is disclosed and Zero otherwise (value from 0 to 1).

### CSR Quality Indices

CSR quality, as defined by businesses, is the degree to which a product or service satisfies user expectations (Chakroun and Hussainey 2014). Measuring the quality of CSR disclosure remains . assess the quality of corporate disclosure through various studies such as those conducted by Beest et al. (2009), Anis et al. (2012), Bamber and McMeeking (2010), Beest and Braam (2013); and Michelon et al. (2015). Eng and Mak (2003) and Gul and Leung (2004) suggest that the determinants of disclosure quality and quantity may be similar. Beattie et al. (2004) established a comprehensive framework for assessing quality disclosure.

GRI's latest guidelines created the CSR qualitative index (G4, 2013). This index has five G4 principles—Clarity, Balance, Accuracy, Comparability, and Reliability. Unweighted measures prevent inaccurate assessments. Thus, each grouping is equally weighted. Beest and Braam (2013); Alotaibi and Hussainey (2016); and Kalai & Sbais (2019) used CSR disclosure indices that align with the IASB's Conceptual Framework for Financial Reporting (relevance, faithful representation, understandability, and comparability). The scores for each element are added and then divided by the total number of elements. Other four aspects related to CSR were selected by Ananzeh et al., (2023), namely: relative quantity, intensity degree, accuracy degree, and management outlook based on the framework proposed by Michelon et al. (2015).

This study employs the CSR Quality Index to assess the qualitative aspects of CSR. This metric evaluates five essential components of CSR, namely Clarity, Accuracy, Balance, Reliability, and Comparability (G4, 2013). The CSR quality index is a scale of 0 to 4, where 4 indicates the highest quality and 0 indicates the lowest. The calculation of the CSR Qualitative Index is a two-step process. To avoid penalizing banks for not disclosing irrelevant items, the earned ranks of each sub-index is calculated and the sum is divided by the maximum number of relevant items for each bank. Each qualitative sub-index's score is the average ranking. The second step entails calculating the average positions of the five sub-indices for each bank, achieved by dividing the total by 5. Thus, the CSR disclosure quality index Score is calculated each year of the 7 years period for all the investigated banks using the following formula:

$$\text{CSR Qualitative index} = \frac{\sum_{i=1}^n Y_{i_a} + Y_{i_b} + Y_{i_r} + Y_{i_{com}} + Y_{i_{cl}}}{5}$$

Where:  $i$  = the investigated bank;  $n$  = the number of the investigated banks, where  $n=34$ ;  $Y_{i_a}$  = the weighted mean of each bank's Accuracy sub-index position scores;  $Y_{i_b}$  = the weighted mean of each bank's Balance sub-index position scores;  $Y_{i_r}$  = the weighted mean of each bank's Reliability sub-index position scores;  $Y_{i_{com}}$  = the weighted mean of each bank's Comparability sub-index position scores;  $Y_{i_{cl}}$  = the weighted mean of each bank's Clarity sub-index position scores.



*Financial Performance variable (Dependent Variable):*

This study utilizes three widely accepted FP accounting measures to assess banks’ financial performance as return on assets (ROA), return on equity (ROE), and Net interest margin (NIM), and serving as the dependent variables. This is consistent with the existing financial literature (e.g. Esteban-Sanchez et al. 2017, Abou Fayad et al. 2017; Kalai & Sbais ,2019; Bucala, 2021; Saadaoui & Ben Salah, 2022, Van Nguyen et al., 2022 and Yasir et al., 2023). Santis et al. (2016) confirmed that accounting data is a more accurate reflection of a company’s activities compared to market indicators, as it is less prone to noise.

Accounting measures show the company’s historical accounting profitability and include many performance indicators. ROA shows how companies use total assets to increase profits over time. High ROA means the company can profit from its assets. ROE reveals capital usage. High ROE indicates efficient management (Kalai & Sbais, 2019). The NIM refers to the ability of banks to effectively utilize their assets and generate sufficient returns from loans (Hafez, 2015).

