

CSR disclosure in banking: A qualitative literature review

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Abstract

Purpose: This paper reviews the literature on corporate social responsibility (CSR) disclosure in banking to identify the most relevant aspects analyzed to date and avenues for future research. The CSR concept is key in the banking industry and banks are pushed to improve their social and environmental performance, and to disclose information about CSR in their financial and non-financial reports.

Design/methodology/approach: This paper adopts a mixed literature review approach, based on a qualitative analysis of the literature and complemented by some structured systematic analyses. The theoretical frameworks employed in the literature, the time and geographical distribution of the samples analyzed, and the main findings of the studies indexed in Scopus, Web of Science, Google Scholar, and EBSCOhost are also examined.

Findings: The findings show that (i) there is a significant gap between the literature focusing on the financial dimension of bank disclosure and that exploring the CSR dimension; (ii) the time horizons analyzed in the empirical literature are concentrated around the 2008-2009 global financial crisis; (iii) the empirical literature mainly focuses on the most developed European, North American and Asian countries.

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Originality/value: This study contributes to extant literature by describing the state of the art on CSR disclosure in banking and paving the way for future research on this topic. A call for research is raised on corruption-related disclosure and the relationship between national economic development and bank transparency, with specific reference to CSR disclosure.

Keywords: disclosure, banking, corruption, CSR, corporate social responsibility.

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1. Introduction

Bank disclosure practices play an important role in reducing the most adverse effects of information asymmetries that characterize the banking industry (Levine, 1997), thereby ensuring that financial markets function correctly. Hence, securing an adequate level of bank disclosure emerges as a key aspect, since it serves as an external mechanism to properly monitor bank managers' behavior, reduce the cost of capital, guarantee investor confidence and stakeholder trust (Botosan and Plumlee, 2002; Eng and Mak, 2003), and thereby positively affect bank lending activity (Zelenyuk et al., 2020), and financial stability (Nier, 2005).

Bank transparency is important not only in terms of financial disclosure but also with regard to non-financial information. From a practical perspective, the Global Reporting Initiative¹ and the Taskforce on nature-related disclosure (2022) have recently pushed firms – and especially financial institutions – to be more transparent when it comes to the impact they have on people and on the planet as a whole. From a theoretical perspective, the

¹ For more information, see the website of the global reporting initiative: <https://www.globalreporting.org/>.

stakeholder theory (Freeman, 1984) posits that banks may be willing to provide non-financial disclosure to interact more effectively with their stakeholders, whilst the signaling theory (Spence, 1973) states that non-financial disclosure has an important signaling function, in that banks can also show that environmental and social aspects are taken into serious account.

Although most of the literature has focused on financial risk disclosure and on the risks traditionally taken into consideration at an international level by the Basel Committee on Banking Supervision (BCBS), other types of disclosure also merit attention. Amongst the various types of non-financial disclosures, that concerning corporate social responsibility (CSR) may play a prominent role since this concept has become increasingly relevant in the banking sector over the last few years (Platonova et al., 2018). The concept of CSR is now widespread in banking literature and banks are pushed to improve their social and environmental performance in order to maintain stakeholder trust and promote long-term performance. Previous papers have highlighted the role of CSR in fostering bank financial performance (Meng-Wen and Chung-Hua, 2013; Cornett et al., 2016) and as an effective tool to improve banks' public image (Pérez and Del Bosque, 2012), and they have underpinned that disclosure of numerous CSR dimensions plays a key role in strengthening bank reputation and image (Jain et al., 2015). In this paper, we propose a review of the extant literature on disclosure and CSR disclosure in the banking industry, and aim to identify the most relevant aspects analyzed in the literature.

Given its multi-dimensional nature, the concept of CSR has been defined in various ways in the literature. Within the context of this paper, we adopt the definition proposed by Sarkar & Searcy (2016, pp. 1433):

“CSR implies that firms must foremost assume their core economic responsibility and voluntarily go beyond legal minimums so that they are ethical in all of their activities and that they take into account the impact of their actions on stakeholders in society, while simultaneously contributing to global sustainability”².

This definition highlights the fact that CSR is voluntary in nature and that it pushes firms to go beyond minimum legal requirements. In addition, it focuses on four key aspects of corporate responsibility – ethics, impact on society, the importance of stakeholders, and global sustainability – and that it thereby includes both environmental and social sustainability. While Sarkar and Searcy (2016) show that the concept of CSR has evolved over

² We adopt this definition because it is based upon the comprehensive analysis of 110 CSR definitions provided by other scholars and because it stresses the multi-dimensional nature of CSR (Burns et al., 2020).

time, their comprehensive definition captures all core components of CSR, making it a widely accepted definition in the literature (see for instance Barbosa and de Oliveira, 2021).

Broadly speaking, the concept of CSR is relatively new and firms have traditionally focused on shareholder value maximization and financial performance, rather than on stakeholder needs and environmental/social sustainability (Tse, 2011). The same reasoning holds when it comes to disclosure, given that the main recipients of corporate and bank reporting narratives are shareholders and investors (Quagli, 2019; Rutigliano, 2016). This point is even more evident for banks, given their exposure to financial risks, and makes bank managers even more concerned about the “financial dimension” (Tutino, 2019). Bank disclosures consequently focus more on financial risks (e.g. market risk, exchange rate risk, etc.) rather than on environmental risks and CSR (Polizzi, 2022). Against this background, it is important to understand whether this gap between the “financial dimension” and CSR – and which may be seen in bank disclosures – is also reflected in the literature on bank disclosure. In this paper, we aim to provide answers to two important research questions concerning the literature that focuses on CSR disclosure in the banking industry:

RQ1: Is there a gap between the strand of literature which analyzes the disclosure of the financial dimension and that which focuses on CSR disclosure in the banking industry?

RQ2: Within the literature on CSR disclosure in banking, is there any area/dimension which has been investigated less in depth compared to the others?

Our main findings show that the literature on disclosure in the banking industry is strongly focused on its financial dimension and, particularly, on financial risks as well as on the most traditional types of risks that affect banking activity; namely, credit risk, liquidity risk, market risk and operational risk. In contrast, other emerging risks have not been analyzed in depth. As for CSR disclosure, although some studies do focus on various important dimensions of CSR (i.e. disclosure on human resources, social disclosure, or environmental disclosure, among others), disclosure practices on corruption issues in the banking industry have been totally neglected.

