

**Corporate Social Responsibility (CSR) communication:
Four empirical studies on the German banking industry**

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List of Abbreviations

ABS	Association of Business Schools
CITOTAL	Community Involvement Total Disclosure
CPTOTAL	Customers and Products Total Disclosure
CDA	Critical Discourse Analysis
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainable Reporting Directive
CSR-DIA	Corporate Social Responsibility Directive-Implementation-Act
CSRTOTAL	Corporate Social Responsibility Total Disclosure
EC	European Commission
EU	European Union
EUR	Euro
EETOTAL	Environment and Energy Total Disclosure
HRTOTAL	Human Resources Total Disclosure
GAS	German Accounting Standard
GFC	Global Financial Crisis
GRI	Global Reporting Initiative
GSC	German Sustainability Code
K	Cohen's Kappa
NGO	Non-governmental organization
NFI	Non-financial information
NFR	Non-financial reporting
NFRQ	Non-financial reporting quality
PCSE	Panel Corrected Standard Error
SFP	Sustainable finance product
SJR	Scientific Journal Ranking
SMS	Social media site
SPSS	Statistical Product and Service Solutions
STATA	South Texas Art Therapy Association
UN	United Nations
UN SGDs	United Nations Sustainability Development Goals
URL	Uniform Resource Locator
VIF	Variance inflation factor

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Chapter 1

Introduction

1.1 Meaning of Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) has been a global, progressive, and relevant conceptual model in academic circles for close to 70 years now (Carroll, 2021).¹ As the concept's etymological roots suggest, the discussion about CSR began in the Anglo-Saxon research community. Howard R. Bowen is widely regarded as the pioneer and father of the modern era's CSR notion (e.g., Carroll, 1999, 2015, 2021; Garriga and Melé, 2004; Latapí Agudelo *et al.*, 2019), according to whom large corporations should be guided not only by economic but also by socially desirable goals and values (Bowen, 1953). Although Bowen's approach is often described as vague and too general, the subsequent CSR discussion has produced a plethora of research streams, which also emerged because of continuous change in values as well as economic, political, and societal upheavals and events (e.g., Carroll, 2015, 2021).

The most prominent and influential academic definition of CSR originates from Archie B. Carroll (e.g., Crane *et al.*, 2019; Visser, 2007). In his seminal "Pyramid of Corporate Social Responsibility," Carroll frames four responsibilities of any firm: (1) the economic responsibility represents the foundation for the other responsibility levels; (2) the legal responsibility expresses the minimum level of corporate behavior; (3) the ethical responsibility embraces the corporation's behavior consistent with the full scope of norms, standards, values, and societal expectations; and, (4) the philanthropic responsibility in which businesses desire to "improve" society (Carroll, 1979, 1991). Although Carroll's CSR definition is relatively broad, it remains also discrete as it is highly interpretative and requires further specification, particularly at the ethical and philanthropic levels (Crane *et al.*, 2019).

The European Commission (EC) developed another popular CSR conceptualization, which has proven relevant and pioneering at the practical level. In its Green Paper, the

¹ The first traces of social responsibility efforts made by businesses can already be found in ancient Rome and its legislation (Latapí Agudelo *et al.*, 2019).

EC advocates that corporations go beyond legal requirements and practice CSR voluntarily when investing in environmental and social capital and stakeholder relations (EC, 2001). Ten years later, the EC supplemented its seminal definition and emphasized that CSR is “a process to integrate social, environmental, ethical, human rights and consumer concerns into (...) business operations and core strategy in close collaboration with (...) stakeholders” (EC, 2011, p. 6). Compared to Carroll’s definition, the EC’s understanding of CSR is narrower as it refers to stakeholder management and describes what corporations should do to fulfill their responsibilities strategically.

Notwithstanding these two regularly cited definitions, neither one nor any other definition is universally accepted, resulting in non-uniform boundaries of the CSR concept (Dahlsrud, 2008; Sarkar and Searcy, 2016). With regard to this vagueness, scholars commonly assume that the proliferation of definitions and understandings stem from multiple factors, such as cultural and geographical differences (Matten and Moon, 2008; Waldman *et al.*, 2006), different levels of analysis and firm-level characteristics (Aguinis and Glavas, 2012; Sarkar and Searcy, 2016), key historical and social movement events (Carroll, 2015), and the concept’s interdisciplinary nature (Garriga and Melé, 2004). Conversely, this indefiniteness plus changing and complex frameworks on social and environmental issues probably explain the wide popularity and increasing prevalence of social responsibility efforts, allowing for different meanings to be subsumed under the CSR term.² Additionally, the prominence of CSR is not exclusively limited to the academic and business sphere. Still, it has also emerged in politics and regulations, reflected in numerous declarations, self-imposed codes of conduct, national and international initiatives, guidelines, and reporting standards.³

In this dissertation, despite the ubiquity of CSR and lack of definitions, CSR is broadly considered the responsibility of organizations to reduce and avoid negative impacts on

² Due to the absence of a uniform definition, complexity, and multi-layered divergence of CSR, a network of complementary, overlapping, and competing frameworks has emerged (Carroll, 2015; Crane, McWilliams, *et al.*, 2008). Some of those widespread frameworks include business ethics, conscious capitalism; corporate citizenship; corporate giving; corporate social performance; corporate social responsiveness; corporate sustainability; corporate volunteering; creating shared value; environmental, social, and governance (ESG) criteria; stakeholder management, and sustainable development. Similar to CSR, there is no common understanding of them, despite their thematic relatedness to each other (Carroll, 2008, 2015; Carroll and Brown, 2018). According to Carroll, however, CSR is a core if not the core framework among sustainability concepts because “it represents the most widely held form of conscious capitalism seen thus far” (2015, p. 95).

³ Examples are the EC’s Green Paper, the CSR strategy of the German federal government, the German Sustainability Coder (GSC), the Global Reporting Initiative (GRI), the United Nations (UN) Global Compact or UN Sustainability Development Goals (UN SDGs).

the environment, society, and their stakeholders (e.g., owners, employees, or customers); comply with applicable rights and laws; meet ethical standards and norms; and contribute to sustainable developments. This interpretation raises the question of how banks can ideally systematize CSR and integrate it into their banking activities and operational processes, as outlined next.

1.2 CSR systematization and integration into banking organizations

While CSR is abstract, interdisciplinary, and adaptable, the concept is not new to the banking industry. Banking institutes have long been involved in community engagement and philanthropy, dating back to the 15th century when the Medici Bank supported Florentine artists (Parks, 2005). Since then, banking organizations around the globe, no matter how small or large, have endeavored to integrate various social responsibility aspects into their existing business strategies, processes, and operations. In some organizations, CSR is more firmly integrated into the corporate identity due to their social tradition (e.g., savings banks) than in others (e.g., private banks) (Pérez and del Bosque, 2012). It may even be further argued that the concept of social responsibility, either holistically or partially, led to the emergence of novel banking archetypes such as sustainable banking, ethical banking, green banking, or social banking.

Nevertheless, banks are comparatively slow to respond to societal challenges and show goodwill (Ziolo, 2021). Likewise, self-inflicted crises such as the Global Financial Crisis (GFC) in 2008, also sparked by moral hazard incentives, and periodically recurring record-breaking fines imposed by regulators for misconduct have raised legitimate questions about the banking industry's sincerity to CSR. These irresponsible business practices by (some) banks, along with one of the key global megatrends, that is, to promote sustainable development, resulted in banking organizations integrating CSR components into their processes, strategies, and business models in recent times. Nowadays, a wide-stretching plethora of CSR efforts exists for which a brief systematization concerning banking organizations is beneficial and necessary at this point.

As proposed by Lentner *et al.* (2015), one way to practically systematize and integrate CSR into the banking business is by distinguishing between (non-)core banking activities and (non-)core banking operations. To further clarify this approach, Figure 1.1. visualizes that proposal and uses selected examples from the industry.

Figure 1.1: Systematization and integration of CSR in banking organizations

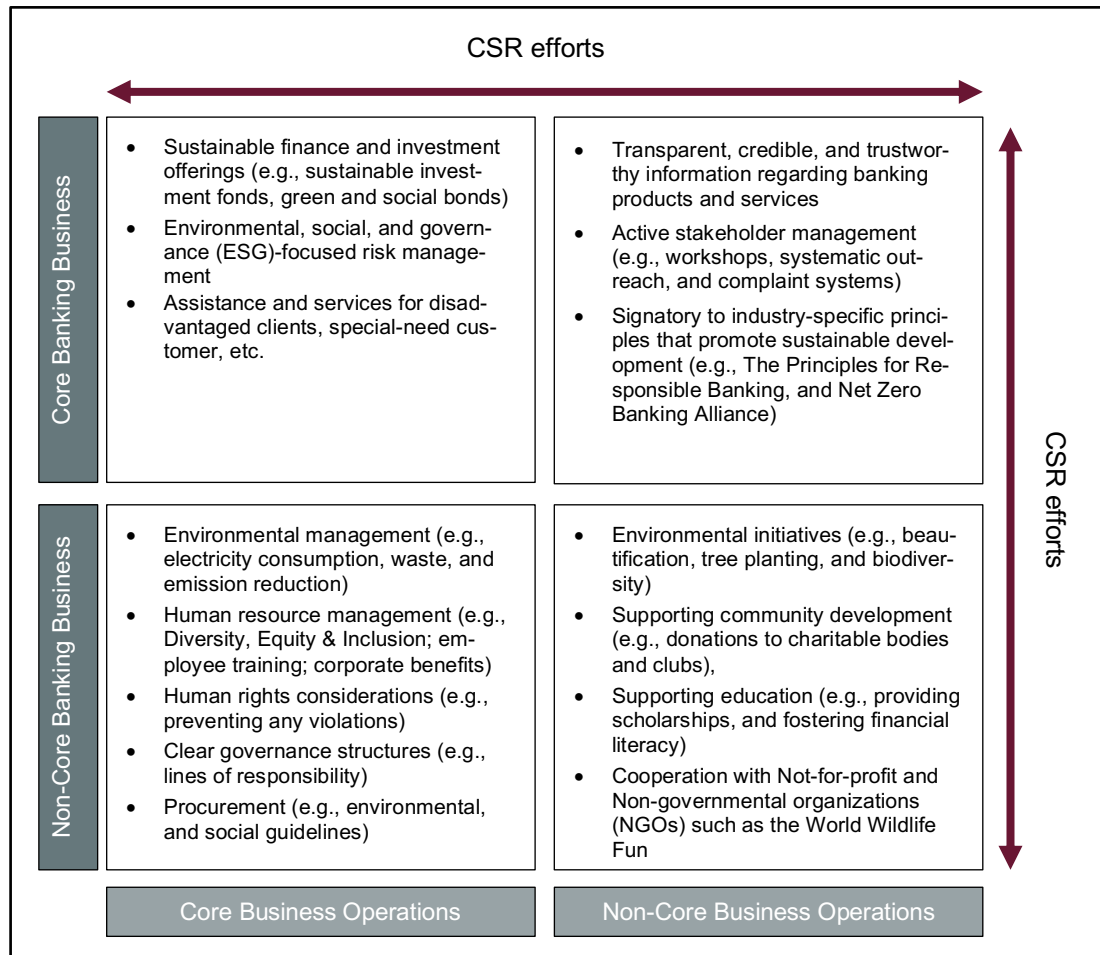


Figure 1.1 illustrates that banking institutes have a broad spectrum of opportunities to strategize, integrate, and operationalize CSR; thus, social responsibility-related efforts are equivalent to multi-layered and cross-functional activities. Regardless of which systematization, integration, and execution have been chosen, banking organizations should communicate their CSR agendas internally and externally. Therefore, communicating CSR efforts represents an inherently important component, included in the overall CSR management, to respond to growing public pressures, raise stakeholder awareness, and generate future business benefits.⁴

⁴ Please note that the assumption in this dissertation is that banking organizations have already decided on their CSR systematization and integration, such as what economic, ecologic, social, and other issues to address.

1.3 Relevance of CSR communication

Analogous to other theoretical concepts, the academic community provides a vivid exchange of altercations for and against whether organizations should carry out social responsibility initiatives.⁵ Correspondingly, the present CSR literature has offered strong business-case arguments for CSR, which are essential to understanding why CSR communication is relevant.

Kurucz *et al.* (2008) uphold a firm's CSR initiatives with the following arguments: (1) achieving competitive advantage; (2) enhancing legitimacy and reputation; (3) reducing cost and risk; and (4) creating synergetic values. By adopting CSR initiatives, a company can build strong relationships with its stakeholders, differentiate itself from competitors and, thus create competitive advantages (e.g., lower employee turnover and customer loyalty). Legitimacy and reputation reasoning contend that a firm can meet its stakeholder needs and operate profitably, resulting in a well-perceived corporate member of society. Cost and risk reduction mitigation represent arguments for CSR endeavors that lead to tax benefits, regulatory avoidance, and minimize stakeholder opposition. And synergetic value creation refers to a firm's specific CSR activities that fulfill stakeholder needs and achieve profit goals.

In addition to these rather broad business-case arguments that acknowledge the concept's complex and multifaceted nature, scholars have also documented and illustrated a narrower view by examining a clear, direct link between CSR and financial performance (Carroll and Shabana, 2010). Although research on this particular relationship has become incredibly voluminous and almost unmanageable to review, seminal studies have, however, verified that CSR achievements affect financial performance positively (e.g., van Beurden and Gössling, 2008; Orlitzky *et al.*, 2003; Waddock and Graves, 1997; Wang *et al.*, 2016). Many studies focusing on the banking sector have also identified such positive links (e.g., Soana, 2011; Wu and Shen, 2013; Platonova *et al.*, 2018; Gangi *et al.*, 2019; Cornett *et al.*, 2016; Simpson and Kohers, 2002; Ramzan *et al.*, 2021).

⁵ Milton Friedman (1970) is often cited to be the most prominent advocate against CSR, as he argues that management has only one responsibility which is to maximize the profits of its owners and shareholders. Other opposing arguments include that managers do not have the necessary social skills, social responsibility-related activities erode the actual business purpose, business has already enough power, and CSR activities lead to a loss of global competitiveness (Davis, 1973; Hayek, 1967). Proponents of the CSR concept argue that social responsibility-related initiatives serve the long-term self-interest of business, avert regulatory actions, are perceived as proactive behavior which is better than a reactive one, and are expected and supported by the public (Carroll and Shabana, 2010).

Consequently, the business case for CSR has become an influential force among researchers, which transpired further into practitioner communities (Coombs and Holladay, 2013).

For companies to generate these business advantages, stakeholder awareness of responsible corporate behavior is contingent. Most studies researching for new insights into, and a better understanding of CSR assumed or presupposed stakeholder awareness of social benevolence initiatives. Still, behavioral research has shown that overall awareness of CSR is generally low among internal and external stakeholders (Du *et al.*, 2010). Subsequently, such a limited stakeholder awareness does not automatically result in beneficial responses to CSR initiatives (Pomering and Dolnicar, 2009; Tian and Wang, 2011).

Lower levels of stakeholder awareness were also found in studies focusing on CSR and banking organizations (Hidayat and Rafiki, 2021; Kaur, 2019; Pomering and Dolnicar, 2009), which is also the case for the German banking sector (Bankenverband, 2015). Correspondingly, banks in Germany should intensify their communication efforts on CSR to raise stakeholder awareness and eventually achieve competitive advantages, advance their legitimacy and reputation, reduce cost and risks, and create synergetic values. In this way, the study of CSR communication by banking organizations from the German banking sector seems academically compelling and practically a delicate matter, with the premise that communicating to and with audiences is, however, not always straightforward.

1.4 Theoretical approaches to CSR communication

Based on pertinent reviews (Crane and Glozer, 2016; Golob *et al.*, 2013; Ihlen *et al.*, 2011; Verk *et al.*, 2021), scholars indicate that there is an extant, multidisciplinary, and well-established collection of CSR communication literature that is, however, highly fragmented and divergent within the management scholarship (e.g., public relations, marketing communication, and organizational communication). Despite the plurality of concepts, frameworks, and theories, the underlying epistemological assumption of CSR communication can be broadly distinguished between the functionalistic and the constitutive paradigms (Crane and Glozer, 2016; Golob *et al.*, 2013).

The functionalistic communication approach embedded within the positivist epistemologies provides an instrumental understanding of corporate communications to maximize

benefits significantly. This means that firms use promotional transmission techniques to inform about programs and influence stakeholders' perceptions (Golob *et al.*, 2013). This traditional perspective assumes that CSR information is transmitted from a sender (coder) to a recipient (decoder), who unproblematically decodes the message (Axley, 1984; Crane and Glozer, 2016). Thus, the functionalistic approach is primarily concerned with achieving transparency through one-way (monologic) and management-controlled CSR communication, assuming that practices, policies, and strategies specific to social responsibility are already in place (Golob *et al.*, 2013; Morsing and Schultz, 2006).

Digitalization (e.g., online environments) and the rise of social media platforms (e.g., Facebook, LinkedIn, Pinterest, Twitter, and YouTube) have created prominent and unique opportunities for companies and their CSR communication exercise. In response, researchers have conceptually proposed the constitutive approach (constructivist epistemology) as an alternative paradigm for CSR communication (e.g., Golob *et al.*, 2013; Schoeneborn and Trittin, 2013; Schultz *et al.*, 2013). Contrary to the unidirectional functionalist perspective, this paradigm particularly understands business-society communication as an interactive process (Verk *et al.*, 2021), resulting in hierarchy-equal sender-recipient relations and emphasizing two-way (dialogic) communication (Capriotti, 2011). Consequently, the constitutive approach fuels the idea of a co-creative process where firms connect and interact with stakeholders to discuss, negotiate, and evaluate the functional and dysfunctional effects of CSR initiatives (Golob *et al.*, 2013).

The functionalistic communication approach remains the dominant paradigm in management scholarship, whereas the constitutive paradigm remains largely marginal in research (Crane and Glozer, 2016; Golob *et al.*, 2013; Verk *et al.*, 2021). Considering these streams of research and the urgency to better understand banks' CSR communication; thus, this doctoral thesis further explores the functionalist and the constitutive approaches.

1.5 Research objectives of this dissertation

In addition to investigating what social responsibility contents are conveyed qualitatively and quantitatively, a key concern for researchers is identifying determinants that may explain CSR communication patterns such as firm size, financial profitability, legal environment, and corporate governance structures. Regarding banks' CSR reporting, an avalanche of studies have attempted to identify distinct factors that affect corporate social

and environmental disclosures (e.g., Andrikopoulos *et al.*, 2014; Chantziaras *et al.*, 2020; Jizi *et al.*, 2014; Khan, 2010; Khan *et al.*, 2009; Kiliç *et al.*, 2015; Menassa and Brodhäcker, 2017; Scholtens, 2009; Sethi *et al.*, 2017a; Tapver *et al.*, 2020).

Unfortunately, researchers employ different analysis methods when assessing corporate responsibility reporting, which leads to heterogeneous findings. For instance, some explore CSR reporting with a sentence count (e.g., Menassa and Brodhäcker, 2017), employ author-constructed indices (e.g., Jizi *et al.*, 2014; Scholtens, 2009), and others use third-party data to measure the amount of reported information (e.g., Tapver *et al.*, 2020). However, most of these studies have in common that they tend to examine the quantity of reporting, making it difficult to assess the quality of CSR disclosures. Research examining CSR reporting quality for banking organizations is limited. To highlight one of the most prominent studies, Sethi *et al.* (2017a) developed a scoring framework to quantify the overall quality of reported CSR information by some of the world's largest financial institutes.

Since the fiscal year 2017, CSR reporting, also commonly referred to as non-financial reporting (NFR) within the European Union (EU), has become mandatory for distinct banking institutes in Germany.⁶ The number of studies related to mandatory NFR in light of the EU's legislation has recently increased (Korca and Costa, 2021; Stefanescu *et al.*, 2021); however, and to the best of the author's knowledge, no rigorous research has yet been conducted to assess non-financial reporting quality (NFRQ), how it develops longitudinally, and what factors influence it.

Contrary to mandatory NFR, banks in Germany use other channels to communicate their CSR engagement strategically and voluntarily. Corporate websites have emerged as a critical communication channel for publishing CSR content (Siano *et al.*, 2016). In this stream of literature, numerous studies examine social responsibility-related information on bank web pages and identify factors that likely explain the variances in CSR communication practices (see Section 3.2 for an overview of relevant studies). Noteworthy at this point is the seminal research by Branco and Rodrigues (2006) that explores CSR information on websites of Portuguese banks and concludes that financial institutes with higher visibility seem to exhibit more significant concern for CSR. However, it remains

⁶ Researchers and practitioners use numerous terms interchangeably with CSR reporting, such as sustainability reporting, corporate sustainability reporting, corporate citizenship reporting, ESG reporting, and environmental and social impact reporting. In this context, the European and mandatory legislation on NFR is synonymous with CSR reporting (see Chapter 2 for further information).

unclear to what extent banks in Germany provide CSR content on their websites and what factors influence the amount of corporate responsibility-specific information.

Consequently, Chapter 2 and Chapter 3 make valuable contributions to the CSR literature by providing new results (NFR), verifying findings from previous studies (websites), and exploring unique determinants relevant to the German banking sector. Specifically, both research studies, one each related to NFR and websites, address the following research objectives:

Research Objective 1 (RO1): Analyzing the level of CSR information communicated by banks in Germany.

Research Objective 2 (RO2): Identifying determinants that impact CSR information communicated by banks in Germany.

Given the emergence and popularity of social media sites (SMSs), the prevalent literature has rarely problematized banks' CSR communication via SMSs. While this stream of literature is still in its nascent phase, there is a growing interest as the number of relevant publications increased in recent years (see Ahmad *et al.*, 2021; Fatma *et al.*, 2020; Gómez-Carrasco *et al.*, 2021).

Nonetheless, a literature stream has emerged examining non-banking corporations and their CSR communication practices via SMS, providing valuable insights. Firstly, companies design social media content relating to CSR initiatives across different dimensions, such as the environment, community involvement, customers and products, and employee matters (e.g., Cho *et al.*, 2017; Yang *et al.*, 2020). Secondly, firms employ different communication strategies when advertising CSR on SMSs (Ajayi and Mmutle, 2020; e.g., Cho *et al.*, 2017). Thirdly, SMSs enable increased dynamic interactions between senders and receivers, resulting in CSR communication being seen as a "communicative event" (e.g., Cortado and Chalmeta, 2016; Schultz *et al.*, 2013). Motivated by these outcomes, Chapter 4 makes valuable contributions to the growing body of CSR communication literature, particularly for the understanding of the constitutive approach, regarding the succeeding three research objectives:

Research Objective 3 (RO3): Investigating CSR themes communicated via SMSs by banks in Germany.

Research Objective 4 (RO4): Examining CSR communication strategies used on SMSs by banks in Germany.

Research Objective 5 (RO5): Exploring the level and balance of two-way communication caused by banks' CSR messages on SMSs.

As for studies focusing on banks' CSR advertising, the academic knowledge can be considered sparse and limited. For instance, Peterson and Hermans (2004) found that US bank institutes increased their television advertising of CSR over time. Other studies documented that CSR advertising positively affects the public perception of banks (Love-land *et al.*, 2019), that a discrepancy exists between advertising and banking activities (Ferreira and Mattoso, 2016), that advertising contributes to increased brand awareness and enhanced reputation of banks (Scharf and Fernandes, 2013), and that advertising can appeal to bank customers' emotions and, thus, banking organizations can respond to public pressure (Farache and Perks, 2010).

Given these somewhat fragmented findings, the question of how banks in Germany employ CSR advertising becomes urgent to investigate. This research area seems particularly important, as many bank customers in Germany are hardly aware of their financial institutes' CSR initiatives (Bankenverband, 2015); as such, some promotional activity is required. Therefore, Chapter 5 examines a predominantly functional view of communication by analyzing how CSR claims are transmitted through an advertising campaign within the German banking sector. Concerning the following research objectives, Chapter 5 contributes to the literature on CSR advertising in the banking industry:

Research Objective 6 (RO6): Analyzing the discursive design of CSR advertising by banks in Germany.

Research Objective 7 (RO7): Identifying potential outcomes resulting from CSR advertising by banks in Germany.

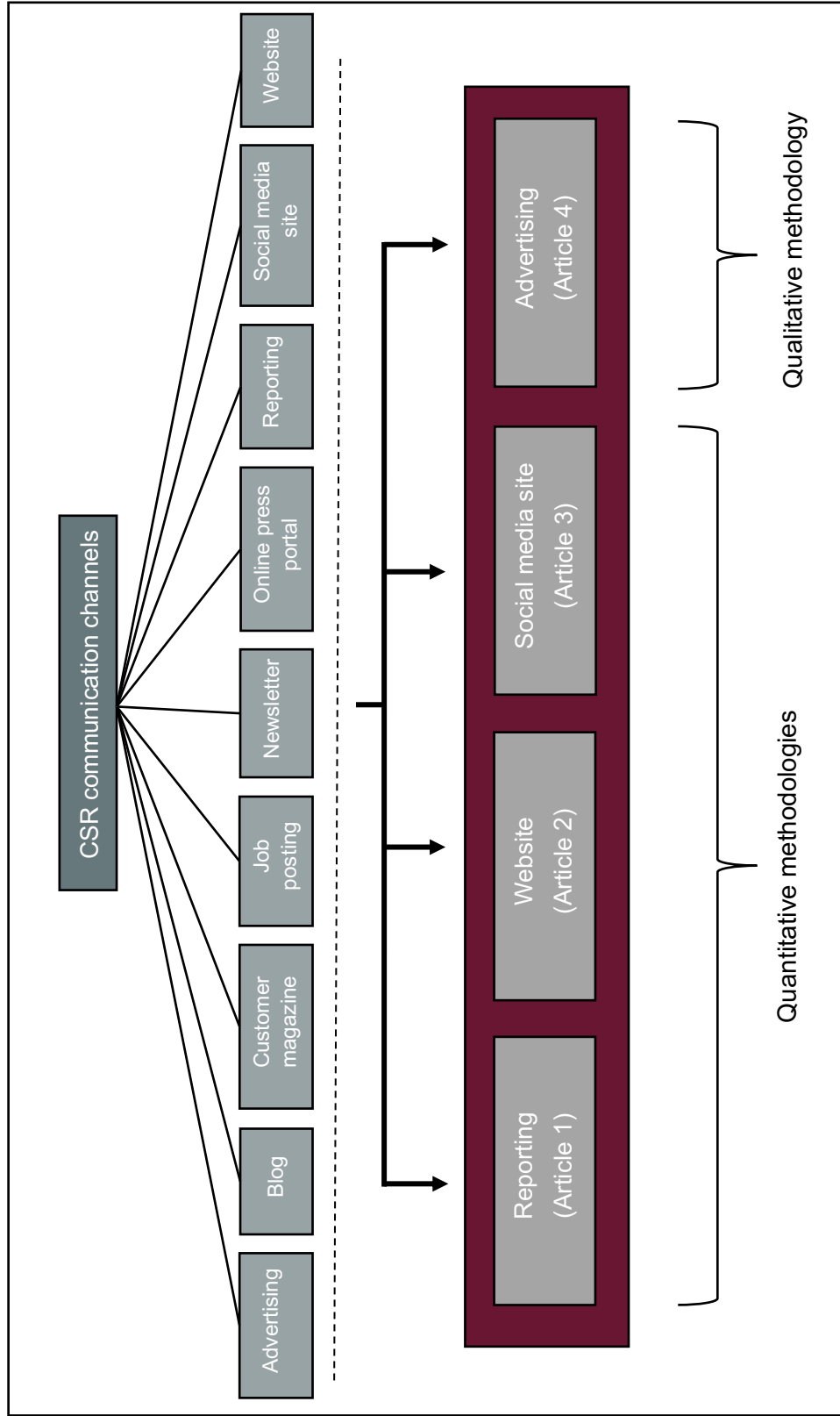
In sum, this doctoral dissertation examines what banks in Germany communicate regarding their CSR efforts, uncovers diverse factors that affect banks' CSR communication, observes stakeholder engagement elicited by CSR messages, and identifies potential outcomes of promotional activities. By addressing these primary research objectives, this work contributes to a better understanding of CSR communication by banks in Germany, including both the functionalist and constitutive perspectives to communication. The main body of this thesis consists of four empirical research studies arranged to contribute to thematic contexts and not the time of their drafting or publication.