**Control Variables**

*Bank Size:*

Bank size is measured by the logarithm of total assets in this study. Bank size is used as a control variable as per the financial literature (Hafez, 2105; Platonova et al., 2016; Moslemany and Etab 2017; Ngoc, 2018 and Ur Rehman et al., 2020). Large banks’ social impact is greater due to their commitment to social action. Larger banks are beneficial for society as they can secure cost-effective capital and allocate more resources towards corporate social responsibility and disclosure (Platonova et al., 2016). Barako et al. (2006) suggested that as firms grow, their CSR policies adapt to market and stakeholder needs. Size increases CSR. However, for Egyptian banks, Moslemany and Etab (2017) find that ROE and NPM are affected by bank size but CSR is not.

*Bank Age:*

A bank’s operating years determine its age. Bank Age and ROE in Egypt were correlated by Moslemany and Etab (2017). Banks of different ages have similar NPM, ROA, and EPS. Corporate social responsibility values vary, according to bank Age. Kabir & Chowdhury, (2023) find that Bank age has a significant negative relationship with CSR

The variables and indicators used for the study’s main objective and hypothesis testing are listed in Table 2 as follow.

**RESULTS**

*Descriptive analysis*

1- **Jarque–Bera test:**

The Jarque-Bera (JB) normality test is used to evaluate the normality distribution of all research variables (i.e. dependent, Independent, and control). This goodness-of-fit test determines if the sample data have normal skewness and kurtosis.

Table 3 shows the outcomes of the Jarque-Bera tests conducted on the research variables. The results indicate that the independent variables, namely CSRD quality and quality (CSRDQN, CSRDQL), and the

**Table 2. Research Variables definition and measurement**

Variables	Variable measurement
<b>Bank’s Financial Performance (Dependent Variable)</b>	
Return on Assets (ROA)	The ratio of net operating income (loss) to average total assets.
Return on Equity (ROE)	The ratio of net operating income (loss) to average total equity.
Net Interest Margin (NIM)	The ratio of net interest income (loss) to average total assets.
<b>CSRDQN and CSRDQL (Independent Variable)</b>	
CSRDQN	The quantity of corporate social responsibility disclosure is evaluated using score/index calculated by CSRDQN equation.
CSRDQL	The quality of corporate social responsibility disclosure through a weighted ranking system calculated by CSRDQL equation.
<b>Control Variables</b>	
Bank Size	The natural logarithm of the average total assets.
Bank age	The natural logarithm of the no. of years that the bank has been in operation

dependent variable (NIM) follow a normal distribution at a significance level of less than 0.001. The control variables, namely bank size and age, as well as the other dependent variable, ROE, exhibit normality at a significant level below 0.05. The dependent variable ROA exhibits non-normality at a statistically significant level greater than 0.05. The Pearson skewness coefficient indicates that the data is not significantly skewed. It falls within the range of -1 to 1, as per Bluman (2012).

**Table (3): Descriptive statistics for independent (CSR DQN, CSR DQL) and dependent variables (ROA, ROE, NIM)**

Variable	Mean	Median	Max.	Min.	SD.	Skew	Ku	JB	Prob.	Obs.
CSR DQN	0.636360	0.675000	1.000000	0.100000	0.279573	-0.203964	1.764438	19.18755	0.000068***	272
CSR DQL	0.585588	0.500000	1.000000	0.200000	0.315833	0.142549	1.319558	32.92522	0.000000***	272
ROA	0.015649	0.015624	0.035643	-0.005	0.008268	0.074213	2.754284	0.933948	0.626896	272
ROE	0.165713	0.161901	0.390000	-0.061981	0.096202	0.276915	2.515806	6.133288	0.046577*	272
NIM	0.038615	0.035550	0.071530	0.012000	0.012913	0.621018	2.794371	17.96262	0.000126***	272
SIZE	24.93010	24.75768	27.73597	22.16684	1.196322	0.356671	2.724407	6.627833	0.036373*	272
AGE	40.57353	41.00000	47.00000	31.00000	3.452908	-0.27793	2.487105	6.483128	0.039103*	272

Notes: The symbols \*, \*\*, and \*\*\* are used to denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Source: Computations conducted by the researcher (2023).

