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The corporate governance and social responsibility nexus in the Lebanese banking industry

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Purpose: This research seeks to explore the contrasting views of banks and banking authorities in Lebanon regarding the corporate governance and corporate social responsibility nexus.

Design/Methodology/Approach: Using survey responses collected from managers of five Lebanese banks and banking authorities, we conduct a qualitative comparative study of the opinions on CG, CSR and CG-CSR nexus.

Findings: Our findings reveal that while a CG culture is well-instituted by the authorities and that some forms of CSR are already practiced by banks, disagreements exist between the Lebanese banks and banking authorities in defining the CG-CSR nexus. While CG is viewed as an all-encompassing concept by the banking authorities, most banks ascribe to the paradigm that CG is component of CSR.

Research Limitations/Implications: Our sample consists of large banks that have clear CG and CSR agendas. Our results therefore cannot be generalized for the wider population of Lebanese companies that are characterized by family ownership and the non-separation of ownership and control.

Practical Implications: This study informs both managers and policy-makers on the differing views of the CSR-CG nexus while also contributing to informing the policy dialogue. Theoretically, our study sheds light on the CG-CSR nexus in a developing country context.

Originality/Value: There is a paucity of research on the CG-CSR nexus in the context of developing countries and in the banking sector in specific. This paper aims to address the gap in the literature by providing an in-depth qualitative examination of the CG, CSR and the CG-CSR nexus in the context of the Lebanese banking sector.

Keywords: Corporate Governance, Corporate Social Responsibility, Bank managers, Banking authorities, Developing Countries.

1. Introduction

The successive accounting scandals and corporate failures of the early 2000s as well as the 2008 subprime mortgage crisis have led to a resurgence of interest in improving corporate governance (CG) practices in the U.S. and the world.[1] The renewed interest in CG has been accompanied by an increasing awareness of the social and environmental consequences of corporate activities. The resulting drive towards Corporate Social Responsibility (CSR) has galvanized global attention and achieved significant resonance in recent years.

The growing importance of both CG and CSR has also led to intense academic scrutiny of the CG-CSR nexus. Evidently, the relationship between CG and CSR critically hinges on the definition of CG. With the separation of ownership and control in modern corporations, CG was initially viewed by financial economists as the mechanism through which the rights of external investors are protected (Shleifer and Vishny, 1997). However, broader definitions of CG have been advanced. For instance, the Cadbury (1992) committee offers a more expansive definition of CG as the mechanism though which companies are managed and controlled. More recent views on CG also note that the consequences of corporate actions are not confined to internal claimholders but also affect external stakeholders, the environment, society and the economy. The latter view is consistent with the Organization of Economic Cooperation and Development (OECD)'s principles on good CG which clearly refer to the effect of corporate actions on a wider group of stakeholders (OECD, 2004). Claessens (2003) and Claessens and Yirtoglu (2012) adopt this all-encompassing view of CG and further argue that CSR constitutes an integral component of good CG.

In light of the increasing importance of CG and CSR, recent academic research has extensively examined the CG-CSR nexus (Mitchell, 2007; Jamali, Safieddine and Rabbath, 2008). In this paper, we build on the work of Jamali, Safieddine and Rabbath (2008) to study the CG-CSR nexus in the context of the Lebanese banking sector. In specific, we conduct a qualitative comparative study of the opinions of Lebanese bank managers, banking authorities and a bank association on CG, CSR and the CG-CSR nexus. Given the nascent nature of CG and CSR in Lebanon, no existing studies examine the CSR-CG nexus in the Lebanese context or in the Lebanese banking sector, in specific. We believe that such an exploration is warranted as it

[1] These scandals include, but are not confined to, the collapse of Enron, Arthur Andersen, and WorldCom (Tricker, 2012; Marsiglia and Falautano, 2005).

would shed light on the practice of CG and CSR as well as the interplay between CG and CSR in a developing country context. Our study therefore contributes to the existing literature on the CG-CSR nexus but from a developing country perspective. In view of the dearth of studies on the CG-CSR nexus in Lebanon, we opt for an explorative approach given that such a research design provides extensive information on the relationship between CG and CSR. More specifically, we adopt a qualitative research design which involves conducting in-depth semi-structured interviews and analyzing the results of a questionnaire administered to five banks and banking authorities' representatives. We employ a qualitative research design for two important motives: First, Boyce and Neale (2006) note that in-depth semi-structured interviews are an invaluable tool allowing researchers to shed light on different opinions. Second, our qualitative research design has the advantage of infrangibly exhuming the perceptions of the CSR and CG nexus of the banks and bank associations. Our main interest lies in examining whether differences in perspectives exist between bank managers and banking authorities (association) as they relate to their understanding of the nature of CG, CSR and the CSR-CG nexus.

2. The CG-CSR Nexus: Related Literature

We next review the existing studies on the CSR and CG nexus. The sizeable literatures on CG, CSR and the CG and CSR nexus force us to be selective in our review of the existing studies. We focus specifically on studies that directly tackle the CG-CSR nexus.

Management scholars have been increasingly interested in examining the complementarities between CG and CSR. Rudolph (2005) and Elkington (2006) note that an overlap in the terminologies and cross-connections between CSR, ethics, and CG exists. Carr and Outhwaite, (2011) argue that complementarities exist in the relationship between CG and CSR. Bhimani and Soonawalla (2005) note that CG, CSR and stakeholder value creation constitute an integral component of the corporate responsibilities continuum. In a similar vein, Beltratti (2005) argues that CG and CSR are complementary and notes that an effective CG framework coupled with CSR engagement result in improved financial performance. Along the same lines, Van den Berghe and Louche (2005) assert that CG and CSR derive from the same attributes which include honesty, transparency and accountability while Rudolph (2005) and Elkington (2006) emphasize the cross-connections between CSR, ethics and CG. Jensen (2002) and Aguilera *et al.* (2007) argue that both CG and CSR are expressions of a firm's moral and fiduciary responsibilities towards its stakeholders. The studies above indicate that an overlap exists between the definitions of CSR and CG. According to Benders and Van Veen (2001), the increasing popularity of both CSR and CG generates some ambiguity in defining the confines of each. Other important contributions to the literature (Aguilera *et al*., 2006; Lea, 2004) also underscore the existence of complementarities between CG and CSR. In an attempt to conceptualize the relationship between CG, CSR and business ethics, Fassin and Van Rossem (2009) explore the distinctiveness and clarity in the perceptions that opinion leaders have concerning CG, CSR and business ethics, and the relationships that exist between them.

Two broad paradigms have emerged from the literature examining the CG-CSR nexus. One strand of the literature views CG as a foundation or pillar of CSR. That is, CG is an all-encompassing concept under which CSR falls. Studies that fall into this strand of the literature include Sacconi (2006), Luo (2006), Aguilera *et al.* (2006), Claessens (2003), Carr and Outhwaite (2011), Claessens and Yirtoglu (2012), Elkington (2006) and McCarthy and Puffer (2008). In contrast to these studies, another strand of the literature gives CSR the "umbrella attribute" (Scherer and Palazzo, 2007; Basu and Palazzo, 2008). Conley and Williams (2005) epitomize the latter view by referring to CSR as the "new governance" mechanism.

Jamali, Safieddine and Rabbath (2008) suggest that there is an increasing overlap between CG and CSR and provide three frameworks through which to understand the CG-CSR nexus: (1) corporate governance as a pillar of corporate social responsibility, (2) corporate social responsibility as a dimension of corporate governance, and (3) corporate governance and corporate social responsibility as part of a continuum.