1.6 Scope and structure of this dissertation

By its very nature, banking organizations have numerous communication channels for disseminating CSR information internally and externally, such as reports, websites, advertising, billboards, job postings, intranets, employee blogs, newsletters, press conferences, and email. However, it is beyond the scope of this cumulative dissertation to analyze the multitude of channels available to banks; therefore, the following four means of communication are empirically explored: reporting, websites, SMSs, and advertising (see Figure 1.2). Figure 1.2 also illustrates that only direct CSR communication through formal channels will be researched in this thesis.⁷ The subsequent paragraphs briefly provide the research objectives and methods of each study.

⁷ Direct communication through formal channels refers to management-controlled communication in genres such as reports, websites, advertisements, newsletters, etc. In addition both direct communicators (CEOs, employees, etc.), indirect actors (journalists, customers, etc.) may also use informal channels (local press, community events, etc.) to disseminate CSR information (Nielsen and Thomson, 2009).

Figure 1.2: CSR communication channels and positioning of research articles



The first study (Chapter 2), entitled *“Mandatory non-financial reporting in the banking industry: Assessing reporting quality and determinants,”* measures the NFRQ and examines reporting-specific determinants that are anticipated to influence reporting quality. A unique framework comprising 31 items was constructed to assess banks’ NFRQ. Data was gathered using manual content analysis from NFR between 2017 and 2019. The final sample of this empirical-quantitative research paper consisted of 300-firm-year observations. After controlling for non-parametric sample characteristics, panel regression analysis was adopted to investigate how banks’ NFRQ developed over time and which determinants affect reporting quality.

The ensuing study (Chapter 3), titled *“CSR website disclosures: Empirical evidence from the German banking industry,”* analyzes social responsibility information on web pages and examines determinants that influence CSR content. A rating scheme consisting of 42 items was used to investigate 78 banking websites through manual content analysis. The non-parametric Kruskal-Wallis test was used to explain whether specific parameters impact CSR communication via banking websites.

Chapter 4 is entitled *“CSR communication via social media sites (SMSs): evidence from the German banking industry.”* This empirical-quantitative study examines how banks in Germany communicate CSR information via SMSs, and whether and how they constitutively engage with stakeholders. To this end, more than 16,000 social media entries were extracted and assessed by employing manual content analysis. Frequency calculations were then applied to obtain substantial results.

The final study (Chapter 5) is titled *“CSR advertising: A Critical Discourse analysis (CDA) from the German banking industry”* and qualitatively explores a series of advertisements published by the GLS Bank using CDA as a research method. Hence, this paper provides an in-depth understanding of CSR communication discourse and outlines possible drawbacks of advertisements’ effects.

Table 1.1 summarizes each study’s essential information, including research objectives, methodologies, publication status, and targeted journals. Chapter 6 closes this written dissertation by reviewing the results of each study in the context of preceding research objectives (ref. Section 1.5), formulating practical implications, and identifying opportunities for future research.

Table 1.1: Key information on research studies

	Article 1	Article 2	Article 3	Article 4
Original Publication Title	Mandatory non-financial reporting in the banking industry: Assessing reporting quality and determinants	Corporate social responsibility (CSR) website disclosures: empirical evidence from the German banking industry	Corporate social responsibility (CSR) communication via social media sites: evidence from the German banking industry	Corporate social responsibility (CSR) advertising: A Critical Discourse Analysis (CDA) from the German banking industry
Author	Schröder, P.	Schröder, P.	Schröder, P.	Schröder, P.
Research Objective	1, 2	1, 2	3, 4, 5	6, 7
Methodology	<p>Empirical-quantitative:</p> <ul style="list-style-type: none"> • Evaluation scheme created • Manual content analysis • Longitudinal data analysis: Panel Corrected Standard Error (PCSE) regression 	<p>Empirical-quantitative:</p> <ul style="list-style-type: none"> • Evaluation scheme created • Manual content analysis • Cross-sectional data analysis: Non-parametric Kruskal-Wallis test 	<p>Empirical-quantitative:</p> <ul style="list-style-type: none"> • Evaluation based on the Global Reporting Initiative (GRI) • Manual content analysis • Longitudinal data analysis: Frequency calculus 	<p>Empirical-qualitative:</p> <ul style="list-style-type: none"> • CDA framework proposed by Norman Fairclough
Sample	300 firm-year observations between 2017 and 2019	78 firm-year observations between July and September 2020	16,953 firm-year observations between 2015 and 2019	Case study analysis
Data Source	Manual screening of NFR, financial data retrieved from annual reports	Manual screening of websites, financial data retrieved from annual reports	Manual screening of SMS entries on both Facebook and Twitter	Five advertisements released by GLS Bank in 2018
Status	Published	Published	Published	Under review
Journal	Cogent Business & Management, 2021, Vol. 9, No. 1, Article No. 273628.	International Journal of Bank Marketing, Vol. 39, No. 5, pp. 768-788.	Corporate Communications: An International Journal, Vol. 26, No. 3, pp. 636-654.	Qualitative Research Journal
Ranking	<ul style="list-style-type: none"> • ABS: 1-star • Impact score: 2.02 • h-index: 23 • SJR: 0.41 (Q2) 	<ul style="list-style-type: none"> • ABS: 1-star • Impact score: 4.06 • h-index: 87 • SJR: 0.89 (Q2) 	<ul style="list-style-type: none"> • ABS: 1-star • Impact score: 1.84 • h-index: 60 • SJR: 0.70 (Q1) 	<ul style="list-style-type: none"> • ABS: - • Impact score: 0.90 • h-index: 18 • SJR: 0.49 (Q2)

Note(s): ABS, Association of Business Schools; SJR, Scientific Journal Ranking.

Chapter 2

Mandatory non-financial reporting in the banking industry: Assessing reporting quality and determinants

2.1 Introduction

Organizations are critically perceived in terms of their social and environmental impacts, thus making CSR essential for business management (Porter and Kramer, 2006). While CSR does not have a widely accepted definition (Martínez *et al.*, 2016), the EC views CSR as “the responsibility of enterprises for their impacts on society” (2011, p. 6). Furthermore, the EC broadly defines the concept as organizations working closely with their stakeholders to integrate social, environmental, ethical, human rights, and consumer concerns into their business operations and core strategies (European Commission, 2011). By conceptualizing CSR, the EC emphasizes the importance of collaborating with stakeholders, their long-term value creation, and incorporating environmental and social imperatives. Hence, it can be stated that companies exist to benefit society.

Companies have a variety of communication channels to relay CSR-related information (e.g., websites, SMSs, press releases, and advertising). In recent decades, the number of companies that disclose CSR-related information has increased substantially (KPMG, 2020). NFR allows companies to display their strategies, policies, and performance in terms of their environmental and social impacts on stakeholders (Dumay, 2016).⁸ Additionally, it enables organizations to meet distinct information needs, respond to external pressures, and make more conscious decisions (Carini *et al.*, 2018; Dumay *et al.*, 2015), that represents a way to manage reputational risks and achieve an increased level of legitimacy (Chen *et al.*, 2008; Deegan, 2002).

Following several attempts to advance the reporting quality of voluntary NFR, the EC made NFR mandatory by introducing the Directive 2014/95/EU (hereinafter “the Direc-

⁸ In this study, NFR is used based on the European Directive. However, the author acknowledges the diverse terms used interchangeably with the NFR in the corporate world. These include corporate social responsibility, corporate responsibility, sustainability, and social and environmental reporting. Nonetheless, in academia, these reports are defined differently.

tive”). The Directive marks a turning point as affected companies have been required to publish NFI annually since its transposition into the national law of EU member states (La Torre *et al.*, 2018). While no universally accepted definition exists for NFI, the term broadly refers to CSR-related aspects (Haller *et al.*, 2017).

With the Directive’s introduction, new strands of NFR research have emerged, addressing accountability, reporting practices, and regulation (Korca and Costa, 2021). While few studies have assessed NFR of the year before and after the Directive’s implementation (e.g., Dumitru *et al.*, 2017; Matuszak and Rózańska, 2017), only Tarquinio *et al.* (2020) have analyzed the reporting practices for two periods after the introduction of the Directive. This study aims to contribute to the literature on mandatory NFR in Europe, which is sparse in terms of knowledge concerning reporting quality (e.g., Carungu *et al.*, 2020; Mion and Loza Adai, 2019) and its influence (e.g., Dyduch and Krasodomska, 2017). Meanwhile, the assessment of NFRQ is considered a complex, multi-layered, and subjective concept. Hence, a single definition of reporting quality or a sound theoretical framework does not exist yet (Hahn and Kühnen, 2013; Helfaya *et al.*, 2019).

The study of reporting quality in mandatory NFR of banks from Germany is relevant for several reasons. First, the banking industry has generally been excluded from research studies examining NFR (Kiliç *et al.*, 2015). To the best of the author’s knowledge, no study addresses the reporting quality of non-financial bank reports in the wake of the Directive and examines its determinants. Thus, this study provides unique results to better understand NFR behavior. Second, the German banking sector investigation is particularly significant because it has the highest number of banks, the most employees, and the second most assets under management among all EU member states (Eurostat, 2020). Therefore, it can be assumed that the Directive has affected large international banks from Germany and applies to numerous medium-sized and small banking organizations. Thus, the results of this study may also be relevant to other banking sectors in the EU. Third, German banks’ recent surveys on mandatory NFR have provided contradictory results. On the one hand, large banks achieved top NFR results compared to large companies from other industries (IÖW, 2019). Simultaneously, a survey that looked only at mandatory NFR by banks in Germany found that there is room for improvement (Zielke Research Consult, 2020). Therefore, this study contributes to the literature by assessing reporting quality and advancing the understanding of mandatory NFR.

Based on these reasonings, the objectives of this research paper are as follows: (1) constructing a robust framework to assess NFRQ; (2) measuring banks’ NFRQ across a

three-year research period (2017 – 2019); and (3) identifying whether reporting-level determinants (experience, format, framework, and audit) have an impact on NFRQ.

The remainder of this paper is structured as follows. The following section (2.2) provides an overview of the NFR requirements in Germany. Section 2.3 presents a literature review on the quality of NFR, followed by the theoretical framework, and states the research hypotheses. Section 2.4 details the constructed NFRQ assessment framework, sample selection, and data analysis methods. Section 2.5 reports the empirical results. Section 2.6 discusses the results and outlines implications for theory, practice, and policy. Finally, section 2.7 provides the conclusion, limitations, and recommendations that could aid future research.

2.2 Reporting requirements in Germany

Before the Directive's transposition into German legislation, companies voluntarily disclosed non-financial issues for several years. Traditionally, organizations in Germany reported generally well on environmental and employee-related matters. However, reporting on other issues such as stakeholder communication, human rights, and bribery were less prevalent (Gulenko, 2018). Comprehensive legislation on environmental and social reporting remained absent in Germany.

To strengthen NFR, the Bundestag (the lower house of the German parliament) passed the transposition of the Directive into German law via the CSR Directive-Implementation-Act (CSR-DIA) in April 2017 (Bundestag, 2017). Accordingly, capital-market-oriented companies and organizations with more than 500 employees per year, total assets of 20 million euro (EUR), or a total turnover of 40 million EUR, are affected by the CSR-DIA. As of fiscal year 2017, more than 500 companies in Germany, most of them from the banking sector, were required to report NFI annually (Accounting Standards Committee of Germany, 2021; Hoffmann *et al.*, 2018).

Affected companies need to provide NFI on the following five topics: the environment, employees, society, respect for human rights, and efforts to combat corruption and bribery. The report should include a description, results, and risks regarding each topic. Although the regulation mentions multiple subtopics and examples for each non-financial theme, neither scope requirements nor quality and depth of content are specified (Hoffmann *et al.*, 2018).

Regarding the reporting format, affected companies can freely choose whether to combine the disclosed NFI with the management report (integrated reporting) or publish these separately from the management report (separate reporting). Regardless of the chosen reporting format, both combined and separate reports should meet the exact minimum reporting requirements.

The CSR-DIA does not require an explicit reporting framework, thereby allowing companies to choose from a range of international (e.g., Global Reporting Initiative; GRI), national (e.g., German Sustainability Code; GSC), or industry-related frameworks (e.g., reporting standard of the savings banks finance group). Hence, if a company uses a particular framework, it must be named. Otherwise, reporting entities must state why no framework has been used.

Affected companies in Germany are not required to verify their NFR by an independent external auditor. Provided that the company chooses a voluntary audit, the audit results must be publicly available. Furthermore, CSR-DIA distinguishes between a “reasonable level of assurance” and a “limited level of assurance.”

In conclusion, the CSR-DIA bolstering NFR in Germany provides comprehensive reporting legislation for the first time with minimum content requirements. However, it simultaneously offers considerable margins of discretion and flexibility in reporting.

2.3 Literature review, framework, and hypotheses

2.3.1 Literature review on non-financial reporting quality (NFRQ)

Corporate reports are the most frequently studied means of communication in NFR literature. According to focus, studies analyzing NFRQ can be divided into two groups: those relying on quantity and those relying on quality (Beretta and Bozzolan, 2008). Researchers assessing NFRQ based on the volume (quantity) of information (e.g., the number of pages, phrases, sentences, themes, and words) do not consider the comprehensiveness and quality of the written text. Accordingly, lengthy and detailed reporting containing irrelevant and ambiguous words may indicate the extent of reporting, but not the quality (Kuzey and Uyar, 2017). While the scope and number of topics in NFR may be essential to reporting users and practitioners, using the extent of reporting to measure reporting quality may be inappropriate. Hence, previous research suggests that reporting quality is more meaningful than reporting quantity (Hasseldine *et al.*, 2005).

Although high-quality NFR provides several benefits such as improved transparency that facilitates for overcoming stakeholder skepticism and gaining their trust (Dando and Swift, 2003; Lock and Seele, 2016), numerous studies have criticized the quality of such reports owing to their lack of relevance and credibility (e.g., Coombs and Holladay, 2013; Dando and Swift, 2003; Husillos *et al.*, 2011). Despite these concerns about NFRQ, no robust and universally applicable method for assessing reporting quality has been established (Hahn and Kühnen, 2013). Some authors have developed quality assessment schemes based on reporting standards such as the GRI framework, while others have assessed NFRQ by designing reporting quality indices (e.g., Daub, 2007; Dumitru *et al.*, 2017; Habek and Wolniak, 2016; Hoffmann *et al.*, 2018; Lock and Seele, 2016; Michelin *et al.*, 2015; Mion and Loza Adauí, 2019). In the latter, the quality of each individual indexed criteria usually results from the different levels or weighting of the scores assigned to them. Those reporting quality indices refer to a calculation of scores that can serve as an indication of the level of information quality when aggregated. Therefore, they allow for an in-depth investigation of reporting quality in NFR. Table 2.1 provides an overview of studies in which the authors self-measured NFRQ using a framework.

The broad scope, high complexity, multidimensionality, and different understandings of the CSR concept imply that scholars use a variety of categories, criteria, and score ratings to assess NFRQ. These dissimilarities, along with other aspects such as the unit of analysis or sample size, may have led to the literature on NFRQ providing mixed results. Furthermore, only a handful of studies examine the influence of determinants on reporting quality (Dienes *et al.*, 2016). Considering these factors and that NFRQ remains under-researched (Hahn and Kühnen, 2013), this study advances the literature by measuring reporting quality in mandatory NFR and examining its determinants.

Table 2.1: Overview of studies on NFRQ

Year	Author(s)	Analyzed reports	Number of categories / criteria	Assessment scale	Findings
2007	Daub	Annual reports and other reports published periodically (sustainability, environmental, social) of 76 Swiss companies	4 / 33	Each criterion was assessed on a scale between 0 and 3 points	Overall, companies scored an average of one-third of points available, representing a low reporting quality and leaving room for improvement.
2015	Michelon <i>et al.</i>	Sustainability reports (or sustainability sections) of 112 companies that were listed on the London Stock Exchange	3 / 39	Used different formulas (ranging between 0 and 1) to assess criterion	Sustainability reports tended to be more symbolic and less substantive. Several determinants, such as reporting frameworks, stand-alone reports, and assurance, were not related to higher reporting quality.
2016	Habek and Wolniak	507 sustainability reports of companies from various European countries (e.g., Denmark, France, Poland)	2 / 17	Each criterion was assessed on a scale between 0 and 4 points	Reporting quality was generally low in all countries and left room for improvement. Considering the specific quality categories, the relevance of information was higher than the credibility of information. Moreover, legal reporting requirements have a positive effect on reporting quality.
2016	Lock and Seele	237 sustainability reports of European companies (e.g., from Austria, Belgium, France, Germany) that are listed on stock market indices	4 / 96	Various assessment scales: open, nominal, and ordinal codes, ranging between 0 and 3 points plus 0 and 10 points	The assessed reporting quality was below average in terms of credibility. Hence, reports must be understandable before addressing truth, sincerity, and appropriateness.
2017	Dumitru <i>et al.</i>	Annual reports/integrated reports of 20 companies from Romania and Poland	4 / 20	Each criterion was assessed on a scale between 0 and 3 points	Reporting quality in Romania was higher than in Poland. Prior regulation to the Directive, institutional characteristics, ownership, industry, and auditors affected reporting quality.
2018	Hoffmann <i>et al.</i>	522 non-financial reports or, in their absence, the management report of companies from Germany	2 / 48 (26 for large (small) companies)	Each criterion was assessed on a scale between 0 and 5 points	Many reports had room for improvement to meet the reporting requirements of the Directive. Moreover, reporting quality appears to be greater in stand-alone reports than in management reports.
2019	Mion and Loza Adau	132 sustainability reports from German and Italian companies	3 / 20	Presence/absence of a criterion	Reporting quality increased after the implementation of the Directive. Furthermore, the Directive appears to minimize differences in reporting quality between countries.

2.3.2 Theoretical framework

As legitimacy theory posits an implicit social contract between organizations and society (Lantos, 2001), it is commonly used to analyze NFR and explain different determinants. Such a social contract represents society's tacit expectations of corporations and their societal responsibilities, thus providing them with a "license to operate" (Deegan, 2002). Therefore, organizations can obtain legitimacy, but only if their corporate values, missions, and activities homogenize with accepted norms, values, beliefs, and definitions of the wider society (Suchman, 1995).

Suchman (1995) asserts that the legitimacy concept proceeds at two levels: managerial and institutional. From a managerial perspective, legitimacy is viewed as a resource that companies can control and influence through appropriate strategic behaviors (Dowling and Pfeffer, 1975; Lindblom, 1994; Woodward *et al.*, 1996). In contrast, institutional legitimacy refers to constraints that force companies to behave in a more or less consciously isomorphic manner to conform to social norms and values (DiMaggio and Powell, 1983; Meyer and Rowan, 1977). Therefore, institutional legitimacy is unlike the resource that organizations must acquire.

Although banking products and services have a negligible direct detrimental impact on the environment compared to other industries (Branco and Rodrigues, 2006), considering that their operations are deemed "safe" for society (Khan, 2010), banks benefit from seeking organizational legitimacy by demonstrating their social worthiness (Oliver, 1991). During the GFC between in 2008, corporate actions faced great scrutiny. The management of banks at that time was found to have engaged in socially irresponsible practices (Herzig and Moon, 2013), leading to adverse social impacts and ultimately causing a crisis of legitimacy for the banking sector. Therefore, this study is grounded in the managerial approach, as NFR can be seen as a functional communication channel for gaining and managing legitimacy and protecting and enhancing image and reputation (Hooghiemstra, 2000).

2.3.3 Hypotheses development

As this study examined banks' NFR over several years, the author expects that reporting quality will develop positively to create a better social image for banks (Belkaoui and Karpik, 1989). Banking institutes, especially those reporting on non-financial matters for the first time, are becoming more aware of their versatile impacts over time by reporting, thus increasing their overall NFRQ. Based on these premises, and as per other studies

that have found an enhanced reporting quality of NFI in a compulsory reporting setting (Bubna-Litic, 2008; Chauvey *et al.*, 2015), the following directional hypothesis is formulated:

Hypothesis a1 (Ha1): The level of banks' NFRQ increases significantly and positively over time.

Before the Directive's transposition into national law, a limited number of banks in Germany voluntarily published NFI. Research has shown that NFR has become more technical (Albertini, 2014). Therefore, Lock and Seele (2016) suggest that the more experience a company has gained in preparing and publishing non-financial reports, the more extensive the reporting expertise. Comparatively, more-experienced companies also generate a higher reporting quality in voluntary NFR (Ruhnke and Gabriel, 2013). Naturally, this assumption can be upheld for mandatory NFR as companies with previous reporting experience may adapt more easily to the current legal requirements (Zarzycka and Krasodomska, 2021). Meanwhile, the CSR-DIA urges less-experienced companies to make significant organizational changes to collect and report required information (Cormier *et al.*, 2005); hence, it is hypothesized that:

Hypothesis a2 (Ha2): Previous reporting experience has a significant positive impact on banks' NFRQ.

Research has provided mixed results on the relationship between the reporting format and NFRQ (Balluchi *et al.*, 2021; Chauvey *et al.*, 2015; Lock and Seele, 2016; Michelin *et al.*, 2015). Some scholars believe that stand-alone reports signal explicit corporate engagement and unconditional corporate commitment to environmental and social responsibility (Gray and Herremans, 2012; Mahoney *et al.*, 2013). Similarly, Dhaliwal *et al.* (2011) highlighted that the issuance of stand-alone reports facilitates the dissemination of material and relevant information in detail. Consistent with the CSR-DIA, NFI published as a combined report requires high-quality data and assurance standards, resulting in less information quality than for stand-alone reports (Hoffmann *et al.*, 2018). This may negatively impact reporting quality. Therefore, as per the presented argument, it is hypothesized that:

Hypothesis a3 (Ha3): The reporting format has a significant impact on banks' NFRQ.

Researchers have also addressed the relationship between standardized reporting frameworks and NFRQ (e.g., Lock and Seele, 2016; Michelin *et al.*, 2015; Zarzycka and Krasodomska, 2021). Using standardized reporting frameworks provides adequate infor-

mation, covers company- and industry-relevant content aspects, and ensures a degree of certainty about data accuracy (Sethi *et al.*, 2017b). Akisik and Gal (2011) found that sustainability reporting and reporting standards likely contribute to organizations' sustainable development. While the GRI guidelines remain the dominant global reporting framework in NFR (KPMG, 2020), many medium-sized and small companies in Germany use the GSC as reporting guideline. Regardless of whether an international, national, or industry-specific guideline is used, reporting based on standardized reporting frameworks is more likely to comply with the CSR-DIA (Hoffmann *et al.*, 2018). Therefore, the author presents the following hypothesis:

Hypothesis a4 (Ha4): Standardized reporting frameworks have a significant positive impact on banks' NFRQ.

Another prominent topic in NFR literature is the impact of external audits on NFRQ. Generally, a rigorous audit process ensures information quality and monitors reporting exercises (Jensen and Meckling, 1976). Therefore, some scholars believe that independent audits will increase completeness, meaningfulness, and relevance of specific information, and close the credibility gap in NFR (Dando and Swift, 2003; Michelon *et al.*, 2015). Hence, sizeable international audit organizations, particularly the Big Four audit firms, provide more reliable and diligent reporting assurances because of their more significant resources, industry specialization, and higher litigation risk (Becker *et al.*, 1998; Brown *et al.*, 2010). Contrastingly, Owen *et al.* (2000) question the usefulness of audit procedures based on non-financial performance indicators and viewed them as a controlled public relation measure. Similarly, auditing NFI can be perceived as a symbolic effort, especially for companies with limited environmental and social reputation (Michelon *et al.*, 2015). Nonetheless, the CSR-DIA bill states that external auditing of NFR could increase confidence in reported information (Bundestag, 2016). Considering this and the empirical results in a German context, which showed a positive impact of external audits on NFRQ (Velte and Stawinoga, 2016), it is hypothesized that:

Hypothesis a5 (Ha5): The external audit has a significant positive impact on banks' NFRQ.

2.4 Research design

2.4.1 NFRQ assessment tool

Constructing an NFRQ assessment tool comprises several stages. Similar to Habek and Wolniak's (2016) study, the reporting quality for this study consists of the relevance and the credibility of information. Relevance refers to the content requirements of the CSR-DIA. As per the CSR conceptualization by the EC, it also includes criteria that highlight collaborations between organizations and stakeholders. Eventually, reporting activities have witnessed a recent shift from an "inform me" to an "engage me" approach (Kaur and Lodhia, 2018). Owing to such stakeholder engagement activities, accompanied by public and political pressure and a corporate mindset of self-critical reflection, responsible corporate actions should be implemented and described as such in the NFR (Hess, 2008). Credibility relates to the reliability and trustworthiness of the NFI presented in the report (Chauvey *et al.*, 2015; Lock and Seele, 2016).

The author has carefully selected the criteria for each category to ensure meaningfulness and eliminate ambiguity. First, the CSR-DIA was reviewed to ensure that the minimum content requirements were included in the assessment framework. Second, the literature on NFR was used to identify criteria. Third, two standardized reporting frameworks, the GRI and GSC, were extensively reviewed to determine additional criteria. Subsequently, the author and a second coder (an experienced research assistant) validated the checklist by conducting a pilot survey using 10 non-financial reports from banks not included in the sample. Therefore, criteria that were most relevant to the banking sector were selected, defined, categorized, and included in the NFRQ assessment framework. Contrastingly, others were omitted; the final framework for assessing banks' NFRQ comprised 31 criteria (Appendix 1).

Content analysis is the preferred method in NFR research. By codifying written text (or content) into different categories and groups based on selected criteria, content analysis provides empirical, valid, and replicable results (Abott and Monsen, 1979; Krippendorf, 2019). A five-point Likert scale (0 – 4) was used to assess the banks' NFRQ (see Table 2.2).

Table 2.2: NFRQ assessment scale

Points	Description
0	The NFR does not contain information related to the criteria.
1	The NFR contains limited information on a few aspects related to the criteria.
2	The NFR contains detailed information on a few aspects related to the criteria.
3	The NFR contains detailed information on multiple aspects related to the criteria.
4	The NFR contains very detailed/best practice information on most aspects related to the criteria.

Note(s): NFR, non-financial reporting.

