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### CORPORATE SOCIAL RESPONSIBILITIES OF INVESTMENT BANKS IN THE KINGDOM OF SAUDI ARABIA

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#### **ABSTRACT**

Corporate social responsibility (CSR) has gained strategic significance not only in the industrial world of companies but also comprised of government across the globe. In Saudi Arabian Investment banks, CSR has been looked at as a postulate for ethical and responsible behavior in business. Thus, in this work, the significance of CSR for investment banks in the Kingdom of Saudi Arabia (KSA) was investigated. The current Corporate Social Responsibility Disclosure (CSRSD) practices and various factors that influence CSRSD in Saudi Arabian Investment banks were analyzed. This work was done based on quantitative method. This work has specifically targeted 11 investment banks that are operating at Saudi Arabia. This work has used qualitative research methodology. The findings of this work showed that CSRSD practices was highest for charity category. Furthermore, the results of this work showed that CSR is significantly important in determining the operation of a business. Results showed that the investment banks exhibited growth rate in the range of 1.89% to 4.20%.

#### **INTRODUCTION**

Corporate Social Responsibility (CSR) involves a conspicuous spot on the worldwide corporate motivation in the present socially cognizant market condition [1]. Organizations are committing considerable assets to different social activities, extending from network outreach and natural insurance, to socially dependable business rehearses [2].

These extraordinary CSR endeavors are driven not simply by ideological reasoning that enterprises can be a ground-breaking and positive power for

social change, yet more by the multi-faceted business restores that companies can possibly harvest from their CSR attempts [3]. In addition, organization qualities, for example, organization measure, industry area, productivity, and corporate administration instruments overwhelmingly seem to drive the CSR revealing plan in both established and developing nations [4].

Very noticeable organizations are typically inclined to different weights from the media, NGOs, and controllers with respect to social and natural issues, which require organizations to incorporate such issues in their exposure choices to reduce those weights [5]. Moreover, political and social components impact the CSR revelation plan. Obviously, firms working in established and developing nations need to consider political, and social factors or practices in their revelation choices [6].

There are significant contrasts between the determinants of CSR revelation in established and upcoming nations [7]. In established nations, the worries of explicit partners, for instance, controllers, investors, loan bosses, financial specialists, hippies, and the media are viewed as essential in uncovering CSR data [7]. In developing nations, CSR announcing is impacted by the outside powers/ground-breaking partners, for instance worldwide purchasers, remote speculators, global media concerns, and universal administrative bodies [8]. Besides, as opposed to established nations, firms in developing nations see little weight from people in general for CSR divulgence, which proposes that the general population in developing nations is less educated about social issues and requires mindfulness programs featuring social issues [7-8].

Previous surveys of hypothetical points of view on CSR offer diverse criteria, for example, the job of the firm, administrative self-sufficiency, and the dimension of examination [9]. Harjoto et al. [10], portrayed corporate social duty as an instrument, a model in business or even an idea connected by an organization in rolling out radical improvements of the association. As indicated by Saedi et al. [11], numerous business associations are embracing the CSR systems and strategies, since they are assuming it is their responsibility to improve the society. Clapp et al. [12] completed an examination on what propels associations in embracing CSR strategies and took a gander at altruist aims and monetary execution, and found that association embraced CSR to ensure a sustainable future. Majeed et al. [13] examined the reporting practice of the corporate social duty among private companies in Pakistan and found that the companies demonstrated moderate level of CSR reporting. Flamer [14] investigated the impact of CSR disclosure on companies' financial performance and found that CRS has positively affected the financial outlook of the company. Kang et al. [15] analyzed the connection of CSR disclosure on overall companies' performance, and found that CSR disclosure has enable companies to exhibit a enhanced performance in terms of financial output. Ioannou et al. [16] analyzed the impact of CSR on investment choices and found that CSR enabled companies to diversify their investment for an enhanced return. In addition, Kiliç et al [17] evaluated the nature, degree and pattern of CSR detailing in the Turkish financial industry and found that CSR disclosure had positive impact on the financial industry. Sharif et al. [18] investigated the level of CSR divulgences among banks in

Pakistan and found that commercial banks in Pakistan demonstrated positive level of CSR disclosure Chomvilailuk et al.[19] examined the adequacy of three corporate social responsibility activities on brand inclination in the Thai financial division and found that each of the three CSR activities had an unassuming however critical impact on brand inclination.

Saudi Arabia is a country wealthy in socially dependable business openings, including assortment of venture banks. The kingdom likewise has a social and religious history that flawlessly lines up with the objectives of its social obligation. Also, the Islamic convention of Zakat massively bolsters corporate social responsibility activities for exclusive organizations [20]. In spite of the fact that the Saudi Arabia government perceives the commitment and significance of speculation banks in national improvement, the legislature is not prepared to boost corporate social responsibility [20]. Thus, this work was done to explore the noteworthiness of CSR for venture banks in the Kingdom of Saudi Arabia.