Table 3 displays a moderate level of disclosure quantity for CSR DQN, with a mean value of 0.63, a minimum value of 0.1, and a maximum value of 1. The average value of CSR DQL is 0.58, ranging from a minimum of 0.2 to a maximum of 1. This indicates a moderate level of quality for all banks. The mean value of ROA for the dependent variables is 1.5%, which falls within the acceptable range for banks, with a minimum value of -0.5% and a maximum of 3.5%. The average ROE for banks is 16.5%, with a range of -6.1% to 39%. The average NIM for the banks examined is 3.8%, with a range of 1.2% to 7.1%. The control variable, Bank Size, is measured as the natural logarithm of total bank assets. Its mean value is 24.9, with a minimum value of 22.1 and a maximum value of 27.7. The mean age of the bank is 40.5 years, with a minimum age of 31 years and a maximum age of 47 years.

### 2- Group unit root test

A unit root test is often used to verify the constancy of the mean and variance of a time series. Table A1 in the Appendix shows that stationary of the time series of all research variables for the 7 years period. The stationary time series for the dependent and independent variables are presented in Table 4. The table results indicate that the LLC, IPSW, PP, and ADF statistics are all statistically significant at a level less than 0.001. This indicates that the time series for the research variables (EM, ESG, FS, and LEV) are stationary at level zero with a constant level.

### 3- Co-integrating equation Model:

All the research variables are tested for long-run equilibrium relationships among nonstationary time series using

**Table (4): Group unit root test For all research variables from 2015 to 2022**

Method	Levin, Lin & Chu t*	Im, Pesaran and Shin W-stat	ADF - Fisher Chi-square	PP - Fisher Chi-square
Statistic	-5.01355	-10.1928	147.766	172.834
Prob.**	0.0000***	0.0000***	0.0000***	0.0000***
Cross-sections	7	7	7	7
Obs.	1887	1887	1887	1897
<b>For ROA (dependent) and CSR DQN, CSR DQL (independent variables), and control variables</b>				
Statistic	-3.65823	-8.14888	98.0870	119.930
Prob.**	0.0001***	0.0000***	0.0000***	0.0000***
Cross-sections	5	5	5	5
Obs.	1345	1345	1345	1355
<b>For ROE (dependent) and CSR DQN, CSR DQL (independent variables), and control variables</b>				
Statistic	-4.1274	-8.65491	108.132	130.221
Prob.**	0.0000***	0.0000***	0.0000***	0.0000***
Cross-sections	5	5	5	5
Obs.	1345	1345	1345	1355
<b>For NIM (dependent) and CSR DQN, CSR DQL (independent variables), and control variables</b>				
Statistic	-1.78469	-7.08225	80.8012	106.418
Prob.**	0.0372*	0.0000***	0.0000***	0.0000***
Cross-sections	5	5	5	5
Obs.	1345	1345	1345	1355

Notes: \*\* Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

\*, \*\*\* represent significance at 10%, 1% level, respectively.

Source: Computations conducted by the researcher (2023).

the Engle-Granger Co-integration method. Tables A1, A2, and A3 in the Appendix indicate the existence of significant long-term equilibrium relationships between the dependent variables (ROA, ROE, NIM) and independent variables (CSR DQN, CSRQL) from 2015 to 2022. This is supported by the Tau-statistic and z-statistic, both of which are significant at a level below 5%.

**Empirical results.**

Pearson correlation and Structural equation modeling are used to assess and analyze causal relationships among multiple variables. Structural equation modelling (SEM) is distinct from other modelling approaches in that it examines the direct and indirect effects on pre-established causal relationships. SEM shows the research hypotheses regarding relationships.