Some empirical evidence on the CSR-CG nexus also exists. Recent empirical studies formulate four testable hypotheses regarding the relationship between CG and CSR. The first hypothesis, developed by Barnea and Rubin (2010), uses Jensen and Meckling's (1976) agency theory to argue that top managers have a tendency to over-invest in CSR in order to build an image of themselves as "good global citizens". Jo and Harjoto (2011) refer to this view as the over-investment hypothesis. Another hypothesis, due to Cespa and Cestone (2007), states that current CEOs engage in strategic CSR in order to decrease the probability of CEO turnover in the future. The third hypothesis states that in highly competitive markets, firms tend to use CSR to differentiate themselves from competitors and to signal the quality of their products (Fisman *et al.*, 2005; 2006; Falck and Heblich, 2007). The final hypothesis, known as the conflict resolution hypothesis, is based on the views of Jensen (2002), Scherer *et al.* (2006) and Calton and Payne (2003), who suggest that firms use CSR activities to resolve the conflicts between managers, investing and non-investing stakeholders. In this context, we note that Harjoto and Jo (2011) assess the effects of internal (board structure and ownership concentration) and external (institutional ownership and monitoring by security analysts) governance mechanisms on the firm's choice of CSR activities. Consistent with earlier empirical evidence, the authors provide evidence consistent with CSR being positively associated with governance mechanisms such as board leadership, board independence, institutional ownership, analyst following, and anti-takeover provisions. Harjoto and Jo (2012) interpret their findings as being consistent with the resolution of the agency problem of Jensen and Meckling (1976). Arora and Dharwadkar (2011) examine the relationship between CG and CSR using four governance variables: managerial ownership, independent director representation, concentrated institutional ownership, and strength of shareholder rights (i.e. the threat of takeovers). The authors hypothesize that the relationship between CG and CSR is moderated by the satisfaction with firm performance. Their findings suggest that strong CG minimizes the risks of managers endorsing negative CSR. However, when firms perform well, the impact of governance on positive CSR is minimal, hence positive CSR is high. Furthermore, Harjoto and Jo (2011) argue that CSR engagement is positively related to effective governance mechanisms and to better firm performance through lessened agency costs and reduced conflict of interests among stakeholders. In subsequent work, Jo and Harjoto (2012) provide evidence of unidirectional causality from CG to CSR. More specifically, the authors find that a lagged measure of CG has a positive effect on CSR thereby supporting the conflict resolution hypothesis of Jensen (2002) and Scherer *et al.* (2006) according to which firms use CSR activities to resolve the conflicts between managers, investing and non-investing stakeholders.

The aforementioned literature offers different means to conceptualize the CG-CSR nexus and a definitive consensus is yet to emerge. Furthermore, only a limited number of studies examine the CG-CSR nexus in a developing country or banking context. In light of the paucity of research in these areas, this paper aims to address the gap in the literature by providing an in-depth qualitative examination of the CG, CSR and the CG-CSR nexus in the context of the Lebanese banking sector. A number of interesting findings emerge from our qualitative comparative study. First, Lebanese banks and banking regulators (association) have a common understanding of the importance of CG. Second, despite the fact that both banks and banking regulators view CSR as a differentiation tool, the two parties' views differ in relation to the ulterior motive underlying CSR engagement. Third, and perhaps most interestingly, the banks and banking authorities' views on the CG-CSR nexus differ substantially. While the banking authorities view CSR as an expression of a good CG framework, the majority of the banks in our sample adhere to the view that CSR embeds CG thereby giving CSR an all-encompassing role. In line with their beliefs, the banking regulators have exerted concerted efforts to ensure a sound CG framework in the Lebanese banking sector without explicitly addressing CSR.

3. The Lebanese Banking Sector and CG Context

3.1. The Lebanese Banking Sector: Key Characteristics

The Lebanese economy is largely reliant on its services sector which accounts for nearly 75% of Lebanon's USD 42 billion Gross Domestic Product (GDP). The banking and tourism sectors are, in turn, the two largest industries in the services sector. The banking sector is known for its high capitalization and prudent investments. The sound regulatory oversight by Lebanon's central bank, the Banque du Liban (BdL), and the banking control commission (BCC) are important factors which contribute to the stability of the sector. The country's underdeveloped financial markets place the banking sector at the center of financial intermediation and Lebanese banks have traditionally been the sole source of credit for individuals and enterprises. The banking sector has also benefited from a continuous and sizeable inflow of remittances to maintain its high capitalization. By the end of 2011, the number of banks operating in Lebanon reached 68, from which 54 are commercial banks, 15 are investment banks and 4 are newly-established banks. These banks have 968 branches distributed all over the geography of Lebanon. According to the Association of Banks in Lebanon, there is one bank branch for every 5,000 persons whereas the average number of bank branches in the MENA region is one bank branch for every twenty thousand persons[2] (Association of Banks in Lebanon, 2012). These numbers indicate the high market penetration of Lebanese banks and demonstrate that the Lebanese populace has high access to banking services relative to other MENA countries. In fact, the statistics on access to banking services are closer to the rates observed in developed countries.

[2] This also compares to one branch for every eleven thousand persons in emerging countries.

Figure 1 displays total assets in the Lebanese banking sector while Table 1 provides the aggregate growth rate in total assets of Lebanese banks for the period 2000 to 2012.

[Insert Figure 1 and Table 1 here]

Despite some adverse economic, political and security developments over the period, Figure 1 and Table 1 show a sustained increase in consolidated total assets of Lebanese banks. This steady growth in assets demonstrates the considerable resilience of the Lebanese banking sector.

3.2. Corporate Governance in Lebanon

Corporate Governance can be considered to be a relatively recent concept in Lebanon. Regulators and government officials instigated the dialogue on CG only in 2004. The main challenges facing a proper implementation of CG in Lebanon are the lack of general awareness about the subject and the attachment of several stakeholders to the traditional approaches and systems of management.

In fact, small to medium sized enterprises, mostly family-owned, are the main drivers of the Lebanese economy. Family-owned businesses are characterized by having owners that are inclined to manage their corporations themselves rather than to abide by policies and procedures that are set to regulate their businesses. The management of family-owned enterprises is, for instance, seldom sensitized to the need for an independent board member. The Lebanese banking sector, whose origins can also be firmly traced to family ownership, suffers from the same lack of awareness regarding the importance of sound CG. Another main obstacle facing the implementation of sound CG principles is a weak Lebanese legal system. The foundations of CG in Lebanon dates back to the Lebanese Code of Commerce, established in December 1942, as well as some additional conditions established by the Beirut Stock Exchange (BSE) regarding equity listing requirements. However, the Code of Commerce is outdated and does not tackle many key CG issues while the BSE listing requirements only impose certain disclosure and accounting standards (Chahine and Safieddine, 2009).[3] Nonetheless, significant efforts are being made by two non-governmental enterprises, the Lebanese Transparency Association (LTA) and the Lebanese corporate Governance Task Force, who launched the first Lebanese Code of corporate governance on June 13, 2006 (The Lebanese Code of Corporate Governance, 2006).

[3] A recently established capital markets regulator, the capital markets authority of Lebanon, is actively seeking to address some of the shortcomings in the Code of Commerce.

While these efforts are voluntary and addressed to all Lebanese companies, BdL, in its capacity as the main banking sector's supervisory entity, issues rules and guidelines on CG that are addressed specifically to the banking sector. In fact, BdL has the power to issue mandatory regulations related to CG to commercial banks and has spearheaded various initiatives and developed extensive guidelines of good CG.[4] Table 2 provides a listing of the most important BdL directives (also known as circulars) on CG.

[Insert Table 2 here]

As evident from the list of circulars in Table 2, the central bank placed significant emphasis on mandating good CG practices. For instance, circular 106, titled "Corporate Governance", requires banks, among other provisions, to draft and disseminate on their websites a corporate governance guide which contains details on the organizational chart and board of directors (including compensation). Similarly, circulars 118 and 122 address, respectively, the establishment of board committees as well as the appointment of external auditors. In fact, the central bank's repeated efforts in promoting a culture of good CG in the commercial banking industry culminated in the development of a BdL unit dedicated to raising awareness regarding CG. The BCC monitors the banks' compliance with these decisions and fines are imposed on non-complying banks.

3.3. Corporate Social Responsibility in Lebanon

Jamali and Mirshak (2007) note that CSR continues to be perceived by Lebanese corporates as a voluntary philanthropic exercise. Jamali and Mishrak (2007)'s study also reveals that none of the companies comprising their sample developed clear objectives, measurements or due diligence in their pursuit of CSR activities.

