ABSTRACT

Purpose – this paper has briefly explained contemporary disclosures of corporate social responsibility and related disclosures of sustainability of Palestinian operating banking sector, and it has critically analyzed the level of CSR compliance in those operating banking sector. Furthermore, this paper has determined to describe the role of CSR and its techniques in operating banking sector. Also, it has provided a brief discussion of the evolving understandings of CSR and its importance to banking sector.

Design/methodology/approach – This study has done with two mixed approaches. A mixed approach taken by the researchers in order to accommodate studies on understanding the concepts of CSR and sustainability, and obtain a general overview of the investigated issues.

Research limitations/implications – The main limitations of the paper are that it considers Palestinian operating banking sector provides insufficient annual reports disclosures, financial records and transactions. Based on that, the researchers didn’t capture sufficient understandings on different types of CSR techniques and standard and the characteristics of sustainability concept. Therefore, CSR standards setters should set the suitable CSR and sustainability policy guidelines with a view to reinforce such techniques and basic elements in operating banking sector.

Findings – findings of the study demonstrate that though voluntary, overall CSR reporting by Palestinian banking sector is rather moderate, however, the varieties of CSR items among Palestinian banking sector are really remarkable, and therefore the implementation of CSR can be realized with CSR disclosures disseminated to the public in the annual reports and it can be measured through analyzing its financial performance.

Originality/value – The practical contribution of this work would provide new guidelines and basics on corporate social responsibility, CSR disclosures, CSR compliance, sustainability, and Palestinian banking sector, especially as it relates to Palestine, which has a relatively dearth of literature on the CSR. Meanwhile, the theoretical contribution would provide some insights into the role of this technique to make a substantial difference, thereby, this technique could be used to enhance appropriate, and good improvements of operating banking sector in Palestine.

Key words: Corporate Social Responsibility, CSR disclosure and compliance, sustainability, and Palestinian banking sector.

1. INTRODUCTION

Gradually, the need of banking services is increasingly growing due to the number of business and financial activities. Therefore, banking sector is considered as a major part of the business investments, and it is usually used to offer a wide variety of facilities that could be dramatically essential to make easy access into financial data and business records. Immensely, this study has focused on employing the concepts of CSR and sustainability in enhancing and strengthening the quality and performance of banking sector. Thereby, the study has assumed whether CSR disclosures and sustainability have influential impact on operating banking sector, and does operating banking sector commit to following the main standards of CSR. Thus, the existence and impact of corporate activity are often contradictory and even detrimental to the interests of the other party. Therefore, the company should not only focus on the company’s interests, but also consider the interests of parties outside the company. Awareness of the need to preserve the environment in Palestine has begun to flourish. This is indicated by the rules limited liability company Act No. 40 of 2007 which came into force on August 16, 2007. So that the company runs its business activities in the field and, or related to the natural resources required to implement social and environmental responsibility. Environmental performance and international issues are significant as corporate social responsibility (CSR) consideration. These factors contribute to the relationship between CSR and financial performance, Fauzi, (2004), Mahoney and Robert, (2007). This means that the issue of triple bottom line, a set of performances for a company comprising of social, environmental, and financial is desired by stakeholders. In addition, the issue of internationalization is an important aspect of the business structure.

In this paper, we explore the existing meaning and practice of CSR and sustainability in Palestine with emphasis on the waves, issues and modes of CSR and sustainability amongst indigenous operating banking sector. The study is tremendously significant and does not present or adopt any standard or normative instance (or ‘best practice’ approach) towards the practice and meaning of CSR and sustainability. It examines CSR as a neutral business practice. Corporate social responsibility (CSR) and sustainability are two of many terms used to describe the social and environmental contributions and consequences of business activity. The notion of sustainable development lies in progress within three dimensions: economic development, environmental protection and social cohesion. Its principles are described as social progress that recognizes the needs of everyone, effective protection of the environment, prudent use of the natural resources, and maintenance of high and stable levels of economic. The concept of corporate social responsibility (CSR) has evolved over the past decades from a marginal, and often neglected, area of interest, into a comprehensive area of specialization, which has become increasingly relevant in decision making processes in
firms and enterprises. In fact, CSR used to be discussed only by a small group of academics, Cochran, (2007). Despite the increasing interest by professionals and academia, to this day there is no universally accepted definition of CSR.