**1- Pearson correlation matrix:**

Correlations among the research variables (CSR DQN, CSR DQL, ROA, ROE, and NIM) are analyzed using the Pearson correlation. Multi-collinearity can be measured by examining the correlation coefficients of related variables.

Table 5 displays significant positive linear relationships between the dependent variables of ROA, ROE, and NIM and the independent variables of CSRQN and CSRQL. These relationships were found to be statistically significant at a level less than 0.001. These results are in consistency with the literature (e.g. Bolton 2013, Abou Fayad et al. 2017, Platonova et al., 2018, Siueia et al. 2019; Bennett & Obalade, 2023; Aula et al. (2022); Jan et al. (2023); and Permatasari et al.,2023; Van Nguyen et al., 2022) and inconsistent with Naqvi (2021), Nguyen et al. (2022), Nour et al., (2022), AlAjmi et al. (2023), and Yasir et al. (2023)

**Table (5): Pearson Correlations among independent, dependent, and control variables**

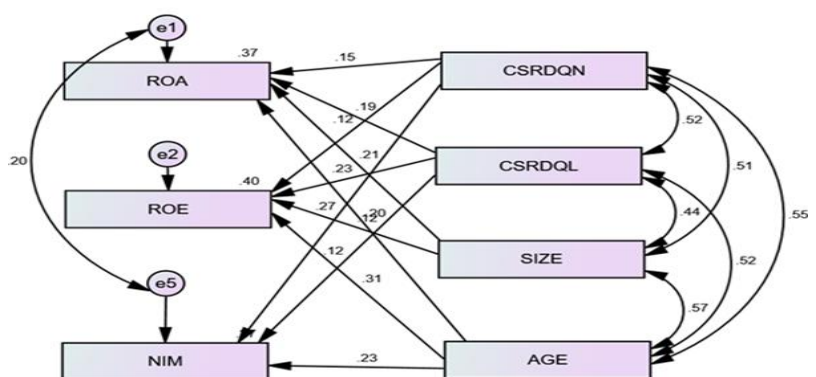
Variable	ROA	ROE	NIM	CSR DQN	CSR DQL	SIZE	AGE
ROA	1						
ROE	0.392***	1					
NIM	0.483***	0.505***	1				
CSR DQN	0.437***	0.479***	0.514***	1			
CSR DQL	0.485***	0.499***	0.467***	0.467***	1		
SIZE	0.468***	0.443***	0.376***	0.482***	0.410***	1	
AGE	0.522***	0.506***	0.475***	0.585***	0.450***	0.552***	1

Notes: \*\*\*represent significance at 1% level.  
Source: Computations conducted by the researcher (2023).

**2- Structural equation modeling (SEM):**

The conceptual framework was tested using AMOS23’s structural equation modelling (SEM). Multiple reasons prompted SEM use. SEM is an efficient estimation method that estimates multiple regression equations simultaneously. Hair et al. (2014) describe this method as a summated scale for construct representation. SEM distinguishes between theoretical constructs that are not directly observable and empirical measures that may be imperfect. Instead of variance, SEM uses covariance.

Ten indices are used to evaluate the model fit, including Normed Chi-Square (with a cut-off value of less than 5), GFI, AGFI,



Source: Computations conducted by the researcher (2023).

**Figure (1) Structural equation modelling to test the effect of CSR DQL and CSR DQN on ROA, ROE, and NIM.**

NFI, RFI, IFI, TLI, CFI, RMSEA, and RMR. A model can be considered good if it meets the following criteria: CFI > 0.95, GFI > 0.90, RMR < 0.08, and RMSEA < 0.08 (Hair et al., 2014).

The study's table (6) reveals that the independent variables (CSR DQN and CSR DQL) and control variables (SIZE and AGE) have a significant positive effect on the dependent variable (ROA) in the following regression model, with a significance level of less than 0.05.

$$ROA = 0.187CSR DQL + 0.214SIZE + 0.204AGE + 0.149CSR DQN$$

36.5% of ROA's variation was explained by the exogenous variables CSR DQL, SIZE, AGE, and CSR DQN in the SEM. Random errors in the regression model or other independent variables not included in the model account for the remaining percentage.