## METHODOLOGY

### *Research Design*

This study has looked into the relationship between corporate social responsibility of investment banks in the Kingdom of Saudi Arabia, the motivation of the organization in the country to adopt the policies, as well as the advantages that CSR has on banks and other financial institutions. The core aim of this study was to attain a clear understanding of CSR and why it should be implemented in every business organization.

### *Model Specification*

The model specification of this study was represented by the following regression analysis,

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu,$$

where Y =Corporate social responsibility for investment banks in the kingdom of Saudi Arabia,

$\beta_0$  = the constant value,

$\beta_1$  = the coefficient of X1,

$\beta_2$  = the coefficient of X2,

$\beta_3$ = the coefficient of X3.

Variables are: X1 = Importance of CSR

X2= Extent to which banks adopts CSR,

X3= factors motivating the organizations in Saudi Arabia to take part in CSR,

$\mu$ = error.

### *Target Population*

The target population of this research involved all business and investment institutions in Saudi Arabia, which are applying or have already applied corporate social responsibilities.

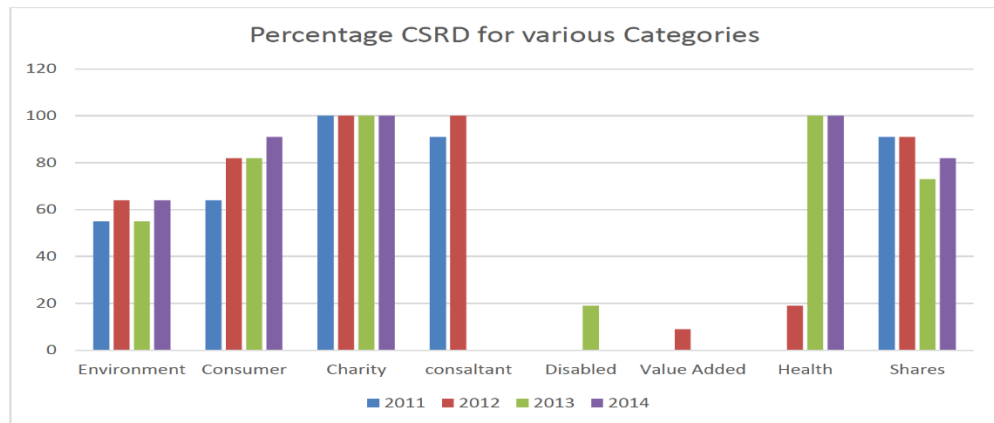
### ***Data Collection and Analysis***

The methodology used in the study was qualitative. A variety of search methods were used to identify studies. These methods were searching electronic databases; hand searching relevant journals, books, and conference proceedings; searching Internet websites; visually skimming reference lists from relevant studies and citation searching. The authors attained the growth information of the banks in Saudi Arabia. The banks comprised of National Commercial Bank, Saudi Investment Bank, Alinma Bank, Al Rajhi Bank, Arab National Bank, Bank AlJazira, Albelad Bank (Albelad), Alrajhi Bank (Alrajhi), Riyadh Bank (Riyad), and SAAB Bank (SAAB). The data were analyzed in terms of the understanding the importance of CSR in the Saudi Arabia Kingdom.

## **RESULT AND DISCUSSION**

### ***Data Presentation***

Figure 1 represents the data obtained from different banks of Saudi Arabia as a result of taking part in CSR practices. Based on Figure 1, the extent to which banks have incorporated corporate social responsibilities in four distinct sampled years were observed. The process is positive and is being appreciated all over the Arab countries. Based on Figure 1, the banks have demonstrated highest CSR practice for the charity category with 100 % for the year of 2011 to 2014, respectively. On the other hand, the banks have demonstrated CSR practice for consultant category for the year of 2011 and 2012, with percentage of 91 % and 100 %, respectively. Furthermore, the banks have demonstrated CSR practice for shares category for the year of 2011 to 2014, with percentage value of 91%, 91%, 73% and 82%, respectively. In addition, for the environment category, the percentage of CSR practice for the year of 2011 to 2014, were 55%, 64%, 55% and 64%, respectively. However, for the disable category, the banks demonstrated CSR practice in the year of 2013 only, with a minimal percentage of 19%. Moreover, for the consumer category, the percentage of CSR practice for the of 2011 to 2014, were 64%, 82%, 82% and 91% respectively. For the health category, the percentage of CSR practice was 19% for the 2012, 100% for the year 2013 and 2014, respectively.



**Figure 1.** Percentage Of CSRD For Various Categories.

Table 1 shows the banks' growth rate. Based on Table 1, is easily identified that the rate of growth of banks in Saudi Arabia as a result of CSR adoption has really gone up. Having the lowest rate of growth being 1.89% and the highest being 4.20% has really been an average range. This has recorded a positive impact towards the growth of the society as the whole. Based on Table 1, the highest percentage of growth rate was exhibited by Samba Financial Groups, with 4.20%. The second highest was demonstrated by Almina Bank with 4.01% of growth rate. The third highest was Banque Saudi Fransi with 3.79% growth rate. On the other hand, the lowest growth rate was demonstrated by AL. Rajhi Bank with growth rate of 1.89%. For the remaining banks, the growth rate is shown in Table 1.