The current global discourse on corporate social responsibility (CSR) emphasizes its cultural universality and benefits, Darley and Johnson, (1993), Quazi and OBrien, (2000). In practice, there are numerouos obstacles to achieving corporate responsibility, particularly in many developing countries where the institutions, standards and appeals systems, which give some life to CSR in North America and Europe, are relatively weak. This paper examines the experience of promoting CSR in Palestine and its relevance to that economy and society. Particular attention is focused on CSR compliance in Palestinian banking sector.

When discussing the scope or socioeconomic impact of CSR in the Palestinian context, it is important to know a little of the history of contemporary economic culture. While transnational corporations (TNCs) have been in Palestine for many years, CSR is a relatively new concept and practice. Having been generated in Europe and the UnitedStates as an answer to the perceived excesses of corporate power, CSR standards and initiatives are based on loosely defined social norms and stakeholder values that stem from Western cultural values. Lastly, CSR is a helpful conceptual framework for exploring the corporate attitude of operating banking sector towards financial and business facilities, Wheeler, Fabing, and Boele, (2002). This paper has focused on describing and explaining the role of CSR and sustainability in improving and updating new developed systems in Palestinian operating banking sector. In addition, it has immensely focused on improving the skills of those operating banking sector administrations, and improving the level of their understandings on the concepts of CSR and sustainability.

1.1 Objectives

1. To reveal the adoption of CSR and sustainability in operating banking sector.
2. To determine which factor that has a substantial impact on operating banking sector of e-banking in Palestinian banks.
3. To examine the effect of CSR compliance and sustainability on operating banking sector.

2. LITERATURE REVIEW

Characteristic of the Palestinian Corporate Governance framework Present Palestinian operating banking sector as a part of socioeconomic production and exchange originated within the context of CSR and sustainability have therefore evolved in the context of modernization and contact with the Western world. Therefore, CSR has been evolved as a modern concept that dramatically used to help control costs, upgrade the firm’s reputation, and facilitate long-term business and financial activities. Consequently, the idea of adopting the standards and techniques of CSR is necessarily important, and thereby the idea of CSR has been gradually noticed in Palestine. It has positively impact all different sectors in the country, because it provides investors, clients, stakeholders and any another party with precise information, and predicts future financial inflows and outflows. Nowadays, operating banking sector is frequently engaged to compel local trading partners to comply with the terms of CSR and sustainability in which this could strengthen the efficiency and effectiveness of those that are engaged in banking sector. Moreover,

2.1. Stakeholder Theory

The concept of CSR has been known since the early 1970s, which is commonly known as stakeholder theory means a collection of policies and practices relating to the stakeholders, values, compliance with legal requirements and the environmental community awards, as well as the commitment of business to contribute to the sustainable development. Stakeholder theory begins with the assumption that the value (value) explicitly and no doubt a part of business activities, Freeman et al., (2002) in Kusumadilaga, (2010). CSR is the company’s strategy to satisfy stakeholders. If CSR is done well, the performance of the company will increase. This is because the stakeholders have confidence in the company that runs the CSR that, the company that runs the CSR is a company that cares about social and environmental problems that exist so that later stakeholders will provide full support for any action taken during the company did not violate the law.

Stakeholders in corporate social responsibility concept is the concept of social responsibility puts emphasis on the role of stakeholders, stressing the fact that a firm cannot function independently from its surroundings, Bearle and Meanse, (2002). Falck and Heblich, (2007) state that CSR can be strategically applied in dealings with claims of each particular interest group. The firms’ management can use CSR as a normative instrument in planning strategies which satisfy shareholders as well as other interest groups. Social responsibility represents an important “exchange” between the firm and its public domain or interest groups. This exchange, the only transaction where the firm offers something of value – typically social profits or public service – presupposes the approval and support by key individuals and/or social-political interest groups, Murray, and Vogel, (2007).