Nonetheless, the Lebanese banking sector, spurred in part by BdL's initiatives, has shown greater affinities towards CSR. In fact, BdL has been encouraging banks to engage in CSR by spearheading the following initiatives: (i) encouraging entrepreneurs by promoting small loans, (ii) subsidizing the interest rates on productive loans, (iii) subsidizing educational loans and housing loans, (iv) subsidizing loans for environment-friendly projects, and (v) asking banks to investigate the environmental and social impact of the projects that they finance particularly by applying the "Equator Principles" proposed in October 2002 by the International Finance

[4] The complete circulars are available at http://www.bdl.gov.lb/circulars/index/5/33/0/Basic-Circulars.html.

Corporation (IFC) and (v) actively participating in events that promote CSR. As a concrete example of BdL's drive to encourage CSR activities by Lebanese banks, the central bank introduced, in January 2013, a US$1.46 billion stimulus package comprising subsidized loans that are earmarked to environmentally friendly projects and companies, solar energy projects, and other entrepreneurial ventures (World Bank, 2013).

4. Questionnaire Design and Surveyed Institutions

We employ data from two sources: (i) qualitative data collected from banks and from key banking authorities and a bank association in Lebanon and (ii) data collected from in-depth interviews that were conducted with senior managers of banks and bank regulatory institutions. Some additional data are collected from the website of the banks comprising our sample. The first group of interviews was conducted with Lebanese authorities and regulators in order to assess the importance of corporate governance and corporate social responsibility in the banking industry. The aim of these interviews is to take stock of the authorities' point of view on the relationship between CG and CSR.

The second group of interviews involved senior managers (corporate social responsibility, compliance or marketing managers) from a sample of Lebanese banks. The goal of these interviews is to examine the banks' practices in terms of CG and CSR. In specific, the interviews aim to gauge the managers' perceptions of the link between the two paradigms.

A questionnaire comprising open and close-ended questions was designed. The questionnaire, provided in full in Appendix A, is composed of three sections. The first relates to the CG mechanisms and practices employed in the sample of banks considered in our analysis. The second section investigates the CSR paradigm at the banks and the final section is designed to address the relationship between CG and CSR as suggested by Jamali *et al.* (2008).

4.1. Surveyed Banks

Our survey and interviews were conducted with five Lebanese banks: Bank Audi, Bank Libano-Française, Fransabank, Banque du Liban et D'outre Mer (BLOM) and BLC bank. The surveyed banks are large in terms of asset size and have deposits in excess of USD 2 billion. Panel A of Table 3 provides the names of the surveyed banks as well as the exact title of the surveyed manager within each bank.

[Insert Table 3 here]

In Lebanon, banks are grouped by the Association of Banks in Lebanon into four clusters according to the size of their deposits. The first cluster, known as the Alpha group, comprises banks with deposits in excess of USD 2 billion. The Beta group consists of banks with deposits ranging between USD 500 million and USD 2 billion and the gamma group contains banks with deposits ranging between USD 200 million and USD 500 million. The final group, known as the delta group, consists of banks with deposits under USD 200 million.

Table 4 presents a summary of Bilanbanques (2011)'s grouping.

[Insert Table 4 here]

The surveyed banks have a geographic presence in all of Lebanon and some of the banks also have foreign subsidiaries. The banks are selected based on their reputation, size (in terms of assets) and their involvement in CSR activities.

4.2. Surveyed Governmental Institutions and Bank Association

Our sample comprises five governmental entities that have a direct banking oversight role or whose mandates at the macroeconomic level can affect banks indirectly. We also survey an important Lebanese bank association. The names of the surveyed governmental institutions as well the title of the surveyed person within each of the institutions are provided in Panels A and B of Table 3.

The governmental institutions tasked with a direct supervisory role over banks are: the Banking Control Commission (BCC), the Banque du Liban (BdL) and the special investigation commission (SIC). BdL, Lebanon's central bank, started operating in April 1964 and was established pursuant to the Lebanese code of money and credit of 1963. The central bank is considered to be the chief regulatory authority of the Lebanese banking sector and enjoys, unlike other public institutions, administrative and financial autonomy. In addition to its main monetary policy and foreign exchange stability mandates, BdL is tasked with ensuring the soundness of the banking sector and is the sole authority capable of granting licenses for the establishment of new banks, financial institutions, brokerage firms, money dealers, foreign banks, leasing companies and mutual funds in Lebanon. BdL has the authority to issue directives, known as circulars, with which banks operating in Lebanon are forced to comply.

The BCC performs its supervisory functions as an independent body but in close coordination with BdL (who has the legal prerogative to ask for all the reports of the BCC). The BCC's functions is to supervise banks, financial institutions, money dealers, brokerage firms and leasing companies and fulfills its duties through periodic on-site and off-site examinations of the entities it supervises. Among other specific mandates, the BCC is tasked with ensuring that (i) its supervisees abide by the provisions of the Lebanese Code of Money and Credit and (ii) its supervisees abide by BdL and BCC's circulars. The final direct supervisory entity, the SIC, has a narrower mandate than BdL and BCC and is tasked with fighting money laundering.

Through its aims of developing a legal environment conducive to economic development, higher employment and greater social welfare, the Ministry of Economy and Trade (MoET) plays an important role at the macroeconomic level. Its specific mandate of consumer protection also gives the MoET an indirect supervisory role over banks. The final institution in our survey, the Association of Banks in Lebanon (ABL) is a non-governmental banking association which aims to strengthen cooperation among the member banks and to safeguard the interests of the banking sector. One important function undertaken by ABL is to liaise with the banking authorities regarding current and proposed regulations. ABL also promulgates legislations whose goal is to promote the banking sector.

5. CG and CSR from the Authorities' and Banks' Perspectives

5.1. CG from the governmental institutions and bank association's perspective

A summary of the survey responses of the four governmental institutions and the banking association regarding their CG paradigm are provided in Panel A of Table 5.

[Insert Table 5 here]

As noted earlier, Lebanese authorities made several gradual attempts to promote best practices in terms of CG. The overriding concern in the Lebanese regulators' initiatives is to familiarize Lebanese banks with the notion of CG. It can be argued that the gradual approach that the regulators adopted is consistent with Bhasin's (2010) arguments according to which ensuring effective governance evolves gradually from the "compliance" to a "conscience" approach to CG.

The recommendations of Lebanese regulators with regards to CG are also in line with the findings of academic research highlighting the importance of adequate CG mechanisms and controls in monitoring and maintaining managerial performance. In specific, the BdL and BCC circulars, which require banks to have adequate internal control mechanisms and independent board committees, echo the recommendations of Newman (2000) and Ruigrok *et al.* (2006). The previous two studies underscore the important role of non-executive directors in using objective and professional judgment to monitor managerial performance. Newman (2000) and Ruigrok *et al.* (2006) also note that oversight by sub-committees ensure the integrity of the financial statements.

During the interview process, the banking authorities (association) also underlined the importance of effective internal control mechanisms in facilitating regulatory oversight. This view is consistent with a sizeable strand of the literature (Solomon *et al.,* 2000; Spira and Page 2003 and Jones, 2008) which emphasizes internal control as one of the most important CG mechanisms.

The views of the banking regulatory bodies and associations also suggest a clear link between good CG and financial performance. Indeed, both banks and banking authorities agree that the Lebanese banking sector cannot "afford" a weak CG and that effective CG mitigates high risks which may, in turn, cause serious losses. For instance, a banking authority interviewee states: "we simply cannot afford a weak CG in our banking sector. From the mere fact that Lebanon depends a lot on the banking sector and that we have systemic banks in our economy that constitute the building blocks of the sector, there has to be a continuous supervision of the sector, and we, regulators, cannot be in the banks all the time to monitor all their activities. Good CG is the only thing that protects banks" while a banking sector interviewee remarks "Banks have to be very vigilant to the detrimental effects of weak corporate governance and compliance. They can be one the primary reasons for bank failure".

The previously discussed relation between CG and financial performance has been extensively studied in existing research and will be discussed, in more length, in Section 6 of the paper. The banking authorities also note that good CG in the Lebanese banking sector is poised for takeoff as banks are increasingly more integrated into international financial markets. Such integration will, in turn, further elucidate the importance that foreign investors, regulators and banking institutions place on sound CG principles and foster a greater appreciation of the benefits of good CG for Lebanese banks.