Then, each bank's NFRQ was calculated as the ratio of points awarded over the maximum score that a bank could achieve as follows:

$$NFRQ = \frac{\sum(Relevance, Credibility)}{124}$$

Validity, internal consistency, and reliability are paramount; hence, these concerns were carefully addressed. First, validity was ensured by using multiple sources to construct the NFRQ assessment tool (Milne and Adler, 1999). Second, Cronbach's coefficient value of 0.85 indicated a sufficient internal consistency of measurement (Tavakol and Dennick, 2011). Third, 15% of the sampled NFR was independently coded to test for inter-coder reliability, resulting in a value for Krippendorff's alpha of 0.86, which corresponds to a good reliability level (Krippendorff, 2019). Therefore, this study considered the constructed NFRQ assessment framework and its application as valid, consistent, and reliable.

2.4.2 Sample selection

As this study focuses on the German banking industry, the sample only includes banks operating in Germany. To ensure homogenous data, only "universal banks" were considered in this study. Based on the average total assets between 2017 and 2019, the sample comprised Germany's 100 largest banks, provided that they had published NFI for each year. Thus, the final sample included 300 bank-year observations. Banks' NFIs were then extracted from combined or stand-alone reports.

2.4.3 Data analyses methods

As the NFRQ variable had a non-normality distribution, the non-parametric Wilcoxon Signed-Rank Test was appropriate to determine whether banks' NFRQ differed significantly across years (*Ha1*). Panel data regression was used to test hypotheses *Ha2* to *Ha5*, as it is a suitable method for eliminating problems related to multicollinearity and estimation bias.

To avoid model misspecification, the author included two control variables that might impact the NFRQ regression model. First, larger firms have a more significant impact on society and greater visibility than smaller firms. Therefore, they are more exposed to the influence of a broader range of stakeholders (customers, employees, investors, media, etc.), rigorous regulatory requirements, and public scrutiny to legitimize their business operations through NFR (Branco and Rodrigues 2006; Reverte, 2009). Hence, bank size is likely to influence NFRQ. Second, whether firms' profitability impacts environmental and social reporting remains uncertain (e.g., Orlitzky *et al.*, 2003). Based on the legitimacy theory, profitable companies may report more high-quality information to legitimize their operations. In contrast, less-profitable organizations report sophisticated details to demonstrate that their operations add social value (Neu *et al.*, 1998). Thus, no sign of expectation is formed in predicting the significant influence of bank profitability on NFRQ. Both control variables were lagged by one year as firm factors in *t-1* should drive strategic planning on social responsibility-type activities in *t*. Hence, they are most likely to affect NFRQ in *t*. Therefore, the econometric model is estimated as follows:

$$NFRQ_{it} = \alpha_0 + \beta_1 EXP_{it} + \beta_2 FOR_{it} + \beta_3 FRA_{it} + \beta_4 AUD_{it} + \beta_5 SIZ_{it-1} + \beta_6 PRO_{it-1} + \eta_{it} + \varepsilon_{it}$$

$$i = 1, 2, \dots, 100; t = -1, 1, 2 \text{ and } 3$$

where *NFRQ* denotes the level of reporting quality, *EXP* is reporting experience, *FOR* is reporting format, *FRA* is reporting framework, *AUD* is reporting audit, *SIZ* is bank size, *PRO* is bank profitability, η is the unobserved heterogeneity for individual bank effects, ε is the specific error term, and *i* and *t* are bank and time indices, respectively. Table 2.3 summarizes the detailed definitions and measurements of all regression variables.

Table 2.3: Definition of study variables

Acronym	Variable	Definition
NFRQ	Non-financial reporting quality	The ratio of points awarded for NFR; over maximum points achievable.
EXP	Reporting experience	Dummy variable of 1 if the bank had gained experience in voluntary NFR; 0 otherwise.
FOR	Reporting format	Dummy variable of 1 if the bank released a stand-alone report; 0 otherwise.
FRA	Reporting framework	Dummy variable of 1 if the bank used a standardized reporting framework for NFR; 0 otherwise.
AUD	Reporting audit	Dummy variable of 1 if the NFR was audited by one of the Big Four audit firms; 0 otherwise.
SIZ	Bank size	Natural logarithm of total assets.
PRO	Bank profitability	The ratio of operating profits to operating turnover.

Note(s): NFR, non-financial reporting.

Regression diagnostic tests determined the presence of heteroscedasticity (likelihood ratio test), first-order correlation (Wooldridge test, 2010), and cross-sectional dependency (proposed test by Pesaran, 2004) in the dataset. Therefore, this study adopted the Panel Corrected Standard Error (PCSE) estimation. PCSE estimation provides efficient and consistent results for finite samples when the number of firm dimensions is greater than the number of time dimensions.

2.5 Results

2.5.1 Descriptive statistics

The reporting quality in banks' mandatory NFR varied greatly, as indicated by the minimum (0.52) and maximum (3.45) values (see Table 2.4). Banks achieved an overall reporting quality of 1.83 on average, and 22 banks reported voluntary NFI before the CSR-DIA was implemented. Most banks chose the stand-alone reporting format during the review period (92%). Many banks used a standardized reporting framework to prepare their NFR (92%). Overall, only a few banks verified their NFR by external auditors (7%). Additionally, the sample included some large banks (1,372 billion EUR in total assets) and some much smaller banks (2.4 billion EUR in total assets). Banks' profitability had a mean value of 21% and varied between -16% and 50%.

Table 2.4: Descriptive statistics (I)

Variable	Mean	Std. Dev.	Min	Max
NFRQ	1.83	0.44	0.52	3.45
EXP	0.22	0.41	0	1
FOR	0.92	0.27	0	1
FRA	0.92	0.27	0	1
AUD	0.07	0.26	0	1
SIZ	34,060.49	127,597.35	2,412.02	1,372,646.00
PRO	0.21	0.11	-0.16	0.50

Note(s): NFRQ, non-financial reporting quality; EXP, reporting experience; FOR, reporting format; FRA, reporting framework; AUD, reporting audit; SIZ, bank size as per amount of total assets in million EUR; PRO, bank profitability in percent. South Texas Art Therapy Association (STATA) 16 was used for statistical analysis.

2.5.2 NFRQ assessment and hypotheses verification

The overall reporting quality of the 300 mandatory non-financial reports from banks was 1.83, with the category of information relevance being significantly higher than the credibility of information for each year (Table 2.5). Considering the relevance of information, the criterion relating to mapping stakeholders (R17) achieved the highest score (3.50). This was followed by indicators concerning contacting the person or department responsible for NFR creation (R21, 3.11) and anti-corruption and bribery (R15, 2.75). Contrastingly, the R24 criterion (self-critical reflection) scored the lowest (0.27). The clarity of information (C3) was the highest rated (2.43) in the credibility category. Furthermore, most NFI was presented in a reasonably accurate, comparable, and timely manner. However, banks' NFR lacked balanced information (C2, 0.10) and criterion concerning external ratings or indexing (C6, 0.28).

Table 2.5: NFRQ assessment

No.	Criterion	2017	2018	2019	TOTAL
<i>Relevance of information</i>					
R1	Business model	2.10	2.11	2.11	2.11
R2	Products and services	2.02	2.23	2.52	2.26
R3	Proprietary banking activities	0.91	1.29	1.63	1.28
R4	Financial inclusion	1.08	1.10	1.19	1.12
R5	Resources	2.34	2.46	2.58	2.46
R6	Emissions	1.56	1.73	1.86	1.72
R7	Biodiversity	0.66	0.72	0.80	0.73
R8	Health and safety	2.58	2.75	2.79	2.71
R9	Equality	2.23	2.33	2.43	2.33
R10	Assistance and benefits	2.31	2.37	2.44	2.37
R11	Qualifications	2.49	2.65	2.76	2.63
R12	Community activities	2.45	2.56	2.68	2.56
R13	Employee volunteering	0.86	0.86	0.87	0.86
R14	Human rights	1.36	1.63	1.83	1.61
R15	Anti-corruption and bribery	2.52	2.82	2.91	2.75
R16	Supply management	1.10	1.34	1.55	1.33
R17	Stakeholder mapping	3.43	3.50	3.56	3.50
R18	One-way engagement	2.07	2.09	2.12	2.09
R19	Two-way engagement	2.27	2.39	2.43	2.36
R20	Stakeholder participation	0.92	1.03	1.01	0.99
R21	Contact details	3.02	3.15	3.15	3.11
R22	Goals and targets	1.51	1.71	1.81	1.68
R23	Long-term strategic anchorage	2.05	2.09	2.25	2.13
R24	Self-critical reflection	0.16	0.25	0.41	0.27
R25	Learning progress	0.58	0.61	0.73	0.64
<i>Relevance of information total</i>		<i>1.78</i>	<i>1.91</i>	<i>2.02</i>	<i>1.90</i>
<i>Credibility of information</i>					
C1	Accuracy	1.99	2.27	2.41	2.22
C2	Balance	0.09	0.09	0.12	0.10
C3	Clarity	2.23	2.49	2.58	2.43
C4	Comparability	1.64	2.00	2.20	1.95
C5	Timeliness	2.18	2.22	2.26	2.22
C6	Rating or indexing	0.23	0.26	0.35	0.28
<i>Credibility of information total</i>		<i>1.39</i>	<i>1.56</i>	<i>1.65</i>	<i>1.53</i>
NFRQ TOTAL		1.71	1.84	1.95	1.83

Note(s): Table 2.5 summarizes the level of reporting quality per criterion, category, and total non-financial reporting quality for each year, as well as average scores.

The Wilcoxon Signed-Rank Test was used to examine whether the slight increase in banks' reporting quality between years was significant. The results indicate a statistically significant increase in NFRQ. Hence, this study supports *Ha1*.

Table 2.6: Wilcoxon Signed-Rank Test

		N	Mean rank	Sum of ranks	Z
<i>Level of NFRQ</i>					
2018 – 2017	Positive ranks	87	55.24	4,806.00	
	Negative ranks	6	36.00	216.00	
	Ties	7	4.00	28.00	
	Total	100		5,050.00	7.897***
<i>Level of NFRQ</i>					
2019 – 2018	Positive ranks	78	60.02	4,681.50	
	Negative ranks	6	38.75	232.50	
	Ties	16	8.50	136.00	
	Total	100		5,050.00	7.675***

Note(s): NFRQ, non-financial reporting quality. *, **, *** Asymptotic significance at the 0.1, 0.05 and 0.01 levels. STATA 16 was used for statistical analysis.

Before running the PCSE regression, Spearman correlation analysis was conducted to determine bivariate relationships between variables. A positive correlation was found at the 1% significance level between NFRQ and experience, format, framework, and bank size (Table 2.7). Therefore, the findings provide preliminary support for hypotheses *Ha2* through *Ha4*.⁹

⁹ Furthermore, Table 2.7 provides evidence that the issue of multicollinearity is not present in this study, as variance inflation factor (VIF) tests show that each VIF value is below the threshold of 10 (Chatterjee and Hadi, 2013) and that correlation coefficients are below the threshold coefficient value of 0.8 (Field, 2018).

Table 2.7: Spearman correlation matrix and VIF

	1	2	3	4	5	6	7	8
1. NFRQ	1							
2. EXP	0.2593***	1						
3. FOR	0.2106***	-0.0214	1					
4. FRA	0.3228***	0.1103*	0.3659***	1				
5. AUD	0.0661	0.4988***	-0.1998***	-0.3884***	1			
6. SIZ	0.2791***	0.3981***	-0.030	-0.1461**	0.4388***	1		
7. PRO	0.0027	-0.1760***	0.1521***	0.3374***	-0.3894***	-0.3866***	1	
8. VIF	-	1.43	1.17	1.40	2.60	2.82	1.60	1

Note(s): NFRQ, non-financial reporting quality; EXP, reporting experience; FOR, reporting format; FRA, reporting framework; AUD, reporting audit; SIZ, bank size as amount; PRO, bank profitability; VIF, variance inflation factor. *, **, *** Asymptotic significance at the 0.1, 0.05 and 0.01 levels. STATA 16 was used for statistical analysis.

This study identified relationships between NFRQ and several reporting-level determinants in the PCSE regression results. As can be seen in Table 2.8, the estimated coefficient for *EXP* indicates that prior NFR experience had a positive impact on banks' reporting quality at the 1% significance level ($\beta = 0.1615$; $p < 0.01$). Hence, *Ha2* is supported. The estimated coefficient *FOR* implies that using stand-alone reports was highly significant and positively correlated to banks' NFRQ ($\beta = 0.2266$; $p < 0.01$). Therefore, *Ha3* is supported. Similarly, the estimated coefficient for *FRA* (*Ha4*) shows that using standardized reporting frameworks had a positive impact on banks' NFRQ ($\beta = 0.7889$; $p < 0.01$). Furthermore, the estimated coefficient of *AUD* shows a positive but insignificant relationship between audited NFR and reporting quality. Therefore, *Ha5* is rejected. Regarding the control variables, the estimated coefficient for *SIZ* indicates that bank size is positively correlated with NFRQ ($\beta = 0.1733$; $p < 0.01$). Contrastingly, reporting quality was insignificantly affected by bank profitability, as indicated by the estimated coefficient of *PRO*.

Table 2.8: PCSE regression results

<i>Dependent variable</i>	<i>NFRQ</i>
<i>Independent variables</i>	
EXP	0.1615*** (0.0611)
FOR	0.2266*** (0.0621)
FRA	0.7889*** (0.0774)
AUD	-0.0019 (0.2050)
SIZ	0.1733*** (0.0457)
PRO	-0.0276 (0.2094)
CONSTANT	-3.1279*** (1.0557)
N	300
Wald Chi (2)	186.71***
R ²	38.88
Likelihood ratio test	287.01***
Wooldridge test	40.632***
Cross-sectional dependency	70.338***

Note(s): NFRQ, non-financial reporting quality; EXP, non-financial reporting experience; FOR, reporting format; FRA, reporting framework; AUD, reporting audit; SIZ, bank size; PRO, bank profitability. Standard errors in parentheses (corrected for heteroscedasticity, autocorrelation, and contemporaneous correlation). *, **, *** Asymptotic significance at the 0.1, 0.05 and 0.01 levels. STATA 16 was used for statistical analysis.

2.6 Discussion and implications

2.6.1 Discussion of NFRQ assessment

Consistent with other studies (e.g., Daub, 2007; Habek and Wolniak, 2016; Lock and Seele, 2016; Michelon *et al.*, 2015), the reporting quality in banks' mandatory NFR is generally low, with NFRQ scoring less than half of the possible score each year. Therefore, this represents a mediocre, rather than sophisticated, maturity level of reporting. There are several reasons for this. Some banks with passive or indifferent responsibility-related strategies and policies may focus on reducing their data gathering and reporting costs to meet regulatory requirements (Schaltegger, 1997). Others comply with the legal requirements solely to meet and report on these minimum standards and limit opportunities to distinguish themselves as a company (Habek and Wolniak, 2016). This study, therefore, indicates that the number of banks reporting on NFI may have increased due to legislative requirements, but the reporting quality has not necessarily.

Similar to Habek and Wolniak (2016), annual quality scores for the relevance of information were higher than scores for credibility of information. Regarding the relevance category, banks seemed to provide an ambitious picture of engaging with their stakeholders, as indicated by the highest criteria scores of mapping stakeholders (R15), and providing contact details (R17). However, reporting entities did not recognize the benefits of engaging with stakeholders, as the lowest-rated criterion was R25 (learning progress). This finding may indicate that banks simply view their stakeholder engagement activities as stakeholder management or public relations strategies (Hess, 2008; Owen *et al.*, 2000).¹⁰ Also, banks reported relatively detailed information on combating bribery and corruption (R15). This finding was anticipated, as banks must meet strict legal requirements to operate in an approved and legitimate manner (Oliver, 1991). Additionally, NFR achieved a reasonable granularity of reporting quality for criteria referring to labor practices (R8 – R11). This may be because banks are in constant competition for employees, and these responsibility-related activities can positively impact employee retention and satisfaction. Another reason could be the historically high and unionized employee involvement that companies in Germany have to contend with (Adams *et al.*, 1998).

On the credibility of information, the highest score for reporting quality was achieved for clarity (C3, 2.43), whereas balanced information (C2) and external ratings or indexing

¹⁰ However, if stakeholders do not engage with banking institutes, reporting cannot be made.

(C6) were assigned the lowest scores. Banks self-laudably focus on their achievements, positive contributions to the environment and society, and the “good news” while neglecting negative impacts. Relatedly, balanced reporting is associated with organizational failures, setbacks, unmet goals, and, in the case of capital market-oriented banking organizations, income risk (Einwiller and Carroll, 2020; Mishra and Modi, 2013). Meanwhile, reporting without an excessively positive and embellished tone can promote and reinforce the credibility of the written text (Carroll and Olegario, 2020). References to external ratings or indexing can also be an essential factor affecting the credibility of the NFR but is not widespread among banks as confirmed by this study’s findings.

2.6.2 Discussion of hypotheses verification

By confirming *Ha1*, this study augments previous findings that reporting quality in a compulsory reporting environment improves incrementally, steadily, and significantly over time (Bubna-Litic, 2008; Chauvey *et al.*, 2015). Presumably, this improvement can be attributed to banks’ growing reporting experience regarding NFR. This refers to the assumption that banks have greater awareness and understanding of non-financial topics and better processes for collecting, measuring, and analyzing critical data. Therefore, the progressive results on NFRQ can be interpreted as a substantial improvement in reporting quality.

Unlike previous studies (Lock and Seele, 2016; Zarzycka and Krasodomska, 2021), this study supports *Ha2*, which states that a bank’s prior NFR experience is positively correlated with NFRQ. That is, considering organizational structures and collecting and presenting relevant data, banks with voluntary reporting experience have a knowledge advantage that positively and significantly impacts NFRQ.

Moreover, this research supports the hypothesis that using stand-alone reports ensures better reporting quality (*Ha3*) and, thus, conforms to previous findings (Dhaliwal *et al.*, 2011; Lock and Seele, 2017; Michelon *et al.*, 2015). Therefore, it can be argued that stand-alone non-financial reports guarantee more space and are more suitable for high-quality reporting than combined (integrated) reporting (Hoffmann *et al.*, 2018).

As observed, adopting standardized reporting frameworks has a significant positive impact on banks’ NFRQ (*Ha4*). This confirms findings of other studies (Lock and Seele, 2016; Zarzycka and Krasodomska, 2021). Thus, standardized reporting frameworks represent legitimate tools for identifying gaps in NFR, thereby improving NFRQ systematically.

Interestingly, and contrary to expectations, banks' NFRQ is not significantly correlated with external audits (*Ha5*). All banks in the sample chose to have their NFR externally certified, commissioned, and received "limited assurance." From this, and as per previous research (Michelon *et al.*, 2015), banks in Germany may use NFR audits as a symbolic and cosmetic routine to influence stakeholder confidence in reporting rather than certify and legitimize NFRQ.

In the European mandatory reporting environment, bank size explains NFRQ significance, which is consistent with results of previous studies (Branco and Rodrigues, 2006; Reverte, 2009). However, bank profitability does not seem to explain NFRQ. This result may be due to different variables that intervene in the linear relationship between profitability and NFRQ (Waddock and Graves, 1997) or to the fact that banks' NFRQ is less driven by economic (economic pressure) and rather social legitimacy (public and regulatory pressure) (Patten, 1991).

2.6.3 Theoretical, practical, and policy implications

For researchers investigating NFR, this study assessed NFRQ over several years and responds to the call for more longitudinal research (Khan *et al.*, 2020). While a unified NFRQ assessment framework remains absent (Hahn and Kühnen, 2013; Skouloudis *et al.*, 2009), this study uses a robust and novel two-dimensional instrument, following Habek and Wolniak (2016), to assess banks' reporting quality in mandatory NFR. Understanding how reporting quality evolves in a required reporting environment not only confirms findings from previous studies with a similar research design (Bubna-Litic, 2008; Chauvey *et al.*, 2015), but also verifies their generalizability. Hence, the sample of this study is unique because it included only a few large and listed banks, and a reasonably sizable number of medium-sized and small banks without any capital market orientation. Finally, this study contributes to the growing body of research on the Directive by providing initial findings on NFRQ and assessing influential reporting-level determinants.

For most banking professionals, mandatory NFR represents a relatively new accounting genre. NFR should be considered a communication tool to map and promote stakeholder engagement that adds value to stakeholders and banks and contributes to sustainable development instead of traditional accounting and formal box-ticking. Therefore, bank professionals need training and knowledge to provide meaningful reporting and cultivate an attitude toward informational transparency and social accountability, which sees NFR as a cross-sectional task within banking.

For policymakers, empirical findings of this study could be assessed based on the most recent proposal of the Corporate Sustainability Reporting Directive (CSRD). According to the CSRD, introducing a European-wide reporting standard is ideal. Simultaneously, integrating NFR into the annual report and implementing a binding audit (with “limited assurance intensity”) is most unlikely to positively impact overall reporting quality. Additionally, the CSRD specifies different content areas that need to be examined in more detail. However, policymakers should not only consider the quantity of NFI but also address the quality of information to present substantive content to the reader.

2.7 Conclusion

This study measured the reporting quality of banks’ mandatory NFR using a unique assessment instrument. The objective was based on the difficulty of measuring NFRQ and the limited knowledge available on compulsory NFR in the EU. Various determinants were examined for their significant impact on NFRQ. This study showed that while banks’ annual NFRQ (between 2017 – 2019) remained mediocre, slight but significant annual improvements were noted. Moreover, several reporting-level determinants (experience, format, and framework) substantially affected NFRQ. Additionally, this study highlighted implications for researchers, banking professionals, and policymakers.

However, findings of this study must be interpreted considering the following limitations, which will in turn, enhance and facilitate future research. First, the sample was limited to banks from Germany. Hence, findings may not be generalizable to other countries or sectors. Therefore, future research could consider applying this study to banking industries in other EU member states or other sectors (e.g., insurance). Second, the author acknowledges that the assessment framework may not fully capture all possible and relevant dimensions of NFI. Therefore, future studies could improve, deepen, and implement the current framework to better understand NFRQ. Third, future research may test other determinants (e.g., bank category and bank listings) that substantially influence reporting quality in mandatory NFR.

Chapter 3

CSR website disclosures: Empirical evidence from the German banking industry

3.1 Introduction

The concept of CSR, which addresses the social impact of business entities, has become increasingly important to stakeholders in recent years. Hence, non-financial issues such as pollution, resource depletion and protection, waste, labor practices, human rights, and product quality and safety, have become a point of concern among businesses worldwide (Gray *et al.*, 1996). The intensified social awareness of stakeholders and their expectations from companies have created the need for mandatory and voluntary reporting on CSR, which leads to increased concerns for business managers who need to communicate to a diverse group of stakeholders in a transparent, trustworthy, and responsible way (Podnar and Golob, 2007; Wanderley *et al.*, 2008).

Because corporations aim to inform society, numerous channels are used to report on social and environmental information, including annual reports, CSR reports, advertisements, newsletters, press releases, and SMSs (Kiliç, 2016). The Internet has provided a relatively new communication channel for corporations to disclose social responsibility-related information. This channel allows companies to publicize detailed information instantly, more rapidly, and less expensively than traditional media such as newspapers, magazines, and so on (Wanderley *et al.*, 2008). The use of the Internet for CSR disclosure has allowed corporations to satisfy stakeholder needs in an efficient way, offering considerable flexibility in terms of display, quality, and quantity of the information communicated (Bolívar, 2009).

The majority of studies that have analyzed CSR disclosure have focused on non-financial companies. Although the volume of research on CSR disclosures on bank websites has increased, knowledge about them remains insufficient. Owing to the importance of websites as a medium for communicating social responsibility information, online CSR reporting has become a focus area for scholars (Branco and Rodrigues, 2006; Bravo *et al.*, 2012; Chakroun *et al.*, 2017; Georgiadou and Nickerson, 2020; Hetze and

Winistörfer, 2016; Hinson, 2011; Hinson *et al.*, 2010; Khalil and O'sullivan, 2017; Matuszak and Rózańska, 2019; Vilar and Simão, 2015).

Recently, the EC has integrated sustainability considerations into its financial policy framework to promote sustainable development (e.g., green finance and CSR). Within the EU, the German banking industry has the largest number of banks, the highest number of employees, and ranks second in aggregated total assets (Eurostat, 2020). In view of the general perception that Germany is a pioneer in environmentalism and social reforms (Preu and Richardson, 2011), it is reasonable to suppose that banks in Germany perform well in terms of social responsibility-related activities and CSR disclosures. However, a recent survey revealed that half of the respondents believe that only a few banks in Germany engage in CSR activities, while every fifth respondent perceives banks as not engaging at all in such activities (Bankenverband, 2015). A further study indicated that the prioritization of CSR aspects had reached management boards of banks, but the realization and integration into banks' business models remain inadequate (Meier *et al.*, 2017). Therefore, it seems appropriate to claim that CSR activities—and accordingly, their reporting—are quite a niche among banks in Germany. Based on these observations, this study contributes to the literature by providing a better understanding of online CSR disclosures from the perspective of one of the leading EU nations, namely Germany. CSR disclosures of banks in Germany have not been previously examined; therefore, these findings could have significant implications for other developed economies, especially the Central and Western European region.

This study has two main objectives: to report and identify the CSR disclosure level on banks' websites and to assess the determinants of online CSR reporting using different internal (i.e., bank size, profitability, capital market orientation, public ownership, and category) and external (i.e., media visibility) factors. In this context, internal firm characteristics are suggested as important determinants to explain voluntary CSR disclosures (Cormier and Gordon, 2001). Other factors, such as media pressure, are just as important to explain CSR disclosures. More specifically, the media has become a key secondary stakeholder that can mobilize public opinion in favor of or in opposition to an organization; and thus, this external determinant can moderate the level of CSR disclosures (Li *et al.*, 2019).

The remainder of this study is organized as follows. The next section (3.2) reviews the literature on CSR disclosures. This is followed by a discussion of the theoretical framework and presentation of the hypotheses in Section 3.3. Section 3.4 describes the CSR

environment within the German banking industry. Section 3.5 documents the research design. Results are presented in Section 3.6. Section 3.7 discusses the results, and outlines implications for theory and practice. Finally, Section 3.8 presents concluding remarks, including limitations and directions for future research.

3.2 Literature review

Although CSR has been a focus of academia since the 1950s (Carroll, 1999), there is no universally accepted definition of the concept (Dahlsrud, 2008). One of the most popular definitions of CSR, widely used in both literature and corporate environments, was provided by Carroll: “the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (Carroll, 1979, p. 500). Socially responsible activities have also been described by McWilliams and Siegel (2001, p. 117) as “actions that appear to further some social good, beyond the interests of the firm and that which is required by law,” and by van Marrewijk (2003, p. 102) as “company activities—voluntary by definition—demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders.” These definitions show that CSR can be viewed as a framework within which organizations can address societal expectations by engaging in mainly voluntary activities, which are eventually initiated, moderated, and communicated by means of the CSR concept.

Organizations may also use CSR practices for pragmatic and multifaceted reasons. For instance, they may wish to obtain legitimacy (Du and Viera, 2012), establish a competitive advantage (Porter and Kramer, 2006), enhance both brand reputation and brand equity (Fatma *et al.*, 2015), or strengthen stakeholders’ advocacy behavior (Du *et al.*, 2010). Consequently, CSR communication has significance in its own right and communicating CSR information has become the third largest public relations expenditure item in large companies (Hutton *et al.*, 2001).