We contribute to the literature in different ways. First, we provide a review of the most important contributions on disclosure and CSR disclosure in the banking industry. To the best of our knowledge, we are the first to offer a detailed summary of the state of the art of the literature on both disclosure in general and CSR disclosure with specific reference to the banking industry. Second, we identify the main dimensions of CSR analyzed in the

banking literature and pinpoint one key dimension that remains underexplored: the dimension related to disclosure on corruption issues. We also highlight future lines of research, which could hopefully fill the existing gaps in the literature.

The paper is structured as follows. Section 2 describes the research design of our literature review, based on both systematic and qualitative analyses. Section 3 provides a descriptive analysis of bank CSR disclosure literature. Section 4 analyzes the literature on financial disclosure in the banking industry. In section 5, we review the literature on CSR disclosure in the banking sector and on the various CSR dimensions. Section 6 presents the main conclusions as well as new avenues for future research.

2. Research design

This paper employs a mixed approach to analyze the literature on CSR disclosure in the banking industry. While our main approach is qualitative and unsystematic, we acknowledge that this method is characterized by certain drawbacks because of its high level of subjectivity. Hence, in order to mitigate these problems, we complement the qualitative approach with various analyses that are typically adopted in systematic literature reviews.

More specifically, the qualitative literature review is based on an analysis of the articles we consider to be most important based on our judgment-based evaluations. We use various search engines (Scopus, Web of Science, Google Scholar and EBSCOhost) to retrieve the most relevant articles, and we include articles that both cite and have been cited by them. These were carefully read and analyzed in order to gain a comprehensive view of banking CSR disclosure literature. The main advantage of this approach is that we can focus on the most important aspects related to our research questions and so secure an in-depth understanding of contributions in this field. In addition, this approach is strongly influenced by author subjectivity and cannot guarantee that each article is included in the analysis, nor that the literature is examined in an objective manner. In order to mitigate these concerns, we follow the approaches suggested by Siebels and zu Knyphausen-Aufseß (2012), Zambelli (2014) and Polizzi (2022) and we perform the following systematic analyses: (i) analysis of the number of papers in the Scopus database by adopting objective search strategies, counting their number of citations and carrying out an overview of the journals in which these papers are published; (ii) a summary of the main findings and theoretical frameworks of each contribution retrieved using said search strategies; (iii) an overview

of the samples analyzed by the empirical literature. By performing these analyses –which are typically used in systematic literature reviews– we make our summary of the state of the art more comprehensive and objective. Our analyses also enable us to provide answers to our research questions.

The literature review approach used in this paper specifically consists of the following logical steps:

- a systematic descriptive analysis of the papers stored in the Scopus database by adopting the aforementioned objective search strategy;
- an analysis of the numbers of citations, samples analyzed (taking into consideration both the time-series and cross-sectional dimensions), theoretical frameworks employed in the literature and journals in which papers have been published;
- an unsystematic literature review taking into consideration the articles we consider to be most important in this field based on our subjective evaluation, including not only the Scopus database, but also Web of Science, Google Scholar and EBSCOhost.

3. Descriptive analysis

In this section, we provide a systematic descriptive analysis of the literature on CSR disclosure in banking, and aim to complement the qualitative analysis performed in the subsequent sections of the paper. The starting point for our systematic analysis is an objective search strategy that we used to retrieve articles stored in the Scopus database. We selected this database because it is widely considered to be the most comprehensive for peer review scholarly research (Patel et al., 2022). Our search strategy is based on the following criteria: (i) selected papers must include in their title or keywords either the word “CSR” or the word “Corporate Social Responsib-” and “bank-” and “disclosure-”; (ii) selected papers must be published in peer-reviewed journals; (iii) selected papers must fall within the areas of business, management & accounting or economics, econometrics and finance; (iv) selected papers must be written in English and published before April 2022. This search strategy yielded a list of 45 papers. We carefully read the abstract of these papers and excluded two articles because one of them does not focus on banks, whilst the other does not analyze CSR disclosure. Hence, we included 43 articles in our systematic literature review. Table 1 provides the full list of papers, along with their bibliographic information, number of citations, main findings and the theoretical frameworks adopted.

Table 1 – Papers analyzed in the systematic literature review

Authors (year)	Title of the paper	Number of citations	Main findings	Legitimacy theory	Signaling theory	Stakeholder theory	Agency theory	Other theories
Caby J., Ziane Y., Lamarque E. (2022)	The impact of climate change management on banks' profitability	0	Existence of a positive relationship between carbon disclosure and bank profitability			✓		
Umar U.H., Haron M.H., Musa S. (2022)	Mentoring Islamic banks: The extent of the adoption of Bangladeshi CSR disclosure practices by Jaiz Bank Nigeria	0	There is a significant difference between banks in terms of various dimensions of CSR disclosure (environmental and social dimensions)					
Rouf M.A., Hossan M.A. (2021)	The effects of board size and board composition on CSR disclosure: a study of banking sectors in Bangladesh	3	There is a positive relationship between the proportion of female directors and CSR disclosure	✓		✓	✓	
Zafar M.B., Sulaiman A.A. (2021)	Corporate social responsibility disclosure and Islamic banks: a case study of Pakistan	0	The extent of CSR disclosure of Islamic banks is less than that of non-Islamic banks			✓		
Schröder P. (2021)	Corporate social responsibility (CSR) website disclosures: empirical evidence from the German banking industry	3	The disclosure on customers and products provided by banks is more comprehensive compared to environmental disclosures			✓		
Tran Q.T., Vo T.D., Le X.T. (2021)	Relationship Between Profitability and Corporate Social Responsibility Disclosure: Evidence from Vietnamese Listed Banks	2	Profitability, size and leverage are amongst the most important determinants of CSR disclosure	✓		✓	✓	
Caby J., Ziane Y., Lamarque E. (2020)	The determinants of voluntary climate change disclosure commitment and quality in the banking industry	2	Country level characteristics influence the disclosure related to climate change by banks	✓	✓	✓		✓
Harun M.S., Hussainey K., Mohd Kharuddin K.A., Farooque O.A. (2020)	CSR Disclosure, Corporate Governance and Firm Value: a study on GCC Islamic Banks	12	Islamic banks provide low levels of CSR disclosure, and its main determinants are board size and CEO duality	✓	✓	✓	✓	
Bidari G., Djajadikerta H.G. (2020)	Factors influencing corporate social responsibility disclosures in Nepalese banks	4	Banks provide mostly descriptive CSR disclosure, and its main determinants are bank size and profitability	✓		✓		✓
Sannino G., Lucchese M., Zampone G., Lombardi R. (2020)	Cultural dimensions, Global Reporting Initiatives commitment, and corporate social responsibility issues: New evidence from Organisation for Economic Co-operation and Development banks	7	National cultural dimensions influence the commitment effect of the Global Reporting Initiative (GRI), thereby influencing bank CSR disclosure			✓		

