Corporate Governance and Corporate Social Responsibility (CSR) Disclosure Among Commercial Banks in an Emerging Economy: Evaluative Perspectives

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Abstract: The confluence of corporate governance (CG) and corporate social responsibility (CSR) has become increasingly significant in the contemporary banking landscape of emerging economies. The collaboration between gender diversity and financial leverage in shaping CSR disclosure has not been comprehensively explored in this context. The corporate governance factors evaluated including board meetings, the age of the board, the percentage of women on the board, and the size of the audit committee. The dataset was collected from 432 individuals. We utilize multivariate analysis techniques to assess the relationships between CG variables, including board composition, ownership structure, and CSR disclosure. As a result, we found that board composition, gender diversity, financial leverage, and industry type were significantly influenced by CSR disclosure among commercial banks in the emerging economy. When regulators, policymakers, and bank stakeholders know these connections, they may collaborate to raise corporate governance standards and encourage ethical banking practices, which will help the emerging economy grow sustainably.

1 INTRODUCTION

Corporate social responsibility (CSR) and corporate governance (CG), two interrelated business practices, are receiving more and more attention from academics, practitioners, and politicians in today's global business environment. The renewed attention was especially relevant in emerging economies, where rapid economic expansion, diversified stakeholder dynamics, and changing regulatory settings provide a complex environment for corporate activity. Emerging economies have seen a substantial change in recent years. These economies are distinguished by their distinctive combination of economic prospects and obstacles. Economic entities, especially corporations and financial institutions, must navigate a complex environment where societal effects and financial performance are intertwined in the changing climate. Commercial enterprises are at the heart of these economies; thus, their governance procedures and CSR programs are in the public eye and significantly impact the socioeconomic landscape as a whole (Chen, 2023).

1.1 Growing CSR Trends in Emerging Economies

The CSR environment in emerging economies was unique since they frequently have a variety of cultural, economic, and regulatory circumstances. In these contexts, the CSR paradigm goes beyond traditional charitable undertakings and compliance-driven activities. It includes a broader range of moral principles, environmental responsibility, and a dedication to stakeholders' interests other than shareholders (Khojastehpour and Jamali, 2021).

1.2 The Function of Corporate Governance

Banks' CSR frameworks are built upon corporate governance frameworks, which include board composition, ownership structure, and regulatory

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monitoring. The foundation for ethical behaviour, risk management, and sensible decision-making is laid through effective governance procedures. As a result, they significantly impact how intensely and in what direction banks engage in CSR. In emerging economies, corporate governance acquires a particular relevance as the foundation of ethical corporate behaviour (Velte, 2023). A corporation's commitment to CSR and ethical corporate behaviour was greatly influenced by the make-up, operation, and oversight of its boards of directors (BoD) and executive leadership teams. However, due to elements including ownership arrangements, rules and regulations, and cultural quirks, corporate governance processes in emerging economies may differ dramatically from those in mature markets (de Villiers and Dimes, 2021).

1.3 The Strategic Need for CSR

CSR has gone from being a side issue to a strategic requirement for companies in emerging economies due to the changing demands of stakeholders, including investors, consumers, and regulatory authorities. Corporations are rapidly realizing that CSR was more than a compliance concern but an area of competitive advantage as the demand for accountability and transparency grows. Sustainable development, social inclusion, and ethical governance are all included in CSR programs, which reflect a broader societal commitment that is in line with the varied and dynamic contexts of growing economies (Abugre and Anlesinya, 2020).

The study investigates how board composition, ownership structure, and other aspects of corporate governance affect CSR disclosure (CSRD) among commercial banks in emerging economies. It also examines how gender diversity and financial leverage affect these disclosure practices.

The remainder of the study was divided into the following sections: We provide background information on the research environment in Section 2, focusing on corporate governance and CSR activities in the banking industry; Section 3 delves into the study's theoretical framework, presents a summary of pertinent literature, and develops our hypotheses. The data and our study technique are described in Section 4, respectively. The paper's concluding thoughts are included in Section 5.