2.2. Theory of Legitimacy

Legitimacy can be considered as the perception or assumption that the actions performed by an entity is a desired action, inappropriate, or in accordance with a system of norms, values, beliefs and definitions developed socially, Suchman, (1995) in Cahya, (2010); Qureshi et al., (2013). O’Donovan, (2000) in Hadi (2011) argues the legitimacy of the organization can be seen as something that is given to the company and the community something to be desired or sought the company of the community. Thus legitimacy has benefits to support the survival of a company.

2.3. Signaling Theory (Signaling Theory)

The activities undertaken by the company always have an impact on stakeholders, such activities to the attention and interest of the stakeholders, especially investors and prospective investors. Therefore, the company has an obligation to provide a report as information to stakeholders. The report must be disclosed company consists of financial statements. However, companies are
allowed to disclose additional reports e.g., annual reports that provide information about the company’s workforce, awards received by the company and the company’s CSR activities.

The purpose of this report is to provide additional information about the company’s activities as well as provide sign (signal) on the company’s concern for the environment. Signs (signals) is expected to be received positively by the market so as to affect the performance of the enterprise market as reflected in the market price of the company’s stock. Signaling theory emphasizes that the company can increase the value of the company through its report. If the company fails to present more information, then the stakeholders will only assess the company as an average of the same with companies that do not disclose the additional report, Drever et al., (2007) in Fitriyani, (2012).

2.4. CSR
CSR is a mechanism for an organization to voluntarily integrate social and environmental concerns into its operations and interactions with stakeholders, which exceeds the responsibility of the organization in the field of law, Kusumadilaga, (2006). According to the International Standard ISO 26000 in Resturiyani (2012) CSR is the responsibility of an organization for the impacts of decisions and activities on society and the environment in the conference are realized in the form of transparent and ethical behavior that is consistent with sustainable development and public welfare, considering expectations of stakeholders, in accordance with established laws and norms of international behavior, and is integrated with the organization as a whole.

2.4.1 Corporate Social Responsibility in operating Banking Sector
The issue of social responsibility in the banking sector was dealt with in a study by Brancoa and Rodrigues (2008) and Coupland (2005) published in journals which are listed in the SCOPUS database. The Brancoa and Rodrigues (2008) study examined social responsibility disclosure (SRD) on the Internet by Portuguese banks in 2004 and 2005 and compared these disclosures with those made in annual reports in 2003 and 2004. The results suggest that banks with higher visibility attribute greater importance to social responsibility disclosure as part of their reputation management strategies when compared with banks with lower visibility. These banks exhibit greater concern to improve the corporate image through social responsibility disclosure. Coupland, (2005) analyzed five reports of banking groups operating in the UK. The aims of the study were, to locate and make visible how distance is created between CSR issues and accounting practices in the web-based literature of these organizations, to examine how CSR is constructed as a concern of the organizations and to investigate how this is legitimated, in part, through accounting terms.

2.5. Sustainability concept
Sustainability is the ability to continue a defined behavior indefinitely. For more practical detail the behavior you wish to continue indefinitely must be defined through:

1. Environmental sustainability is the ability to maintain rates of renewable resource harvest, pollution creation, and non-renewable resource depletion that can be continued indefinitely.
2. Economic sustainability is the ability to support a defined level of economic production indefinitely.
3. Social sustainability is the ability of a social system, such as a country, to function at a defined level of social well-being indefinitely.

2.5.1 The Challenges of Sustainability
Whereas the need for an integrated approach towards sustainability has been recently advocated by academics, institutions and cross country initiatives, the implications and challenges involved in implementing this integration have received little attention. As argued by, Gray (2010) “Sustainability is not only a complex and elusive notion, but one which is fraught with potential contradictions”. Some of these ‘potential contradictions’ stem from the tensions between the different dimensions of sustainability, which may occur when attempting to implement all dimensions simultaneously, according to an integrated approach.