The following regression model shows that the independent variables (CSR DQN and CSR DQL) and control variables (SIZE and AGE) have a significant positive impact on the dependent variable (ROE) in the. This effect is statistically significant at a level below 0.05.

$$ROE = 0.125SIZE + 0.308AGE + 0.225CSR DQL + 0.116CSR DQN$$

In the SEM, the exogenous variables CSR DQN, CSR DQL, SIZE, and AGE explained 39.7% of ROE variation. Random errors in the regression model or other independent variables not included in the model account for the rest.

The independent variables (CSR DQN and CSR DQL) and control variables (SIZE and AGE) positively affect the dependent variable (NIM) at a significance level less than (0.05) in the following regression model.

$$NIM = 0.275CSR DQN + 0.226AGE + 0.122CSR DQL$$

The exogenous variables CSR DQN, CSR DQL, and AGE explained 27.4% of NIM's variation. The remaining percentage is due to random error in the regression model or other independent variables that were not included.

The results of the above three regression models support the research hypothesis H<sub>1</sub> and H<sub>2</sub>. The independent variables CSR DQN and CSR DQL have a statistically significant positive impact on the dependent variables ROA, ROE, and NIM, which are used as proxies for financial performance. The obtained results align with the findings from the Pearson correlation matrix analysis in table 5 and the literature (e.g. Bagh et al., 2017; Maqbool & Zameer, 2018; Siueia et al., 2019; Szegedi et al., 2020; Aula et al., 2022; Van Nguyen et al., 2022; and Bennett & Obalade, 2023).

All indicators meet or exceed the cut-off values, according to model goodness of fit. GFI, AGFI, NFI, RFI, IFI, TLI, and CFI are close to one, while Normed Chi-Square is below the cut-off value of 5, with a significant level greater than 0.05. Fit measures evaluate the structural model's ability to measure how CSR D quality and quantity affect Egyptian banks' financial performance. The theoretical model matches the actual model because the RMR and RMSEA are below 0.08.

**Table (6): Regression weights for testing the effect of CSR DQL and CSR DQN on ROA, ROE, and NIM according to Maximum Likelihood Estimates.**

Path	Standardized estimate	S.E.	C.R.	SIG.
NIM <--- CSR DQN	.275	.038	4.909	0.001***
ROA <--- CSR DQL	.187	.050	3.615	0.001***
ROA <--- SIZE	.214	.049	4.123	0.001***
ROE <--- SIZE	.125	.049	2.413	.016*
ROE <--- AGE	.308	.050	5.631	0.001***
NIM <--- AGE	.226	.036	4.027	0.001***
ROE <--- CSR DQL	.225	.049	4.466	0.001***
ROA <--- AGE	.204	.050	3.645	0.001***
NIM <--- CSR DQL	.122	.038	2.219	.026*
ROE <--- CSR DQN	.116	.050	2.203	.028*
ROA <--- CSR DQN	.149	.051	2.765	.006**
Normed Chi-Square=4.226 probability level=0.005 RMR=0.017 GFI=0.990 AGFI=0.911 NFI=0.987 RFI=0.910 IFI=0.990 TLI=0.930 CFI=0.990 RMSEA=0.093				

Notes: \*, \*\* and \*\*\* represent significance at the 10, 5 and 1% levels, respectively

Source: Computations conducted by the researcher (2023).