2 RELATED WORKS

(Orazalin,2019) examined CSR reporting procedures in Kazakhstan's banking industry and how board qualities affect CSRDs. The information on CSRDs was collected manually from the yearly reports of banks registered on the KASE. The findings demonstrate that gender diversity on boards positively impacts CSR reposting. However, independence from management and board size have no bearing on the volume of CSRDs. Data constraints and the period selected could impact the completeness of the analysis. Recognizing the importance of CSR worldwide, (TRAN, et al, 2020) examined the effects of corporate governance determinants on CSRDs in Vietnamese commercial banks. The corporate governance variables are compared to CSRD using data from time series and OLS (Ordinary Least Squares) regression analysis. The findings indicate three problems with corporate governance have positively impacted the disclosure of CSR among Vietnamese commercial banks. They use OLS regression, which makes specific statistical assumptions that might not always hold in real-world situations. (Matuszak, et al, 2019) found a link between the corporate governance practices of these institutions and their CSR statements. The gathered data was subjected to procedures for analysis of panel data. The findings demonstrate that throughout the investigation, the banks under scrutiny enhanced their CSR reporting procedures. It could restrict how widely outcomes can be applied to a given time period and region of the world.

(Duong, et al, 2023) better understand how state ownership and strong CEOs affect Vietnam's commercial banks' CSR. Vietnam was a developing market in Asia. The analysis' indigeneity and heterogeneity issues are addressed using an evolving system, the GMM (Generalized Method of Moments). The findings show that solid CEOs are detrimental to CSR initiatives because they tend to devote less money to CSR investments because of the potential loss of operating free cash flow. Their focus on the Vietnamese banking industry may limit the applicability of results to other sectors or geographical areas. (Abdelnur, 2021) evaluated the degree of CSRD in On the Khartoum stock exchange (KSE), annual reports of commercial banks in Sudan are traded. 61 yearly filings from 10 registered financial companies during a seven-year period were reviewed using a content analysis technique. The findings of all of the banks studied disclosed CSR data in their yearly filings. The analysis does not evaluate the influence or efficacy of CSR programs;

instead, it was based on the substance of annual reports. In Malaysia, (Lui and Zainuldin, 2022) compared CSRD degrees between domestic and foreign banks. It uses robust regressions and OLS to analyze the data. The findings show that Malaysian local banks tend to provide more CSR data than their multinational rivals. The concentration of the study on a particular period and geographical area may limit the generalizability of results.

(Miah, et al, 2019) focused on IBBL's efforts to address societal and financial issues through humanitarian aid, education, health, sports, the arts, and culture initiatives. To improve the social welfare of underdeveloped areas, the study examines the growth rates in several CSR sectors and highlight's locations that may need further funding. Other sectors' growth rates were lower, indicating that more money was needed elsewhere to support social welfare initiatives. The limitations, which include its emphasis on a single financial institution (IBBL) and a narrow time window, may make it difficult to generalize its results to other banks and areas. (Ho, Liang, and Tumurbaatar, 2019) how CSR impacts Corporate Financial Performance (CFP) in Mongolian institutions. To evaluate the CFP, they developed a CSRD index and examined several financial variables. They emphasize the importance of taking the precise moment of financial crises into account when examining this relationship. They find correlations but do not prove a connection or explore the precise mechanisms by which CSR affects financial performance.

(BUI, 2021) focused on the one-way relationship between Vietnamese commercial banks' financial performance and CSR. The analysis makes use of dynamic panel methods, a collection of Vietnamese commercial banks, a two-step GMM estimator, and regressions. In contrast to private banks, state-owned commercial banks are less positively impacted by CSRD in terms of their financial performance. The concentration of the study on a particular geographic area and ownership structure may limit the applicability of the results to other contexts. With a focus on developing economies, (Nwude, and Nwude, 2021) intends to empirically analyze the association between firm board features and CSRD in the Nigerian banking sector. Multiple regression analysis was used in the study using panel data from the audited financial records of the chosen institutions. The banks with more giant boards, fewer board members who work outside of the bank's operations and more female directors generally disclose their CSR activities more frequently. The drawback includes its emphasis on a single sector (Nigerian banking) and the possible need for generalizability to other industries or geographical areas.