Authors (year)	Title of the paper	Number of citations	Main findings	Legitimacy theory	Signaling theory	Stakeholder theory	Agency theory	Other theories
Menassa E., Dagher N. (2020)	Determinants of corporate social responsibility disclosures of UAE national banks: a multi-perspective approach	5	Bank size and financial performance are the main determinants of CSR disclosure	✓			✓	✓
Jahid M.A., Rashid M.H.U., Hossain S.Z., Haryono S., Jatmiko B. (2020)	Impact of corporate governance mechanisms on corporate social responsibility disclosure of publicly-listed banks in Bangladesh	19	Corporate governance mechanisms shape bank CSR disclosure practices	✓	✓	✓	✓	
Lui T.K., Zainuldin M.H., Wahidudin A.N., Foo C.C. (2020)	Corporate social responsibility disclosures (CSRDS) in the banking industry: a study of conventional banks and Islamic banks in Malaysia	1	Islamic banks tend to provide higher levels of disclosure compared to conventional banks			✓		
Sorour M.K., Shrivs P.J., El-Sakhawy A.A., Soobaroyen T. (2020)	Exploring the evolving motives underlying corporate social responsibility (CSR) disclosures in developing countries: the case of "political CSR" reporting	3	Bank CSR disclosures changed substantially after the Egyptian revolution	✓		✓		✓
Tran Q.T., Lam T.T., Luu C.D. (2020)	Effect of Corporate Governance on Corporate Social Responsibility Disclosure: Empirical Evidence from Vietnamese Commercial Banks	5	Board size, the presence of foreign members within the board, and the presence of an audit committee positively influence CSR disclosure by banks	✓		✓		
Umar U.H., Musa S. (2020)	Disclosing CSR by Islamic banks: does Jaiz Bank Nigeria, Plc adopt the practice of Islami Bank Bangladesh Limited?	4	Humanitarian relief, education, health and environment are amongst the CSR topics most widely discussed	✓		✓	✓	
Buallay A.M., Abu Wadi R.M., Kukreja G., Hassan A.A. (2020)	Evaluating ESG disclosures of Islamic banks: Evidence from the Organization of Islamic Cooperation Members	6	CSR disclosure is negatively affected by financial, operational and market performance					
Nugraheni P., Khasanah E.N. (2019)	Implementation of the AAOIFI index on CSR disclosure in Indonesian Islamic banks	7	Banks provide low levels of CSR disclosure and it is affected by corporate governance mechanisms			✓		
Saha A.K. (2019)	Relationship between corporate social responsibility performance and disclosures: commercial banks of Bangladesh	17	The main determinants of CSR disclosure are CSR expenditure, age, profitability, compliance to Islamic finance and government ownership	✓				
Orazalin N. (2019)	Corporate governance and corporate social responsibility (CSR) disclosure in an emerging economy: evidence from commercial banks of Kazakhstan	38	Board gender diversity, foreign ownership, size and age significantly affect CSR disclosure	✓		✓		✓

Authors (year)	Title of the paper	Number of citations	Main findings	Legitimacy theory	Signaling theory	Stakeholder theory	Agency theory	Other theories
Oliveira J.S., Azevedo G.M.C., Silva M.J.P.C. (2019)	Institutional and economic determinants of corporate social responsibility disclosure by banks: Institutional perspectives	6	While economic factors do not influence CSR disclosure, institutional factors play an important role	✓				✓
Matuszak, Ł., Róžańska, E., & Macuda, M. (2019)	The impact of corporate governance characteristics on banks' corporate social responsibility disclosure: Evidence from Poland	23	Banks improved their CSR disclosure over time, and it is significantly affected by their ownership structure	✓		✓		✓
Platonova E., Asutay M., Dixon R., Mohammad S. (2018)	The Impact of Corporate Social Responsibility Disclosure on Financial Performance: Evidence from the GCC Islamic Banking Sector	168	There is a positive relationship between CSR disclosure and current and future performance			✓		
Ahmed A., El-belhly A. (2017)	An investigation of the disclosure of corporate social responsibility in UK Islamic banks	10	CSR disclosure is far from being satisfactory					
Menassa E., Brodhacker M. (2017)	The type and quantity of corporate social disclosures of German 'Universal' banks	17	CSR disclosure is used as a legitimacy tool and it is affected by size and profitability	✓		✓		
Alt, M. A., Săplăcan, Z., & Berács, J. (2017)	Social responsibility in bank communication with customers before the economic crisis – the case of Swiss franc loans in Hungary and Romania	3	The social responsiveness in bank CSR communication by Hungarian banks is higher compared to Romanian banks			✓		
Yadiat W., Gustani, Amrania G. (2017)	The effect of Islamic Corporate Governance (ICG) and Islamic Corporate Social Responsibility (ICSR) disclosures on market discipline with financial performance used as intervening variables (Empirical Study on Shariah based Banks Operating in OISMUT Countries)	3	CSR disclosure helps to enhance market discipline		✓			
Khalil S., O'sullivan P. (2017)	Corporate social responsibility: Internet social and environmental reporting by banks	21	Size, profitability, leverage, ownership concentration, age and religion affect CSR disclosure	✓		✓	✓	
Chakroun R., Matoussi H., Mbirki S. (2017)	Determinants of CSR disclosure of Tunisian listed banks: A multi-support analysis	29	CSR disclosures are mainly focused on human resources and community involvement	✓		✓	✓	✓
Suteja J., Gunardi A., Mirawati A. (2016)	Moderating effect of earnings management on the relationship between corporate social responsibility disclosure and profitability of banks in Indonesia	11	CSR disclosure positively affects bank profitability					