Companies use different channels to disclose their social responsibility information, including annual reports, CSR reports, newsletters, advertisements, billboards, press releases, and SMSs. In particular, the internet has become more important as a channel for communicating CSR information to the public (Branco and Rodrigues, 2006; Hinson *et al.*, 2010); thus, the advantages of providing information via web pages should not be underestimated. First, corporate websites allow access to information from anywhere at

any time (Williams and Pei, 1999). Second, web pages are a readily updatable medium for presenting a CSR agenda (Chaudhri and Wang, 2007). Third, websites can be used to present timely information at low cost (Hinson *et al.*, 2010; Wanderley *et al.*, 2008). Lastly, websites permit users to access information how and when they like (Wanderley *et al.*, 2008). Thus, corporate websites are an essential means of communicating CSR activities.

The relatively small amount of research that deals with CSR disclosure practices in the banking sector could be attributed to the fact that banks are perceived to have little direct effect on the natural environment, or safety of products or employees (Kiliç *et al.*, 2015). However, banks' impact on the environment is twofold, directly most of all through consuming resources and indirectly through their lending and investment policies. For instance, banks consume large amounts of both paper and energy, and produce a considerable volume of waste (Branco and Rodrigues, 2006). But banks can also function as catalysts for social and environmental activities of other industries (Vilar and Simão, 2015), as they can directly channel capital streams by offering socially responsible investment funds and financing environmentally sound projects (Scholtens, 2009). Banking organizations can also have an impact on their customers, employees, and society. In particular, banks can cultivate their relationships with these stakeholders through allocating customer savings in a secure and profitable way, preventing financial and social exclusion, looking after their employees, conducting their business in an ethical manner, and contributing to the well-being of society in the form of capital resources (Jaiyeoba *et al.*, 2018; Shen *et al.*, 2016). Taking these aspects into consideration, socially responsible banking is of particular relevance because the banking industry plays a key role in shaping the sustainable development of countries (Scholtens, 2009).

Despite the importance of communicating through websites, the number of studies regarding CSR disclosures on bank websites is relatively small, although it has increased recently. The following paragraphs present the results of prominent studies in this field.

In a multinational context, Vilar and Simão (2015) explored the websites of major banks in each of 11 different geographical and cultural regions of the world and found that banks in developed countries (e.g., Europe, America and Oceania) disclose more detailed CSR information on their websites than banks in less developed regions (e.g., Asia and Africa) do. In another multi-country study Hetze and Winistörfer (2016) found that social responsibility information on banking websites is either located in the section "About Us" or under a separate "CSR" heading.

In the Asian context, Kiliç (2016) examined websites of 25 banks in Turkey, and demonstrated that size, ownership structure, and multiple exchange listing are significant in explaining online CSR disclosure levels. In another study, Khalil and O'sullivan (2017) analyzed the social and environmental reporting of 34 Lebanese banks and showed that size, profitability, leverage, and ownership concentration have an impact on CSR disclosures. Furthermore, Georgiadou and Nickerson (2020) investigated 28 websites of banks from the United Arab Emirates and found that domestic/government-owned and conventional banks communicate CSR initiatives more prominently and extensively than private and Islamic banks do.

From the African perspective, Hinson et al. (2010) and Hinson (2011) assessed the online CSR disclosures from samples of 16 and 4 Ghanaian banks. Their findings show that banks have difficulty in transferring organizational capabilities to online platforms. For instance, one bank that had been highly commended for its CSR program showed the weakest CSR communication performance. Chakroun *et al.* (2017) examined 11 Tunisian banks and found a positive (negative) relationship between leverage (financial performance) and CSR website disclosures.

In the European region, Branco and Rodrigues (2006) analyzed the websites of 15 Portuguese banks and demonstrated that banks with higher visibility than others disclose CSR information significantly more to improve their image. The websites of 20 banks from Poland were evaluated by Matuszak and Rózańska (2019), who demonstrated that bank size and being listed are significant factors explaining online CSR reporting. Another study by Bravo et al. (2012) analyzed the websites of 82 banks from Spain. They concluded that the majority of banks disclose CSR information to construct identities and communicate legitimate behaviors; however, institutionalizing CSR values as core elements of banks' identities has been limited.

Referring to the overall online CSR disclosure level, it was found that banks disclose most information with regard to community involvement or products and customers while environmental matters are commonly the least disclosed items (e.g., Branco and Rodrigues, 2006; Bravo *et al.*, 2012; Chakroun *et al.*, 2017; Khalil and O'sullivan, 2017; Kiliç, 2016; Matuszak and Rózańska, 2019).

3.3 Theoretical framework

Several theories explain the phenomenon of CSR website disclosures. Combining legitimacy and stakeholder theories is a promising approach for explaining CSR reporting (Gray *et al.*, 1996; Milne, 2002).

Legitimacy refers to “a generalized perception or assumption that the actions of an entity are desirable, proper, and appropriate within the accepted norms, values, beliefs, and definitions” (Suchman, 1995, p. 574). Relatedly, the legitimacy theory posits that organizations become obligated to adhere to a “social contract,” which determines organizational activities within the boundaries defined by society (Deegan, 2002; Gray *et al.*, 1996). Accordingly, managements aim to present CSR information that attract the support of stakeholders so that the company is viewed as a “good corporate citizen”— a process that culminates in the company’s legitimization and ensures its survivability (Guthrie and Parker, 1989; Neu *et al.*, 1998). In case of a mismatch between organizational activities and societal expectations, a gap might arise that eventually jeopardizes the organization’s legitimacy (Sethi, 1979). Thus, the management of an organization is responsible for recognizing such a gap and carrying out CSR practices as a tactic or technique for repairing or defending the lost and threatened legitimacy, or maintaining and enhancing its current legitimacy (O’Donovan, 2002). Therefore, the legitimacy theory highlights the strategic importance and actual power of CSR disclosures as a means of communication through which organizations can ultimately seek acceptance and approval from both stakeholders and society (Deegan, 2002).

In contrast to the legitimacy theory, the stakeholder theory posits that the management of a company is obliged to meet the expectations of multiple stakeholders in society and report social responsibility information accordingly (Guthrie *et al.*, 2006). When stakeholder expectations are unfulfilled, organizations may face adverse reactions (Ogrizek, 2002). According to the managerial (positive) branch of stakeholder theory, corporate social and environmental disclosures emerge as a central instrument for managing (or manipulating) information need to gain both the support and approval of powerful stakeholders (Gray *et al.*, 1996). The more “salient” particular stakeholder groups are to the continued existence and success of an organization, the greater are the organizational efforts necessary to address these stakeholders’ demands (Guthrie *et al.*, 2006). Therefore, the business challenge for management is to identify key stakeholders and determine how far its responsibility to them should extend (O’Riordan and Fairbrass, 2008). With regard to the banking industry, borrowers, depositors, managers, shareholders, and

regulators have a key interest in bank performance (Branco and Rodrigues, 2006; Khan, 2010).

Proponents of the legitimacy theory and the stakeholder theory posit that larger banks disclose more CSR information than smaller ones, and there are several reasons for this. First, larger organizations have more resources at their disposal to invest in socially responsible activities than smaller ones (Siregar and Bachtiar, 2010); thus, a larger budget enables them to allocate funds for gathering, analyzing, and presenting CSR data (Da Silva Monteiro and Aibar-Guzmán, 2010). In fact, the cost of preparing CSR disclosures decreases because of economies of scale; and hence, larger organizations tend to report more information than medium and small organizations. Second, large organizations are more subject to public and political scrutiny from the media, policymakers, regulators, and so on (Skouloudis *et al.*, 2014; Watts and Zimmermann, 1986). Therefore, these organizations are relatively under more pressure to report on their CSR efforts to strengthen the legitimacy of their business (Siregar and Bachtiar, 2010). Third, large organizations have a greater effect on society because they are more diversified across geographical regions and product markets, and they have a wider range of stakeholders. Therefore, large organizations are more visible, but they are also more prone to adverse reactions from stakeholders. Consequently, these organizations are more involved in CSR initiatives and disclose more CSR information to enhance their corporate reputation compared to smaller organizations (Branco and Rodrigues, 2008). Numerous empirical studies have documented a significant positive relationship between an entity's size and the extent of CSR disclosure (e.g., Branco and Rodrigues, 2006; Da Silva Monteiro and Aibar-Guzmán, 2010; Khalil and O'sullivan, 2017; Matuszak and Rózańska, 2019). Considering the discussion above, the following hypothesis is proposed:

Hypothesis b1 (Hb1): The size of banks is positively related to CSR disclosures on their banking websites.

Whether CSR communication depends on the organization's profitability is still debated. Some scholars demonstrated that profitability increases the likelihood of online CSR disclosures (e.g., Khalil and O'sullivan, 2017; Tagesson *et al.*, 2009), while others showed a negative (insignificant) relationship (e.g., Brammer and Pavelin, 2008; Chakroun *et al.*, 2017). From a theoretical point of view, it is argued that slack resources and, therefore, the financial capabilities of organizations are essential – if not imperative – to invest in CSR activities and reporting (Waddock and Graves, 1997). Thus, profitable organizations engage in increased CSR activities and disclose more information in order to satisfy

their stakeholders than non-profitable banks do (Belkaoui and Karpik, 1989). On the contrary, profitable organizations may also devote more financial resources to social initiatives; these initiatives may be costly without direct financial benefit (Siregar and Bachtiar, 2010). In this context, the legitimacy theory perspective considers profitability to be either positively or negatively related to CSR disclosures (Neu *et al.*, 1998). For instance, profitable organizations disclose more CSR information to legitimize their operations, whereas less profitable entities tend to disclose more information to demonstrate that their business actions add social value. Based on the previous arguments and the mixed results, an a-priori assumption about the relationship between profitability and CSR website disclosures is not made. Thus, the following hypothesis is proposed:

Hypothesis b2 (Hb2): The profitability of banks is related to the CSR disclosures on their websites.

As the number of listed “universal banks” is relatively low in Germany, this study further examines the capital market orientation of banking institutes. In line with the stakeholder theory, a wider array of stakeholders can generate a greater need for information about organizations with capital market orientation. In particular, the issuance of securities (e.g., shares, profit participation certificates, and bearer bonds) results in a higher diffusion of shareholders for capital market-oriented entities, leading to greater informational needs. Similar to other studies (e.g., Branco and Rodrigues, 2008; Hinson *et al.*, 2010; Kiliç, 2016) in which banks’ listings were investigated, it is expected that banks’ capital market orientation has a positive effect on them engaging in CSR activities as well as presenting subsequent website information about such activities. Moreover, capital market-oriented organizations receive more attention from the general public; thus, they are expected to report more CSR information than non-capital market-oriented organizations. Going against the finding provided by Michaelis and Grüning (2018), that no significant relationship exists between capital market-oriented companies and CSR disclosures in a German context, the author follows the preceding reasoning and proposes that:

Hypothesis b3 (Hb3): The capital market orientation of banks is positively related to the CSR disclosures on their websites.

Publicly owned organizations are generally viewed as politically sensitive because their activities are more visible to everyone, and they are expected to conduct their business more conscientiously than non-public entities (Ghazali, 2007). Moreover, corporate CSR

activities can be seen to represent a government whose ambition is to serve business interests, contribute to society's well-being, and protect the environment. Therefore, these organizations are likely to face pressure from their public bodies, namely local municipalities, to disclose more social responsibility-related information because these authorities, which are fundamentally trusted by the public, will need to meet the information expectation of their stakeholders (Muttakin and Subramaniam, 2015). In other words, public-linked organizations use CSR disclosures to legitimize their business activities. Tagesson *et al.* (2009) provide evidence that public ownership is significant in explaining online CSR disclosures and, therefore, the following hypothesis is proposed:

Hypothesis b4 (Hb4): Public ownership of banks is positively related to the CSR disclosures on their websites.

Organizations that receive greater media attention can be associated with higher visibility (Bansal, 2005); thus, they are more likely to be scrutinized by numerous stakeholder groups compared to entities with lower media exposure. The media is essential for disclosing corporate information to external stakeholders (Brown and Deegan, 1998). Furthermore, the media plays a vital role in raising public awareness for organizations' actions; therefore, it impacts public perceptions and could potentially generate a legitimacy gap. Several scholars have confirmed a positive impact of media visibility on CSR disclosures (e.g., Brown and Deegan, 1998; Gamerschlag *et al.*, 2011). Thus, the following hypothesis is proposed:

Hypothesis b5 (Hb5): The media visibility of banks is positively related to the level of CSR disclosures on their websites.

Germany's banking system comprises three pillars—credit banks, savings banks, and cooperative banks—distinguished by their legal form and ownership structure (Behr and Schmidt, 2016); therefore, the generic origin of CSR varies among these three banking categories. Historically, savings banks are legally required to contribute in terms of social dividends (Gardener *et al.*, 1997). A certain proportion of their annual profits is used either to increase their equity or contribute to social and cultural welfare projects (Behr and Schmidt, 2016). Moreover, most savings banks are publicly owned. Based on these characteristics, savings banks presumably engage in more CSR actions and report more on these activities than the other types of banks. Regarding credit banks and cooperative banks, the differences in their business models have blurred in recent decades; nevertheless, their business approaches concerning matters of sustainability remain different (Relano and Paulet, 2012). In essence, cooperative banks emphasize “their legal status

[referring to their membership of cooperative association] and their commitment to the values of social economy” (Relano and Paulet, 2012, p. 380). Accordingly, cooperative banks aim not only to generate an economic surplus, but also to provide added social value. Meanwhile, credit banks are predominantly driven to maximize their profits and capital returns. In line with previous empirical findings (Menassa and Brodhäcker, 2017), it is hypothesized that:

Hypothesis b6 (Hb6): The level of CSR disclosures on websites differs significantly between bank categories.

3.4 CSR in the German banking sector

Sustainability reporting by German companies has long been a voluntary matter, and traditionally they have reported well on matters concerning the environment and employees (Gulenko, 2018). Large banks in Germany began to provide voluntary information about their sustainability initiatives in stand-alone reports and on their websites at the start of the 2000s (Herzig *et al.*, 2012). Although the number of banks that published voluntary information about the environment and social responsibility-related issues has grown since then, comparability of these reports was limited due to the lack of a set of rules. In the aftermath of the GFC at the end of the 2010s, CSR reporting became a crucial political issue. Improved reporting on risk management and sustainability was aimed at restoring the confidence of investors and customers in the markets and the banking industry. In this context, two essential laws have been passed, namely, the German Accounting Standard 20 (GAS 20) and the European Directive 2014/95/EU.

GAS 20 was introduced in 2012 and meant that large and medium-sized banks had to integrate non-financial performance indicators into their group management reports for the first time. The Directive on disclosure of NFI was transposed into German law by the CSR-DIA in 2017. As such, mandatory non-financial disclosures have become consistent and comparable throughout the EU. The CSR-DIA requires entities to prepare a non-financial declaration containing information related to environmental, labor, and social affairs; the upholding of human rights; and the prevention of corruption and bribery. All entities considered either large, capital market-oriented or having an annual average of more than 500 employees must furnish non-financial disclosures, either integrated into the management report or issued as a separate stand-alone report. Out of fewer than 500 entities, more than 190 banks had to prepare non-financial disclosures in 2018 (IÖW, 2019); thus, the banking sector is disproportionately affected by the new legisla-

tion in Germany. In fact, many medium and small banks had to apply the new law based on “comply” or “explain.” Therefore, the CSR-DIA generates pressure on banks and affects their activities, policies, and CSR website disclosures.

3.5 Research design

In this study, the sample encompasses every “universal bank” from the largest 100 banks in terms of total assets in 2019. Specialized banks (e.g., investment banks and mortgage banks) were excluded to obtain homogenous data. Thus, the initial sample comprised 78 banks. To be included in the final sample, these banks had to provide both an accessible, autonomous website for collecting CSR data and an annual report from 2019 for review. No bank was excluded, and therefore, the final sample comprised 78 “universal banks.”

For this study, the 78 websites, as CSR communication channels, were explored using content analysis. This method allows for obtaining empirical, valid, and replicable results because written text is codified into predefined categories based on selected criteria (Krippendorf, 2019). For measuring CSR disclosures on banking websites, categories were drawn from previous studies since they have already systematized CSR into different dimensions (Branco and Rodrigues, 2008; Ernst & Ernst, 1978; Hackston and Milne, 1996; Haniffa and Cooke, 2005). Accordingly, for this study, CSR disclosures were categorized into four dimensions, namely, environment and energy (EETOTAL), human resources (HRTOTAL), customers and products (CPTOTAL), and community involvement (CITOTAL). In total, 43 items of CSR information were identified as the most appropriate for the business environment in Germany. This study analyzed the existence or absence of CSR disclosures on banks’ web pages, where a score of “1” was assigned to a CSR item if it was disclosed on the website, and “0” otherwise. Finally, the level of CSR disclosure for each bank was calculated as follows:

$$CSR = \sum_{j=1}^n \frac{d_j}{n}$$

where $d_j = 1$ if the item is disclosed; 0 if the item j is not disclosed; and n is the number of items. The exploration of banks’ websites consisted of the following steps. First, all tabs on the websites were opened to gather CSR information. Second, search engines on banking websites were used to detect the existence of the following words: “CSR,” “corporate citizenship,” “responsibility,” “sustainability.” Third, neither links to online co-

pies of the CSR/non-financial/sustainability report nor links to third-party press releases, ratings, and so on were followed to gain CSR information. Websites are managed dynamically and updated frequently (Vilar and Simão, 2015); thus, websites of the 78 banks were examined during the third quarter of 2020.

Content analysis is prone to subjectivity; therefore, the coding procedure needs to be reliable. As such, the author and a second coder (an experienced research assistant) performed a pilot test of the coding activity. Based on this, a list of identification and classification rules was defined to supplement the CSR disclosure scheme. Then the author and research assistant carried out the coding for all websites independently. Cohen's Kappa (K) was run, resulting in an overall value of 0.93. A result of 0.80 or above is usually considered a near-perfect level for intercoder reliability (Landis and Koch, 1977). The author and second coder then cross-validated each subjective assessment and solved all discrepancies. Appendix 2 provides the level of agreement and Ks for all items.

3.6 Results

3.6.1 Descriptive statistics and CSR disclosure level

Table 3.1: Descriptive statistics (II)

Variables	Minimum	Maximum	Mean	Std. Deviation
CSRTOTAL	4.65	97.67	54.08	21.60
SIZE	7,268.54	777,081.00	53,945.20	111,419,74
PROFITABILITY	-56.68	22.98	3.15	8.99
ORIENTATION	0.00	1.00	0.28	0.45
OWNERSHIP	0.00	1.00	0.51	0.50
VISIBILITY	0.00	4,378.00	156.49	642.03

Note(s): CSRTOTAL, CSR total disclosure in percent; SIZE, amount of total assets in million Euro (EUR); PROFITABILITY, return on equity in percent; ORIENTATION, capital market orientation; OWNERSHIP, public ownership; VISIBILITY, number of hits according to *Handelsblatt* newspaper. Statistical Product and Service Solutions (SPSS) 26 was used for the statistical analysis.

As Table 3.1 shows, all banks in the sample disclosed some CSR information on their websites. The minimum (4.65%) and maximum (97.67%) values indicate a wide variation in the CSR disclosure level among bank websites in Germany. On average, banks achieved a CSR disclosure rate of 54.08%. The sample encompassed some extremely large

banks (one had approximately 777 bn. EUR in total assets) and some that were much smaller (one had just over 7 bn. EUR in total assets). The average return on equity was 3.15%. Furthermore, 28% of the sample units were classified as capital market-oriented banks, and 51% of the sample units were classified as public-owned. Some banks were highly visible in terms of media attention (4,378 hits), whereas others received no media attention at all (0 hits). Table 3.2 presents the scores for the overall online CSR disclosure level, each CSR dimension and item.

Table 3.2: CSR online disclosures

Category	CSR item	No.	in %
<i>Environment and Energy (EE)</i>			
1 EE	Environmental guidelines, policies, or statements	40	51.28
2 EE	Environmental objectives*	11	14.10
3 EE	General environmental considerations	40	51.28
4 EE	Environmental/energy audit (any reference)	5	6.41
5 EE	Environmental sensitivity in process (waste, products, etc.)	55	70.51
6 EE	Sustainability (any reference)	44	56.41
7 EE	Environmental aesthetics (contribution to landscaping, etc.)	45	57.69
8 EE	Environmental training/awareness-raising for employees	22	28.21
9 EE	Environmental certification (ISO 14001, etc.)	20	25.64
10 EE	Environmental projects with NGOs or governmental institutions	55	70.51
11 EE	Energy conservation*	17	21.79
12 EE	Energy efficiency	27	34.62
13 EE	Use of renewable resources (green energy)	32	41.03
14 EE	Information on waste management	20	25.64
15 EE	Information on greenhouse gas emission (CO ₂)	26	33.33
16 EE	Environmental award	4	5.13
<i>EETOTAL</i>	<i>Average for environment and energy total disclosure</i>		<i>37.10</i>
<i>Human Resources (HR)</i>			
1 HR	Occupational health and safety	60	76.92
2 HR	Encouraging employee diversity (origin, religion, gender, etc.)	33	42.31
3 HR	Employee training and qualification	71	91.03
4 HR	Employee assistance and benefits	63	80.77
5 HR	Employee remuneration	62	79.49
6 HR	Employee profiles (education, period of employment, etc.)	33	42.31
7 HR	Employee satisfaction and feedback	34	43.59
8 HR	Women promotion agenda, program, etc.	26	33.33
9 HR	Relations with professional unions	38	48.72
10 HR	Information regarding family matters (day-care, maternity, paternity, eldercare, etc.)	61	78.21
11 HR	HR awards, audit, or certification	62	79.49
<i>HRTOTAL</i>	<i>Average for human resources total disclosure</i>		<i>63.29</i>

Table 3.2 *continued*

Category	CSR item	No.	in %
<i>Customer and Products (CP)</i>			
1 CP	Explanations of major products and services	76	97.44
2 CP	Information about sustainable products	69	88.46
3 CP	Provision for customer complaints, feedback, satisfaction,	68	87.18
4 CP	Provision for disabled, aged, and special-need customers	38	48.72
5 CP	Information on data security	69	88.46
6 CP	Award for products or services	54	69.23
<i>CPTOTAL</i>	<i>Average for customer and products total disclosure</i>		<i>79.91</i>
<i>Community involvement (CI)</i>			
1 CI	Donations to charitable bodies and community activities	73	93.59
2 CI	Support for students and their education	63	80.77
3 CI	Funding scholarship programs	18	23.08
4 CI	Sponsoring conferences, seminars, workshops, etc.	16	20.51
5 CI	Sponsoring sporting or recreational projects	58	74.36
6 CI	Sponsoring arts, culture, and science	65	83.33
7 CI	Sponsoring health or self-help activities	33	42.31
8 CI	Supporting the local development or governmental campaigns	62	79.49
9 CI	Information on employee volunteering	39	50.00
10 CI	Award for community involvement	7	8.97
<i>CITOTAL</i>	<i>Average for community involvement total disclosure</i>		<i>55.64</i>
<i>CSRTOTAL</i>	<i>Average CSR total disclosure</i>		<i>54.08</i>

Note(s): *Quantitative information was considered only.

As shown in the table, CPTOTAL was the most disclosed CSR dimension on websites, at 79.91%. Almost all banks explained their products and services (97.44%), but information referring to provisions for the disabled, aged, and special-needs customers was the least disclosed (48.72%). HRTOTAL came next at 63.29%, in which banks mostly reported their policies on employee training and qualifications (91.03%). On average, 55.64% of banks disclosed items dealing with CITOTAL. Most banks (93.59%) reported on their donations to charitable bodies or community activities. However, only seven banks (8.97%) disclosed information regarding any award for their community involvement. EETOTAL was by far the least disclosed dimension at 37.10%. Although the majority of banks disclosed their environmental and energy sensitivity concerning their processes and their promotion of environmental projects with NGOs or governmental institutions (both at 70.51%), only four banks reported receiving an environmental award (5.13%).

3.6.2 Correlation and hypotheses testing

Table 3.3 presents the Spearman correlation matrix. A positive association at the 1% significance level between CSR disclosure level and size is observed, with a correlation coefficient of 0.320; capital market orientation, 0.342; and media visibility, 0.375. Therefore, *Hb1*, *Hb3*, and *Hb5* are supported. Further, there is a significant positive correlation of 0.273 ($p < 0.05$) with being a public-owned bank and the degree of online CSR disclosure, which supports *Hb4*. Table 3.3 also indicates a negative but insignificant association between CSR website disclosure level and bank profitability, therefore *Hb2* must be rejected.

Table 3.3: Spearman correlation analysis

	1	2	3	4	5	6	7	8	9	10
1. CSRTOTAL	1									
2. EETOTAL	0.933**	1								
3. HRTOTAL	0.903**	0.771**	1							
4. CPTOTAL	0.576**	0.420**	0.459**	1						
5. CITOTAL	0.750**	0.618**	0.623**	0.519**	1					
6. SIZE	0.320**	0.239**	0.366**	-0.031	0.297**	1				
7. PROFITABILITY	-0.040	-0.029	0.001	-0.173	-0.148	0.008	1			
8. ORIENTATION	0.342**	0.324**	0.391**	-0.062	0.254*	0.725**	0.096	1		
9. OWNERSHIP	0.273*	0.240*	0.186	0.425**	0.361**	-0.298**	-0.236*	-0.244*	1	
10. MEDIA VISIBILITY	0.375**	0.304**	0.504*	0.167	0.314**	0.755**	0.020	0.571**	-0.294**	1

Note(s): CSRTOTAL, CSR total disclosure; EETOTAL, environment and energy total disclosure; HRTOTAL, human resources total disclosure; CPTOTAL, customer and products total disclosure; CITOTAL, community involvement total disclosure; SIZE, amount of total assets; PROFITABILITY, return on equity; ORIENTATION, capital market orientation; OWNERSHIP, public ownership; MEDIA VISIBILITY, number of hits according to *Handelsblatt* newspaper. *, ** Asymptotic significance at the 0.05 and 0.01 levels. SPSS 26 was used for the statistical analysis.

The non-parametric Kruskal-Wallis test was used to determine whether banks' characteristics (bank size, profitability, capital market orientation, public ownership, media visibility, and bank category) have an impact on online CSR disclosure levels. Sample units were grouped accordingly to test the hypotheses.

In this study, bank size was measured by total assets. Thus, sample units were divided into two groups based on size. Table 3.4 shows that the mean ranks for bank size were statistically significant ($p < 0.05$) for both groups, which supports a positive relationship, as predicted in *Hb1*. Further analysis of the CSR dimensions suggests that larger banks report significantly more on both human resource-related issues ($p < 0.01$) and community-related aspects ($p < 0.05$) in comparison to smaller banks.

In light of *Ha2*, banks' profitability was measured by return on equity; thus, sample units were divided into two groups based on profitability. Table 3.4 does not provide evidence of a statistically significant mean difference between these banking groups and, therefore, *Hb2* is not accepted.

The next criterion used to differentiate the sample was capital market orientation. Banks were divided into two groups, those having capital market-orientation (22 banks) and not having capital market-orientation (56 banks). The results show that being capital market-oriented significantly affects the level of online CSR disclosure, thus supporting *Hb3*. Moreover, significant differences ($p < 0.01$) between groups were observed for EETOTAL and HRTOTAL, while a weak significant difference ($p < 0.05$) was shown for CITOTAL.