3 RESEARCH METHODS

3.1 Development of Hypothesis

A crucial stage of the research process is the creation of hypotheses. It entails creating verifiable hypotheses or educated predictions regarding the expected correlations between study variables. Research is given a distinct direction by hypotheses, which direct data collecting and analysis. They enable systematic testing and evaluation of the results that researchers expect to uncover, assisting in formulating predictions that lead to empirical findings regarding the research subject being investigated.

3.1.1 Age of Board

The mean age of the board members can be used to gauge the amount of experience of the committee members. A board with a greater average age is more significant and experienced, while a board with a smaller mean age is younger and less experienced. Older directors are often thought to bring more wisdom and well-honed decision-making abilities, frequently favoring traditional and risk-averse corporate strategies. In contrast, younger directors, having received more recent education, tend to be more inclined toward risk-taking and are often drawn to innovative business ideas, including those related to CSR activities. Although the research has explored the influence of board age on a firm's performance, its connection to CSRD has received less attention. While the studies have found insignificant effects, younger board members had a higher propensity to support contemporary business practices than their more senior colleagues, such as CSRD. Thus, the hypothesis emerges that:

Hypothesis 1: The degree of CSRD is negatively correlated with board age.

3.1.2 Board Meeting

A corporate board's problem-solving capability and diligence can be assessed by analyzing the number of annual board meetings. Board members participate in many meetings with increased opportunities for in-depth discussions, workload distribution, and idea sharing. A responsive board pleases the owners and improves the organization's reputation among stakeholders. However, it is essential that commonplace meetings may disrupt business operations and reduce the quality of interactions among board members. Formulating an effective CSR strategy and policy is a complex process that requires a collaborative effort and demands time from board members. The complexity results from several factors, including the need for a sustainable culture, prior knowledge, resistance to transformation, and the attitude of business leaders. A robust CSR plan requires the board to address these issues and develop a comprehensive CSR strategy. Therefore, boards with regular meetings have more opportunities to deliberate on garnering stakeholder support and CSR plans. While the research has explored the impact of board meetings on CSRD and found an encouraging but statistically unimportant correlation, this study posits that a superior frequency of meetings is conducive to developing CSR initiatives. Consequently, the study proposes the following hypothesis:

Hypothesis 2: The amounts of CSRD and board meetings positively correlate.

3.1.3 Audit Committee

Making sure that the financial records of a business are accurate is crucially dependent on the audit committee. The competence of this committee hinges on the composition of its members and experience. A larger audit committee, composed of more skilled and seasoned individuals, is essential for its effectiveness. The audit committee's effectiveness has a beneficial effect on the disclosure's level of quality. Furthermore, the effectiveness of both voluntary disclosure and financial audit committees is presently increased. An influential audit committee contributes to enhancing the quality of financial reporting. These observations align with the principles of Agency Theory, which asserts that having a board committee's independent directors can balance out the information. The current study suggests that a sizeable audit committee of competent and experienced members can effectively monitor managerial performance, especially concerning social and environmental activities. That can elevate the quality of CSRD. Therefore, the hypothesis of this research proposes that:

Hypothesis 3: The level of CSRD is positively correlated with the audit committee's size.