5.2. CG from the Banks' Perspective

A summary of the survey responses of the banks are provided in Panel A of Table 6.

[Insert Table 6 here]

The survey responses reveal that there has been an increased awareness regarding the importance of CG across all the banks in our sample. In fact, the management of each of the surveyed banks demonstrates both an interest and a profound understanding of the importance of good CG. Using Bhasin's (2010) terminology, we view this evidence as suggesting that Lebanese banks are moving from the traditional "compliance" to the "conscience" approach in implementing CG. The survey responses also uncover that CG is a central component to the strategy and core values of each of the banks. It is important to note that all the banks in our survey dedicate a section of their website to CG and include information regarding CG as an essential component of their annual reports.

The survey responses also show that the interviewed banks were compliant with BdL's requirements on good CG. All the banks have independent and non-executive board members, audit and risk committees, adequate disclosure, and internal audit departments. In fact, a majority of the banks established more than two board committees relating to internal audit and risk thereby exceeding BdL's requirements in that respect. In addition, our interviews with managers show that accountability and transparency are major concerns for Lebanese banks. More specifically, the responses of managers suggest that if these two elements are absent, CG will be significantly weakened and the bank's reputation and performance will be at significant risk.[5]

5.3. CSR from the Banking Authorities' Perspective

The summary of the governmental authorities and bank association's responses on their CSR paradigm, presented in Panel B of Table 5, suggest that governmental institutions and ABL are aware of CSR's benefits for different stakeholders and society at large. The banking authorities view the current CSR activities of Lebanese banks as falling under the philanthropic type of responsibility, discussed by Carroll (1979), according to which banks voluntarily choose to engage in social activities that are neither required by law nor ethically expected. Banks,

[5] In fact, weak CG and compliance with international standards is thought to have led to the collapse of the Lebanese-Canadian bank.

according to banking authorities, engage in CSR activities with the goal of achieving financial gains.

In the authorities' view, there is a positive relation between CSR investments and financial performance. This implies, in turn, that the short-term goals, such as building a socially responsible image, gaining customers' confidence and using CSR as a marketing or public relations tool underlie these CSR activities. This view suggests that banks benefit financially from their CSR engagement and might thereby use CSR as a differentiation tool. Nonetheless, the banking authorities maintain that despite the fact that banks' CSR activities are aimed at achieving financial gains, society benefits from such an engagement. The Lebanese banking authorities' views are also consistent with Lantos's (2001) arguments according to which CSR is critical to the firm's viability.

Although the central bank does not yet issue clear CSR guidelines for banks, BdL is encouraging banks to use CSR in a strategic manner. This is done by BdL tackling Lebanese society's vital needs such as (i) subsidizing housing and education loans and (ii) encouraging environmentally friendly, agricultural, touristic and industrial projects. These initiatives coincide with Porter and Kramer's (2006) strategic CSR activities whereby banks are encouraged to engage in a number of activities whose social and business benefits are distinctive and large.

Our interview results also suggest that banks need to prioritize social needs and place them at the core of their business (Porter and Kramer, 2006). These needs may belong to a variety of stakeholders such as their employees, their customers or to society at large. If applied strategically, banks will benefit from improved customer loyalty, employee retention, enhanced goodwill and, ultimately, enhanced financial performance. By doing so, banks can effectively create Porter and Kramer's (2011) shared value which is essential for effective competition and profit maximization.

The banking authorities and ABL agree that mandating CSR is unwarranted at this stage given that the focus should be on ensuring effective CG rather than forcing banks to engage in CSR. While the banking authorities believe that CSR is making important strides in the Lebanese banking sector, they note that a gradual shift which results in CSR being viewed as a strategic goal rather than a marketing tool is needed.

5.4. CSR from Banks' Perspective

The summary of the banks' survey responses on CSR, presented in Panel B of Table 6, suggest that globalization, the emergence of environmental awareness and the global appeal of responsible business practices contributed to a greater appreciation of the importance of CSR in the Lebanese banking sector. This evolving comprehension of CSR translated into banks establishing formal CSR programs through dedicated units, officers, and committees. In fact, four out of the five banks in our sample have a formal CSR program. Only a single bank has several CSR initiatives that were not combined into a formal program.

The banks' CSR initiatives have the full support of the management. Furthermore, the top management of some of the banks spearheads the organizations' efforts in initiating CSR programs and leading the institutions towards social responsibility. The interviewed banks also have dedicated sections on their websites (or in their annual reports) that explicitly state their views on CSR and summarize their main CSR activities.

Another interesting finding emerging from the survey responses is a common CSR focus of Lebanese banks which includes the community, the environment, people, education and health. For instance, the surveyed banks emphasize employee training and workshops, promoting gender equality, participating in philanthropic sporting activities, giving scholarships and holding regular educational events, establishing large networks of branches, fostering partnerships with NGOs and sponsoring green initiatives. A few banks evolved from philanthropic CSR towards more strategic CSR. For example, some banks endorse international CSR initiatives such as the UN Global Compact (e.g., Fransabank), commit themselves to universal principles such as the UN Women Empowerment Principles (e.g., BLC bank that also initiated the "we-initiative" supporting the same cause), or take part in the pilot program for ISO 26000 (e.g., Audi and Blom bank). Other strategic CSR goals include aiming at educating the youth and developing products and services that are believed to be beneficial for society (e.g., micro credit lending developed by Fransabank). Finally, one bank has also extended its CSR environmentally friendly initiatives to its value chain by applying the equator principles with its suppliers and clients.

In sum, all the banks in our sample are currently practicing philanthropic (or altruistic) CSR by voluntarily engaging in social activities (Carroll, 1979; Lantos, 2001). However, some banks are also involved in certain aspects of strategic CSR whereby banks' incentives of reaping financial benefits coincide with the welfare of stakeholders (Lantos, 2001). The banks' main objective from engaging in CSR is to give back to their community. Only two banks view promoting economic development in the country as part of their CSR objectives. Consistent with existing research (Barnea and Rubin, 2010; Jo and Harjoto, 2011), the summary of the banks' responses on their CSR paradigm also suggest that banks view CSR as means through which to build a better reputation, enhance corporate image and differentiate themselves from competitors. Two banks firmly stated that CSR and enhanced financial performance are linked to each other while others believed that this relationship is only supported by strategic CSR.

Overall, our analysis also suggests that Lebanese banks did not reach the level of a full-fledged strategic CSR which entails the fulfillment of specific philanthropic responsibilities that simultaneously benefit the bottom line (Lantos, 2001; Porter and Kramer, 2006).

6. The CG-CSR Nexus in the Lebanese Banking Industry

6.1. The CG-CSR Nexus from the Banking Authorities' Perspective

The summary of the banking authorities' and ABL responses in relation to the CG-CSR nexus are presented in Panel C of Table 5. Consistent with a strand of the existing research (Luo, 2006), the banking authorities view CSR as an integral component of good CG. The banking authorities' views lend credence to the second pillar of the CG-CSR nexus advocated by Jamali *et al.* (2008) according to which CSR is a dimension of an overall CG framework.

In fact, according to BCC and BdL, CSR represents an external expression of a good CG system (Strandberg, 2005). For instance, a banking authority interviewee voiced the following opinion: "CSR comes as an extension to CG. Banks should start by setting their global strategy by identifying the rights of their different stakeholders and by setting the adequate rules and procedures that respect these rights and ensure accountability". The same interviewee also notes that: "when you have a good CG framework, you are assumed to have a well-defined strategy and all of your activities will subsequently flow from it. CSR would then be strategic and well-implemented". The clearest expression of the view that CSR follows from the overall CG framework comes another banking authority representative who stated that "In my opinion, CG is a whole. My target is good CG and it allows me to do CSR". The views expressed by the Lebanese banking authorities therefore contradict a strand of research (Fassin and Van Rossem; 2009; Scherer and Palazzo, 2007; Basu and Palazzo, 2008) which advocates CSR as an all-encompassing concept. According to the banking authorities, banks should, at a first stage, define their global strategy by taking into account the rights of their different stakeholders and setting the adequate rules and procedures that safeguard these rights.