Authors (year)	Title of the paper	Number of citations	Main findings	Legitimacy theory	Signaling theory	Stakeholder theory	Agency theory	Other theories
Ghabayen M.A., Mohamad N.R., Ahmad N. (2016)	Board characteristics and corporate social responsibility disclosure in the Jordanian banks	14	Corporate governance mechanisms significantly influence CSR disclosure practices	✓	✓		✓	✓
Krasodomka J. (2015)	CSR disclosures in the banking industry. Empirical evidence from Poland	36	CSR disclosure improves over time and is mainly focused on community involvement	✓				
Laidroo L., Sokolova M. (2015)	International banks' CSR disclosures after the 2008 crisis	16	CSR disclosure practices improve over time and there are significant differences between countries	✓		✓		✓
Jain A., Keneley M., Thomson D. (2015)	Voluntary CSR disclosure works! Evidence from Asia-Pacific banks	29	CSR disclosures improve over time and there are various differences between countries	✓		✓		✓
Jizi M.I., Salama A., Dixon R., Stratling R. (2014)	Corporate Governance and Corporate Social Responsibility Disclosure: Evidence from the US Banking Sector	321	Board independence and board size are positively associated with CSR disclosure				✓	
Laidroo L., Öobik U. (2014)	Banks' CSR disclosures - headquarters versus subsidiaries	17	The disclosure provided by banks' headquarters is better when compared to that provided by subsidiaries and branches	✓		✓	✓	✓
Rahman A.A., Bukair A.A. (2013)	The influence of the Shariah supervision board on corporate social responsibility disclosure by Islamic banks of Gulf Co-operation Council countries	80	The presence of a Shariah supervisory board results in higher levels of CSR disclosure					
Rodríguez Gutiérrez P., Fuentes García F.J., Sánchez Cañizares S. (2013)	Information disclosure customers, community, employees and environment in Spanish bank sector through the corporate social responsibility memories (2007-2010)	13	CSR disclosure is mainly focused on community and environmental aspects	✓		✓		
Farook S., Kabir Hassan M., Lanis R. (2011)	Determinants of corporate social responsibility disclosure: the case of Islamic banks	149	The presence of a Shariah supervisory board and the level of social and political freedom influence CSR disclosure	✓		✓	✓	
Macve R., Chen X. (2010)	The "equator principles": A success for voluntary codes?	52	More detailed disclosures are necessary to measure the impact of the Equator principle on the environment					✓

Authors (year)	Title of the paper	Number of citations	Main findings	Legitimacy theory	Signaling theory	Stakeholder theory	Agency theory	Other theories
Hassan A., Syafri Harahap S. (2010)	Exploring corporate social responsibility disclosure: the case of Islamic banks	112	Analysis of CSR disclosures shows that CSR is not a major concern for Islamic banks					
Menassa E. (2010)	Corporate social responsibility: An exploratory study of the quality and extent of social disclosures by Lebanese commercial banks	70	Banks provide low levels of CSR disclosure and this is affected by size and financial performance	✓		✓	✓	✓
Khan H.-U.-Z. (2010)	The effect of corporate governance elements on corporate social responsibility (CSR) reporting: Empirical evidence from private commercial banks of Bangladesh*	257	The presence of non-executive and foreign directors significantly impacts CSR disclosure	✓		✓		

Some studies were seen to have had a major impact on the academic debate surrounding CSR disclosure in banking. Amongst the most cited articles, Jizi et al. (2014) provides a thorough analysis of the main corporate governance determinants of CSR disclosure in the U.S. banking industry. Along the same lines, Khan (2010) studies the effects of corporate governance mechanisms on CSR disclosure, and finds that the number of foreign and non-executive directors in the board results in higher levels of transparency. Platonova et al. (2018) focus on another important bank specific variable that significantly influences CSR disclosure – financial performance. Analysis of these articles shows that pinpointing the main determinants of CSR disclosure in banking represents an important area of research that has triggered debate on this key topic.

As for the theoretical frameworks adopted in the literature, Table 1 shows that the legitimacy theory and the stakeholder theory are the most widely employed (29 and 26 studies, respectively), whilst only a few studies draw upon the signaling theory (five studies). This finding might be due to the fact that the CSR disclosure categories analyzed in the literature cannot be interpreted through the lenses of the signaling theory, whilst other theoretical frameworks seem to be more appropriate.

The papers belonging to this strand of literature are published in various outlets. Table 2 shows the list of journals in which the highest number of papers is published.

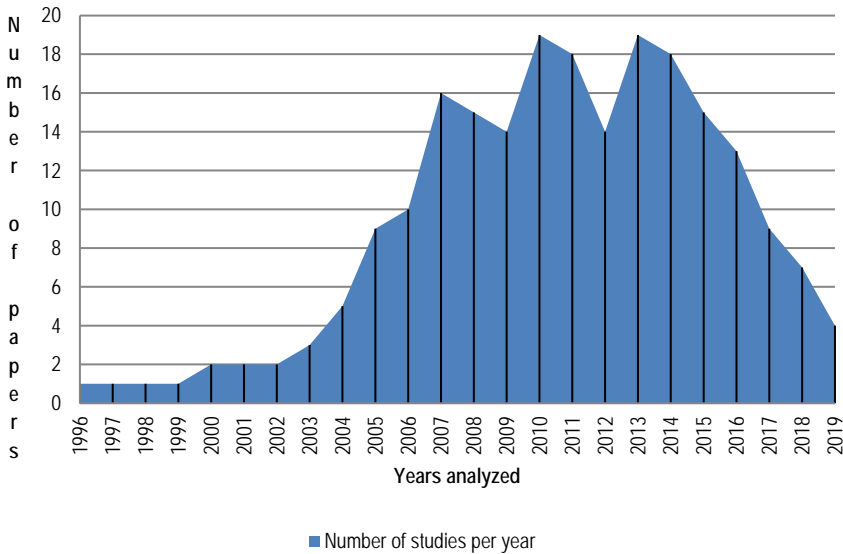
Table 2 – Number of papers per journal (top-8 journals)