2.6. The difference between business and social disclosure
2.6.1. Business disclosure
A discourse which has emerged within the debate on sustainability concerns the relationships between modern corporations and both social and environmental matters (we will label this discourse as the ‘business discourse’). As argued by Gray (2010) “Capitalism and its destructive tendencies are manifest through its greatest creation—the corporation”. Given the depletion of natural resources that is caused through their activities, corporations are required to move towards a state in which they “use only resources that are consumed at a rate below the natural reproduction, or at a rate below the development of substitutes. They do not cause emissions that accumulate in the environment at a rate beyond the capacity of the natural system to absorb and assimilate these emissions. Finally they do not engage in activity that degrades eco-system services, Dyllick and Hockerts, (2002). This situation encompasses not only eco-efficiency, WBCSD, (2000) but also eco-effectiveness, Braungart and McDonough, (1998) and sufficiency, Schumacher, (1973).

Moreover, from a business perspective, sustainability has been referred to as the capability of a corporation to last in time, both in terms of profitability, productivity and financial performance, as well as in terms of managing environmental and social assets that compose its capitals. In one sentence, business sustainability is the business of staying in business, Doane and MacGillivray, (2001). Dyllick and Hockerts, (2002) define business sustainability as “meeting the needs of a firm’s direct and indirect stakeholders without compromising its ability to meet the needs of future stakeholders as well”. There are a number of best
practices that foster business sustainability, and help organizations move along the path from laggards to leaders. These practices include, Doane and MacGillivray, (2001).

A. Stakeholder engagement: Organizations can learn from customers, employees and their surrounding community. Engagement is not only about pushing out messages, but understanding opposition, finding common ground and involving stakeholders in joint decision-making.

B. Environmental management systems: These systems provide the structures and processes that help embed environmental efficiency into a firm’s culture and mitigate risks. The most widely recognized standard worldwide is ISO 14001, but numerous other industry-specific and country-specific standards exist.

C. Reporting and disclosure: Measurement and control are at the heart of instituting sustainable practices. Not only can organizations collect and collate the information, they can also be entirely transparent with outsiders. The Global Reporting Initiative is one of many examples of well-recognized reporting standards.

D. Life cycle analysis: Those organizations wanting to take a large leap forward should systematically analyses the environmental and social impact of the products they use and produce through life cycle analysis, which measure more accurately impacts.

Note: Firms that are sustainable have been shown to attract and retain employees more easily and experience less financial and reputation risk. These firms are also more innovative and adaptive to their environments.

2.6.2. Social disclosure
The social discourse has also developed in the context of corporations and has been particularly associated with the notion of social responsibility. Already in 1953, Howard Bowen’s Social Responsibilities of the Businessman defined the social responsibility of businessmen as “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”. While Bowen’s contribution represented a milestone in the debate on social responsibility, during the 1960s, definitions of Corporate Social Responsibility (CSR) began to spread: Davis, (1960), for example, argued that CSR refers to “businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest”. In so doing, he also suggested that some socially responsible business decisions could be justified by the long-run economic gains of the firm, Frederick, (1960) instead, argued that “social responsibility in the final analysis implies a public posture toward society’s economic an human resources, as a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms”. During the 1980s and 1990s, alternative approaches to CSR were elaborated, such as stakeholder theory, Freeman, (1984), corporate citizenship, Andriof and McIntosh, (2001), and business ethics, Kilcullen and Ohles Kooistra, (1999).

3. METHODOLOGY
We ensured that the research design and data collection matched the research objective – to explore the meaning and practice of CSR compliance in banking sector in Palestine. This study has done with two mixed approaches. A mixed approach taken by the researchers in order to accommodate studies about understanding the concepts of CSR and sustainability, and to obtain a general overview of the investigated issues. So, the purpose of this research is to investigate the association between CSR disclosures and the operating banking sector in Palestine. So, to assess things was needed a method of deep, oriented to the meaning, study thoroughly, could be described and was in nature inductive. Moreover, as proposed by Creswell, (2009) qualitative research is primarily exploratory research. It is used to gain an understanding of underlying reasons, opinions, and motivations. It provides insights into the problem or helps to develop ideas or hypotheses for potential quantitative research. Qualitative Research is also used to uncover trends in thought and opinions, and dive deeper into the problem.

3.1 Research design
This study used questionnaire design. The questionnaire form was adopted, because of its flexibility in asking questions and its analysis of the responses. It provides for a comprehensive examination of people’s attitudes towards specific issues of CSR. The study administered questionnaires to banks staff and administrations and some banks clients and officials, while the interviews were administered to top experienced informants.