In line with Jo and Harjoto (2011, 2012), the banking authorities echo the view that there is a positive relationship between CSR and financial performance. As a case in point, a banking authority interviewee notes that “If I was good to the community, the community will give back with goodness. If I am good to the environment, it may cost me a little at the beginning but then it will impact me positively” while another banking authority interviewee states that “CSR gives a good corporate image. A good image is publicity and that is good for business”. Consistent with the prior views, a third banking authority interviewee remarks “Banks in Lebanon tend to use CSR as a marketing tool. In other words, they use CSR to differentiate themselves and gain clients’ confidence in the hope of achieving better financial performance”.

6.2. The CG-CSR Nexus from Banks’ Perspective

A number of interesting findings regarding the CG-CSR nexus emerge from the summary of the banks’ interview responses presented in Panel C of Table 6. First, all interviewees recognize that CG and CSR are not two distinct concepts and that an overlap exists between them. Second, in contrast to the banking authorities’ views, three out of the five banks give CSR the umbrella attribute. For instance, a banking sector interviewee expresses the view that “there is certainly a relationship between CG and CSR. A solid CG is part of CSR. I also think that effective CG can affect CSR” while the interviewee from another bank states “CG is a component in the main frame of CSR. None are bigger than the other but I would argue that CSR has the umbrella attribute and CG comes first”. The latter view is congruent with Jamali *et al.* (2008)’s first paradigm according to which CG is a pillar of CSR. Only one of the surveyed bank managers believes that CG should be the foundation for CSR as argued by Strandberg (2005) whereas another two banks believe that CG is an important pillar of CSR. Nevertheless, three bank representatives agree with Fassin and Van Rossem (2009), Scherer and Palazzo (2007) and Basu and Palazzo (2008) by granting CSR the “umbrella attribute".

Our survey results and interviews also suggest that Lebanese bank managers adhere to the view that CSR positively affects financial performance and indicate that they tend to view CSR as a strategic differentiator or a marketing tool. For example, one interviewee notes that “CSR results in bank having a good reputation and a good reputation contributes to image building and good marketing. Of course, all of this results in higher profits in the long-run". Interestingly, while the other interviewed bank managers shared the view that CSR engagement might result in improved financial performance, they did not, contrary to the bank authorities and regulators' assertions, explicitly refer to the use CSR as a marketing tool.

7. Discussion of Findings

7.1. Comparative Analysis of CG: Authorities vs. Banks' Perspective

Our findings suggest that the Lebanese banking sector is abreast of the importance of good CG and has adopted, largely because of the banking authorities' directives, good CG principles. The comparison of the two perspectives of CG (authorities' vs. banks' perspective) shows that conviction plays an integral role when adopting good CG. However, banking regulators and supervisors need to continue their efforts in terms of monitoring banks' implementation of CG.

Our findings also reveal that banks and banking authorities appreciate the importance of balancing the interests of all stakeholders when making decisions. Having CG embedded in the core values of the institution certainly serves this end. Tables 5 and 6 show that the interviewed parties unanimously agree that CG has a promising future in Lebanon but they also note the difficulties in implementing CG outside the confines of the banking sector due to the family-owned nature of Lebanese corporations. Our interview results therefore suggest that further effort should be directed at educating family-owned businesses about the advantages of sound CG. Given the extensive efforts that the BCC and BdL exert in promoting a culture of good CG, it is very likely for the culture of sound CG to persist and evolve.

7.2. Comparative Analysis of CSR: Authorities vs. Banks' Perspective

A comparison between the banking authorities' and banks' views on CSR uncovers a number of similarities. Both parties agree that CSR activities serve to differentiate the bank from competitors and enhance financial performance. Nonetheless, the banking authorities and banks disagree on the ultimate motive behind CSR. While banking authorities view banks' CSR engagement as a marketing tool, bank managers note that their motive in undertaking CSR activities is to give back to the community. The banking authorities and bank association's views are consistent with Barnea and Rubin's (2010) arguments according to which top managers have a tendency to over-invest in CSR in order to build an image as good citizens. The findings also support Jo and Harjoto (2011) who contend that, in today's highly competitive markets, firms tend to use CSR to differentiate themselves from competitors. The two parties share the view that CSR in Lebanon is poised for a brighter future and that strategic CSR activities will dominate the banks' engagement agenda in the long-run. While banking authorities overwhelmingly agree that, unlike CG, CSR should not be mandated (Panel B of Table 5), two bank managers' reactions to mandating CSR was positive. In addition, the responses in Panel B of Tables 5 and 6 indicate both banking authorities' and banks' representatives (with the exception of one bank) broadly agree view CSR engagement as conducive to good financial performance. However, the banking authorities' opinions were communicated much more forcefully than the banks'.

7.3. Comparative Analysis of the CG-CSR Nexus

Our comparative analysis of the banks and banking authorities' views on the CG-CSR nexus reveals a number of differences. While both parties agree that the two concepts are related, they disagree in their definition of the nature of this relationship. First, the banking authorities as well as one bank consider CSR as a part of CG whereas the other banks believed that CG is part of the CSR. Second, whereas the banking authorities affirm that effective CG affects CSR investments and that effective governance can cause CSR, the evidence from the banks' survey responses did not support this hypothesis. Third, while authorities firmly state that firm performance and availability of resources affect CSR investments, the surveyed banks did not unanimously agree. It is important to note that both banks and banking authorities believe that CG and CSR can positively affect the financial performance of the firm. These latter views are consistent with the conclusions drawn from prior empirical research on financial performance and CG/CSR.

More specifically, the existing empirical research (Kaplan and Reishus, 1990; Yermack 1996, Gompers, Ishii, and Metrick, 2003; Cremers and Nair, 2005; Bebchuk, Cohen, and Ferrel, 2009; Chhaochharia and Grisstein 2007; Ammann, Oesch and Schmid, 2011) suggests a positive relationship between good CG and firm value.[6] In the prior studies, CG is measured using several metrics. Yermack (1996) provides empirical evidence of an inverse relationship between the size of board and firm value. Gompers, Ishii and Metrick (2003) construct a governance index which reflects the strength of shareholder rights and the balance of power between

[6] Using panel data regressions, Garcia-Castro, Arino, Canela (2010) do not reach a similar conclusions regarding the relationship between social and financial performance. The authors argue that endogeneity drives the positive relationship between social and financial performance uncovered in prior studies.

management and shareholders. Using the constructed index, the authors show that the returns on portfolios comprising firms with strong shareholder rights are larger than those of portfolios consisting of firms with high management power. Bebchuk, Cohen, and Ferrel (2009) develop a managerial entrenchment index and provide empirical evidence suggesting that higher levels of managerial entrenchment are associated with economically important decreases in firm value. The views of the bank managers and banking authorities therefore echo the conclusions of this strand of the literature.

A parallel strand of the financial economics literature argues that a more extensive CSR engagement is associated with a lower cost of debt (El Ghoul, Guedhami, Kwok, Mishra, 2011; Oikonomou, Brooks and Pavelin, 2014) and a better credit rating (Attig, El Ghoul, Guedhami, Suh, 2013). The views expressed by the banks and banking authorities, according to which CSR engagement leads to better financial performance, therefore concur with conclusions of the prior studies. It also lends credence to the banking authorities' view that CSR is used by banks as a differentiator.

8. Conclusions and Limitations and Future Research

This paper studies the CG-CSR nexus in the context of the Lebanese banking sector using a qualitative comparative study of the opinions of Lebanese bank managers, banking authorities and a bank association. Our findings reveal that disagreements exist between the Lebanese banks and banking authorities in defining the CG-CSR nexus. While CG is viewed as an all-encompassing concept by the banking authorities, most banks ascribe to the paradigm that CG is component of CSR.

Our results have several implications for the understanding and practice of CSR and CG in the Lebanese banking sector. First, our findings suggest that the culture of sound CG in the Lebanese banking sector is likely to persist and evolve in view of the continued efforts of the banking regulators in promoting CG as well as the strong belief of banking sector representatives in the importance of CG. Second, our results indicate that CSR is not likely to be mandated in the Lebanese banking sector.