Journal	Number of papers per journal
<i>Social Responsibility Journal</i>	6
<i>Journal of Asian Finance, Economics and Business</i>	3
<i>Accounting, Auditing and Accountability Journal</i>	2
<i>Baltic Journal of Management</i>	2
<i>International Journal of Bank Marketing</i>	2
<i>Journal of Business Ethics</i>	2
<i>Journal of Islamic Accounting and Business Research</i>	2
<i>Meditari Accountancy Research</i>	2

Amongst the 30 journals in which the 43 papers have been published, the most selected journal is *Social Responsibility Journal*, with six papers. Apart from this exception, all other journals have published three papers (*Journal of Asian Finance, Economics and Business*) or fewer (journals that do not appear in Table 2 have published only one paper on CSR disclosure in banking). It thus seems that the *Social Responsibility Journal* is the only outlet in which this strand of literature is highly appreciated, whilst the other journals rarely publish papers that focus on CSR disclosure in banking. In addition, another aspect worth noting is that among the most selected journals, the majority do not have a very high ranking. According to the ranking provided by the Chartered Association of Business Schools (ABS), no journal is ranked 4* or 4, and only three of the 30 journals are ranked 3. The most important journals included in the ABS ranking therefore generally neglect the topic of CSR disclosure in banking, despite its theoretical and practical importance. In this context, it is important to push scholars to work on providing high quality research on this topic.

Another important aspect worth exploring is the time and geographical distribution of the samples studied in these 43 papers. Figure 1 shows the distribution of the sample periods analyzed by bank CSR disclosure literature.

Figure 1 – Distribution of the sample periods analyzed by bank CSR disclosure literature

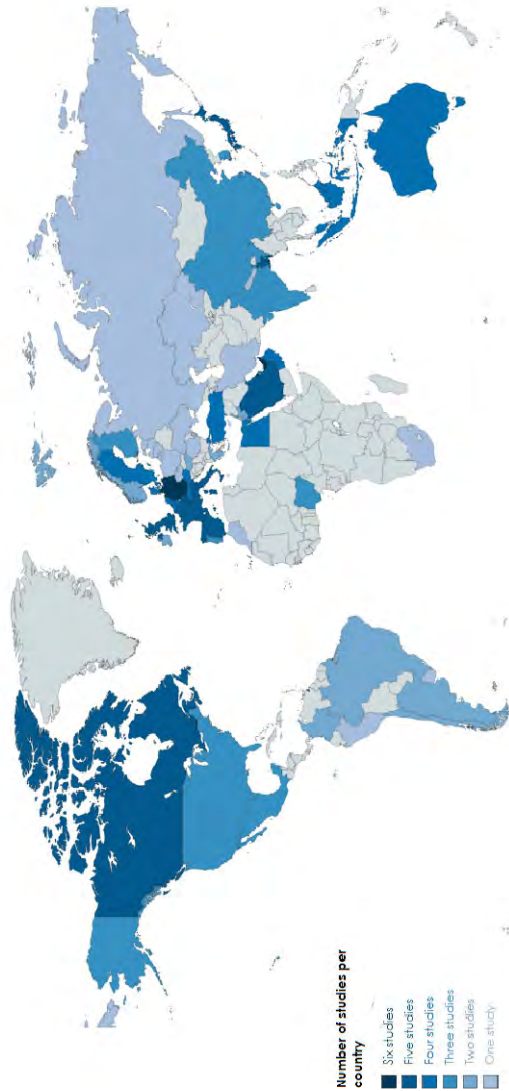


Source: own elaboration from data retrieved from the Scopus database

It can be seen that while the pre-2005 period was not widely investigated, the period before and after the 2008-2009 global financial crisis was analyzed by a large number of studies (at least 10 articles per year throughout the 2006-2016 period). This finding can be explained by the fact that the global financial crisis highlighted the lack of ethical and responsibility principles evident in banking and finance, and consequently pushed researchers to investigate changes in CSR practices and disclosures by banks after the crisis. For instance, Laidroo and Sokolova (2015) provide evidence of a significant increase in CSR disclosure by banks after the 2008-2009 crisis – likely as a result of their attempt to restore their institutional legitimacy. Another plausible explanation is that stakeholders have recently understood the importance of CSR in banking, and have thereby urged scholars to examine bank CSR disclosures.

As for the geographical areas analyzed in bank CSR disclosure literature, Figure 2 shows the geographical distribution of the samples examined in the empirical literature.

Figure 2 – Geographical distribution of the samples analyzed by bank CSR disclosure literature



Source: own elaboration from data retrieved from the Scopus database

As can be seen, the most developed countries are the most widely studied. Indeed, Europe, North America and certain developed Asian countries (e.g. Japan and the countries of the Gulf Cooperation Council) are the most widely examined in the literature. While it is reasonable to expect English-speaking countries to have been widely studied – because their banks publish sustainability reports, financial reports and integrated reports in English – it should be highlighted that certain developing countries are not studied at all. This analysis identifies a gap in the empirical literature in that – considering the geographical distribution of the sample studied – the extant literature has thus far clearly failed to explore the link between national economic development and bank CSR disclosure. Given that previous studies have hypothesized a possible relationship between economic development and the level of transparency in the banking industry (Polizzi, 2022), we call for further research in this area to fill this gap in the literature.

Finally, we also provide a systematic analysis to compare the number of papers on banking disclosure literature that focus on CSR dimensions and financial dimensions. As regards the former – and as already mentioned – 45 papers focus on CSR disclosure in banking. As for the latter, we performed an analogous analysis by relying upon the Scopus database and a similar search strategy as used before. The only difference is that we replaced the words “CSR” and “Corporate Social Responsib-” with “financ-”. Based on this search strategy, we found 74 papers that focus on the financial dimension of disclosure, a much greater number when compared to those focusing on CSR dimensions. This result provides preliminary evidence to answer our research question RQ1, in that there is a clear gap between the literature focusing on the financial dimension (which is far more developed) compared to CSR dimensions (which is much less developed).