3.1.4 Gender Diversity on the Board

The prominence of gender diversity on corporate boards in India has been highlighted by recent regulatory reforms introduced in the Companies Act of 2013. These reforms mandate that for every listed company, at least one board member must be a female. Although there is evidence between gender diversity and financial performance, the influence on CSRD has not been extensively studied. Gender diversity can enhance board independence, as individuals with different backgrounds, genders, ethnicities, and cultures offer diverse perspectives rooted in their experiences. Female directors differ from their male counterparts in several ways. Companies with a higher representation of females on their boards often engage in more social and charitable activities than those with fewer females in leadership positions. This has an optimistic effect on corporate reputation and ratings of CSR. According to these findings, current studies have been supported by evidence that the presence of females on corporate boards improves CSRD. However, it is essential to note that some studies present a contrasting relationship between the participation of females on boards and CSRD. In light of these findings, this study anticipates that the inclusion of females on the board will strengthen the CSR programs of the company and result in increased CSRD. Consequently, the researcher proposes the following hypothesis:

Hypothesis 4: Females on board have a good relationship with the amount of CSRD.

3.2 Data Acquisition

The activists employed a quantitative descriptive research approach and strategy for their investigation. They highlighted using computer techniques to measure data objectively obtained through survey questions. It concentrated on accumulating numerical data and using it to explain a particular viewpoint or generalize it across groups of people. There were 432 respondents to the study, who were officials and staff from the commercial banks. The study employed a self-created survey questionnaire as a data collection tool to sort quantitative data for analysis. The tool's primary goal is to pinpoint the elements influencing the sample commercial banks' corporate philanthropy and, ultimately, to realize the value of publishing these actions regularly.

The questions were written in a way that would make it simple for responders to respond. The respondents were forced to form an opinion since a 5-point Likert scale or forced Likert scale was utilized.

A forced Likert scale was utilized to analyse the correlation between CSR and disclosure in the commercial banks' financial performance. The impact of CSR and disclosure on the operations of commercial banks was assessed using the composite mean. The following scale was used to interpret the study's findings: Strongly Agree (SA), Agree (A), neutral (NS), Disagree (D), and Strongly Disagree (SD) are all measured. Based on the weighted mean of the index, the ranking was also utilized to determine which index was the highest and lowest.

3.3 Variables

In corporate governance (CG), several factors that can be considered as independent variables include the audit committee's size, the average age of the board members, the annual count of board sessions, the frequency of board meetings, and the gender makeup of the board. The other factors, including industry, promoter ownership, financial leverage, board age, board size, return on asset (ROA), is used as controls. Company age is regarded as a controlling factor since more established businesses are familiar with the area and setting in which they function and recognize that CSRD attracts new customers and fosters goodwill. Therefore, it is expected that firm age has a beneficial impact on CSRD. Financial leverage refers to using debt to finance operations, and companies with high debtors often face superior pressure to provide detailed information to creditors. It follows that a positive association between CSRD and financial leverage is anticipated. Return on assets (ROA), which reflects a firm's profitability, is often higher for socially responsible companies. Profitable firms tend to demonstrate their commitment to society and are more likely to provide extensive CSRDs, indicating a positive association between ROA and CSRD. Based to the legitimacy theory, organizations working in politically and ecologically sensitive industries are more inclined to share information about CSR than those in non-sensitive industries in order to maintain their good reputations. A favorable correlation between the kind of industry and CSRD is expected. Table 1 lists the independent variables that were used in the research.

Using Eviews 9, the following model examines how the explanatory variable affects the disclosure score on the Likert scale.

$$ESGDS_{it} = \alpha_0 + \beta_1 BAGE + \beta_2 BM + \beta_3 SAC + \beta_4 WB + \beta_5 FLEV + \beta_5 ROA \qquad (1)$$

$ESGDS$-dependent variable,
Where i-company, t- time $BAGE$- Board age on average, BM- Board meeting, SAC- audit committee's size, WB-Women on board, $FLEV$- is financial leverage, and ROA- Return of asset.

4 RESULTS AND DISCUSSION

Table 2 provides a statistical summary of the sample data. The average disclosure of ESG score is 27.44, with a maximum score of 61.57 and a median score of 22.72. Table 3 presents Pearson's Correlation Coefficient along with the variables of independence and their respective importance levels. The results indicate that the correlations between the variables of independent fall within acceptable ranges, suggesting that multi-collinearity is not a significant concern.

Table 1: Independent variables.