Our results also shed light on the understanding of CG and CSR in the Lebanese banking sector. For instance, the culture of having an extended CSR model that targets all stakeholders is not yet actively promoted by banking authorities. In fact, the Lebanese banking authorities did not explicitly allude to CSR in their directives even though bank managers appear to be abreast of the concept of CSR and its importance.

An interesting avenue for future research would be to examine the CG-CSR nexus for a larger sample of Lebanese banks and corporations Ideally, the cross-section of firms should not be confined to the banking sector and should span service providers, manufacturers, small to medium size enterprises and family-owned businesses. Such a sample would allow us to test, for example, whether family-owned firms are more reluctant to institute CG principles.

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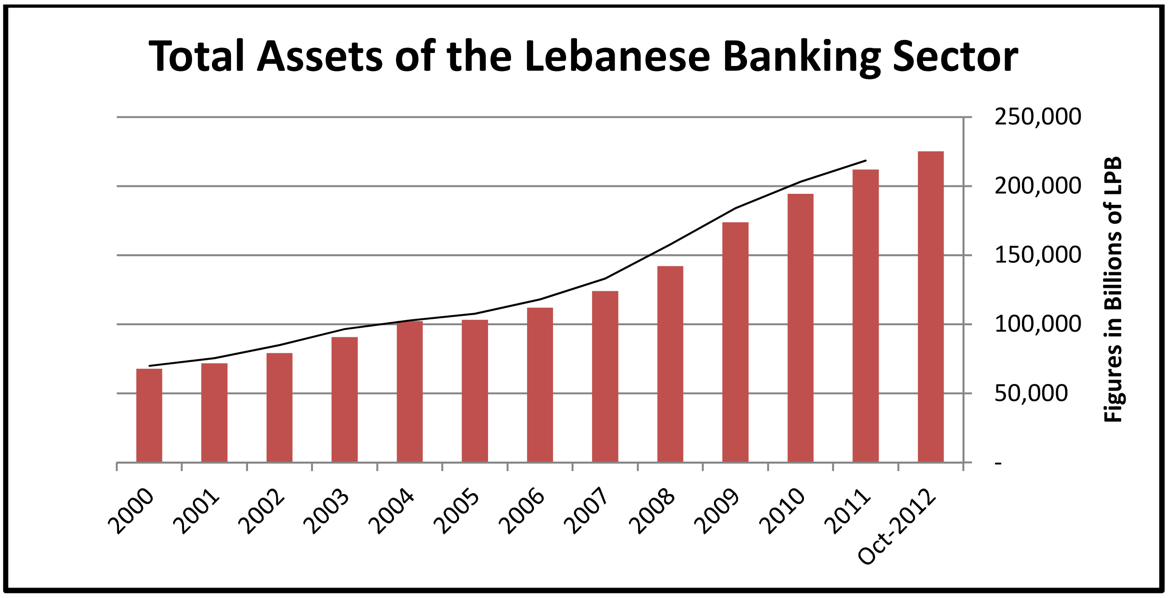

Figure 1: Total Assets of the Lebanese Banking Sector (2000 – 2012), (Banque du Liban, Retrieved January 4, 2013)

Table 1. Growth Rate of Aggregate Bank Assets for the period 2000-2012

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Growth	11%	6%	10%	14%	13%	1%	8%	11%	15%	22%	12%	9%	8%

Notes: The data are obtained from Banque du Liban (BdL). The growth rates are in annualized percentage terms.

Table 2. Banque Du Liban (BdL) Circulars on Corporate Governance

Date	Decision	Title	Details
15-Dec-2000	Circular #77 *(amended in 21/4/2011 by the Intermediate Circular # 254)*	Internal Control and Internal Audit in Banks and Financial Institutions	1. Requires Senior Management to establish an internal control framework which entails the set of regulations, policies and procedures issued to control the risks that the bank or financial institution faces or may face and therefore to protect their assets. 2. Requires the Board of Directors (BOD) of every bank operating in Lebanon to establish an "Internal Audit Unit". The unit should be entirely independent from the bank's operational management and shall have no executive responsibilities.
21-Feb-2001	Circular #81	Operations relating to credit, investment, shareholding and participation	Requires the approval of a "Specialized Committee" within the bank and financial institution in respect of: Credit and investment related decisions, real estate investments, and transactions for the bank's own account on structured products and derivatives.
18-Apr-2001	Circular #83	Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing	Lays down the framework for supervising banking and financial transactions to prevent money laundering.
9-Mar-2006	Circular #103	Requirements to	1. Sets the minimum

		practice specific functions in the banking and financial sectors	standards (education, technical, expertise, social skills, etc…) required from persons performing certain functions in the banking and financial sectors in Lebanon, in order to preserve the stability of these sectors and protect their customers. 2. Prohibits banks and financial institutions from hiring/contracting with any person to perform a "Regulated Function" unless this person meets the qualifications and conditions stipulated in the circular, including certain examinations related to their fields.
26-Jul-2006	Circular #106 *(amended in 21/4/2011 by the Intermediate Circular # 254)*	Corporate Governance	1. Outlines the definition of "Executive Senior Management". 2. Requires banks to spare no effort to comply with the principles issued and to be issued by the International Basel Committee for Enhancing Corporate Governance in Banking Institutions. 3. Requires banks to prepare their own "Corporate Governance Guide" and publish a summary of it through their website and in their annual report. 4. Requires Lebanese banks to enhance the Board of Directors by electing a sufficient number of Board nonexecutive and

			independent members. 5. Requires the Board of Directors to establish an Audit Committee chosen among the Board's non-executive members and formed of three persons at least. 6. Requires the Board of Directors to establish a Risk Committee chosen among the Board's members and formed of three persons at least.
27-Sept-2007	Circular #112	Corporate Governance in Islamic Banks	1. Requires that Islamic Banks abide by the corporate governance circulars. 2. Requires Islamic banks to establish a "Corporate Governance Unit".
21-July-2008	Circular #118	Boards of Directors and Boards Committees in Lebanese Banks	1. Defines the terms non-executive and independent board members. 2. Requires the election of non-executive and independent board members to the board. 3. Requires that the board meets at least four times per year.
13-Aug-2009	Circular # 122	Rules and Procedures for Auditors' Appointment	1. Specifies a three-year term for the appointment of auditors and requires the principle of partner rotation for the auditor. 2. Requires the appointment of two external auditors.
12-Jan-2012	Circular # 128	Compliance Department	Requires the establishment of a compliance department and outlines the credentials of the head of the compliance

			department.
6-August-2014	Circular # 133	Remunerations and Bonuses granted to bank employees	Outlines policies relating to the acceptable forms of remuneration and bonuses of bank employees.
Nov-2009	BDL creates a "Corporate Governance Unit"		The main objectives of this unit are: 1. Spreading the CG culture and best practices in the banking and financial sector 2. Following up on the recent developments in the field of CG and recommending the necessary and appropriate standards and rules to enhance CG in the Lebanese banking sector. 3. Observing the banks and financial institutions' compliance with CG guidelines. 4. Proposing amendments to existing laws and regulations

Notes: The table provides a listing of the most important Banque du Liban (the central bank of Lebanon) circulars pertaining to corporate governance. It also summarizes the main directives in each of the listed circulars.

Table 3. Surveyed Institutions and Managers

Panel A: Interviewed Banks

Institution	Line of Business	Geographic Origin	Geographic Reach	Managers interviewed
Banque Libano-Francaise (BLF) S.A.L.	Banking services	Lebanese	Regional	Head of Internal Communication and CSR
Banque Audi S.A.L	Banking services	Lebanese	Regional	CSR Officer
Fransabank S.A.L	Banking services	Lebanese	Regional	Head of Marketing and Corporate Communication Division /Deputy Head of Marketing and Corporate Communication Division.
BLOM Bank S.A.L	Banking services	Lebanese	Regional	Deputy Chief Risk Officer/ Head of Communication Department
BLC S.A.L	Banking services	Lebanese	Regional	Senior Officer in the Chairman's office and Head of CSR Committee/ Head of Credit and Financial Risks in the Risk Management Department and Member of the CSR Committee.