4. Disclosure in banking: The financial dimension

The numerous studies that have been proposed to examine the motivation underlying the degree of bank disclosure practices agree on the role played by information asymmetries. Higher levels of transparency and a reduction in information asymmetries between bank managers on the one side, and investors and stakeholders on the other, are a fundamental prerequisite if financial markets are to function correctly (Levine, 1997; Rutigliano, 2016; Tutino, 2019). Moreover, insufficient levels of transparency have been associated with financial instability. Higher levels of disclosure may therefore be considered an effective mechanism to make financial crises less likely and

less threatening (Flannery, 2001). Even the 2007/2008 global financial crisis has been attributed –amongst other things – to the high level of opacity found in financial and banking activities, and which made it difficult to assess banks’ risk-taking behavior (Gorton, 2008; Sowerbutts et al., 2013). In this sense, Jungherr (2018) shows that bank opacity is costly because it encourages banks to take on too much risk. The results of his theoretical model, however, show that opacity also reduces the incidence of bank runs. Hence, banks may choose to be inefficiently opaque if the composition of their asset holdings is proprietary information that should not be disclosed to competitors. In this case, from a policymaker perspective, establishing disclosure requirements helps to improve market outcome.

Given that financial crisis problems are closely intertwined with financial risks, the vast majority of literature contributions on bank disclosure focus on these types of risks. More specifically, given the vital importance of the Basel regulation, the literature is strongly influenced by the BCBS categorization of financial risks. Hence, the types of risk to have been most deeply scrutinized are credit, liquidity, market, and operational risk.

Amongst the studies that focus on credit risk disclosure, Balakrishnan and Ertan (2019) show that regulation on bank asset disclosure encourages banks to raise more capital at cheaper rates and to increase lending. Moreover, in countries characterized by heightened bank disclosures, borrower firms are receiving greater funding and are starting to borrow and invest more. Frolov (2006) proposes a thorough review of credit risk disclosure practices in the Japanese banking industry. By analyzing the results of a national survey carried out by the Japan Investor Relation Association (2004), Frolov (2006) shows that Japanese banks provide detailed credit risk disclosure, which proves very useful for investors and offers comparisons amongst institutions, although there are various areas where improvement is possible, particularly in terms of forward-looking disclosure, quantitative information and credit losses. Scannella and Polizzi (2019, 2021) examine a sample of large Italian banks by means of a tailor-made credit risk disclosure metric that draws upon the content analysis methodological framework (Weber, 1990; Krippendorff, 2004). Their results show that banks tend to improve their credit risk disclosure over time –although there are various areas for improvement (such as information redundancy and a lack of a holistic perspective on credit risk)– and that there is a link between bank size, business model and credit risk disclosure (i.e. banks of a similar size and with similar business models tend to influence each other’s disclosures). In this context, more standardized financial and accounting regulation could play an important role in enhancing bank disclosure comparability.

As for the studies on liquidity risk disclosure, the theoretical model proposed by Ratnovski (2013) demonstrates that both liquidity buffers and bank transparency are important in liquidity risk management. Disclosure on liquidity risk also allows the bank to refinance large withdrawals, but does not always prove to be effective. Given that banks may choose insufficient liquidity and transparency levels, the optimal policy response is constrained by the fact that bank transparency is not verifiable. Similarly, Bonner et al. (2014) study the main drivers of banks' liquidity buffers in the banking industries of 25 developed countries. Their analysis reveals how bank profitability, amount of deposits and level of capitalization are seen to exhibit a significant relationship with bank liquidity holdings, albeit only if liquidity regulation is not taken into consideration. While most incentives are neutralized by liquidity regulation, bank disclosure requirements remain important. From these empirical findings, it could be derived that the complementarity of disclosure and liquidity requirements provides a strong rationale for considering them jointly when designing regulation and could facilitate access to market refinancing.

Market risk disclosure became particularly threatening after the global financial crisis and, consequently, the literature started to focus more on market risk disclosure. For instance, Al-Hadi et al. (2016) explore the effect of the presence of a risk committee within the board of directors on market risk disclosure practices. The main results of their study show that the presence of the risk committee is positively related to the extent of market risk disclosure, and that committee member size and qualifications strongly influence disclosure practices. Scannella and Polizzi (2018) develop a hybrid method to examine the market risk disclosure of a sample of European banks and show that banks' risk disclosure practices differ, regardless of the harmonized accounting standards and regulatory requirements in place at European level. Along the same lines, Polizzi and Scannella (2020) adopt the same methodological approach to analyze a sample of large Italian banks. Their results show that banks do not exploit the full potential of management commentary and of the Basel Pillar III report, and that there are numerous areas of information overlap between the various financial reports published by banks, which worsen the readability of market risk disclosure, and make the information highly fragmentary. Pérignon and Smith (2010) analyze value-at-risk (VaR) disclosure, by focusing on its level and accuracy, in a sample of international banking institutions over the 1996-2005 time horizon. From their analysis, it emerges that – although VaR disclosure quantity tends to improve over the sample period – there is no significant improvement in VaR disclosure quality. More recently, using a sample of US banks for the period

1995-2015, Kim et al. (2020) find a significant relationship between high levels of bank transparency and low levels of idiosyncratic and stock market risk. In addition, the discretionary use of bank loan loss provisions as a disclosure tool strongly influences idiosyncratic and systematic risk.