Independent variables	Description
Women on board	Percentage of women directors on board
Board meeting	Number of board meeting per year
Size of audit committee	Number of audit committee members
Board age	Average age of board members
Financial leverage	Debt-equity ratio
ROA	Asset return (profitability of the company)

Table 2: Descriptive data analysis.

Variables	Maximum	Minimum	SD	Median	Mean
ROA	57.44	-45.31	10.11	06.21	08.70
ESGDS	61.58	04.55	15.05	22.73	27.45
FLEV	578.6	00.01	28.45	02.47	05.32
BAGE	74.58	47.51	04.15	62.00	61.17
BM	21.00	04.00	03.29	07.00	07.41
SAC	11.00	03.00	01.03	05.00	03.93
WB	33.34	00.01	07.52	06.67	06.73

Note: ROA- Return on asset, BM- Board meeting, FLEV- Financial leverage, BAGE- Average age of board member, WB- Women on board, SAC- Size of audit committee.

Table 3: Matrix of correlation.

Variables	BAGE	BM	SAC	WB	FLEV	ROA
BAGE	0.084	0.171**	0.094*	-0.074	0.038	1.000
BM	0.023	-0.008	-0.006	-0.045	1.000	
SAC	0.027	0.041	0.119**	1.000		
WB	-0.038**	0.265**	1.000			
FLEV	-0.193***	1.000				
ROA	1.000					

Table 4: Regression analysis of panel data.

Variables	ESGDS Model
ROA	0.118**
FLEV	0.012***
BAGE	− 0.429**
BM	0.202
SAC	− 0.502
WB	− 0.158**
Adjusted R^2	0.865
Constant	− 76.83***
F stat	37.94***
N	432

Note: *** (0.001%), ** (0.005%).

4.1 Discussion

The model's findings (Table 4) illustrate how corporate governance factors affect CSRD. Board age and CSRD are negatively correlated, meaning there is a probability for greater CSRD if the average age of the board is lower. Younger directors attempt to include more CSR activities than senior directors since they are more motivated and supportive of new market ideas. Hypothesis 1 is therefore approved. The outcome supports Hypothesis 3 and provides evidence that the sustainability committee and the CSRD have a beneficial relationship. A distinct committee's existence indicates that the company has a strong attitude toward socially responsible business practices. Such companies must also have high social values and increase their CSRD. The level of CSRD is significantly negatively impacted by the presence of women directors (hypothesis 4), proving that having women on the board and the board committee has detrimental effects on CSRD due to the reality that both countries' involvement rates for women in public activities are significantly lower than those of other developed nations. Board meetings and CSRD have a negligible correlation, which suggests that the board meeting frequency has no bearing on the disclosure of CSR. Our conclusion contradicts Hypothesis 2, which also came to a similar conclusion and supported it by claiming that the committee of directors does not participate in the critical decisions but merely makes them, the phase of putting CSR policy into practice. Firm size, financial leverage, and age demonstrate a substantial beneficial impact on CSRD compared to control variables.

5 CONCLUSIONS AND FUTURE SCOPE

The study explored the confluence of CG and CSR in the banking landscape of emerging economies, focusing on the role of gender diversity and financial leverage in shaping CSR disclosure. Employing a dataset of 432 individuals from commercial banks in the selected emerging economy, we used multivariate analysis techniques to examine the relationships between CG variables, including CSR disclosure, board composition and ownership structure. They outcome indicated that board composition, gender diversity, financial leverage, and industry type significantly influence CSR disclosure among commercial banks in the emerging economy. These finding underscored the importance of fostering diverse and responsible governance practices within banks. Recognizing these connections, regulators, policymakers, and bank stakeholders can collaborate to elevate corporate governance standards and promote ethical banking practices, ultimately contributing to sustainable economic growth in the emerging economy. However, it is essential to acknowledge the study's limitations, such as the specific focus on a single emerging economy, and future research could expand upon these findings by exploring cross-cultural variations and trends in CG and CSR practices among banks in diverse emerging economies.

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