Regarding banks' ownership, the sample comprised 40 public owned and 38 non-public linked banks. According to the results, public ownership significantly impacts banks' online CSR disclosures; thus, *Hb4* is supported. Furthermore, publicly owned banks report significantly more on EETOTAL ($p < 0.05$), CPTOTAL ($p < 0.01$), and CITOTAL ($p < 0.05$) than non-publicly owned ones.

Table 3.4: Kruskal-Wallis test

	SIZE		PROFITABILITY		ORIENTATION		OWNERSHIP		MEDIA VISIBILITY		CATEGORY			
	>	<	>	<	1	0	1	0	>	<	1	2	3	
	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2
CSR TOTAL	0.46	0.33	0.40	0.39	0.52	0.35	0.46	0.33	0.48	0.31	0.34	0.44	0.34	4.017
EETOTAL	0.44	0.36	0.41	0.38	0.51	0.35	0.45	0.34	0.46	0.33	0.33	0.41	0.37	3.409
HRTOTAL	0.47	0.32	0.40	0.39	0.53	0.34	0.44	0.35	0.48	0.31	0.37	0.42	0.37	0.996
CPTOTAL	0.39	0.40	0.36	0.43	0.38	0.40	0.48	0.30	0.42	0.37	0.28	0.48	0.33	14.300**
CITOTAL	0.45	0.34	0.38	0.41	0.49	0.36	0.49	0.35	0.45	0.34	0.35	0.46	0.27	8.376*

Note(s): CSRTOTAL, CSR total disclosure; EETOTAL, environment and energy total disclosure; HRTOTAL, human resources total disclosure; CPTOTAL, customer and products total disclosure; CITOTAL, level of online community involvement disclosure; SIZE, where ">" is large bank and "<" small bank; PROFITABILITY, where ">" is more profitable and "<" is less profitable; ORIENTATION, where "1" is capital market orientation and "0" otherwise; OWNERSHIP, where "1" is public ownership and "0" otherwise; MEDIA VISIBILITY, where ">" more visible and "<" is less visible; CATEGORY, banks classified into credit banks (1), savings banks (2), and cooperative banks (3). *, ** Asymptotic significance at the 0.05 and 0.01 levels. SPSS 26 was used for the statistical analysis.

Further, banks' media visibility was measured by the number of hits on the online archive of the *Handelsblatt* newspaper.¹¹ The sample was divided into two groups based on the number of hits. Results indicate that banks' media visibility has a significant positive impact on the level of CSR website disclosures, thus, *Hb5* is supported. Among CSR dimensions statistically significant differences between these groups can be observed in EETOTAL ($p < 0.01$), HRTOTAL ($p < 0.01$), and CITOTAL ($p < 0.05$).

In terms of bank categories, the sample was grouped into three groups, namely credit banks (23 institutes), savings banks (41 institutes), and cooperative banks (14 institutes). The results are statistically insignificant, indicating that CSR disclosures on these bank categories' web pages do not differ much. Therefore, *Hb6* must be rejected. However, further analyses revealed statistically significant differences between credit and savings banks for CPTOTAL ($p < 0.01$) and between cooperative and savings banks for CITOTAL ($p < 0.05$) respectively (see Appendix 3).

3.7 Discussion and implications

3.7.1 Discussion of research findings

The results indicate that all sample banks reported some information regarding their CSR practices. Overall, the CSR disclosure level of banking websites in Germany is somewhat low, with a mean of 54.08%. Banks reported on customer and products, human resources, and community involvement more extensively than environment and energy. In fact, the majority of banks did not cover or sparsely covered environmental and energy-related information. Banks' limited environmental activity may be explained as follows. First, banking and financing activity are perceived to have little direct impact on the environment compared to other industrial sectors (Branco and Rodrigues, 2006). Second, banks consider themselves environment-friendly due to their limited emissions and pollution (Jeucken and Bouma, 1999), although banks' awareness of their environmental impact has increased in recent years. Nonetheless, these results indicate that there is room for improvement in EETOTAL.

By confirming *H1*, the findings of this study augment those reported in previous studies (e.g., Branco and Rodrigues, 2006; Kiliç, 2016; Matuszak and Rózańska, 2019). Thus,

¹¹ *Handelsblatt* is a leading German financial and business newspaper that enjoys national coverage. The investigation period for each bank's media visibility was from January 2018 to January 2020.

this finding is consistent with the perception that larger banks, as they have to satisfy the informational needs of more stakeholder groups, are pressurized to provide more information about their CSR initiatives (Siregar and Bachtiar, 2010). Moreover, larger banks show increased efforts to legitimize their business operations aligned with social expectations and focus more on presenting social responsibility-related information in order to manage, sustain or enhance a positive image (Branco and Rodrigues, 2006).

In contrast to previous studies (Brammer and Pavelin, 2008; Khalil and O'sullivan, 2017; Tagesson *et al.*, 2009), the level of CSR disclosure on websites is insignificantly associated with bank profitability. Therefore, this study contributes to the assumption that a direct linear relationship between CSR disclosures and profitability is not possible because variables intervene in the link between social and financial performance (Waddock and Graves, 1997). It can be further argued that banks' web-based CSR disclosures are driven by social legitimacy (public pressure) rather than economic legitimacy (economic pressure) (Patten, 1991).

Consistent with the stakeholder and legitimacy theories, results indicate that capital market-oriented banks are more visible and deal with higher expectations to disclose more information about their CSR activities than other banks (Hinson *et al.*, 2010). Therefore, this finding extends the knowledge from previous studies in which significant associations between online CSR reporting and banks' listing were demonstrated (Branco and Rodrigues, 2006; Kiliç, 2016; Matuszak and Różańska, 2019).

Public ownership reflects indirect ownership by the public authorities (Ghazali, 2007); results show that public-linked banks undertake more CSR activities and disclose a significant amount of information on their websites, especially to products, customers, and community, to legitimize their existence. Thus, this study is in line with previous research findings (e.g., Ghazali, 2007; Tagesson *et al.*, 2009). Furthermore, results indicate that public ownership is also significant in explaining banks' web page disclosures on environment and energy. This finding is expected because public-linked organizations in Germany are pressured to report on environmental matters.

Moreover, results support the hypothesis that greater media visibility moderates the amount of CSR disclosures (Branco and Rodrigues, 2006; Brown and Deegan, 1998). Higher media exposure may evoke stakeholders' scrutiny, thus threatening a bank's legitimacy if a gap between its activities and societal expectations arises. In addition, the fact that banks with high media visibility present more information about environmental issues on their websites is a response to the general focus of the media towards envi-

ronmentally relevant topics in recent years.

In contrast to the findings of Menassa and Brodhäcker (2017), bank type had no impact on overall CSR website disclosures in this study. Therefore, it may be derived that CSR engagement and reporting have become present among all bank types in Germany. The observed variation in CPTOTAL between credit and savings banks may be attributed to their different business models. For instance, savings banks are obliged to provide banking services to anyone regardless of their personal circumstances (e.g., income, age, nationality), whereas credit banks are not legally required to do so. However, the difference in CITOTAL between cooperative and savings banks is somewhat surprising. In fact, the core values of these two bank categories are much more alike when it comes to their community engagement compared to credit banks.

3.7.2 Theoretical and practical implications

This study makes several contributions in terms of banks' CSR website disclosures, which also function as prominent communication tools. First, this study's findings reveal that the CSR information that banks disclose most (least) relates to customers and products (environment and energy), as suggested by Kiliç (2016). Second, the present research findings expand existing knowledge by affirming that size and capital market orientation moderate online CSR reporting of banks, whereas bank profitability is insignificant (e.g., Branco and Rodrigues, 2006; Chakroun *et al.*, 2017; Khalil and O'sullivan, 2017; Kiliç, 2016; Matuszak and Rózańska, 2019). Third, this study investigates and verifies factors (public ownership and media visibility) that have not been previously tested in the field of banks' CSR website disclosures, thereby advancing the generalizability of findings from prior studies (e.g., Gamerschlag *et al.*, 2011; Ghazali, 2007). Fourth, the current research enhances our understanding of online CSR disclosures among different types of banks and how these social responsibility-related reporting activities differ in a developed country context. Therefore, this study adds to the scant literature that compares CSR disclosures between more than two bank types (e.g., Menassa and Brodhäcker, 2017). Future analyses may examine other developed countries from the EU that have a comparable banking industry (e.g., Austria, Italy, and Spain).

Considering the increasing competition in the banking industry, academia may offer practitioner tools to identify opportunities and tackle issues. This study identified three key CSR dimensions of banks (e.g., EETOTAL, HRTOTAL, and CITOTAL) that should receive more detailed reporting on websites, creating a stronger customer awareness

(Kotler, 2017). Thus, web-based CSR disclosures could differentiate one bank compared to other “universal banks” to obtain a competitive advantage. Moreover, results show that cooperative banks, which habitually have a clear orientation towards generating added value for society, should disclose more information about their social commitment activities. This would help to emphasize on the core values of this banking group. Finally, in the backdrop of ongoing digital transformation and the emergence of new technologies, banks should consider aspects of CSR that go beyond business and marketing. For example, practitioners may incorporate a digital dimension to the traditional concept of CSR (environment, society, economy) and web page reporting. This could include data ethics (data protection, data security, algorithm control), the future of work, digital education, customer sovereignty, or participation and sustainability in a digital economy (Lobschat *et al.*, 2021). Corporate digital responsibility will become more and more relevant for banks, as the government of Germany emphasizes the creation of guidelines, framework, and principles in this respect (Federal Ministry of Justice and Consumer Protection, 2018).

3.8 Conclusion

This study contributes to the growing body of research on banks’ CSR website disclosures and how internal and external determinants (i.e., bank size, profitability, capital market orientation, public-ownership, media visibility, and category) are significant in explaining the extent of CSR disclosures. While the results are based on examining the characteristics of the German banking industry, this study presents practical implications and suggestions to expand the knowledge about CSR information for the future.

Despite the theoretical and managerial contributions, this study has a few limitations that offer avenues for future research. First, the sample used in this study comprised banks in Germany; thus, the present findings may have limited generalizability. Future studies should replicate the findings in the banking sector of other countries. Second, this study focuses on banks’ CSR website disclosures as operationalized by whether CSR information is reported. Future research could examine not only the existence but also the quality of CSR disclosures on banking websites. Third, these research findings are specific to one service industry, namely, the banking industry. Future studies should aim to clarify the determinants of web-based CSR reporting beyond the banking industry. Therefore, the author recommends exploring CSR website disclosures of all kinds of financial services, such as banks, insurances, pension mutual funds, and so on. CSR

communication strategies as well as disclosures related to the digital sphere of CSR might also be examined in future studies.

Chapter 4

CSR communication via social media sites (SMSs): Evidence from the German banking industry

4.1 Introduction

Although a unified definition does not yet exist, CSR broadly refers to voluntary business actions designed to improve social or environmental conditions (Mackey *et al.*, 2007). Consumers and other stakeholders expect organizations to conduct their business in an ethical and sustainable manner (Du *et al.*, 2013). Therefore, effective CSR communication can enhance company-stakeholder relationships and facilitate stakeholder relationship management (Bhattacharya *et al.*, 2009).

Companies use a variety of communication channels to disseminate CSR information including annual reports, CSR reports, corporate websites, advertising, billboards, press releases, and others. Recently, SMSs have transformed corporate communication practices, allowing for a new model of communication and interaction to emerge between an organization and its stakeholders (Capriotti, 2011; Etter and Fieseler, 2010). By leveraging SMSs, corporations can facilitate two-way symmetrical communication (Etter, 2014), and, in turn, create meaningful interactions with stakeholders (Etter, 2013), strengthen relationships with them, and garner public confidence and support (Fieseler and Fleck, 2013). Hence, SMSs have revolutionized how corporations communicate and interact with stakeholders. Today, stakeholders can gather CSR information and engage with organizations via a channel, namely SMSs, that did not exist two decades ago (Colleoni, 2013).

Research on banking organizations' communication of CSR-related information has primarily examined CSR disclosures through traditional communication channels such as annual or sustainability reports (e.g., Branco and Rodrigues, 2008; Jain *et al.*, 2015; Krasodomska, 2015) and through modern channels such as corporate websites (e.g., Hinson *et al.*, 2010; Kiliç, 2016; Schröder, 2021). Other communication platforms (e.g., advertising) have rarely been analyzed (e.g., Ferreira and Mattoso, 2016; Scharf and

Fernandes, 2013). Moreover, the literature has paid little attention to CSR communication via SMSs in the banking industry (e.g., Gómez-Carrasco *et al.*, 2021; Ozdora-Aksak and Atakan-Duman, 2015; Steenkamp and Rensburg, 2019). In Ozdora-Aksak and Atakan-Duman's (2015) study of how Turkish banks construct corporate identities by communicating CSR, they found that banks utilized SMSs to express their commitment to society and strengthen their corporate identities. In Steenkamp and Rensburg's (2019) examination of how a South African bank using CSR messages to engage with social media users, they found that the bank incorporated narrative strategies into messages to promote CSR activities and special events. Gómez-Carrasco *et al.* (2021) analyzed Spanish banks' communication practices on Twitter and found that key issues mentioned on Twitter differed noticeably from those mentioned in the banks' CSR reports. Despite these few studies, CSR communication via SMSs in the banking industry remains under-researched.

This study selected to examine the German banking sector, because Germany is considered a pioneer in environmental protection and social reform (Preu and Richardson, 2011), which suggests that banks in Germany may communicate CSR information via SMSs. However, various studies have shown that banks are rarely perceived, if at all, as engaging in CSR initiatives and that CSR aspects have rarely been integrated into banking business models (Bankenverband, 2015; Meier *et al.*, 2017). Given this context, this study aims to fill this gap by investigating whether and how banks in Germany communicate CSR initiatives via SMSs (e.g., Facebook and Twitter), and how that communication affects both the direction and balance of communication between banks and their stakeholders.

The remainder of this study is structured as follows. The next section (4.2) introduces the theoretical background that inspired this empirical research, followed by the research questions in Section 4.3. Section 4.4 describes the research design, followed by the results in Section 4.5. Section 4.6 discusses the results and outlines implications for theory and practice. The paper ends with concluding remarks, including a description of the study's limitations and suggestions for future research (Section 4.7).

4.2 Theoretical background

4.2.1 CSR communication and the importance of stakeholders

This study is grounded in stakeholder theory. From this perspective, CSR communication is defined “as a process of anticipating stakeholders’ expectations, articulation of CSR policy and managing of different organization communication tools designed to provide true and transparent information about a company’s or a brand’s integration of its business operations, social and environmental concerns, and interactions with stakeholders” (Podnar, 2008, p. 75). The above stated quote describes CSR and what it entails, defines CSR communication, and establishes a link between social responsibility-related communication and stakeholders.

Stakeholder theory posits that companies must focus not only on the interests of their shareholders, but also on those of interest groups that have a stake in companies (Freeman, 1984; Mitchell *et al.*, 1997). Stakeholders can be a diverse group; scholars have identified borrowers, depositors, managers, shareholders, and regulators as key stakeholders within the banking sector (Branco and Rodrigues, 2008; Khan, 2010). Companies should initiate CSR activities to meet stakeholders’ expectations and foster engagement by communicating about these activities (Brønn and Vrioni, 2001; Crane, Matten, *et al.*, 2008). In this sense, CSR communication is indispensable for maintaining the commitment of salient stakeholders (Devin and Lane, 2014).

Prior to communicating on CSR activities, companies should measure their effectiveness. Thereafter, companies should communicate correct, relevant, credible, and transparent information about these activities (Crane and Glozer, 2016; McWilliams and Siegel, 2001). Successful CSR communication can foster greater consumer awareness, build brand equity, and engender stakeholder advocacy (Morsing and Schultz, 2006; Oberseder *et al.*, 2011). To achieve such benefits, however, companies must strategically communicate CSR-related information (Morsing and Schultz, 2006).

Although many companies conduct activities in an ethical and socially responsible manner, most fail to adequately communicate the same (Lewis, 2003). When stakeholders are critical of companies’ intention to conduct CSR activities, communication regarding such activities can become challenging for companies (Farooq *et al.*, 2013). Companies’ unethical practices (e.g., green-washing, and deviations between a company’s CSR communication and business practices) can undermine the core principles of CSR and are examples of irresponsible behavior. Such misconducts can negatively impact consu-

mer awareness, corporate reputation, and stakeholder advocacy (Pope and Wæraas, 2016; Wagner *et al.*, 2009).

4.2.2 CSR communication strategies

Among the myriad of CSR research efforts, scholars have recently begun to explore CSR communication strategies. Using stakeholder theory and Grunig and Hunt's (1984) conceptualization of public relations, Morsing and Schultz (2006) developed three CSR communication strategies that describe various levels of stakeholder engagement: information, response, and involvement.¹² Based on these CSR communication strategies, Morsing (2006a) proposed a simple communication model composed of two strategies: the informing strategy and the interacting strategy.

The informing CSR communication strategy strives to provide coherent messages to enhance corporate visibility and strengthen trustworthy relationships (Morsing, 2006a). To receive these benefits, corporations must achieve one of the following in their corporate CSR messages: (a) demonstrate that CSR is a shared concern between the corporation and general public, (b) present CSR activities as integrated into the corporation's core business, (c) present visible evidence of organizational support for corporate CSR activities, and (d) disclose CSR results (Morsing, 2006a). All four CSR objectives should be identified internally and communicated externally; however, with this strategy, corporations generally do not expect feedback from the public (Grunig and Hunt, 1984; Morsing, 2006a; Morsing and Schultz, 2006).

Meanwhile, the interacting CSR communication strategy emphasizes corporate CSR activities that are developed to engage external stakeholders. To foster such public engagement, interacting messages must touch upon the following: (a) social partnerships with opinion leaders (i.e., universities, NGOs, and political parties) or non-profit organizations, (b) local articulation, which relates to corporations engaging with communities in external public forums to promote open communication, and (c) pro-active external endorsements of the corporate CSR initiatives (Morsing, 2006a).

Both CSR communication strategies are in line with the public relations model of one-way and two-way communication (Grunig and Hunt, 1984). The informing CSR communication strategy can be characterized as one-way communication, as it involves chan-

¹² The press agency model (publicity model) was also proposed as a public relation practice. However, this model is not ideally suited for CSR communication, because it does not include ethical and transparent components of communication (Morsing and Schultz, 2006).

neling CSR messages from organizations to the public. Organizations prefer to use this communication approach to “give sense” to the general public (Gioia and Chittipeddi, 1991; Morsing and Schultz, 2006). By contrast, the interacting CSR communication strategy intends to promote two-way communication between organizations and their stakeholders.

Communication researchers have also focused on the balance of communication models (asymmetrical vs. symmetrical). Both asymmetrical and symmetrical models employ two-way communication because communication flows to and from the public (Grunig and Hunt, 1984). A two-way asymmetrical model assumes imbalanced communication between an organization and its stakeholders, where public feedback enters the process but remains widely unanswered (Grunig and Hunt, 1984; Waters and Williams, 2011). By contrast, a two-way symmetrical model promotes continuous dialogues between an organization and its stakeholders to achieve mutual understanding (Morsing and Schultz, 2006).

Although scholars have suggested that corporations should utilize bidirectional communication strategies (Capriotti, 2011; Capriotti and Moreno, 2007; Morsing and Schultz, 2006), empirical studies have shown that most corporations have not yet transitioned from one-way to two-way communication (e.g., Ajayi and Mmutle, 2020; Cho *et al.*, 2017).

4.2.3 On the nature of SMSs

A variety of communication channels co-exist through which companies can share information (Du *et al.*, 2010). For example, SMSs can be used as a communication channel to disseminate CSR information and engage with stakeholders (Colleoni, 2013).

By design, SMSs incorporate Internet-based applications that enable interaction among users, who can then generate, share, and transform content, opinions, insights, perspectives, and media (Kaplan and Haenlein, 2010). SMSs have reshaped corporations’ public identities and modes of communication. For instance, SMSs enable instant and personalized communication with almost no gate-keeping mechanisms between organizations and social media users (Capriotti, 2011; Carr and Hayes, 2015; Fieseler *et al.*, 2010; Schultz *et al.*, 2011). This has allowed for less formal and less controlled communication. SMSs also provide an opportunity for two-way communication between organizations and stakeholders, whereas traditional media (e.g., annual reports, CSR reports, billboards, advertisements, press releases, and so on) tend to be one-directional

communication tools (Grunig, 2009; Mangold and Faulds, 2009). Thus, organizations can use SMSs to manage, maintain, and repair stakeholder-company relationships as well as foster stakeholder engagement (Lee *et al.*, 2013).

Although different SMSs (e.g., Facebook, Twitter, YouTube, LinkedIn, and Instagram) have emerged in recent years, this study focuses on one social network site (Facebook) and one microblogging site (Twitter). There are two primary reasons for selecting these SMSs. First, Facebook and Twitter are used by many banks in Germany; second, these platforms allow for a high level of stakeholder engagement and, therefore, are considered highly symmetrical (Go and You, 2016; Schmidt, 2011).

Social network sites allow users to create public or semi-public profiles to connect with others and share content (Boyd and Ellison, 2008). Essentially, social network sites serve as virtual meeting spaces for users, where interactions and relationships are facilitated. With approximately 32 million active users in Germany, Facebook was the most popular social network site in 2019 (Statista, 2020a). Facebook users have the opportunity to connect with an organization by “liking” its corporate profile. Thereafter, users receive the organization’s posts in their feeds and can respond to these posts by liking, commenting on, or sharing them with other users on Facebook (Shin *et al.*, 2015). Therefore, Facebook presents a communication tool for corporations to engage with stakeholders by establishing connections, sharing information, and creating opportunities for two-way communication (Lillqvist and Louhiala-Salminen, 2014; Men and Tsai, 2011).

With approximately 1.4 million users per day, Twitter is the most popular microblogging site in Germany (Statista, 2020b). Twitter provides a social media platform that enables users to disseminate short, text-based messages limited to a certain number of characters [2].¹³ Thus, corporate Twitter accounts are generally used to share (“tweet”) worthwhile bits of information with followers. Similar to Facebook, followers are also able to like or “retweet” a corporate message, as well as comment on it. In this context, Twitter enables two-way communication between organizations and their stakeholders (Kwon and Sung, 2011; Rybalko and Seltzer, 2010), and it is viewed as a beneficial tool for CSR communication.

While both Facebook and Twitter can foster stakeholder engagement, their distinct tools (Like, Share/Retweet, and Comment) represent different levels of engagement between

¹³ The maximum length of a tweet was increased to 280 Unicode characters (previously 140) in November 2017.

an organization and its stakeholders (Cho *et al.*, 2014). The “Like” button represents a low level of engagement because users express their like, enjoyment, or agreement with certain messages without any extra effort (e.g., verbal expression). As a medium level of engagement, users can share/retweet organizational messages and even express their own opinions to their friends/followers. Leaving a comment is considered the highest level of engagement, as it allows users to directly engage with an organization by responding to organizational messages. The remainder of this paper will refer exclusively to the highest level of stakeholder engagement via SMSs: users’ comments on organizational CSR messages.

4.3 Development of research questions

Based on the presented theoretical background, the following research question is addressed to investigate banks’ CSR communication via SMSs:

Research Question a1 (RQa1): How many banks communicate CSR-related information via SMSs?

In light of the increasing popularity and importance of CSR communication, there is a particular interest in examining the frequency of CSR messages released by banks. The themes in banks’ CSR messages are also of interest. Therefore, the following research questions are formulated:

Research Question a2 (RQa2): How often do banks communicate CSR information?

Research question a3 (RQa3): Which themes do banks emphasize in their CSR messages?

Despite organizational awareness, banks in Germany appear to lack a clear-cut strategy and pragmatic framework for communicating CSR information via SMSs. Thus, the following research question arises:

Research question a4 (RQa4): How do banks use communication strategies in their CSR messages?

By strategically communicating CSR initiatives, companies can theoretically enhance stakeholder engagement levels. Thus, this study aims to explore the levels of stakeholder engagement and communication balance. The following research questions are developed and examined:

Research question a5.1 (RQa5.1): What is the level of one-way/two-way communication encouraged by banks' CSR messages?

Research question a5.2 (RQa5.2): What is the level of two-way (a)symmetrical communication encouraged by banks' CSR messages?

4.4 Research design

4.4.1 Sample and sampling procedure

The sample included all “full-service-banks” (e.g., credit, savings, and cooperative banks) among the 100 largest banks operating in Germany in 2019, which resulted in 78 banks.¹⁴ Sampled banks were screened if they had a labeled corporate account on Facebook and Twitter, and if they published at least one message. Multiple steps were taken to identify banks profiles on SMSs. First, bank websites were scanned to detect prominent links to their official profiles on Facebook and Twitter. Second, if searching on corporate websites was unsuccessful, search engines on Facebook or Twitter were used to find banking profiles. Third, for banks whose profiles could not be detected using the first two methods, popular search engines (e.g., Google, Yahoo, and Bing!) were used to find profiles from sampled banking organizations. For banks with multiple accounts on a SMS, the most active one in German (for reasons of comparability) was used for further analysis. Each identified social media profile was then screened to ensure that the bank released at least one message during the period under review. Thus, the unit of data collection was a post on Facebook and a tweet on Twitter.

As most CSR research is predominantly cross-sectional and short term (Aguinis and Glavas, 2012), this study takes a unique approach and examines banks' CSR messages via SMSs over a five-year period (2015–2019). To ensure uniform sampling, only social media messages released in either July or August were considered. This criterion was based on the fact that no general holidays (e.g., Christmas and Easter) or national bank holidays fall during these months. A total of 8,246 Facebook posts and 8,707 tweets were collected and analyzed.

¹⁴ A “full-service-bank” offers services (e.g., consumer credit, mortgage financing, commercial lending, trust services, fund transfers, securities) both to retail customers, such as individuals or small businesses, and to large corporations and institutions.

4.4.2 Data analysis and coding method

To address the preceding research questions, all text from the posts and tweets were captured in an Excel spreadsheet, and quantitative content analysis was conducted to analyze textual data. Through content analysis, written text is codified into predefined categories based on selected criteria, which ensures empirical, valid, and replicable results (Krippendorff, 2019). Then, frequencies were calculated to address each research question.

GRI standards were adopted to categorize messages into one of the following CSR themes: (1) economic, (2) environmental, (3) labor practices, (4) human rights, (5) society, and (6) product responsibility (Global Reporting Initiative, 2019). Messages related to CSR reports/publications, CSR achievements/awards, or any other CSR issue that did not explicitly fit into the GRI themes were classified as (7) “other CSR topic.” Posts and tweets that were not assigned to one of these seven categories were coded as a “non-CSR message.”

Morsing’s (2006a) informing and interacting CSR communication strategies were adopted to identify how banks strategically communicated CSR information via SMSs. Messages were coded as “informing” if they contained one of these core elements: (a) they expressed CSR as a core concern of the bank, (b) they integrated CSR activities into the bank’s business, (c) they supported CSR activities implemented by the bank, or (d) they presented objective CSR results. Social media messages were coded as “interacting” if they contained (a) a commitment to social partnerships with opinion leaders (e.g., NGOs, universities, political parties), (b) information on the bank’s engagement with local communities, or (c) a request for pro-active endorsement by external stakeholders.