The strand of literature on operational risk disclosure has seen greater development because of the fact that it is not strongly regulated when it comes to disclosure requirements, and it is therefore easier to differentiate between voluntary disclosure and disclosures required by national and international regulations³. The contribution proposed by Helbok and Wagner (2006) is amongst the most important in this stream of literature. These authors provide a detailed analysis of the determinants of operational risk disclosure, and find that lower levels of capitalization and profitability are linked to higher levels of operational risk disclosure. Since this study, the literature on the topic has gained momentum. Amongst the most important contributions, Barakat and Hussainey (2013) study the effects of regulation and bank governance on the quality of operational risk disclosure, and find that the proportion of outside directors, lower levels of executive ownership and stricter regulation on competition are positively associated with disclosure quality. Along the same lines, Barakat et al. (2014) examine operational risk disclosure in the financial industry by focusing on a sample of 331 operational risk announcements over the 1995-2009 time horizon in the US. Their main findings show that governance structure plays a pivotal role in mitigating the negative effects of information asymmetries around the announcements of operational risk events. Elamer et al. (2019) study the effects of the Sharia Supervisory Board and other corporate governance mechanisms on operational risk disclosure⁴. The authors provide evidence that the presence of a Sharia Supervisory Board, the independence of the board of directors and the national level of governance quality are associated with higher levels of disclosure. Karyani et al. (2020) examine the effects of market competition and risk governance on the quality of operational risk disclosure in banking, with their main finding being that both risk governance mechanisms and market competition are positively and significantly associated with disclosure quality.

In sum, from the analysis of the literature on disclosure in the banking industry, it can clearly be seen that most contributions focus strongly on financial risks, while disclosure on other emerging non-financial risks is largely neglected – including disclosure on CSR. Although financial risk un-

³ See Birindelli and Ferretti (2017) for a detailed review on operational risk management and disclosure.

⁴ A Sharia Supervisory Board is a bank-level board that verifies whether financial services and products are in line with Islamic law (Sharia).

deniably plays a key role in the banking sector, numerous aspects related to CSR are also crucial for bank stakeholders, and banks are being pushed to act as socially responsible companies if they wish to sustain their long-term growth. Hence, stakeholders demand higher levels of disclosure, and there is increasing pressure on banks to provide non-financial disclosure by focusing more on CSR.

The analysis performed in this section provides additional evidence supporting our research question RQ1, in that there is a clear gap between the literature that focuses on financial disclosures and that which focuses on CSR disclosure.

5. CSR disclosure in banking

Although financial risks are undeniably of particular importance in the banking sector, various other aspects related to CSR also deserve the attention of scholars. According to Jizi et al. (2014), there is a lack of research not only on CSR disclosure in banking but also, and more broadly, on its relationship with corporate governance mechanisms. In order to fill this gap in the literature, Jizi et al. (2014) study the impact of corporate governance mechanisms on CSR disclosure quality in a sample of U.S. listed banks in the aftermath of the global financial crisis. Their main finding is that board of director size and independence are positively associated with CSR disclosure. In other words, these findings show that those corporate governance mechanisms which are generally associated with protecting shareholder interests are positively related with CSR disclosure. In addition – and contrary to the authors’ expectations – CEO duality is also positively associated with CSR disclosure. Analyzing this result under the lenses of the agency theory (Jensen and Meckling, 1976) suggests that powerful and influential CEOs may be willing to promote CSR bank-related transparency for their own private benefits.

Other papers have also focused on identifying the determinants of CSR disclosure. Some papers highlight the role played by other firm-level characteristics, such as CSR performance (Dhaliwal et al., 2011) and corporate governance mechanisms (Khan et al., 2013). Platonova et al. (2018) analyze the relationship between CSR and financial performance in the Gulf Cooperation Council region over the period 2000-2014. Their results show that CSR disclosure is positively related with both current and future financial performance, indicating that CSR activities and disclosure have a long-term impact on bank performance. Chantziaras et al. (2020) provide insights into the CSR disclosure strategies followed by US banks and highlight the key

role played by institutional characteristics. In particular, these authors show that the probability of a bank issuing a standalone CSR report is positively associated with the level of adherence to religious norms. The relationship is counteracted, however, by high levels of corruption. Numerous other studies investigate CSR disclosure by focusing on U.S. banking industries (Grougiou et al., 2014; Zhang et al., 2019) and European countries (Branco and Rodrigues, 2006; Schröder, 2021), although other countries are also taken into consideration. For instance, Zhang et al. (2019) analyze the interplay between CSR disclosure and fair-value measurement in a sample of U.S. listed banks. These authors provide evidence that banks may use level 3 of the fair value hierarchy to disguise low financial performance and may use CSR disclosure to divert investor attention away from this aspect. Along the same lines, Grougiou et al. (2014) show that those U.S. banks which engage in earnings management to present an overly positive view of their financial position are generally characterized by a strong commitment to CSR. In this case, CSR activities are also used as a strategy to divert attention away from disagreeable accounting practices and to create a sort of protective shield from potential accusations of unethical behavior.

Kiliç (2016) analyzes CSR disclosure in the Turkish banking industry by focusing on four key sub-dimensions: community involvement, human resources, environment & energy, and products & customers. The main results show that the most frequently disclosed dimension is product & customers, while disclosure on environmental aspects has been poor. In addition, ownership structure, listing status and size are seen to be important determinants of CSR disclosure. Jain et al. (2015) evaluate CSR disclosure in the annual reports and websites of a sample of six large banks from Asia and Oceania. The main CSR sub-dimensions analyzed in Jain et al.'s (2015) paper are related to environment, community, products, employees, and supply chain management. The results suggest that strategic decisions rather than economic factors explain bank CSR disclosure practices and that this disclosure increases over time. Chakroun et al. (2017) focus on specific dimensions of CSR disclosure by analyzing a sample of listed banks. Specifically, they find that the “human resources” dimension is the most widely disclosed theme in annual reports, whilst “community involvement” is the main focus of bank websites. Schröder (2021) carried out a content analysis to analyze the CSR disclosures of the official websites of a sample of 78 German banks by focusing on four main categories: environment, customers, human resources, and community involvement. This author shows that while banks provide numerous disclosures on the customer dimension, information on environmental aspects is generally much scarcer. Furthermore, size, government

ownership, and media visibility are seen to be significantly associated with bank CSR disclosure. Finally – using two different CSR disclosure dictionaries – Farina et al. (2019) distinguish between different sub-dimensions of CSR disclosure which include the following: human resources, human rights, environment, social and community.