**Table 1.** Bank Growth Rate

Name of the bank	Growth Rates (%)
The national commercial bank	3.72%
Saudi British Bank	3.14%
Saudi Investment Bank	1.97%
Almina Bank	4.01%
Banque Saudi Fransi	3.79%
Samba Financial Groups ( Samba)	4.20%
Saudi Hollandi Bank ( Alawwal)	2.99%
AL. Rajhi Bank	1.89%
Arab National Bank	3.00%
Bank Al- Bilad Bank	2.78%
Aljazira Bank	2.14%

In addition, data were regressed to obtain descriptive as statistics shown in Table 2. Based on Table 2, the mean is the total amount of growth divided by the number of respective years. Based on Table 2, Samba Financial Groups exhibited highest mean value of 4.20. Almna Bank exhibited the second highest mean value with mean value of 4.01. Banque Saudi Fransi exhibited the third highest mean value of 3.79. On the other hand, AL. Rajhi Bank exhibited the lowest mean value of 1.89. For the remaining banks, the mean value is shown in Table 1. By recording this high growth rates, it signifies that

the banks in the country have been using the CSR in the following areas; in increasing the outputs, this is determined by the following; in deciding on what should be produced, how it should be produced, and the modes of selling. It should also be concerned with the social relationship between the organization and the society. This signifies that in every bank and another financial institution, it is likely to apply CSR in its operations. As the banks are incorporating CSR procedures and activities, their mean, mode and minimum increase, and it will enhance the overall profitability of the organization.

**Table 2.** Descriptive Statistic

Banks	N	Minimum	Maximum	Mean
National commercial bank	1	3.72	3.72	3.72
Saudi British	1	3.14	3.14	3.14
Saudi investment bank	1	1.97	1.97	1.97
Almna Bank	1	4.01	4.01	4.01
Banque Saudi fransi	1	3.79	3.79	3.79
Samba Financial Groups	1	4.20	4.20	4.20
Saudi holladi bank	1	2.99	2.99	2.99
AL. Rajhi Bank	1	1.89	1.89	1.89
Arab national bank	1	3.00	3.00	3.00
Bank Albilad	1	2.78	2.78	2.78
Aljazira bank	1	2.14	2.14	2.14

## OVERALL DISCUSSION

CSR in Saudi Arabia are affected by sociocultural factors which majorly enhance values, and naturally giving back to the society is essential. As shown in Figure 1, the banks in Saudi Arabia have performed CSR practice for charity. Traditionally, giving back to the society is a philanthropic act; firms are becoming aware of values of this act from bottom line. As corporate philanthropy engages on financial profits, a CSR strategy which is well developed, is designed to feed back the bottom line of an organization [21]. Firms with international benchmarks are carrying out strategic CSR approach and finding ways to accommodate stakeholders' expectations and interests in means that benefits long-term survival and profitability [21].

Banks, in any economic system, has motivational role in inducing the ecological performance of other subdivisions. Currently, CSR is being highly recommended and encouraged, with community attitude, and to motivate banks to have a good reputation [13]. Hence, banks should be socially responsible. In this case, Saudi Arabian banks should do the same. Hence, it is much significant to undertake CSR and research explorations within the banking industry especially in Saudi Arabian nations [20].

Businesses are paying attention to CSRD and are committing themselves to CSR instituting programs. Such efforts are prone to slowness as there are no guiding practical frameworks or theories for this phenomenon examination [20]. Evidences to the extent and nature of CSRD in Saudi Arabia are little. Reflecting on the economic status of Saudi Arabia, it is the largest oil producer worldwide with huge economic development programs for business and firms that emphasizes on CSRD justification and requirement. It is among the world rapid economic power which is focusing on CSR practices and culture [21]

Thus, in an organization, CSR should be adopted, since it has been enhancing better financial performance. By creating a good working environment This will increase the outputs of the firms, increasing the profits and thus financial performance. Furthermore, managers and employees have to be educated with the application and the importance of CSR, which will benefit the organization.

### CONCLUSION

This study looked at the corporate social responsibilities of investments banks in the kingdom of Saudi Arabia. It was seen that CSR are of great importance in determining the operation of a business. Results conclude that, delivering of strong results and futures embracing are an element that shows the importance of social corporates responsibilities in an organization. This is because a clear relationship was shown by the values obtained from analysis, showing that the variables were important. The three variables indicated a positive relationship with the model, showing that among many other variables that were not taken into considerations, the three were proved to be perfect. From this study, it was observed that most of the organizations are utilizing CSR policies. To add on this, some data were collected from different banks in the Saudi Arabia Kingdom, to show the rate of growth occurring as a result of corporate social responsibilities.

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