This study further examined the level of stakeholder engagement in banks’ CSR messages by analyzing the comment section of every message. More precisely, banks’ CSR messages that elicited a comment by a social media user were coded as “two-way communication,” and otherwise were considered “one-way communication.” Furthermore, such messages that elicited a comment by a social media user (“two-way communication”) but lacked a bank response were categorized as “two-way asymmetrical communication,” while those coded as “two-way communication” and received an adequate comment/response from the bank were coded as “two-way symmetrical communication.” Notably, any comment that was unrelated to the bank’s initial CSR message was not considered for analysis.

Since content analysis is prone to subjectivity, the coding procedure must be reliable. To ensure reliability, a list of classification and identification rules was defined during a pilot test. Two trained coders – academicians familiar with content analysis – assessed the coding’s reliability by randomly selecting 20 % of messages from the total sample. Krippendorff’s alpha index (α) was measured, resulting in an overall reliability coefficient of +0.937 α . Given Krippendorff’s α theoretical range between 1.00 (perfect agreement) and 0.00 (perfect disagreement), the result of +0.937 shows a considerably high rate of agreement (Hayes and Krippendorff, 2007).

4.5 Results

4.5.1 Number of banks with/without CSR messages via SMSs

Table 4.1 shows banks’ communication activities via SMSs. Results indicate that the number of banks releasing at least one CSR message on both SMSs increased slightly over the years. When only one of the SMSs was used, it tended to be Facebook, suggesting that banking institutes generally preferred Facebook over Twitter to communicate CSR-related information. Additionally, the number of banks present on SMSs that did not release any CSR message fluctuated over the years, while the number of banks lacking any presence on SMSs decreased considerably over time.

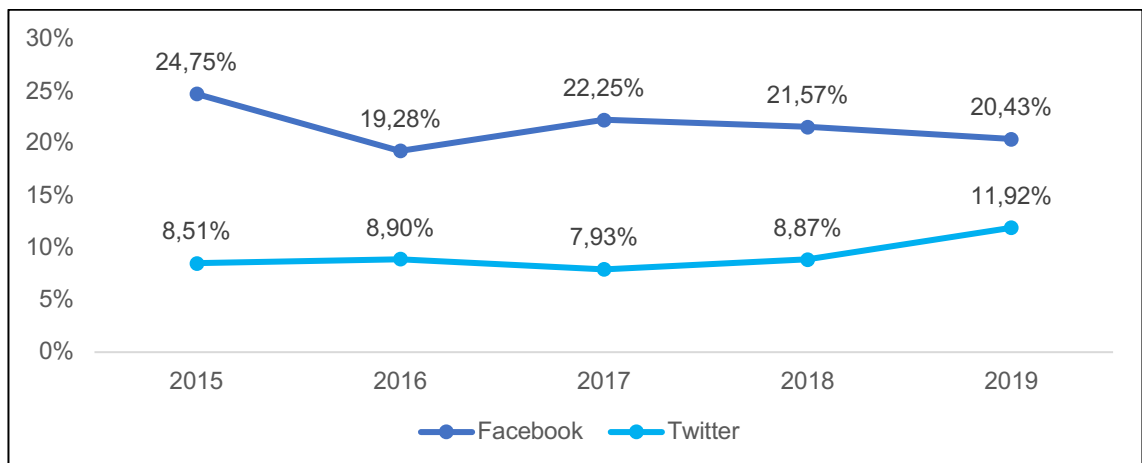
Table 4.1: Number of banks with/without released CSR messages via SMSs

	2015	2016	2017	2018	2019
<i>Number of banks with released CSR messages</i>					
No. of banks with CSR messages on Facebook only	22	20	18	19	24
No. of banks with CSR messages on Twitter only	3	3	3	5	6
No. of banks with CSR messages both Facebook and Twitter	20	22	23	24	25
Total no. of banks with released CSR messages	45	45	44	48	55
<i>Number of Banks without released CSR messages</i>					
No. of banks with a presence on Facebook but no CSR message	3	1	5	6	2
No. of banks with a presence on Twitter but no CSR message	4	7	10	7	9
No. of banks with a presence on either Facebook or Twitter but no CSR message	0	0	0	1	0
No. of banks without any presence on neither Facebook nor Twitter	26	25	19	16	12
Total no. of banks without any released CSR messages	33	33	34	30	23
Grand total	78	78	78	78	78

4.5.2 Frequency of CSR messages via SMSs

Figure 4.1 shows the frequency of CSR messages in relation to the total number of messages released by banks over the five-year research span. On Facebook, almost one in four messages from banks was related to CSR (24.75%) in 2015, while the frequency of such messages was slightly lower in the following years. On Twitter, the frequency of CSR messages gradually increased between 2015 and 2019 (except in 2017). Nonetheless, the frequency of CSR messages on Twitter was always lower than that on Facebook. In fact, banks communicated CSR information more than twice as often on Facebook (21.53% or 1,775 CSR posts out of 8,246 total posts) than on Twitter (9.17% or 798 CSR tweets out of 8,707 total tweets).

Figure 4.1: CSR messages to total number of messages on SMSs



4.5.3 Themes emphasized in CSR messages via SMSs

As shown in Table 4.2 banks' CSR messages most often related to the theme of "society" for each year. Messages referring to "labor practices" ranked second on both SMSs overall. CSR tweets that referred to "other CSR topic" were also released relatively frequently throughout the years. Furthermore, messages that referred to "economic," "environmental," "product responsibility," or "other CSR topic" (on Facebook) were less frequently released between 2015 and 2019. The theme of "human rights" was the least popular topic in CSR messages, with no bank referring to it.

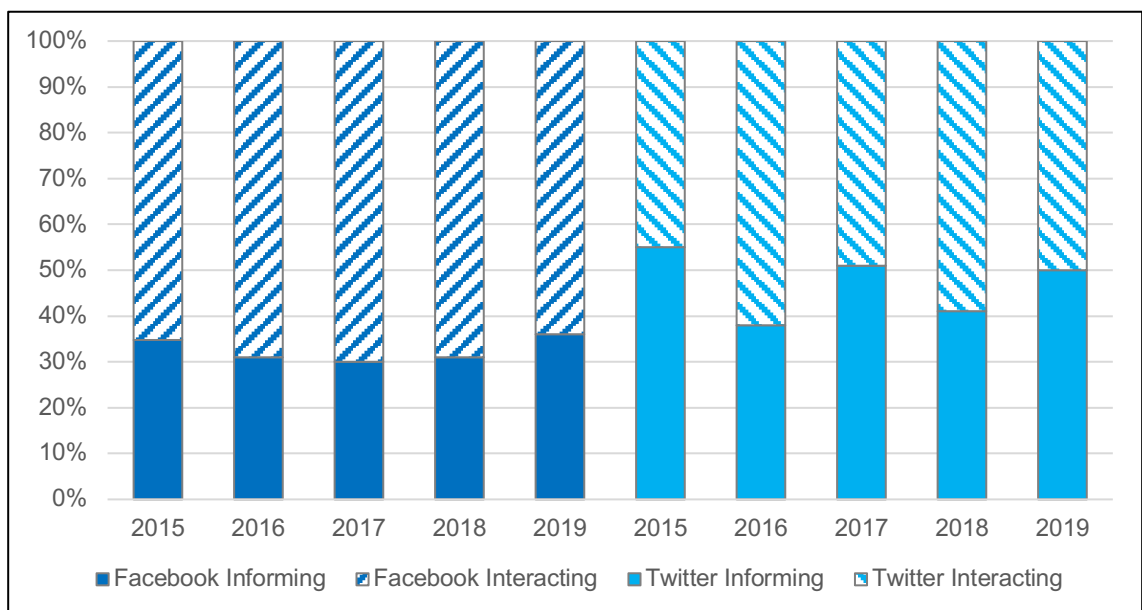
Table 4.2: Themes emphasized in CSR messages via SMSs

CSR themes	2015		2016		2017		2018		2019		Total	
	n	%	n	%	n	%	n	%	n	%	n	%
<u>Facebook</u>												
(1) Economic	4	1.10	2	0.65	4	1.27	2	0.55	5	1.17	17	0.96
(2) Environmental	9	2.47	6	1.96	13	4.14	22	6.08	25	5.85	75	4.23
(3) Labor practices	67	18.36	61	19.93	53	16.88	57	15.75	84	19.67	322	18.14
(5) Human rights	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
(6) Society	250	68.49	218	71.24	224	71.34	259	71.55	283	66.28	1,234	69.56
(7) Product responsibility	19	5.21	6	1.96	5	1.59	6	1.66	6	1.41	42	2.37
(8) Other CSR topics	16	4.38	13	4.25	15	4.78	16	4.42	24	5.62	84	4.74
Total	365	100	306	100.00	314	100.00	362	100.00	427	100.00	1,774	100.00
<u>Twitter</u>												
(1) Economic	8	4.91	9	5.59	11	8.66	15	9.20	12	6.52	55	6.89
(2) Environmental	15	9.20	9	5.59	6	4.72	10	6.13	15	8.15	55	6.89
(3) Labor practices	33	20.25	28	17.39	23	18.11	23	14.11	29	15.76	136	17.04
(4) Human rights	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
(5) Society	78	47.85	93	57.76	62	48.82	90	55.21	95	51.63	418	52.38
(6) Product responsibility	16	9.82	1	0.62	3	2.36	5	3.07	9	4.89	34	4.26
(7) Other CSR topics	13	7.89	21	13.04	22	17.32	20	12.27	24	13.04	100	12.53
Total	163	100.00	161	100.00	127	100.00	163	100.00	184	100.00	798	100.00

4.5.4 CSR communication strategies used in CSR messages via SMSs

This study's results suggest that banks in Germany used Facebook and Twitter differently over time to strategically communicate their CSR information (see Figure 4.2). While banking organizations preferred the interacting CSR communication strategy over the informing one on Facebook, they used both CSR communication strategies in a reasonably balanced way on Twitter.

Figure 4.2: CSR communication strategies used by banks in Germany



Of 1,774 CSR posts on Facebook, 585 (32.98%) utilized the informing CSR communication strategy and 1,189 (67.02%) adopted the interacting one. Of Facebook posts using the informing CSR communication strategy, 375 (64.10%) linked CSR with the bank's core business, 115 reported actual CSR results (19.66%), and 57 demonstrated organizational support (9.74%). Banks posted 38 (6.50%) messages on Facebook expressing that CSR was a concern for the business. Among Facebook posts using the interacting CSR communication strategy, 1,034 (86.96%) announced the bank's engagement with communities, 93 (7.82%) included an external endorsement, and 62 (5.21%) described the bank's social partnerships.

Regarding 798 CSR messages on Twitter, 375 (46.99%) utilized the informing CSR communication strategy, while 423 (53.01%) adopted the interacting CSR communication strategy. More specifically, of the tweets using the informing strategy 186 (49.60%) messages referred to the outcome of CSR activities, 127 (33.87%) linked CSR to the bank's

core business, 33 (8.80%) provided evidence of organizational support, and 29 (7.73%) indicated that CSR was a concern of the bank. Regarding tweets using the interacting strategy, 351 (82.98%) reflected the bank's engagement with communities, 56 (13.24%) contained information on the bank's partnerships with community leaders and non-profit organizations, while 16 (3.78%) announced third-party endorsements of the bank's CSR activities. Appendix 4 shows that the category frequencies related to both the informing and interacting CSR communication strategies were almost similar on both SMSs during the investigation period.

4.5.4.1 Level of one-way and two-way communication

Table 4.3 reveals that stakeholders engaged with banks' CSR messages on both Facebook and Twitter. Overall, 32.5% (577 out of 1,774 posts) of banks' CSR Facebook posts elicited comments by social media users. By contrast, 11.0% (88 out of 798 tweets) of banks' CSR tweets elicited stakeholder engagement. Findings also show that every year, the absolute and relative frequencies of two-way communication were considerably higher on Facebook than on Twitter, while stakeholder engagement on Twitter increased notably in recent years. Nonetheless, the majority of banks' CSR messages were coded as one-way communication.

Table 4.3: Direction and balance of CSR communication via SMSs

Direction and balance of CSR communication	2015		2016		2017		2018		2019		Total	
	n	%	n	%	n	%	n	%	n	%	n	%
<u>Facebook</u>												
One-way communication	246	67.40	211	68.95	210	66.88	240	66.30	290	67.92	1,197	67.47
Two-way communication	119	32.60	95	31.05	104	33.12	122	33.70	137	32.08	577	32.53
Asymmetrical two-way communication	79	66.39	56	58.95	65	62.50	75	61.48	90	65.69	365	63.26
Symmetrical two-way communication	40	33.61	39	41.05	39	37.50	47	38.52	47	34.31	212	36.74
<u>Twitter</u>												
One-way communication	155	95.09	152	94.41	112	88.19	145	88.96	146	79.35	710	88.97
Two-way communication	8	4.91	9	5.59	15	11.81	18	11.04	38	20.65	88	11.03
Asymmetrical two-way communication	6	75.00	4	44.44	13	86.67	11	61.11	28	73.68	62	70.45
Symmetrical two-way communication	2	25.00	5	55.56	2	13.33	7	38.89	10	26.32	26	29.55

4.5.4.2 Level of two-way (a)symmetrical communication

Regarding two-way symmetrical communication, banks made some efforts to enter dialogic messaging (see Table 4.3). On Facebook, banking organizations replied to comments by other social media users in 212 of 577 cases (36.74%). By contrast, banks replied to 26 of 88 (29.55%) social media user comments on CSR tweets. While the volume and frequency of two-way symmetrical communication differed between Facebook and Twitter, the levels of symmetry were somewhat volatile on both SMSs over time. Meanwhile, the level of two-way asymmetrical communication was higher on both SMSs compared to the level of symmetrical ones during the research period.

4.6 Discussion and implications

4.6.1 Discussion of research findings

First, results show that banks extended both their presence and activity on SMSs over time. This finding supports the general assumption that banks' communication teams have become more aware that communicating via SMSs can enhance customer experiences and satisfy stakeholder needs for information and engagement (Das, 2008; Proença *et al.*, 2010). Findings also indicate that the number of banks releasing at least one CSR message increased during the sample period. Therefore, it can be assumed that banking organizations increasingly consider SMSs as corporate communication channels through which they can disseminate their CSR agendas.

Second, this study shows that the majority of banks' social media messages referred to non-CSR information. This is in line with previous studies (e.g., Cho *et al.*, 2017; Cortado and Chalmeta, 2016; Etter, 2014; Fieseler *et al.*, 2010; Kim *et al.*, 2014). Results further indicate that banks in Germany communicated CSR-related information more frequently via Facebook than Twitter, which is consistent with the literature (e.g., Cortado and Chalmeta, 2016; Pavlíček and Doucek, 2015). This may be due to the different functionalities of these two particular SMSs. Facebook's underlying premise (connect, share, and interact) is theoretically more in line with CSR communication. Furthermore, organizations using Twitter must repeatedly generate content to ensure that their followers see the latest message (Evans *et al.*, 2011), because Twitter operates like a continuous news feed, with a high number of messages (Kwak *et al.*, 2010). As a result, CSR messages appear less frequently in relation to the total number of messages on a Twitter feed. The character limit per tweet could also affect the frequency of CSR messages, as banks are

less able to convey complex and sophisticated messages (e.g., CSR information) via Twitter than Facebook. Thus, CSR messages were communicated less frequently on Twitter than on Facebook. Notably, CSR tweets have increased in recent years, which may be caused by the increase in character limit per tweet in 2017 (cf. Footnote No. 13).

Third, results show that banking institutes touched upon a wide range of CSR themes on Facebook and Twitter. Most CSR messages were related to “society.” This may be because banks reap considerable benefits, and in society, in turn, expects banks to contribute to social welfare (Shen *et al.*, 2016). However, over time, the frequency of these messages on Facebook versus Twitter varied. These different frequencies can be explained by bank categories that released CSR messages on either platform. In particular, the number of savings and cooperative banks that communicated CSR-related information on Facebook was significantly higher than those on Twitter. Savings banks are legally obligated to donate portions of their annual profits to promote social and cultural welfare (Behr and Schmidt, 2016). Cooperative banks should aim to provide social added value to society, whereas credit banks are driven to maximize profits and capital returns (Relano and Paulet, 2012). Therefore, compared to credit banks, savings and cooperative banks would be expected to communicate more frequently about social matters in their CSR messages on SMSs. As both savings and cooperative banks communicated CSR-related information more frequently on Facebook than on Twitter, the absolute and relative frequencies of CSR messages related to “society” were greater on Facebook.

Messages related to “labor practices” were communicated frequently over the study period. This may result from banks being in constant competition for talent. Current as well as prospective employees increasingly consider qualitative employers’ CSR factors (e.g., popular opinion, corporate reputation and image) as a selection criterion (Rodrigo and Arenas, 2008). The low number (lack) of messages related to themes such as “economic,” “environment,” (“human rights”), “product responsibility,” and “other CSR topic” could be due to many factors. For instance, the environmental impact of banking and financing activities are perceived as low compared to activities in other industries (Branco and Rodrigues, 2006). Additionally, bank employees may see themselves as environmentally responsible because their employers have low emissions and are not exacerbating pollution problems (Jeucken and Bouma, 1999). Thus, CSR messages related to environmental issues were less of a priority for banks and, in turn, less frequently published on both SMSs.

Unlike other studies (Ajayi and Mmutle, 2020; Cho *et al.*, 2017), current findings show that during the study period, banks predominantly used the interacting CSR communication strategy on Facebook. This suggests that banks were likely willing to subject their CSR activities to public discourse and intended to engage with stakeholders using two-way communication (Capriotti, 2011; Morsing and Schultz, 2006). Against the backdrop of a critical view, this finding can be attributed to the composition of the sample. Small to medium-sized savings and cooperative banks are legally confined to operate in predetermined local areas (Behr and Schmidt, 2016). These institutes frequently employ the interacting CSR communication strategy and employ messages with local references to engage with their communities. By contrast, a more balanced use of CSR communication strategies shows that banks seemed less willing to engage with their stakeholders on Twitter.

Finally, findings show that two-way communication based on the level of stakeholder engagement was significantly higher on Facebook than on Twitter each year, augmenting the findings of Cortado and Chalmeta (2016). These findings seem reasonable and logical both in the context of Facebook's functionalities (connect, share, and interact) and the CSR communication strategies used by banks. Another interesting finding is that banks did not hesitate to enter into two-way symmetrical communication, in contrast to Cortado and Chalmeta's (2016) findings. Banks appeared to use Twitter as a communication platform to supplement traditional media, while they exploited Facebook's potential (e.g., consistently engaging with stakeholders, and building relationships) to a greater extent in the context of effective CSR communication. Critically, however, the dominance of two-way asymmetrical communication shows that most banking organizations have not yet established management patterns for CSR communication on Facebook and Twitter.

4.6.2 Theoretical and practical implications

This paper contributes to the literature on CSR communication via SMSs in multiple ways. First, most studies have used cross-sectional research designs to investigate CSR communication on SMSs (e.g., Cho *et al.*, 2017; Etter, 2014), whereas this study responded to the call for longitudinal research on CSR (Aguinis and Glavas, 2012). Second, unlike existing research (e.g., Ajayi and Mmutle, 2020; Cho *et al.*, 2017; Cortado and Chalmeta, 2016; Etter, 2014), this study provides new evidence related to deployed CSR communication strategies, the direction of communication (one-way vs. two-way), and the balance of communication (asymmetrical vs. symmetrical). Despite these fin-

dings, one-sided communication continues to be the dominant model of communication between organizations and their stakeholders. Third, this study validates CSR literature but does so in the banking sector, thereby advancing the generalizability of those studies. In other words, by conducting an empirical study in the banking context, the findings of existing studies are extended to a new (industry-specific) context. For example, Cho *et al.* (2017, p. 65) suggested that future analyses of CSR communication should be expanded “to various business sizes and settings – small- and medium-sized enterprises or international corporations”. Along these lines, this study expands the understanding of how banks communicate CSR information via SMSs. Fourth, this study’s findings show that banks in Germany use SMSs to communicate about CSR-related matters and to foster stakeholder engagement. In this context, banking institutes exploited Facebook’s potential (e.g., CSR communication strategy, and two-way communication) to a greater extent than Twitter’s.

Given the increasing importance of CSR, it is critical for banks to effectively communicate CSR-related information and determine how best to engage with stakeholders about CSR. In terms of the managerial agenda, SMSs hold enormous potential to manage company-stakeholder relationships, as well as to promote reputational and credible CSR capital. For effective CSR communication campaigns via SMSs, individual employees responsible for the corporate media account must be trained in CSR and skilled in stakeholder relationship management (Cortado and Chalmeta, 2016). This requires resource allocation and management, which might not be available in every organization. Furthermore, banks are generally advised to communicate using an engaging/interacting strategy on social media to gain relational capital (Etter and Fieseler, 2010). Large banks, such as Deutsche Bank, have a wide array of stakeholders with whom to engage.¹⁵ However, small to medium-sized banks have a narrower range of stakeholders and may be less interested in CSR communication via SMSs as stakeholder engagement is likely to be low. Nonetheless, these institutes should continue to communicate using engaging/interacting strategies on both Facebook and Twitter, as they may have stakeholders who are keenly interested in CSR. Finally, with regard to SMSs as communication channels, banks have relatively less control over the content of CSR information on SMSs than on other channels; thus, the credibility of their CSR communication tends to decrease (e.g., Morsing *et al.*, 2008; Pomering and Dolnicar, 2009). Morsing *et al.* (2008, p. 107) posited

¹⁵ *Deutsche Bank* is the largest credit institute in Germany in terms of total assets and number of employees. The bank is active nationally and internationally and ranks among leading banks worldwide.

that, in general, the public perceives direct communication about CSR as ineffective, whereas an “endorsed CSR communication process,” which involves CSR communication via third-party experts, tends to be more appreciated. Similarly, banks should use a variety of social media methods to promote dialogic, engaging, transparent, authentic, and influential CSR communication (Gómez and Borges-Tavárez, 2017). For instance, CSR information can be reposted/retweeted by third parties acting as unbiased advocates of the CSR issue. Such, third-party credibility can boost stakeholder engagement, which ultimately enhances the effectiveness of CSR communication (Coombs and Holladay, 2015; Du *et al.*, 2010).

4.7 Conclusion

This study is one of the first to investigate banks’ CSR communication practices on two popular SMSs (Facebook and Twitter). Furthermore, the present research contributes new insights to the corporate communication research field, suggesting that banks communicate their “socially responsible business practices” more frequently and interactively on Facebook than on Twitter. Moreover, social media users tend to engage with banks’ CSR messages (by commenting) more often on Facebook than on Twitter. This study has presented several practical implications for banking communication practitioners who wish to implement effective CSR communication, and these implications are supported by seminal scholars (Capriotti, 2011; Capriotti and Moreno, 2007; Morsing *et al.*, 2008; Morsing and Schultz, 2006).

Despite its theoretical and managerial contributions, this study has some limitations. First, only social media messages from banks operating in Germany were considered; thus, the results may not be generalizable. Future studies should replicate this study in the banking sector and other industries (e.g., service sectors) in different countries to verify these results. Second, this study provides an overview of banks’ CSR communication via Facebook and Twitter. Given the growing popularity of SMSs and the ever-changing nature of this environment, future research should consider other social media channels such as LinkedIn, Instagram, Pinterest, and YouTube. Third, data collection from both SMSs was limited to two months per year. If data from more months are considered, researchers could arrive at a better understanding. Fourth, this study considered banks’ messages via social media as operationalized whether CSR information was reported. Future studies could examine the results more qualitatively by, for example, analyzing the social media methods used (e.g., reposting and retweeting) or examining the

quality of stakeholder responses (e.g., tone) relative to CSR messages. In this context, a power-interest analysis of key stakeholders (including their influence to change corporate CSR communication strategies via SMSs) might also present an interesting avenue for future studies.

Chapter 5

CSR advertising: A Critical Discourse Analysis (CDA) from the German banking industry

5.1 Introduction

People have begun to understand the importance of sustainable living, rendering sustainability processes essential for the business world and coercing companies to take environmental and societal responsibility (Frederick, 2016). Several organizations have adopted CSR as a business vehicle to contribute to sustainable development (Moon, 2007). Therefore, CSR has quickly become a strategic cornerstone for enterprises, regardless of business type, size, and purpose (Aguilera *et al.*, 2007; Porter and Kramer, 2006).

In essence, banks have two options for integrating CSR into their business. First, they can anchor CSR practices into their business operations, such as using waste management systems, providing employee training, selecting suppliers according to environmental and social standards, and supporting community activities through donations or charity events. Second, banking institutes can demonstrate their CSR commitment by incorporating sustainability-specific guidelines, standards, and policies into their banking activities related to products and services, such as sustainable funds, green bonds, or transparency and information sharing (Da Silva Inácio and Delai, 2021). Concerning sustainable finance and investment, ESG criteria are often used as reference frameworks to achieve a sustainable appearance and effect. For this reason, banking organizations can play pivotal roles in achieving sustainable development goals because they function as intermediaries and can effectively leverage financial resources to encourage (discourage) (un)sustainable practices by governments, companies, and individuals (Anderson *et al.*, 2013; Louche *et al.*, 2019).

Social responsibility initiatives can positively impact banking organizations' CSR performance, leading to enhanced legitimacy plus high reputation and customer loyalty (e.g., Chomvilailuk and Butcher, 2010; Fatma and Rahman, 2016; Wu and Shen, 2013). However, customers are generally unaware of banks' CSR (Hidayat and Rafiki, 2021; Kaur, 2019; Pomeroy and Dolnicar, 2009). Therefore, banking institutes should communicate

social responsibility-specific information, thereby raising customer awareness of CSR, which in turn creates incentives, presents favorable images, and potentially enhances financial performances.

From a communication perspective, scholars acknowledged that advertising could positively impact brand attitude and customer intentions (Percy and Rosenbaum-Elliott, 2016). While research on CSR and advertising has recently increased (Hayes *et al.*, 2022), academic knowledge on how banks advertise their CSR efforts is limited. Therefore, this study examines a set of CSR advertisements by GLS Bank¹⁶, which presents a fruitful case for the following reasons: First, GLS Bank is the premier sustainability bank in Germany and one of the leading sustainability institutes worldwide.¹⁷ Second, customers are primarily unaware of banks' CSR agendas in Germany (Bankenverband, 2015). Therefore, this study contributes to the growing literature on social responsibility communication and responds to the call for more research on CSR and advertising (Taylor, 2014, 2018). Furthermore, this study follows a series of previous research that has used Critical Discourse Analysis (CDA) as an empirical analysis method (Nielsen and Thomsen, 2007; Nwagbara and Belal, 2019; Rajandran and Taib, 2014; Scharf and Fernandes, 2013); thus, providing qualitative research findings.

The remainder of this paper is organized as follows. Section 5.2 provides an overview of advertising in the banking industry and outlines relevant research questions. Section 5.3 describes the methodology and sample selection. The results are presented in Section 5.4. Section 5.5 discusses the results, and Section 5.6 concludes this study.

5.2 CSR advertising in the banking industry

The 1950s marked the beginning of the modern era for the CSR concept, which has since attracted unprecedented scholarly and managerial attention (Carroll, 1999). However, a long-standing struggle exists to conceptualize and define CSR (Ashrafi *et al.*, 2020). For some, CSR is viewed as a function that is used to manage the relations of an

¹⁶ The name *GLS Bank* – “*Gemeinschaftsbank für Leihen und Schenkung*” – when fully translated to English is “Community bank for lending and donating.”