1. Data collection
Data collection techniques in this study using primary and secondary data to collect the needed data. The data used is in the form of financial statements and annual report of banking sectors base has been published. The data collected for the purpose of the study involves the examination of annual reports. The annual reports of selected banks were examined after downloaded from the official web sites. The official web addresses of all firms were collected from the ‘’companies profile section’’ maintained, exhibiting CSR reporting such as internet, newspaper, and media. This study concentrates on published annual reports. The selection of annual reports is consistent with other prior studies.

4. FINDINGS AND DISCUSSION
Discussion directs that CSR disclosures and sustainability affect operating banking sector in Palestine. Banks use CSR as a strategy to create a competitive advantage and gain improved financial performance. Banks and other stakeholders in the developed nations have information regarding CSR but in the less developed countries like Palestine banks and other stakeholders are not much aware about the concept of CSR and its benefits.
This paper has discussed the main benefits of CSR in order to improve the quality and proficiency of operating banking sector in Palestine, and improve the reputation of banking sector. So, the researchers briefly explained that, Palestinian operating banking sector still update new systems to enhance opportunities lead to increase the CSR compliance in the area, but, the level of CSR compliance is differ from one bank to another. Based on the annual reports and the financial statements of each bank. In addition to use ratios analysis such as (liquidity, profitability and financing), we obtained a result which is the CSR compliance of banking sector is higher than other sectors in the state, meanwhile the financial performance of each operating banking sector is really impressive. Also, we took in consideration that financial ratios can play an important role as an instrument for measuring the performance and decision-making process of each banking sector, and through that it is possible to recognize if the sector has a low or high level of CSR compliance. Also, corporate social responsibility, and sustainability are considered as an ideological movements that are intended to legitimize and consolidate the power of each bank in Palestine, and we considered that stakeholder theory of banking sector represents some policies and rules of each sector’s structure, as we noticed some banks, its CSR compliance is totally connected with number of stakeholders, and it considers that their vision and perspective is largely significant to operating banking sector in order to make its decisions as well. As anticipated, the meaning of CSR was largely framed to reflect the local realities of each banking sector. Also, the results that we obtained are: Firstly, we noticed that the relevance of CSR activities affect corporate images and society perceptions, including how the corporate is doing outside the workplace, and it helps invest and build stronger relationships with the key stakeholders, meanwhile, each banking sector has a different vision to implement CSR in terms of its scope and content in the area, and Palestinian banks still reinforce their trust and confidence. On the other hand people of developing countries like Palestine are not much aware about the concept of CSR. They don’t have information about the firm’s contribution for the well-being of society and environment. Managers can communicate the unique benefits of CSR and differentiate their firms and create a good and positive image. It is also important in Palestine where companies are not using CSR as strategic planning they can use it and reduce promotion cost. Organizations in the developed nations portray themselves as socially responsible firms and enjoy its positive financial affects. These firms spend for the well-being of the societies, for improving living standard of employees, for education and health care of employees, for the better environment etc. People of developed economies also have information about the firm’s activities and stakeholders put pressure on the firms to act as socially responsible firms.

5. IMPLICATIONS AND SUGGESTIONS

The theoretical and practical underpinning of this study is based on prior empirical literature, and thereby this study has emphasized on the recognition of such characteristics that has led researchers to recognize the key role of CSR and sustainability. The empirical conclusions drawn from this research are multifaceted and as a result, it is vitally important that banks managers pay attention to the influences of CSR disclosures. Researchers are therefore encouraged to place more focus on the impact influences stemming from CSR standards and sustainability elements and its impact on operating banking sector within Palestinian commercial banks. In addition, adoption of CSR reports has not been previously identified as crucial inputs for satisfaction by banks managers operating within the commercial banks sector. Advice can be given through this research in order to get better understandings on the impact of CSR and sustainability on operating banking sector. Hence, the conventional view of CSR is that it acts like a mirror which sufficiently, appropriately, and objectively records facts and information about what has happened in the bank within or over a specified period of time. It was quite impossible to detect all effects of CSR and sustainability on banking sector, because some banks refuse to provide the researchers with the required information.