Panel B: Interviewed Governmental Institutions and Bank Association

Institution	Line of Business	Geographic Origin	Geographic Reach	Managers interviewed
Association of banks in Lebanon (ABL)	Governmental Body	Lebanese	Local	Head of Training Department
Special Investigation Commission (SIC)	Governmental Body	Lebanese	Local	SIC Secretary

Ministry of Economy and Trade	Governmental body	Lebanese	Local	Senior Legal Trade Specialist and Intellectual Property Expert
Banque du Liban	Governmental body	Lebanese	Local	Senior Officer at the Corporate Governance Unit
Banking Control Commission	Governmental body	Lebanese	Local	Head of Regulation Development and Macro-Prudential Department

Notes: The table provides a listing of the institutions and titles of the interviewees. It also reports the line of business, geographic reach and origin of each institution.

Table 4. Groupings of Lebanese Banks by Asset Size

	As of 12/2011	
	Number of Banks	Total Deposits in USD
Alpha Group	13	> USD 2 Billion
Beta Group	17	USD 500 Million – 2 Billion
Gamma Group	8	USD 200 – 500 Million
Delta Group	31	< USD 200 Million

Notes: The table provides the grouping of Lebanese banks by asset size.

Table 5. Summary of Banking Authorities' Responses

Panel A: CG Paradigm

Indicator/ Institution	ABL	SIC	BCC	Ministry of Economy and Trade	BdL
Understanding of CG	Separation between Board of directors and between managers, financial control, anti-money laundry, auditing and compliance functions.	Set of rules and procedures, organization structures and policies for preserving the sustainability and integrity in the operations, ensuring the assets and resources are well organized, ensuring compliance, and interests of stakeholders are being met.	Having a board in the first place and second, having the "right" people in the board by getting independent and non-executive members on the board. CG is the only thing that protects banks.	Improving Transparency mainly by tackling companies' board structure, the CEO's power, Board Committees, BOD meetings, Segregation of duties…	Promoting enhanced communication better distributio of rights betwee different stakeholders, an transparency, credibility and enhanced contro over operations a induced risks.
Follow up of CG issues in banks	Yes. We did committees and subcommittees to tell banks to follow CG guidelines. But there are problems with compliance since some banks started as family businesses.	Yes to the extent of anti-money laundry. Banks should have anti-money laundry committee, anti-money laundry department, and compliance officer.	Yes many circulars have been issued to first introduce the culture of CG and then to mandate it. However, the process is taking time because many family-owned "community" banks were reluctant to the concept of CG.	Ministry doesn't directly affect the banking sector as the BDL and BCC does; yet it indirectly influences it through the generic laws and rules it issues.	Yes. Starting 200 BDL started to speak loud on C and issued many circulars concerning this paradigm.
Future of CG	Bright future.	Challenge to fight corruption.	Bright future. Many Lebanese banks are increasingly being exposed to foreign markets and many markets require having a good CG in place in order to invest in them.	Positive. Many modifications on the Lebanese code of Commerce are currently under discussion in the Lebanese parliament, which relate to the field of corporate governance.	Bright future. Du to the increased international interest, CG has been witnessing increased awareness by th Lebanese bankin sector.

Panel B: CSR Paradigm

	ABL	SIC	BCC	Ministry of Economy and Trade	BdL
Understanding of CSR	Vague, not well defined. In Lebanon it is a Façade.	Benefiting the society.	CSR brings banks closer to their community and hence people will have more "confidence" in banks.	NA	Benefiting the various stakeholders at different levels.

Is CSR important to stakeholders	Yes	Yes	Yes	NA	Yes
Motives for CSR	Publicity, marketing.	To maintain their business.	Banks in Lebanon use CSR as a "marketing tool".	NA	Marketing and P tool for building "socially responsible image
Reaction to the possibility of mandating CSR	No would not be CSR anymore.	Farfetched. Already Problems with imposing corporate governance.	No	NA	No master plan st concentrates on ensuring effectiv CG in Lebanese banks rather than mandating CSR investments.
Relationship between CSR and Financial Performance	Yes CSR gives benefits in terms of a good image. And good image is promotion.	Yes if I was good to the community, the community will return it back.	CSR investments affect the firm's performance and firm's performance also affects CSR investments. CSR investment may be costly at first but will reap benefits of enhanced financial performance later on by being closer to their clients and gain their confidence.	NA	Yes CSR investment may b costly at first bu will reap benefits enhanced financi performance late on.
Future of CSR	Progressing but some are still treating CSR as marketing.	Moving forward.	The road for effective CSR is still very long and banks should focus on having specific projects.	NA	CSR has been growing in a fas pace, however, i didn't reach the strategic level; banks in Lebano are still at the philanthropic lev of CSR. And BD "did not reach th level of a full-fledged CSR yet

Panel C: CG-CSR Nexus

	ABL	SIC	BCC	Ministry of Economy and Trade	BdL
Interrelated or two distinct concepts	Interrelated	Interrelated	Interrelated	NA	Interrelated

Does effective CG affect CSR? How?	Yes one of them will ease the way to the other. You can't say you have CSR if you don't have effective corporate governance.	Obviously it would. The more the board gets to be aware of the positive results of CSR; the more they will tend to take the initiatives seriously.	Yes effective CG that can lead to CSR investment.	NA	Yes effective C will lead to CSR being strategic a well implemente
Is there a relationship between CG, CSR and firm performance?	Yes	Yes	CG and CSR can have a synergy effect in enhancing firm's performance in the long term, since bad CG can lead to big losses in banks and wrong CSR can also lead to a flawed image of the bank.	NA	Yes a good CG w initiate strategi CSR activities, which will lead t an enhanced financial performance in t long run.
(1) CG as a pillar of CSR, (2) CSR as a dimension of CG, or (3) CG and CSR as part of a continuum	(2) CSR as a dimension of CG.	(2) CSR as a dimension of CG.	(2) CSR as a dimension of CG since CG has the umbrella attribute.	NA	(2) CSR as dimension of C
Does firm performance affect CSR investment?	Yes	Yes	NA	NA	NA

Notes: The table provides a summary and comparative analysis of the responses of banking authorities to the survey along three dimensions: corporate governance, corporate social responsibility and the corporate governance-corporate social responsibility nexus.

Table 6. Summary of Banks' Responses

Panel A: CG Paradigm

Indicators/ Banks	BLF SAL	BLC SAL	Audi SAL	Fransabank SAL	Blom Bank
Core Values	Integrity, Competences, Responsibility, Humanism, and Engagement	Do what we say, integrity, performance driven, promote gender equality and responsible corporate citizens	Sustainable growth, good financial standing and flexibility, sound Corporate Governance	Integrity, Loyalty, Credibility, Accountability and Transparency	Prudence, Professionalism, Integrity, Improvement, Performance and Stewardship
Independent and Non-Executive Board Members	Yes	Yes	Yes	Yes	Yes
BOD Committees	Audit and Risk	Audit Risk Executive CG	Audit, Risk CG and Remuneration, Executive	Audit, Risk, CG	Audit, Risk, Consulting Strategy and CG, Nomination and Remuneration
Adequate Disclosure	Yes	Yes	Yes	Yes	Yes
Code of Conduct	Yes	Yes	Yes	Yes	Yes
Compliant with BDL Requirements	Yes	Yes	Yes	Yes	Yes
Future of CG	Banking sector ahead of other sectors since it's regulated. Family-owned business and SME's may be the most reluctant to change.	Cultural aspect of CG, might be difficult for all Lebanese firms including SME's and family-Owned Businesses to easily implement CG and adhere to its principles	A bright future for further enhancements	NA	Still at the beginning and banks alone are not enough, Banks and companies need not only to comply with CG principles but to be convinced of doing so. Monitor CG.