### ***Discussion of the result***

Empirical tests in this study show a positive connection between CSRD quality and quantity and financial performance (as measured by ROA, ROE, and NIM) and thus support the research hypotheses. These findings also support the beneficial impacts of Stakeholder Theory, aligning with Freeman's (1984) and Porter and Kramer's (2006) stakeholder perspective on CSR. Establishing strong relationships with all stakeholders can provide firms with a competitive edge. CSR improves a company's reputation, employee loyalty, and productivity, giving it an edge over its competitors (Branco and Rodrigues, 2006; Fombrun et al., 2000, and Rahman & Abdul Rasid, 2020). Strong CSR capabilities should improve a bank's efficiency by lowering input costs like deposit rates (Wu and Shen, 2013), improving input use like human capital management, and increasing output like customer fees and loan interest (Kim et al., 2013). This benefit requires national economic development, institutional quality, and stakeholder orientation. Thus, a company that is socially responsible and regularly discloses its CSR policy performs better financially because it sends investors reassuring signals of financial stability as well as meeting the environmental, employee, and societal needs of stakeholders. This result is consistent with the findings of Kalai and Sbais (2019), who found that the quality of a bank's disclosed information significantly affects its economic, financial, and stock market profitability regardless of the bank's age or size.

Several studies (e.g. Pelozo, 2009; Mackey et al., 2014; Aigner, 2016; Bagh et al., 2017; Al-Malkawi and Javaid, 2018; Qiu et al., 2020; and Kareem AL Ani, 2021) in the literature have shown that corporate social responsibility (CSR) initiatives enhance a company's financial performance, which aligns with the findings of this study. In the banking sector, Nizam et al., (2019); Wu and Shen (2013); Shen et al. (2016); Wu et al. (2017); and Itoya et al. (2022) show a positive correlation between CSR and bank performance metrics like ROA and ROE. Bolton (2013) found that CSR initiatives that match a bank's core activities and operating mission boost its financial performance. Lebanese banks engage in voluntary social initiatives to demonstrate their legitimacy and protect human, economic, community, and environmental concerns, according to Abou Fayad et al. (2017). Socially responsible banks need profitable operations and good management to address environmental and social issues credibly and well, which boosts their financial performance.

Platonova et al. (2016), Bagh et al. (2017), J. et al. (2018), Siueia et al. (2019), and Belasri et al. (2020) discovered that the CSRD positively influenced the financial performance of (GCC) Islamic, Pakistani, and Kenyan banks. Additionally, this disclosure enhanced the value relevance of bank reports, potentially leading to long-term impacts. Mita et al. (2018) also find that Thai banks with GRI G4 Sustainability Reports outperform those with CSR sections in their Annual Reports. Maqbool & Zameer (2018) stated that strategically, CSR in Indian banks improves financial performance and changes the focus of businesses from profits to social responsibility. Bolibok (2021) found that socially responsible banks have lower earnings management rates, thus improving financial performance. Szegedi et al. (2020) and Tulcanaza-Prieto (2020) observed an increase in CSR disclosure among banks in Pakistan and Ecuador, which was found to have a positive impact on the banks' accounting-based financial performance (ROE and ROA). Banks invest in CSR activities because customers view them as socially responsible. Accordingly, Strategic corporate governance boosts financial and non-financial performance. Zheng et al. (2022) observed that productive Bangladeshi banks have higher CSR contributions. GRI banks outperform non-GRI banks, non-politically connected banks outperform politically connected banks, and conventional banks outperform Islamic banks in CSRD productivity. Aula et al. (2022); Van Nguyen et al. (2022); Itoya et al. (2022); Jan et al. (2023); Permatasari et al. (2023); and Bennett & Obalade (2023) find that CSRD in Indonesian Sharia, Nigerian and South African banks positively affects ROA and ROE, particularly CSRD-Economic and CSRD-Environment. Egyptian banks' CSR practices improve technical efficiency, according to Shahwan & Habib (2023).