¹⁷ Sustainable banking is defined as products, services, and processes that promote sustainable development in the short, medium and long term from an environmental, social and economic perspective as a primary business objective (Da Silva Inácio and Delai, 2021), while pursuing profits as a secondary objective. Terms such as alternative, ethical, green, social, and social banking are often used interchangeably with sustainable banking, but their respective definitions differ (see for more information Da Silva Inácio and Delai, 2021).

organization with its stakeholders and aims to promote sustainable development, which also includes maximizing benefits for society and minimizing negative externalities (Crifo and Forget, 2015; Liedekerke and Dubbin, 2008; McWilliams and Siegel, 2001). For others, CSR can be considered an amalgamation of business operations undertaken to comply with economic, legal, and ethical responsibilities to improve societal conditions (Mackey *et al.*, 2007; Schwartz and Carroll, 2003).

While CSR has become indispensable across all sectors and is widespread in the banking industry, various authors have documented that social responsibility initiatives can influence customer preferences for a particular bank and products (e.g., Chomvilailuk and Butcher, 2010, 2013; Khan *et al.*, 2015; Mandhachitara and Poolthong, 2011; Paluri and Mehra, 2018; Poolthong and Mandhachitara, 2009). These business benefits have motivated companies to communicate more about CSR, as has also been found within the US banking industry (Peterson and Hermans, 2004).

CSR communication can be defined as “communication that is designed and distributed by the company itself about its CSR efforts” (Morsing, 2006b, p. 171). However, communicating CSR information remains difficult and complicated, resulting in a communicator’s dilemma (Schmeltz, 2012). On the one hand, communicative actions can result in beneficial stakeholder reactions (Morsing and Schultz, 2006). On the other hand, exaggerated and overly ambitious CSR messages attract public skepticism and cynicism about an organization’s genuine motives and conduct (Alhouti *et al.*, 2016; Morsing *et al.*, 2008; Morsing and Schultz, 2006). This implies that CSR information must be selectively tailored to its intended audience (e.g., different age groups and customer clienteles).

Advertising, functional in nature, comprises non-personal communication via mass media (e.g., billboards, the internet, magazines, newspapers, radio, and TV), wherein the advertiser is identifiable and responsible for determining and paying for the content of the message (de Pelsmacker *et al.*, 2021). Accordingly, CSR advertising is mass communication conducted to inform customers about a company’s products, services, and business processes to influence customer opinions and raise awareness of the company and its CSR efforts.

Bank advertisements are shaped by heterogeneous interests, depending on the target audience. Honka *et al.* (2017) found that traditional advertising makes bank customers more aware of product and service options; thus, clients search for and find better alternatives. However, choosing a bank is based on products, where the price-product rela-

tionship is more crucial than a bank's promotional activities (Mylonakis, 2008). Accordingly, customer-centric advertising appears more satisfying to banking clients and more growth-enhancing for banks than advertisements that are fundamentally and solely related to the bank's CSR investments (McDonald and Lai, 2011). These findings indicate that commercial advertising focusing on banking goods and services can result in positive outcomes. Other studies, however, particularly demonstrate how CSR advertising campaigns increase banking organizations' brand awareness, reputation, and legitimacy (Farache and Perks, 2010; Scharf and Fernandes, 2013). These findings are consistent with the assumption that banking customers favor some CSR actions over others because a hierarchy of initiatives affects customer satisfaction (McDonald and Rundle-Thiele, 2008). Along these findings, the question arises of how banks can design their CSR advertising purposefully and relate them to their products to achieve the highest possible customer orientation. This study, therefore, and from a communication research perspective, addresses the following research questions:

Research Question b1 (RQb1): How does GLS Bank discursively shape CSR advertising?

Research Question b2 (RQb2): What are possible outcomes for GLS Bank through its advertising?

5.3 Research method and sample selection

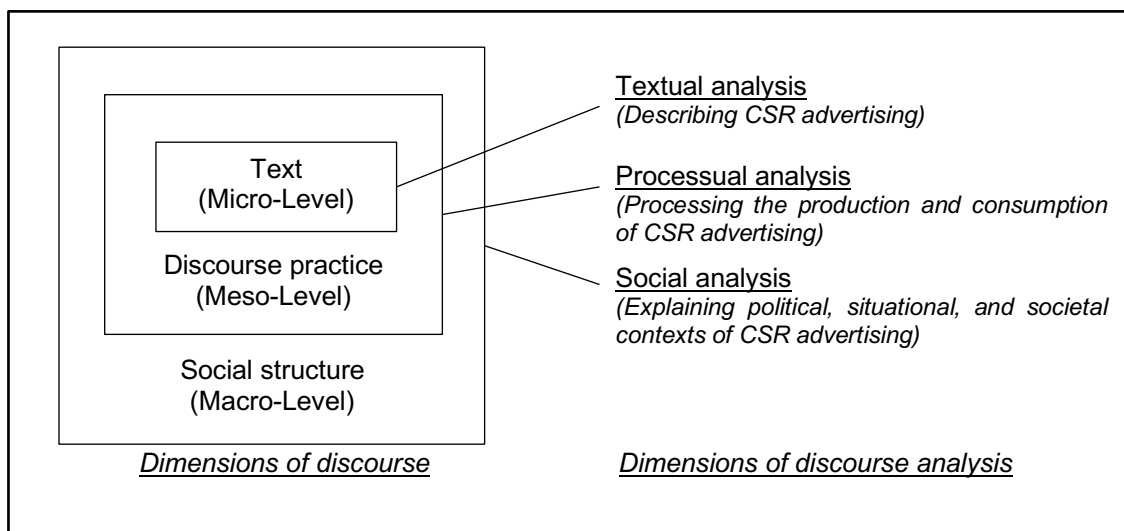
CDA is adopted as a theory and empirical method in this study. Theoretically, CDA is a constitutive problem-oriented and interdisciplinary approach that critically examines textual positioning to explore whose interests are served or negated and what power relations are suggested (Fairclough, 2002). In addition, CDA is used to understand, explain, critique, and transform society by illuminating how the language used in a particular context helps maintain or challenge power relations (Wodak and Meyer, 2016). Thus, CDA aims to unravel the discourse and examine its social and material consequences (Johnson and McLean, 2020).

This study performs CDA using Norman Fairclough's (2002, 2005) methodology to examine CSR advertising. According to Fairclough (2002, 2005), a language is a communicative event that consists of three dimensions: text, discursive practices, and social structure. Descriptive, interpretive, and explanatory analyses are conducted to investi-

gate a communicative event thoroughly. Considering this, Fairclough (2002, 2005) operationalized a three-level framework consisting of textual analysis (micro-level), processual analysis (meso-level), and social analysis (macro-level).

According to Fairclough (2002, 2005), textual analysis is conducted to determine the formal characteristics of a text. At this level, the properties of the advertisements, such as verbal and visual language, central appeal, text-image cohesion, the campaign's layout and communication strategies, the presentation patterns in the ad, and the cultural and technical meanings of phrases are described. The processual analysis deals with the production and interpretation of the analyzed unit. During this phase, the distribution, and consumption, including interdiscursivity, intertextuality, and textual coherence, are studied. The social analysis is performed to understand the relationship between interpretation and the various levels of social structure and their consequences in terms of broader social practices. Thus, the discursive event is analyzed in its political, societal, and situational contexts. In summary, Fairclough's (2002, 2005) CDA approach focuses on connecting text and a sociocultural practice mediated by discourses. Figure 1 shows the schematic relationships within the three-dimensional CDA approach.

Figure 5.1: Three-dimensional CDA framework



Source(s): Fairclough, 2002, p. 98, 2014, p. 58

Generally, conducting CDA requires a direct object of analysis, plus manageable and coherent data (O'Sullivan, 2007). This study critically analyzes five advertisements continuously placed by GLS Bank between 2018 and 2020, including the language and images used.¹⁸ It is hypothesized, in this context, that language and images work together to articulate GLS Bank's position as a proponent of a particular understanding of sustainability and, consequently, to raise customer awareness of CSR.

In addition to its general classification as a sustainability bank, GLS Bank operates as a universal banking institute. It offers various banking products and services (e.g., payment transactions, deposits and lending, and trading and administering securities) to retail, corporate, institutional, and non-profit clients. GLS Bank generally focuses on deposits and lending rather than participation in the global stock market (Relano and Paulet, 2012). Additionally, this banking organization is incorporated as a cooperative, which means that anyone, regardless of whether they are customers, can purchase shares to become cooperative members and thus pursue common goals.¹⁹ In 2018, GLS Bank had more than 52,000 members; 218,000 customers; total assets worth 5.7 billion EUR; and seven domestic branches (GLS Bank, 2019a). Consequently, this bank is considered a relatively small institute compared to other banking organizations in Germany. Furthermore, GLS Bank is a founding member of the alliance called "The Global Alliance for Banking on Values" (GLS Bank, 2021d) and a signatory to other international networks that strive for sustainable development (e.g., UN Principles for Investors in Inclusive Finance, UN Principles for Responsible Banking), which underpins the international standing of this bank that promotes sustainability.

¹⁸ At this point or in the further course of this work, a reproduction of the analyzed advertisements would have been beneficial without any doubt. Unfortunately, however, it was not possible to obtain the copyrights for this advertising campaign.

¹⁹ To become a member of a cooperative bank is voluntary. Membership grants the right to vote at the Annual General and to receive a capital dividend. However, non-members may not be discriminated against or be advantages. Both groups must be treated equally regarding banking products and services.

5.4 Analyses of CSR advertising

5.4.1 Textual analysis of CSR advertising

As in an advertising campaign, all ads analyzed have the same composition and layout: images, headlines, ad copy (text body), and bank logo (including GLS Bank's claim). The images consist of two separate photos placed vertically adjacent to each other. The upper photos are in color, and the lower ones are monochrome. The headlines are written in capital letters, displayed as a speech bubble, and centered. The ad copies are positioned below the images and end with the bank's website Uniform Resource Locator (URL) in bold. The GLS bank logo and claim are placed below the text and on the right. With the claim "that makes sense," GLS Bank conveys that its actions and activities serve a higher purpose on why they are always focused.²⁰

The first advertisement is headlined "green mobility needs you to change your bank account." The black-and-white photo shows a blurred photo of a congested seven-lane highway, while the color photo portrays a single person on a bicycle using a designated cycling lane in a city. Furthermore, the cyclist is surrounded by glistening sunshine, suggesting a bright future with environmentally friendly mobility concepts that everyone can contribute to, as spotlighted by "green mobility needs you." A similar direct and personal appeal can also be seen in the ad copy ("Show your commitment with a GLS bank account so that your money has an exclusive social and ecological effect – consistently sustainable and transparent"). Through these chosen phraseologies, the viewer is confronted with the notion that individuals bear a responsibility to both the planet and society, which in this case begins with choosing a bank. Furthermore, combining the word "transparent" with the bank's website URL extends an invitation to the ad's viewer to learn more about GLS Bank's sustainable products, services, and activities.

The second advertisement states, "climate protection needs you to change your bank account." Like the first ad, image motifs create different atmospheres concerning the environment. In the lower photo's foreground, there is a natural landscape depicting a forest and a river body dominated by the background that shows a power plant's cooling towers, from which considerable amounts of smoke are emitted. Thus, this photo con-

²⁰ On its website, GLS Bank comments on its claim, which is based on an anglicism ("that make sense") and leads to grammatical German language incorrectness, pointing out that language is a living and changing organism, such as the mixture of cultures. Therefore new and relatively widespread formulations establish themselves in language, which is reflected in the GLS Bank's claim to create ease and authenticity (GLS Bank, 2021b).

notes that the power generation and supply industry have a detrimental effect on nature. In contrast, the upper photo shows several wind turbines and rows of solar panels as an example of clean energy production, with a sunset-hued sky in the background. Thus, observers are led to believe that generating electricity utilizing renewable energy is compatible with preserving the environment, and everyone is invited to contribute. The text body is the same as in the first ad with an addition: "As Germany's first social-ecological bank, we are committed to a carbon dioxide levy." This addition clarifies that GLS Bank also advertises sustainable development efforts that are not part of its core banking activities. Furthermore, the reader is again advised to visit the website.

The third advertisement is headlined "a sustainable life needs you to change your bank account" and addresses the issue of sustainable consumerism. The black-and-white photo shows a close-up of many discarded, empty plastic bottles and containers. This photo is an illustration of excessive consumerism and a throwaway society. In contrast, the color photo shows a side view of a happily smiling woman standing in front of several permanent dispensers from which she can fill her containers (in this case, noodles). Thus, it makes one think that the person is in a packaging-free grocery store (also called a bring-your-own container store). Two main aspects are being demonstrated with this CSR advertisement: First, packaging-free stores can save considerable amounts of plastic wrapping, which is energy-intensive to produce and generally discarded after unpacking/first use. Second, by bringing their containers, store customers can accurately replenish quantities as needed, reducing food waste. The other components of the ad (copy and logo) are the same as in the first one analyzed.

"To end factory farming needs you to change your bank account" is the fourth ad's headline, addressing the controversy over ethically appropriate animal husbandry. The picture below symbolizes industrial animal husbandry by showing densely packed piglets with only their heads and torsos visible to the viewer, thus illustrating cramped holding quarters signifying a short-life expectancy and uninhabitable conditions in confinement. In contrast, the color photo shows two adult pigs lying in a sandpit in the open air. Combined with the green landscape in the background, the message conveyed to the viewer is that animal welfare is a top priority and that this picture represents an example of bioethical and responsible animal husbandry. The remainder of this ad (copy and logo) is the same as the first ad.

The last ad of this CSR advertising campaign is titled "a toxin-free agriculture needs you to change your bank account." Here the contrast between conventional agriculture and

pristine nature is highlighted. The monochrome photo shows a tractor most likely spraying synthetic chemical pesticides onto a field. Although farmers can increase their yields by using pesticides to eliminate insects as considered pests, these chemicals also affect other harmless insect species, herbs, and their natural environments. A prominent example of such an endangered species is the bee, which can be seen close-up in the color photo, flying next to blossoms in a lush landscape, symbolizing biodiversity. Like the second ad, the text calls on individuals to act. It reinforces the bank's commitment and willingness to promote sustainable development, as expressed in this additional sentence (ad copy): "as the first social-ecological bank in Germany, we are committed to a levy on chemical sprays and fertilizers." Once again, the viewer is invited to visit the bank's website and learn more about GLS Bank's CSR engagement.

In summary, this textual analysis shows that GLS Bank uses heterogeneous photos in its advertising to illustrate different CSR issues, directly prompting and persuading the viewer to act through a combination of emotional and personal appeals. The personalization of advertising messages, in addressing the person as an individual, in the singular form rather than the plural, and simultaneously labeling the ad's observer and the banking institute as "we" also demonstrates a dialogic, solidary, and emotional connection between viewers and GLS Bank (Fairclough, 2002), which is commonly practiced in advertising to remedy irreconcilable situations (Fairclough, 2002, 2014).

5.4.2 Processual analysis of CSR advertising

In discourse practices, there are several reasons to assume that this advertising campaign was produced and broadcasted nationally. First, the bank operates predominantly in Germany. Second, the advertisements were designed and published exclusively in German language. Third, all ads were published in major daily newspapers and regional magazines. In addition, several ads were displayed on oversized billboards and showed at central train stations and roadsides.²¹

Reviewing the wording used in these advertisements, everyone was invited to visit GLS Bank's website regardless of whether they were customers or non-customers. This creates an interdiscursive link for the ads' viewer to further information on the GLS Bank's website. Commercial language is used on the website and displayed on tabs such as

²¹ During an informal conversation with the author of this thesis, the Head of GLS Bank's Communications Department indicated that the advertisements examined were also placed in regional magazines in the bank where GLS Bank operates.

“Investing and Saving,” “Payments,” “Financing,” or “Retirement Planning.” However, when one opens any of these tabs, a presentation on sustainability is displayed throughout, which aligns with the bank’s tradition and its self-proclaimed aspiration to be the world’s first social-ecological bank (GLS Bank, 2021a).

For GLS Bank, the deposit business is essential to finance or refinance issued loans. Thus, the bank informs on its website that any lending is linked to social-ecological standards (GLS Bank, 2021d). Under the tab “Account and Cards,” GLS Bank provides detailed information on how its depositors contribute to a sustainable society through their bank accounts. To this end, each account holder must disclose and specify purposes for which its deposits may be used for lending. Regarding this, GLS Bank sets positive criteria for using customer funds (e.g., promoting renewable energies, green mobility, and ethically responsible food production).

Additionally, this cooperative banking organization guarantees that customer deposits will not be allocated to harmful industries (e.g., coal energy and factory farming) or products (e.g., biocides and pesticides). In this way, customers are given the opportunity and the responsibility to consciously support the industrial transformation toward a sustainable economy through their banking deposits. As Relano and Paulet (2012) noted, this understanding of responsibility can also promote solidarity between depositors and borrowers to enable loans for socially, ethically, and environmentally sound projects.

On its website, GLS Bank also demonstrates a high level of organizational transparency by detailing the impact of its banking activities. Anyone interested can find comprehensive information on selected financed projects under the tab “Where my money works,” including economic, ecological, and social impacts. Another example of high transparency is the bank’s customer magazine, published digitally every six months and linked to various website tabs (e.g., “Investing and Saving”, and “Financing”). A vital part of GLS Bank’s magazine is the comprehensive register of commercial loans granted in the last six months, including project objectives, names of borrowers, and amounts granted. These advertisements, as well as the resulting consumption of information via the bank’s website and magazines, create a high-level disclosed openness regarding the use of customer deposits and the impact of the same. The combination of advertised products and intertextual elements result in a credible and reliable corporate image that can increase perceived service quality among customers while reducing perceived risk (Bhaduri and Ha-Brookshire, 2017; Chang *et al.*, 2008; Losada-Otálora and Alkire, 2019).

Also, the layout and conception of GLS Bank’s CSR advertisements, particularly the

juxtaposition of a detrimental present and a sustainable future; short, capitalized headlines; and direct, explicit, and personal language, may appeal to viewers and encourage them to take sustainable action. Thus, these ads studied in this paper will likely convey the message that a bank account at GLS Bank is more than just a means of storing money. In a figurative sense, this means that customers' money (deposits) fulfills a social function to transform society, and account holders autonomously decide the purpose for which the bank should use their funds. Thus, customers actively engage with GLS banking products, and some of them might even become *de facto* activists. This, in turn, could lead to solid advocacy and positive brand awareness (Nan and Heo, 2007).

Overall, this processual analysis shows that these nationally produced and consumed advertisements are intertextually supported by references to other texts, particularly the website and magazine of GLS Bank. In this way, GLS Bank creates a trustworthy corporate image through its CSR commitment and contribution to sustainable development. The advertising campaign, therefore, underscores the meaningful, far-reaching, and benevolent message that money should serve people and not the other way around. This interdiscursive link to the bank's claim "that makes sense" can ultimately be initiated by customers and non-customers.

5.4.3 Social analysis of CSR advertising

GLS Bank's advertisements are embedded in the overarching discourse of sustainable development, which has gradually gained prominence in recent decades and has become essential to broader social practice.

The advertising campaign examined should be viewed in the context of the "going from government to governance" paradigm (e.g., Davies, 2011; Sørensen and Torfing, 2007). The underlying reason for this dictum is the increasing perception of societal complexity and the growing acceptance that governments are not the only crucial actors in addressing critical social problems (Kooiman and Van Vliet, 2000). As governments and other regulatory players have placed a shared responsibility on corporate organizations to provide essential resources such as access to banking products and services for everyone, banks are increasingly taking on societal development tasks (Brugmann and Prahalad, 2007). This responsibility shift has led to companies, including banking institutes, playing a unique role and acting in concert with other non-government stakeholders, resulting in political authority that was once exclusively exercised by governments (Scherer and Palazzo, 2011). In this context, Kourula *et al.* (2019) note that the power of governments

may have been reduced. However, they also emphasize that by regulating business conduct, governmental authorities can gain new abilities and roles and thus promote sustainable development.

The EC, a fierce advocate of CSR and sustainable development in recent decades, is a prime example of such new governance roles. Since 2018, the EC has been intensively working to link finance and sustainability through various regulations (e.g., the Action Plan on Financing Sustainable Growth, The European Green Deal, and The Renewed Sustainable Finance Strategy) that aim to initiate, support, and promote sustainability and the development of a sustainable economy, including the vision of making Europe the first climate-neutral continent by 2050 (EC, 2021). Thus, political decision-makers are indeed driving the discourse on sustainable finance. As a result, the sustainability discourse becomes a transformation and perspective discourse, which banks are to accompany and steer with their range of sustainable finance products (SFPs). The goal to transform the economy and society appears evident in the controversial cause-selection of images in GLS Bank's CSR advertising.

Moreover, the German government supports the EC's efforts. It has introduced a national strategy for sustainable finance, which states, among other things, that banking organizations should offer SFPs to attract customers. However, SFPs remain a niche product in the German financial sector, mainly provided by sustainability banks (Kuhn, 2020). Concerning purchasing SFPs, more than half of respondents to a representative bank customer survey would consider doing so (PwC, 2020). For banking customers, motives such as climate and environmental change and respect for human rights play a central role in the purchasing decision (PwC, 2020; Röstel, 2019). However, many people are unfamiliar with the term "sustainable finance product," which partially explains why SFPs have a low level of awareness among customers (PwC, 2020). Given the potential, e.g., purchase intentions and limited understanding, SFPs should no longer be considered marginal products. Instead, SFPs represent business potentials and differentiators for banking organizations in Germany. Thus, CSR-supported advertising can lead to customer awareness of SFPs and is arguably more effective than conventional advertising.

In summary, this social analysis shows that the discourse of a CSR advertising campaign is multi-layered, involving different power relations (e.g., government, governance, and customers). This could lead to a lasting and positive perception of a company's reputation if addressed appropriately. Ideally, the ad's viewers will advocate for the company's CSR engagement whether they are customers or not. Therefore, based on the analyzed

advertisements, GLS Bank can be considered a pioneer in promoting SFPs, particularly since the advertising campaign was already launched and placed in 2018.

5.5 Discussion and implications

5.5.1 Discussion of research findings

The CDA performed in this study shows that the advertisements placed by GLS Bank discursively address the ad's viewer, integrates into the overall CSR communication of the institute, and corresponds to the social discourse on sustainability. Furthermore, these advertisements can create the semblance of connecting customers with products by focusing on social responsibility causes, particularly environmental and ethical motives, which is consistent with previous research (Reich and Soule, 2016).

This research further anticipates that GLS Bank's CSR advertising contributes to its brand awareness. While some authors argue that CSR is less important to customers when choosing a banking institute (e.g., McDonald and Lai, 2011), others found that customers develop purchase intentions and positive attitudes toward an advertising brand when exposed to CSR information (e.g., Bianchi *et al.*, 2019; Fatma and Rahman, 2016; Wigley, 2008). As documented, GLS Bank has linked CSR advertising with its products, which has become a trend in Germany in recent years (Mögele and Tropp, 2010). Although information gathering is an integral part of the purchasing decision, mixing product information with CSR-specific messages increases complexity for customers. As a result, customers may not have sufficient information to make proper purchasing decisions (Dumwright, 1996; Sen and Bhattacharya, 2001). Without the visual representation of sustainability and the discursive appeal to viewers to learn more about the advertised SFPs and engage with current sustainability issues, GLS Bank's subsequent statement "this makes sense" would likely be far less intuitive and require more cognition.

By highlighting both the severity and urgency of sustainability issues, particularly those related to the environment and ethics, these advertisements are designed to raise banking customer awareness of the organization's CSR efforts in terms of offering a straightforward solution to critical issues through a specific product, and in this case, by asking customers to open a bank account. Consequently, it may be expected that these ads will impact customer awareness, strengthen brand recall, persuasiveness, and the identity of GLS Bank, thus eventually creating a favorable economic or financial impact.

Although it is difficult to measure the increase in customer awareness due to GLS Bank's advertising campaign retrospectively, especially after the campaign ended in 2020, some indicators can be used to conclude its success. Wu and Shen (2013, p. 3532) note that "banks conducting CSR can attract more loans and deposits than non-CSR banks because CSR creates a brand name and a sense of identity among customers." Table 5.1 shows the development of customer deposits and loans, which grew notably between 2018 and 2020.

Table 5.1: GLS Bank's deposit, loan, customers, and members development between 2017 and 2020

Year	Customer deposit balances		Customer loan balances		Customers		Members	
	in Mio. EUR	Δ in %	in Mio. EUR	Δ in %	Total	Δ in %	Total	Δ in %
2017	4,134.13		3,036.62		212,000		48,400	
2018	4,667.58	+ 12.90	3,353.25	+ 10.43	218,000	+ 1.03	52,200	+ 7.85
2019	5,564.63	+ 19.22	3,770.09	+ 12.43	242,000	+ 11.0	65,300	+ 25.10
2020	6,616.13	+ 18.90	4,218.80	+ 11.90	280,000	+ 15.7	84,000	+ 28.64

Note(s): Data compiled from annual financial statements and sustainability reports. Deposits from and loans to financial institutes were not considered (GLS Bank, 2019b, 2020, 2021).

The increase in deposits and loans may be due to an elevated awareness of the bank's CSR commitment, partly prompted by the five CSR advertisements studied. While the absolute growth developments are only marginal within the German banking industry, the relative growth rates compared with the overall rates in the sector are above average.²² A similar conclusion, namely that CSR advertising has played a part in the bank's growth development, can be drawn about customer and membership figures (see also Table 5.1).

Another criterion for the success of the bank's CSR strategy, including the advertising campaign, is the perceived favorable customer preference (Khan *et al.*, 2015; Mandhachitara and Poolthong, 2011; Poolthong and Mandhachitara, 2009). This can result from CSR communication, among other things, which promotes a beneficial brand name and corporate image in connection with sustainability, as in the case of GLS Bank. A likely enhancement of perceived service quality is associated with increased stakeholder awareness of CSR (Bhaduri and Ha-Brookshire, 2017). Following this academic ana-

²² According to calculations, the relative growth rates for customer deposits are as follows: 3.05% (2018), 3.29% (2019), and 6.55% (2020). Relative growth rates for loans to customers are in a similar range (4.30%, 2018; 4.39%, 2019; 3.74%, and 2020) (Deutsche Bundesbank, 2022).

logy, GLS Bank has been named the best banking institute in Germany for the ninth consecutive year based on customer satisfaction, service quality, and the overwhelming willingness of customers to recommend this cooperative organization to others (German Institute for Service Quality, 2021). One reason for this achievement could be attributed to the holistic, transparent communication of CSR that is aligned with the sustainability discourse but without emphasizing the bank's top reputation and thereby distinguishing itself from other banking institutes in Germany.

In sum, it can be assumed that the CSR advertising analyzed in this study contributed to the brand enhancement of GLS Bank. Pointing out current sustainability-specific controversies, addressing the audience directly, and introducing potential solutions suggest that this advertising campaign also contributed to the bank's high public acceptance and above-average growth rates. This is also driven by portraying the impacts of advertised products using interdiscursive and intertextual elements together with rendering altruistic motives instead of profit-specific goals.