Panel B: CSR Paradigm

Indicators/ Banks	BLF SAL	BLC SAL	Audi SAL	Fransabank SAL	Blom Bank

Main CSR Values	Employees, Clients, Environment and Community	Business, People, Community and Environment	Education, Humanitarian and Health, Social, Environment	Economy, Social and Humanitarian, Education, Environment and Cultural	Environment, Health, Safety, and Education.
Main CSR Activities	Development opportunities, trainings, internal communication, large local network, Internet Banking, charity, sponsorships, employee volunteerism, partnerships with NGOs, Green initiatives.	Corporate Governance Code, trainings, green headquarter, green suppliers, we initiative, growth opportunities , gender equality, UN Women Empowerment Principles, green goals, partnerships with NGOs	Developmental activities, partnerships with NGOs, sports activities, scholarship funding, gender equality, competitions, donations, sponsorships, Grow Green, employee clubs, part of the pilot program for ISO 26000	UN Global Compact, Micro Credits, partnerships with NGOs, mentoring school students, university loans, financial donations, sponsorships, Green initiatives, wildest branch network, trainings, skills enhancement seminars	Blom Shabeb, Blom Demining, Blom Beirut Marathon, Blom Green Cycle, trainings, seminars and events for employees, and other initiatives like charity and sponsorships
Motives for CSR	The founders spirit and conscience to give back to the society	Conviction of being part of the society, search for credibility	Giving back to the community and caring for the environment, triple bottom line- people, planet, profits	Promote effective public-private partnerships and economic development, and enhance civil society's aspirations	Giving back to the community, Do good for yourself
Benefits of CSR	Enhanced image, increased awareness on social and environmental issues, motivated employees.	Differentiation from competitors and enhanced image, however in this case it's not about marketing	Giving a true sense of responsibility to all stakeholders	Reputation contributes to image building and good marketing and in the long term result in higher profits.	enhanced image, Differentiation from competitors, enhanced employee productivity
Management Support	Receptive	Initiative from the GM- CSR Committee	Full Support	Very engaged and full commitment	Receptive
Type of CSR	Philanthropic, working on shifting to Strategic CSR.	Reaching the strategic level	Philanthropic, currently studying a more strategic CSR approach	Reaching the strategic level	Philanthropic in some activities and Strategic in others
Formal CSR Program	Yes- CSR Unit	Yes- CSR Committee	Yes- CSR Unit	Yes- CSR Unit	Not Yet

Relationship between CSR and Financial Performance	Could be in the long run if Strategic CSR is in place	Yes- through the business component of CSR, increased productivity of employees	Not the driver for the bank's CSR, too early to judge if a relationship exists between the two	Certainly, CSR and financial performance are inter-related	Could be in the long run if Strategic CSR is in place
Future of CSR	Increased awareness, however firms need to understand that CSR is more than charity and philanthropy, it's about the way of doing business	Promising in Lebanon	More uptake by more organizations	It is going to evolve more and more.	Very promising in Lebanon
Reaction to the possibility of mandating CSR	Not encouraging, maybe give incentives to do so.	Very positive- more banks would be benefiting the society and, once it becomes regulated, banks would start doing it right and not as a marketing tool.	It would be ideal since this would encourage other banks to become socially responsible. Perhaps, even get a tax rebate…	NA	Not encouraging, if banks don't willingly invest in CSR, CSR won't be right.

Panel C: CG-CSR Nexus

Indicators/ Banks	BLF SAL	BLC SAL	Audi SAL	Fransabank SAL	Blom Bank
Interrelated or two distinct concepts	Interrelated	Interrelated	Interrelated	Interrelated	Interrelated
Type of relationship	A solid CG is part of CSR, giving CSR the umbrella attribute	CG as a part of CSR- giving CSR the umbrella attribute	CSR completes corporate governance and its values. CG is a component in the main frame of CSR.	NA	CSR can be a part of CG, they complement each other, but CG comes first.

Does effective CG affect CSR? How?	an effective CG can affect CSR, CG can cause CSR	CG doesn't directly causes CSR however, effective CG can affect CSR	The group’s governance has affected the bank’s interpretation of issues such as risk, ethics and conduct; and these, in turn have affected CSR.	NA	CG does not necessarily cause CSR neither CSR causes CG.
Is there a relationship between CG, CSR and firm performance?	Yes	Yes- there can be a relation	Probably	NA	Yes
(1) CG as a pillar of CSR, (2) CSR as a dimension of CG, or (3) CG and CSR as part of a continuum	CG as a pillar of CSR	CG as a pillar of CSR	CG as a pillar of CSR	NA	CG and CSR as part of a continuum
Does firm performance affect CSR investment?	Theoretically it shouldn't but practically it surely does	Yes- but this is not and should not always be the case	It probably does but each firm can be as responsible as it can	NA	Yes- in allocating CSR budget
Does the availability of resources affect CSR investment?	Can be a factor for CSR investments but not a direct one, conviction should be the base	It can affect CSR but little things can also make a difference	Certainly	NA	Certainly

Notes: The table provides a summary and comparative analysis of the responses of banks to the survey along three dimensions: corporate governance, corporate social responsibility and the corporate governance-corporate social responsibility nexus.

Appendix A. Detailed Questionnaire Addressed to Lebanese Banks and to the Banking Authorities

Part I. Questions relating to the corporate governance paradigm

1- Do you have a CG manual as mandated by BDL circular 106?
2- What are the CG mechanisms employed by your institution? (Internal, External, Disclosure…)
3- How is your board of directors formed? (Number? Number of independent directors?)
4- How are you board committees formed? (Mainly Risk and Audit committees as mandated by BDL circulars)
5- How important are CG and its mechanisms in your opinion?
6- How do you see the future of CG in Lebanon?

Part II. Questions relating to the corporate social responsibility paradigm

7- Does your institution invest in CSR? If yes, what type of CSR (economic, legal, ethical, philanthropic or strategic?).
8- Please describe the main CSR activities that your institution undertakes.
9- What are your motives for engaging in CSR?
10- Who are your most important stakeholders?
11- How important is CSR in your opinion? What are the advantages of engaging in CSR activities?
12- How are your shareholders and senior managers looking at CSR?
13- How are other stakeholders valuing CSR?
14- Does your institution see a relationship between CSR and financial Performance?
15- How do you see the future of CSR in Lebanon?

Part III. Questions relating to the corporate governance-corporate social responsibility nexus

16- Do you see a relationship between CG and CSR? (Interrelated or two distinct concepts?)
17- If yes, How? (CSR as an extension of CG or the inverse? Do you see a causal relationship between CG and CSR?)
18- In your opinion, what CG mechanisms, if any, affect CSR? Does effective CG affect CSR?
19- Do you think there is relationship between CG, CSR and firm performance?
20- What would be your reaction if BDL issues a new circular mandating CSR investments and reporting in banks?
21- What do you think about the suggested three models of the relation between CG and CSR: (1) CG as a pillar for CSR, (2) CSR as a dimension of CG, and (3) CG and CSR as part of a continuum?
22- Do you believe that firm performance affects CSR investment?
23- Do you think that the availability of resources (positive slack) affects CSR investment?

Questionnaire Addressed to Banking Authorities

Part I. Questions relating to corporate governance

1- How and why do you think the concept of CG is important?
2- When, why and how Lebanese authorities incorporated this concept in its requirements and issues BDL circulars for it?
3- How are Lebanese authorities following on the issues of CG in banks?
4- How do you see the future of CG in Lebanon?

Part II. Questions relating to corporate social responsibility

5- How familiar are you with the notion of CSR and its types? (economic, legal, ethical, philanthropic and strategic)
6- How important do you think this concept is to
    - Shareholders?
    - Other stakeholders?
    - The society?
7- What do you think are the main CSR activities that banks should enroll in?
8- In your opinion, what are the motives for investing in CSR?
9- Do your see a relationship between CSR and Financial Performance in banks?
10- How do you see the future of CSR in Lebanon?

Part III. Questions related to the corporate governance – corporate social responsibility nexus

11- Do you see a relationship between CG and CSR? (Interrelated or two distinct concepts?)
12- If yes, How? (CSR as an extension of CG or the inverse? Do you see a causal relationship between CG and CSR?)
13- In your opinion, what CG mechanisms, if any, affect CSR? Does effective CG affect CSR?
14- Do you think there is relationship between CG, CSR and firm performance?
15- Would you consider issuing new regulations mandating CSR investments and reporting in banks?
16- What do you think about the suggested three models of the relation between CG and CSR: (1) CG as a pillar for CSR, (2) CSR as a dimension of CG, and (3) CG and CSR as part of a continuum?
17- Do you believe that firm performance affects CSR investment?
18- Do you think that the availability of resources (positive slack) affects CSR investment?