However, the findings of this study differ from those of Ray (2013), who argued that CSR reports may not fully represent a company's CSR efforts. Matuszak and Rozanska (2017) find no positive correlation between banks' CSR disclosures and ROA and ROE, while CSR disclosures and NIM are negatively correlated. Simpson and Kohers (2002) and Oyewumi et al., (2018) observed that Nigerian banks' CSR investments hurt their financial performance and drain their resources. CSR spending may not benefit banks financially. CSR may benefit banks non-financially, but the financial benefits may not justify the cost. AlAjmi et al. (2023) stated that CSRD have a negative impact on the performance of banks in emerging markets. In Egypt, Kamal (2013) find a statistically significant negative relationship between CSR-dimensions and bank profitability. While Hafez (2015) and Moslemany & Etab (2017) find no statistically significant correlation between the CSRD and Egyptian banks' ROA, ROE, NPM, and EPS.

Ngoc (2018); Ur Rehman et al., (2020) ; Naqvi (2021) ; and Yasir et al. (2023) find that CSRD was negatively correlated with Vietnam and Pakistan's Islamic banking industry's financial performance may be due to Islamic ethics, which discourage philanthropic disclosure. Saadaoui & Ben Salah (2022) stated that the overall CSR score had a significant negative impact on the performance of French banks. Nguyen et al. (2022) find that CSR disclosure has a negative effect on financial performance and reduces ROA, especially the environmental responsibility compared to social responsibility, which requires more careful investment and government support to make it more efficient. Furthermore, Bucala (2021); Nour et al., (2022); and Kabir and Chowdhury (2023) find that there is no correlation between CSRD and bank performance in terms of ROA and ROE, and bank age may negatively affects CSR.

## CONCLUSIONS

In developing nations, CSR initiatives are driven primarily by a desire to maximize profits. This is why many multinational corporations with operations in emerging economies adopt CSR policies and programs. In spite of this, CSR is still in its infancy in Egypt. Li et al. (2019) identify three CSR motivations from the literature. CSR initiatives focus on strategic advantage and stakeholder legitimacy (Bansal & Roth, 2000). Li et al. (2019) argue that legal requirements and standards drive CSR. CSR projects can boost moral and ethical value. CSR can add value and fulfill the company's moral obligation (Aguilera et al., 2007). Investors, employees, customers, non-governmental organizations (NGOs), and regulatory bodies worldwide are now paying more attention to companies' CSR practices. Due to the growing trend and importance of CSR, many financial institutions, such as banks, have integrated it into their operations and strategies (Platonova et al., 2016).

This study found a positive correlation between the quality and quantity of CSRD and banks' financial performance, as measured by ROA, ROE, and NIM. Theoretical considerations and literature support these findings. Legitimacy theory suggests that firms engage in CSR to maintain their social license to operate, while agency theory suggests that CSR can align managers and shareholders' interests. Stakeholder theory emphasizes the importance of considering all stakeholders in business decision-making, including non-shareholders. Stakeholder analysis enhances CSR reporting and policymaking while meeting legal requirements. These theoretical perspectives illuminate CSRD-FP's complex relationship. If banks invest in core CSR operations, they can boost their value and reduce risk (Bolton 2013). Sustainable banks are better financial intermediaries (Mita et al., 2018). Social reputation improves community quality of life and bank financial performance. The bank's finances and image should improve. CSRD optimizes capital structure, corporate governance, and performance even without economic gain.

This study helps to address gaps in the context of developing countries. First, CSRD-FP linkage research in Egypt and other developing economies is insufficient and inconclusive. This study expands the CSRD-FP literature in the banking sector, which is crucial to any nation's economic and financial system.

Second, using G4 Sustainability Reporting Guidelines (2013) CSRD quality and quantity indices, this study empirically examines the relationship between FP and CSRD quality and quantity. Third, the study's findings that CSRD and FP are positively correlated show that transparent and extensive CSR practices can increase firm value in developing economies like Egypt.

This study results also provide useful insights for bank regulators and board members in assessing non-performing loans as a strategy to enhance banks' future growth potential. Banks, stakeholders, top managers, policymakers, and regulators must implement and modify CSR strategies and policies to avoid consequences. Banks' CSR efforts are regulated and encouraged by regulators like Egypt's CBE. By ensuring banks allocate CSR resources fairly and without favoring stakeholders, such regulatory bodies can prevent CSR commoditization. Banks should establish a comprehensive CSR spending framework, allocate resources to such initiatives, and include them in their annual CSR reports for stakeholders to strengthen their CSR commitment. Banks should report sustainability performance using GRI standards. Managers must link CSRD's positive effects to governance structure optimization to standardize and improve CSR performance. This balance prevents excessive disclosure quality from hurting corporate performance. Thus, stakeholders benefit from inclusive, government-supported CSR.