After watching the results of showing CSR disclosures and its impact on operating banking sector, we suggest some points that can be adopted by all type of organization not only banks. The company should have a CSR policy so that when societies face any type of disaster then firm should be ready to help the society by giving many benefits to the society. The CSR policy should be established in a way that is also in the favor of corporation. The CSR policy must be approved from the Board of Director or Higher Authorities of company. The CSR policy should be in action not only in books. The CSR policy should be for a specific period and after that period CSR policy should be reestablished.

6. CONCLUSIONS AND ARGUMENTS

This study examines the relationship between CSR disclosure, sustainability and operating banking sector in Palestine. The findings of this study indicate that there is a significant positive relationship between CSR disclosure and operating banking sector. Therefore, the theoretical framework predicts a positive link between the corporate social performance and banking industry. Hence, it can be concluded that the higher the level of CSR disclosure, the better the bank’s profitability in the case of operating banking sector in Palestine. Moreover, this study has shown the importance of CSR disclosures, and its important role to upgrade top quality banks. Based on that, the focus of this study is only on operating banking sector. Further research can be done in other sectors like telecom, automobiles etc. The findings of this study are based on limited data for a limited period of time. Future studies should use data with a longer period to obtain a more valid measurement results. We planned to take
maximum number of banks but non availability of data restricted us. It is recommended to multiply the number of samples. Disclosure of CSR is voluntary so there is no standard rule of the regulator which can be used as reference to measure Corporate Social Responsibility. Complete data relevant to the components of Corporate Social Responsibility was not available and most of the banks were having negative earnings. There exists less work on Corporate Social Responsibility in Palestine and other developing countries so it should be further explored in developing countries and Palestine as well. Future studies are expected to connect Corporate Social Responsibility and sustainability to the value of the company.

Firstly, from the financial statements and annual reports of each banking sector in Palestine. It is easy to conduct the importance of ideas and information on the role of CSR and the level of its compliance in each area. And, this will lead to recognize or discover the strengths and weaknesses points of each sector. So, to formulate a successful CSR strategy, banking sectors must understand that the benefits of CSR lead to create a well-managed business, attract and maintain happy workforce, enhance the sectors influence in the business area. Therefore, it leads to strengthen risk management and enforce compliance and leads to make access to funding opportunities and saving money on energy and operating cost. In addition to enhancing relationship with stakeholders and increasing in customer retention. Secondly, to obtain useful and effective plans in order to expand the size of the business area activities, those banking sectors must take the company’s policies, instructions and hierarchy of employees in consideration in order to give clear CSR disclosures about the whole activities, in which this will be helpful to increase the level of compliance in each banking sector. Thirdly, financial ratios are useful product of financial statement and provide standardized measures of firm’s financial position, profitability and riskiness. Also, the ratio analysis can help in understanding the various long term, and short term decisions and position of each banking sector. Fourthly, to have a strategic, and well-organized system, each banking sector must make the right decisions that lead to achieve the desirable goals, and must reinforce the role of CSR in each activity of the business area activities and reinforce the role of responsibility aspects in the incentive and compensation systems of the management. Finally, the rationale for the industry case for CSR may be categorized under four arguments, Kurucz et al., (2008),

(1) Reducing cost and risk posit that CSR may allow a sector to realize tax benefits or avoid strict regulation, which would lower its cost. The banking sectors can also lower the risk of opposition by its stakeholders through CSR activities.

(2) Strengthening legitimacy and reputation hold that CSR activities may help a banking sector strengthen its legitimacy and reputation by demonstrating that it can meet the competing needs of its stakeholders and at the same time operate profitably. A sector therefore would be perceived as a member of its community, and its operations would be sanctioned.

(3) Building competitive advantage contend that, by adopting certain CSR activities, a sector may be able to build strong relationships with its stakeholders and garner their support in the form of lower levels of employee turnover, access to a higher talent pool, and customer loyalty. Accordingly, the sector will be able to differentiate itself from its competitors.

(4) Creating win–win situations through synergistic value creation hold that CSR activities may present opportunities for a sector that would allow it to fulfill the needs of its stakeholders and at the same time pursue its profit goals.

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