In sum, the strand of literature on CSR disclosure in the banking industry explores various dimensions of CSR disclosure, including mainly social disclosure, environmental disclosure and disclosure related to human resources. Nevertheless, there are still various dimensions of the broad category of CSR disclosure that have been totally neglected in the extant literature. Amongst these types of disclosures, the study of corruption-related disclosure is pivotal, given the strong impact that corruption problems may have on bank reputation and image in the eyes of stakeholders as well as both current and potential investors. Although some contributions do focus on the topic of corruption-related disclosure by focusing on non-financial firms (Joseph et al., 2016; Blanc et al., 2017, 2019), to the best of our knowledge there is no paper dealing with corruption-related disclosure in banking.

This analysis provides an answer to our research question RQ2, given that we identify the most important CSR area/dimension not analyzed in the empirical literature, namely: corruption. This area might be explored through the lenses of various theoretical frameworks. For instance, in line with the stakeholder theory (Freeman, 1984), banks may be willing to use disclosure as a tool to communicate more effectively with their stakeholders and to reassure them after a corruption event. Similarly, in line with legitimacy theory (Suchman, 1995), banks could use disclosure to regain their institutional legitimacy after being involved in such an event, and could indeed also admit to having been involved in a corruption scandal. However, our *ex-ante* expectation is that banks would generally avoid such a type of disclosure because – according to the impression management theory (Goffman, 1959) – banks' disclosure strategies seek to conceal negative information and to reveal positive information in an attempt to manipulate and control stakeholder perception. These theoretical expectations can be tested by both qualitative content analysis methodologies that involve some judgment-based evaluation (see for instance Hörung and Gründl, 2011 or Scannella and Polizzi, 2021) and quantitative content analysis that constructs disclosure indexes through a purely objective word count and disclosure items (see for instance Barakat and Hussainey, 2013 or He and Plumlee, 2020). Furthermore, especially in the initial explorative phase, the case study method proposed by Blanc et al. (2019) may be particularly useful when investigating one single firm (or a small number of firms) in depth and for developing research hy-

potheses that can subsequently be tested on a large sample to ensure the generalizability of the findings.

Based on the systematic and qualitative analysis of the literature conducted in this paper, our main findings show that the vast majority of the papers employ quantitative methodologies based on disclosure indexes, without considering qualitative approaches and case studies based on specific events that could pose a threat to CSR. This trend has been observed in the vast majority of disclosure studies in the banking industry (Polizzi, 2022). Amongst the main reasons why quantitative content analysis methodologies are more widely used, it is worth mentioning that banking and finance journals generally encourage the use of approaches that are easily replicable and that lead to results which are generalizable to a wider population. In addition, data availability –coupled with a wide range of databases (e.g. ORBIS Bankfocus, Thomson Reuters, Bloomberg, SNL Financials or BoardEx, amongst many others) – often leads scholars to construct disclosure indexes using quantitative content analysis methodologies and to examine them and their effects on key variables through regression analyses that include financial statements as well as market and corporate governance data collected from such databases. Nevertheless, qualitative methodologies, such as qualitative content analysis and case studies, might prove valuable, especially for exploratory purposes. We also find that empirical analyses are often carried out on CSR reports and bank websites, without taking into proper consideration the annual financial report, which could be particularly interesting vis-à-vis understanding the extent to which current and potential investors are informed about CSR. Lastly, the literature seems excessively focused on the bank-specific determinants of CSR disclosure, whereas it should also focus on external events that could influence bank CSR disclosure practices.

6. Conclusions and future lines of research

This paper proposes a review of the most important contributions on disclosure in general and on CSR disclosure in particular, with specific focus on the banking industry. This strand of literature is particularly relevant from both a practical and a theoretical point of view because disclosure plays a key role in reducing information asymmetries and in ensuring the proper functioning of financial markets (Levine, 1997).

Although the literature is mainly focused on financial risks and on the risks taken into consideration at the international level by the BCBS, there are other emerging risks and other important topics that have been ne-

glected in the extant literature. Amongst the most important emerging topics that deserve attention, the concept of CSR is gaining momentum because it plays an important role in improving and/or restoring banks' public image and reputation.

An analysis of CSR disclosure literature in the banking industry shows that the main CSR dimensions studied in the literature include disclosure on human resources, social disclosure, and environmental disclosure. However, although there are various important contributions in this strand, one key dimension of CSR has yet to be explored in the literature: disclosure on corruption.

Corruption-related disclosure is particularly important amongst the various dimensions of CSR disclosure, not only for firms in general but also with specific reference to the banking industry. Broadly speaking, firms can use this type of disclosure to respond to stakeholders' social and political pressure or to project an image of action and awareness of corruption problems, and it proves particularly relevant after the corruption scandals sometimes experienced by financial and non-financial firms (Blanc et al., 2019; Bahoo, 2020; Bahoo et al., 2020). Transparency with reference to corruption problems is especially important because corruption events can damage a bank's reputation and image, which can have potential negative consequences in terms of long-term profitability and shareholder return (Altunbas et al., 2018). Hence, banks can use this disclosure to enhance their reputation in the wake of such scandals.

This paper brings to light various gaps in CSR disclosure literature that should be addressed by future research. These are:

- we call for more research on bank CSR disclosure in general, given that the literature is much more focused on the financial dimension;
- future research should analyze CSR disclosure in developing countries, and should seek to identify a possible relationship between countries' economic development and bank transparency, with specific reference to CSR disclosure;
- future research should focus on the disclosure of one key CSR dimension that still remains under-investigated, especially in the banking industry; corruption-related disclosure.

This paper offers an important implication; namely, that it is vital to delve more deeply into the topic of CSR disclosure in banking, since insufficient CSR disclosure might lead to a domino effect that could result in a lack of trust for the whole banking industry. This poses a major threat, particularly bearing in mind that the relationship between bank and stakeholder relies heavily on trust (e.g. relationships with depositors, investors, regulators, etc.)

and that any lack thereof might even have repercussions in terms of financial stability (Jansen et al., 2015).

In conclusion, the literature on disclosure in the banking industry is still far from being fully developed. Apart from exploring disclosure on financial risks, which is extremely important, comprehensive empirical analysis of all the dimensions of CSR disclosure offers a promising area for future research, and one which could help to shed light on the most important strategies that banks can adopt to communicate effectively with their stakeholders as well as with both current and potential investors.

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