Unfortunately, in Egypt, CSR is still a voluntary practice. It is suggested that regulators, such as the CBE, require banks to integrate CSR into their management approach and develop a long-term CSR strategy. This will improve their financial performance and reputation, and also contribute to the creation of a sustainable business environment. Egyptian bank administrators can promote CSR by raising employee and stakeholder awareness and disclosing environmental, worker, and community engagement information. Integrating reporting is also recommended. Long-term, integrated financial and CSR thinking outperforms traditional CSR management, as it affects accounting practices and business strategy. Capital market participants and other stakeholders can value integrated reporting better. Banks are also recommended to adopt the UN's SSE initiative because investors' marginal funds can boost financial performance and sustainable development. Lee & Hess (2022) suggest using the Sustainable Development Goals (SDG) Index to quantify CSR because it is based on UN processes and global values. SDG index scores improve future research. Future research may use UN-suggested SSE initiative and other sustainable indices.

The study suggests future research agendas. Industry-specific operations affect CSR practices. Future research should include digital banks, more CSR metrics, and more industries. Ratio analysis isn't the only method for measuring a bank's efficiency and performance; other methods, like Belasri et al.'s (2020) Dynamic Network Model, could be used in the future.

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## Appendix

**Table A1: Cointegrating Model ROA (dependent) and CSRQN, CSRQL (independent variables), and control variables from 2015 to 2022**

Dependent	tau-statistic	Prob.*	z-statistic	Prob.*
ROA	-6.116844	0.0002**	-64.77693	0.0002**
CSRQDN	-6.908313	0.0000***	-84.41380	0.0000***
CSRDQL	-6.618012	0.0000***	-79.47319	0.0000***
SIZE	-5.408807	0.0029**	-53.63491	0.0020**
AGE	-4.701774	0.0269*	-40.37070	0.0251*

\*MacKinnon (1996) p-values.

Notes:\*, \*\*and\*\*\*represent significance at the 10, 5 and 1% levels, respectively

Source: Researcher's computation (2023).

**Table A2: Cointegrating Model ROE (dependent) and CSRQN, CSRQL (independent variables), and control variables from 2015 to 2022**

Dependent	tau-statistic	Prob.*	z-statistic	Prob.*
CSRQDN	-6.778553	0.0000***	-81.91694	0.0000***
CSRDQL	-6.549435	0.0000***	-78.07079	0.0000***
SIZE	-5.283424	0.0045**	-51.36884	0.0031**
AGE	-4.698606	0.0272*	-40.36633	0.0252*
ROE	-6.930158	0.0000***	-81.52284	0.0000***

\*MacKinnon (1996) p-values.

Notes:\*, \*\*and\*\*\*represent significance at the 10, 5 and 1%levels, respectively

Source: Researcher's computation (2023).

**Table A3: Cointegrating Model NIM (dependent) and CSRQN, CSRQL (independent variables), and control variables from 2015 to 2022**

Dependent	tau-statistic	Prob.*	z-statistic	Prob.*
CSRQDN	-6.693747	0.0000***	-80.56604	0.0000***
CSRDQL	-6.524781	0.0000***	-77.96080	0.0000***
SIZE	-5.458356	0.0025**	-54.44356	0.0017**
AGE	-4.817642	0.0194*	-42.37366	0.0175*
NIM	-4.323595	0.0708	-35.99849	0.0531

\*MacKinnon (1996) p-values.

Notes:\*, \*\*and\*\*\*represent significance at the 10, 5 and 1%levels, respectively

Source: Researcher's computation (2023).