5.5.2 Theoretical and practical implications

This study examines CSR advertising in banking institutions, thus contributing to CSR communication research. First, the present study observes that bank customers generally respond favorably to CSR ads. Therefore, the results of Scharf and Fernandes (2013) are confirmed and extended by indicating that customers appear to react not only to advertisements that profit them personally (e.g., Manrai and Manrai, 2007; McDonald and Lai, 2011) but also to those that improve the environment and society. Second, contrary to McDonald and Rundle-Thiele's (2008) proposed hierarchy of customer preferences for CSR initiatives, this study shows that the product being advertised with a link to environmental and ethical issues appears to resonate with banking clientele. Consistent with results from other studies (Mylonakis, 2008; Scharf and Fernandes, 2013), this empirical-qualitative research found that CSR advertising can attract customer interest, leading to increased commercial relationships. Thus, it may be argued that CSR advertising, as in GLS Bank's case, can effectively increase the market share of smaller organizations, which automatically intensifies competition in the German banking sector.

Additionally, this study provides several implications for banking marketers. Although creating compelling ads to communicate social responsibility issues is a complex and lengthy process (Birth *et al.*, 2008), disseminating CSR messages through advertising remains a powerful tool to directly engage with large audiences and elicit behavioral

responses that ideally result in financial and reputational rewards for banking institutes. Another critical implication is that CSR can be communicated in various ways. However, GLS Bank's institutionalized approach to CSR, which involves integrating CSR components into its business model (Pirsch *et al.*, 2007), generates relatively little skepticism from customers. Thus, marketers must incorporate the advertised claims into more comprehensive CSR communication (e.g., campaigns with intertextual links) so that stakeholders can identify whether the bank is genuinely operating in a socially responsible manner. Finally, this study examined ads predominantly related to environmental issues. The rationale is that environmental-related advertising influences customers more than social-related advertising nowadays (Sander *et al.*, 2021). Therefore, banks can differentiate themselves more successfully through environmental advertising.

5.6 Conclusion

This study proposes that GLS Bank's advertising campaign contributes to its brand awareness. Fairclough's three-stage CDA framework was applied to examine five CSR advertisements in-depth. The analysis reveals that CSR advertising personally engaged viewers to do something good for the environment and society by simply changing bank accounts, perceiving additional information to increase information transparency, and adhering to recent sustainability discourses on broader social practice. As part of a bank's CSR communications, CSR ads generally increase customer awareness, increasing the prestige and reputation of the organization's brand, eventually leading to positive developments. Furthermore, this study provides significant findings for scholars and practitioners.

Although this study makes valuable contributions to the literature on CSR advertising, some limitations should be acknowledged. The chosen research method is inherently ideological and is limited as an analytical tool, as it critically analyzes CSR advertising based on specific criteria and presents research findings accordingly. Discursive results depend on researchers' selective and subjective views (Widdowson, 1998), which Luke (2002) considers a blessing and a curse. Therefore, other theoretical and methodological approaches may lead to different interpretations when examining CSR advertising related to banking organizations. Additionally, providing a comprehensive understanding of how texts, discourse practices, and social structure construct CSR advertising in Germany's banking sector is unattainable in a single study. Nonetheless, this case study provides a reasonable starting point for more analyses with much larger samples to fur-

ther explore discursive and linguistic elements in banks' CSR advertising.

Chapter 6

Concluding remarks

6.1 Concluding discussion on research objectives

This dissertation sheds new light upon the field of CSR communication research by focusing on the study of the German banking industry. The thesis provides valuable, empirically based insights into the under-researched area of NFR, enlarges the understanding of CSR website disclosures, extends the rare number of studies on communicating CSR via SMSs, and advances the present literature on CSR advertising.

This thesis begins by taking a closer look at the meaning of CSR and its systematization and integration into banking organizations. After briefly outlining the importance of CSR communication, two primed communication approaches are presented. Although CSR research about the banking sector has steadily burgeoned in recent years, findings can be considered inconclusive (Zainuldin and Lui, 2021). Careful examination of this inconclusiveness reveals method-related differences among relevant studies. To overcome these shortcomings, a suitable choice of methods was used to provide empirically validated and replicable quantifiable results leading to comprehensive data, confirmation of findings, and enhanced understanding of studied phenomena regarding banking institutes. This dissertation also aimed at methodological triangulation by applying a grounded qualitative approach to gain in-depth insights into banks' CSR advertising. In the following, the research objectives stated in the introductory chapter are addressed and answered using each study's main findings.

The first study, *"Mandatory non-financial reporting in the banking industry: Assessing reporting quality and determinants,"* focuses on measuring NFRQ and identifying influential determinants. The results reveal that banks' NFRQ is mediocre, with room for improvement. To be precise, banks in Germany can enhance both their relevance of information and the credibility of information when reporting on NFI. To be fair, banks' NFRQ has increased slightly but significantly since the first reporting year in 2017. In addition, several determinants (reporting experience, format, framework, and bank size) significantly impact NFRQ in the case of banks in Germany. These findings underscore the importance of being material and experience-based and highlight the importance of

choosing an appropriate communication strategy for NFR.

The second analysis, *“CSR website disclosures: Empirical evidence from the German banking industry,”* explicitly addresses web page information provided by banks operating in Germany while statistically identifying factors influencing CSR communication richness. Similar to findings on NFR, banks could expand their CSR presence on websites. Concerning influential determinants, this study concludes that bank size, orientation, ownership, and media visibility do significantly impact CSR communication on banking websites. This paper found no significant difference between bank categories and CSRTOTAL. This finding might be essential to researchers but is of particular interest to practitioners working in savings and cooperative banks and provide, among other things, an incentive to expand CSR disclosures on their websites further.

The third paper, *“CSR communication via social media sites (SMSs): evidence from the German banking industry,”* explores the reasonably new approach to constitutive CSR communication as outlined in the Introduction (Golob *et al.*, 2013; Schoeneborn and Trittin, 2013; Schultz *et al.*, 2013), by focusing on communication strategies and interactions between banks and stakeholders. With a unique dataset of 16,953 social media entries between 2015 and 2019, this study shows that most banks in Germany leverage Facebook more frequently and strategically to communicate CSR and create stakeholder interactions than on Twitter. Findings also revealed, however, that banks using SMSs to communicate CSR messages need further improvement creating content, applying engagement strategies, and responding to stakeholder interests.

This thesis is completed by the fourth study, entitled *“CSR advertising: A Critical Discourse Analysis (CDA) from the German banking industry.”* The single case research critically analyzes a series of five CSR advertisements released between 2018 and 2020. The qualitative analysis reveals that GLS Bank links its CSR commitment to banking products in its advertising, focusing on environmental and ethical issues, integrating them into cross-institutional CSR communication (website and magazine), and corresponding to social power structures (government, governance, and customers). Additionally, this institute achieved remarkable results in comparison to the German banking sector, which is not solely due its CSR advertising, but can be attributed to it with a certain extent.

Table 6.1 summarizes key findings of the individual studies in detail, also concerning their respective research objectives. In sum, the four partial analyses of this doctoral dissertation draw a thorough picture of CSR communication in the German banking in-

dustry. Firstly, they highlight the functional communication approach and, secondly, they make valuable contributions to the stream of CSR literature by reliably identifying determinants and critically evaluating potential outcomes. Thirdly, this thesis furthers the debate on the constitutive CSR communication as outlined in the Introduction. By addressing academic voids relating to CSR communication and banking organizations based in Germany, it is hoped that these research studies may serve as a foundation for practitioners (Section 6.2) and additional research (Section 6.3).

Table 6.1: Findings in relation to research objectives of this dissertation

Research objective	Research finding
Non-financial reporting (Study 1)	
Analyzing the level of CSR information communicated by banks (RO1).	<ul style="list-style-type: none"> • NFRQ remained at an average level between 2017 and 2019. • Relevance of information was higher than Credibility of information; stakeholder mapping (R17) was scored highest, while the balance criteria (C2) was lowest. • NFRQ slightly but significantly increased between 2017 and 2019.
Identifying determinants that impact CSR information communicated by banks (RO2).	<ul style="list-style-type: none"> • NFRQ was significantly and positively affected by reporting experience, format, and framework. • Reporting audit did not have a significant impact on NFRQ. • As for the control variables, bank size (profitability) did (not) influence NFRQ.
Websites (Study 2)	
Analyzing the level of CSR information communicated by banks (RO1).	<ul style="list-style-type: none"> • The extent of CSR information on banking websites were at a modest level. • Information regarding CPTOTAL (EETOTAL) recorded the highest (lowest) score.
Identifying determinants that impact CSR information communicated by banks (RO2).	<ul style="list-style-type: none"> • Bank size, orientation, ownership, and media visibility did significantly and positively affect total CSR disclosures on banking websites. • CSR disclosures were not impacted by bank profitability. • Bank category (savings, cooperative, and private banks) was partially influential concerning CSR information on web pages.
Social media sites (Study 3)	
Investigating CSR themes communicated by banks via SMSs (RO3).	<ul style="list-style-type: none"> • On both Facebook and Twitter, the most frequent content was posted/tweeted related to 'society' and 'labor practice.' • No single entry could be assigned to the aspect of 'human rights.'
Examining CSR communication strategies used by banks on SMSs (RO4).	<ul style="list-style-type: none"> • Banking institutes most often employed the interacting communication strategy focusing on community engagement on Facebook. • On Twitter, CSR communication strategies were more balanced.
Exploring the level and balance of two-way communication caused by banks' CSR messages on SMSs (RO5).	<ul style="list-style-type: none"> • In relative and absolute terms, social media users engaged more often on Facebook than on Twitter. Nevertheless, most CSR content remained one-way communication over time. • Banks responded more frequently to comments on Facebook. Despite this, symmetrical CSR communication was at a relatively low and fluctuating level between 2015 and 2019.
Advertising (Study 4)	
Analyzing the discursive design of CSR advertising by banks in Germany (RO6).	<ul style="list-style-type: none"> • The five advertisements analyzed focused on environmental and ethical issues, were seamlessly integrated into the CSR discourse practice of GLS Bank and corresponded to social structures toward transformative sustainability. • The ads also illustrated that SFPs can be effectively and transparently linked with CSR efforts.
Identifying potential outcomes resulting from CSR advertising by banks in Germany (RO7).	<ul style="list-style-type: none"> • Although the direct impact of CSR advertising is difficult to measure retrospectively, it can be assumed that these ads eventually increased stakeholder awareness of GLS Bank's CSR commitment and were partly responsible for: <ul style="list-style-type: none"> ○ Above-average growth development of GLS Bank, ○ Top rankings in different categories, likely resulting from increased stakeholder awareness of CSR (advertising).

6.2 Practical implications

While academically answering the main research objectives, this dissertation also provides some insights for practitioners. Appealing CSR messages as part of CSR management are nowadays, and will increasingly become in the future, an indispensable permanent component for the corporate and management communication of banking organizations. For banking practitioners, this raises the question of how CSR can be most effective and sufficient to withstand competitive pressure and potentially gain competitive advantages. Therefore, it seems promising, at this point, to formulate recommendations for banking managers and communicators.

This thesis documents that the banking industry in Germany has a lot of ground to make up in terms of volume and quality around CSR communication. Although this may sound simple and trivial at first glance, it can be challenging, especially for small and medium-sized institutes with limited financial and human resources. Nonetheless, established structures for CSR communication should be implemented with top management's assistance and impetus to meet growing stakeholder needs and emphasize specific sustainability priorities. To give a concrete example: Savings banks are well represented regionally and are, in principle, *“the bank for everyone”* (in German: *“Die Bank für Jedermann”*). Therefore, corporate communicators could and should emphasize this institutional mission statement in the future, which is well consistent with the UN SDGs and can serve as a differentiator from other financial institutes in Germany.

Moreover, data analysis reveals that many CSR messages appear to be similar and standardized, especially among savings and cooperative banks. This approach seems plausibly reasonable in the context of an overarching banking group identity. To further advance communication practices for these two banking pillars, however, practitioners have two options: (1) Increase the scope and quality of CSR communication at the group-wide institutional level, and (2) implement professional and high-quality CSR communication at the managerial level. By advancing these two paths, creative stakeholder engagement may evolve. Additionally, these options may be surmised to be more fruitful in building credibility, trust, and economic leverage in the long run.

Finally, banks in Germany should not only let the beneficiaries of their socially responsible initiatives do the communicating but also follow the maxim *“Do good and talk about it”* themselves. Nevertheless, mere jargony talk about CSR initiatives is not effective for organizations as other studies suggest (e.g., Herold *et al.*, 2020). Instead, it is worthwhile for banking organizations to communicate openly and transparently about their social

responsibility, including accomplishments, failures, and impacts, to gain meaningful credibility. SFPs (e.g., environmental funds, sustainability-related deposit products, or products to strengthen social self-sufficiency) and communicating about them will play a fundamentally important role for banking institutes to remain competitive in the future.

6.3 Avenues for future research directions

Researchers are generally tasked with finding plausible and empirically valid answers and explanations for unknown or under-researched phenomena. They are also required to propose distinct avenues for future research. While recent times have been plagued by enormous societal challenges, most notably the Covid-19 pandemic, the author of this work has encountered various fruitful areas of research that were either discarded prior to rigorous reviewing processes to publish or were beyond the scope of this doctoral thesis. While most of these ideas have not found a place within the presented studies, it is time to highlight potential future research directions that could benefit from further investigation.

This dissertation contributes to a better understanding of banking organizations in Germany communicating their CSR plan and efforts. However, one key and exciting CSR communication feature was not explored in further detail: transparency as a mechanism. While the term *transparency* lacks conceptual rigor, it is used ubiquitously to pin down transparency as a static quality attribute to corporate communications and to silence stakeholder skepticism (Coombs and Holladay, 2013; Wehmeier and Raaz, 2012). Instead, analyzing transparency through the lens of a dynamic process²³, for example, using case study research designs, can provide a promising research area to deliver more fine-grained insights into candor and transparent CSR communication. This path would shed then light on whether banks consider CSR – and consequently communication – as a functional (instrumental) investment focusing on promoting their business interests or whether they are also concerned with moral and constitutive concerns.

In line with other studies, this dissertation considers the functionalistic and the constitutive approach to CSR communication as two paradigmatic silos that should be distingui-

²³ One way to examine the dynamic process of transparency can include the following steps: (1) Access and evaluate CSR information, determine whether information is needed and seems complete and legitimate, plus determine that desired information is lacking; (2) request firm to provide additional information; and (3) persevere if the firm rejects to provide additional information (Coombs and Holladay, 2013).

shed from one another. However, bridging these two to an integrated framework is not entirely new (Crane and Glozer, 2016), yet it may provide interesting findings at the intersection of performing CSR efforts from a cost and resource-based view, and driving CSR initiatives based on internal and external stakeholder engagement. This is particularly worthwhile when examining the individual categories of banking organizations (private, savings, and cooperative institutes) within the three-pillar banking system in Germany.

Another key topic in CSR research concerns the relationship between corporate profitability and social performance as outlined in the Introduction. While this thesis empirically examines hypotheses from a past perspective, i.e., how profitability influences CSR communication, forward-looking hypothesis testing would be worthwhile for future studies and similar to previous research (e.g., Platonova *et al.*, 2018). By examining this academic void might provide interesting and new empirical insights with regard to the German banking industry.

Next, the social responsibility of central banks has gained prominence, especially during the GFC, but has been sparsely studied in the literature (e.g., Farina *et al.*, 2019; Lentner *et al.*, 2017). With their bundles of recurrent interventions and policy measures, central banks can address societal challenges, such as the climate crisis, inequality, and unstable financial markets. Thus, and in line with the social responsibility understanding according to Carroll, central banks' CSR communication, primarily focusing on their economic, legal, and ethical responsibilities, promises to be a prolific research path for future studies.

Finally, the Covid-19 pandemic has influenced and reoriented the approach toward social responsibility of many banks in Germany. For example, ongoing charity projects were adjusted, digital solutions were designed, new initiatives were developed, additional consultations with corporate customers to secure their financing and liquidity were provided, working remotely was established, and up-to-date services for hygienic and contactless payment processes were introduced and enforced (e.g., Commerzbank, 2020; Deutsche Bank, 2021; Sparkasse Lüneburg, 2022). Considering this recent global health crisis, it is worthwhile to study banks' CSR communication *before*, *during*, and *after* the Covid-19 pandemic (whenever "after" is defined by scientists and the public). From another point of view, it is also utterly essential to conduct research comparing banks' CSR communication practices *before*, *during*, and *after* other types of crises, such as banking misconducts (scandals, bankruptcy, etc.), natural calamities (e.g., tsunami in

Southeast Asia 2004), and economic downturns (because of the most recent GFC in 2008, there was a 12-month recession in Germany; Statista, 2022). Responding to this academic void may offer precious insights into how banks communicate their CSR agendas during crises and allow conclusions to be drawn about the general role and self-perception of banks worldwide and in Germany.

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Appendices

Appendix 1: NFRQ assessment structure

No.	Criterion	Description
<i>Relevance of information</i>		
R1	Business model	<i>The NFR presents the business model and critical information (target customers, banking activities, number of branches, etc.)</i>
R2	Products and services	<i>The NFR presents information on sustainable banking products and services (criteria and volume for financing and lending, etc.)</i>
R3	Proprietary banking activities	<i>The NFR contains indications on sustainable bank proprietary business (inclusion and exclusion criteria, etc.)</i>
R4	Financial inclusion	<i>The NFR describes products and services for disadvantaged people (accessibility, basic account for everyone, etc.)</i>
R5	Resources	<i>The NFR describes resource consumption and indicates measures to reduce resource usage (use of LED lighting, etc.)</i>
R6	Emissions	<i>The NFR contains information on emissions and measures to reduce them (using renewable energies, electric vehicles, etc.)</i>
R7	Biodiversity	<i>The NFR presents activities on beautification and preservation (greening, tree planting campaigns, etc.)</i>
R8	Health and safety	<i>The NFR provides measures to promote occupational health and safety for employees (health management system, robbery prevention, etc.)</i>
R9	Equality	<i>The NFR describes measures to promote employee equality (gender and payment equality, promoting diversity, etc.)</i>
R10	Assistance and benefits	<i>The NFR contains information on giving assistance and benefits to employees (parental leave, child, and elder care, etc.)</i>
R11	Qualifications	<i>The NFR presents measures to promote employee qualification (seminars and training, appraisal, etc.)</i>
R12	Community activities	<i>The NFR contains information about community activities (donations, sponsoring, collaboration with NGOs, etc.)</i>
R13	Employee volunteering	<i>The NFR presents information on employee volunteering (time off for volunteering, financial support, etc.)</i>
R14	Human rights	<i>The NFR describes measures to uphold human rights and reduce potential risks (screening of customers, etc.)</i>
R15	Anti-corruption and bribery	<i>The NFR presents measures to prevent unlawful conduct and to comply with statutory provisions (data protection policy, whistleblower system, compliance training for employees)</i>
R16	Supply management	<i>The NFR presents indications on managing the bank's supply chain (guidelines for suppliers)</i>
R17	Stakeholder mapping	<i>The NFR contains information on mapping relevant stakeholders</i>
R18	One-way engagement	<i>The NFR shows how stakeholders are engaged unidirectionally (reporting, press releases, customer events, etc.)</i>
R19	Two-way engagement	<i>The NFR indicates how stakeholders can engage with the bank (complaint management, surveys, etc.)</i>
R20	Stakeholder participation	<i>The NFR describes options for stakeholder participation (elections, joint product development, advisory board)</i>
R21	Contact details	<i>The NFR contains contact information (name of a representative, phone number, email address, contact form)</i>

Appendix 1: *continued*

No.	Criterion	Description
R22	Goals and targets	<i>The NFR presents targets for the future and targets set in previous reporting periods.</i>
R23	Strategic anchorage	<i>The NFR contains information confirming that sustainable development/CSR aspects are integrated into the bank's strategy and decision-making (nomination of a CSR manager, etc.)</i>
R24	Self-critical reflection	<i>The NFR describes a critical review of banking operations and activities</i>
R25	Learning progress	<i>The NFR indicates learning progress through stakeholder engagement (improve accessibility, increase offer of green/sustainable banking products, etc.)</i>
<i>Credibility of information</i>		
C1	Accuracy	<i>The NFR contains data collection methods, measurements, underlying assumptions, estimations (explanation of KPIs, use of recognized instruments, etc.)</i>
C2	Balance	<i>The NFR presents negative information (headcount reduction, etc.)</i>
C3	Clarity	<i>The NFR explains technical terms, calculations, abbreviations, and general ease of finding information (meaningful table of content, headlines, link, etc.)</i>
C4	Comparability	<i>The NFR names reporting standards, internal guidelines, protocols, benchmarks, presented data from previous reporting periods, etc.</i>
C5	Timeliness	<i>The NFR provides exact information on the reporting period; presented data are up to date.</i>
C6	Rating or indexing	<i>The NFR contains information on sustainability/CSR rating or indexing (Dow Jones Sustainability Index, Sustainalytics, etc.)</i>

Note(s): NFR; non-financial reporting. Examples given are intended to provide a concrete understanding of the criteria and are not to be regarded as a complete list.

Appendix 2: Intercoder reliability

Category	CSR item	%	K
<i>Environment and energy (EE)</i>			
1 EE	Environmental guidelines, policies, or statements	96.15	0.92
2 EE	Environmental objectives	97.44	0.89
3 EE	General environmental considerations	94.87	0.90
4 EE	Environmental/energy audit (any reference)	98.72	0.88
5 EE	Environmental sensitivity in process (waste, products, etc.)	96.15	0.91
6 EE	Sustainability (any reference)	97.44	0.95
7 EE	Environmental aesthetics (contribution to landscaping, etc.)	94.87	0.90
8 EE	Environmental training/awareness-raising for employees	97.44	0.94
9 EE	Environmental certification (ISO 14001, etc.)	97.44	0.93
10 EE	Environmental projects with NGOs or governmental institutions	94.87	0.88
11 EE	Energy conservation	96.15	0.89
12 EE	Energy efficiency	96.15	0.91
13 EE	Use of renewable resources (e.g., green energy)	98.72	0.97
14 EE	Information on waste management	96.15	0.90
15 EE	Information on greenhouse gas emission (CO ₂)	98.72	0.97
16 EE	Environmental award	100.00	1.00
<i>EETOTAL</i>	<i>Average for environment and energy total disclosure</i>	<i>96.96</i>	<i>0.93</i>
<i>Human resources (HR)</i>			
1 HR	Occupational health and safety	94.87	0.86
2 HR	Encouraging employee diversity (origin, religion, gender, etc.)	96.15	0.92
3 HR	Employee training and qualification	96.15	0.78
4 HR	Employee assistance and benefits	98.72	0.96
5 HR	Employee remuneration	93.59	0.81
6 HR	Employee profiles (education, period of employment, etc.)	93.59	0.87
7 HR	Employee satisfaction and feedback	96.15	0.92
8 HR	Women promotion agenda, program, etc.	98.72	0.97
9 HR	Relations with professional unions	96.15	0.92
10 HR	Information regarding family matters (day-care, maternity, paternity, eldercare, etc.)	94.87	0.86
11 HR	HR awards, audits, or certification	96.15	0.88
<i>HRTOTAL</i>	<i>Average for human resources total disclosure</i>	<i>95.92</i>	<i>0.91</i>
<i>Customer and products (CP)</i>			
1 CP	Explanations of major products and services	100.00	1.00
2 CP	Information about sustainable products	97.44	0.89
3 CP	Provision for customer complaints, feedback, satisfaction, etc.	96.15	0.82
4 CP	Provision for disabled, aged, and special-need customers	94.87	0.90
5 CP	Information on data security	97.44	0.87
6 CP	Award for products or services	97.44	0.94
<i>CPTOTAL</i>	<i>Average for customer and products total disclosure</i>	<i>97.22</i>	<i>0.91</i>

Appendix 2: *continued*

Category	CSR item	%	K
<i>Community involvement (CI)</i>			
1 CI	Donations to charitable bodies and community activities	96.15	0.75
2 CI	Support for students and their education	94.87	0.84
3 CI	Funding scholarship programs	97.44	0.93
4 CI	Sponsoring conferences, seminars, workshops, etc.	97.44	0.92
5 CI	Sponsoring sporting or recreational projects	96.15	0.90
6 CI	Sponsoring arts, culture, and science	96.15	0.87
7 CI	Sponsoring health or self-help activities	96.15	0.92
8 CI	Supporting the local development or governmental campaigns	97.44	0.93
9 CI	Information on employee volunteering	96.15	0.92
10 CI	Award for community involvement	98.72	0.93
<i>CITOTAL</i>	<i>Average for community involvement total disclosure</i>	<i>96.67</i>	<i>0.93</i>
CSRTOTAL	Average for total CSR disclosure	96.66	0.93

Note(s): %, percentage agreement between coders; K, Cohen Kappa.

Appendix 3: Pairwise comparison by bank category

<i>CPTOTAL</i>	Credit banks – Cooperative banks	Credit banks – Savings banks	Cooperative banks – Savings banks
Z-Scores	4.828	-20.106**	-15.278
<i>CITOTAL</i>	Cooperative banks – Credit banks	Cooperative banks – Savings banks	Credit banks – Savings banks
Z-Scores	-8.113	-18.618*	-10.504

Note(s): CPTOTAL, customer and products total disclosure; CITOTAL, community involvement total disclosure. *, ** Asymptotic significance at the 0.05 and 0.01 levels. SPSS 26 was used for the statistical analysis.

Appendix 4: CSR communication strategies used by banks in Germany

CSR communication strategy	2015		2016		2017		2018		2019		Total	
	n	%	n	%	n	%	n	%	n	%	n	%
<i>Facebook</i>												
Show CSR as a shared concern	14	3.84	6	1.96	5	1.59	5	1.38	8	1.87	38	2.14
Link CSR to the core business	71	19.45	65	21.24	59	18.79	78	21.55	102	23.89	375	21.14
Demonstrate organizational support	17	4.66	8	2.61	7	2.23	9	2.49	16	3.75	57	3.21
Demonstrate objective claims	25	6.85	16	5.23	24	7.64	22	6.08	28	6.56	115	6.48
Social partnership	14	3.84	11	3.59	10	3.18	12	3.31	15	3.51	62	3.50
Engagement with local community	204	55.89	184	60.13	191	60.83	213	58.84	242	56.67	1,034	58.29
Include external endorsement	20	5.48	16	5.23	18	5.73	23	6.35	16	3.75	93	5.24
Total	365	100.00	306	100.00	314	100.00	362	100.00	427	100.00	1,774	100.00
<i>Twitter</i>												
Show CSR as a shared concern	7	4.29	5	3.11	3	2.36	7	4.29	7	3.80	29	3.63
Link CSR to the core business	44	26.99	20	12.42	16	12.60	20	12.27	27	14.67	127	15.91
Demonstrate organizational support	12	7.36	1	0.62	4	3.15	5	3.07	11	5.98	33	4.14
Demonstrate objective claims	27	16.56	36	22.36	42	33.07	35	21.47	46	25.00	186	23.31
Social partnership	9	5.52	13	8.07	5	3.94	19	11.66	10	5.43	56	7.02
Engagement with local community	57	34.97	86	53.42	51	40.16	75	46.01	82	44.57	351	43.98
Include external endorsement	7	4.29	0	0.00	6	4.72	2	1.23	1	0.54	16	2.01
Total	163	100.00	161	100.00	127	100.00	163	100.00	184	100.00	798	100.00

Note(s): Informing communication strategy includes “show CSR as a shared concern,” “link CSR to core business,” “demonstrate organizational support,” and “demonstrate objective claims”; interacting communication strategy includes “social partnerships,” “local articulation,” and “pro-active endorsement.”

