

**Corporate Social Responsibility of Islamic and Conventional Banks: Evidences in Gulf Cooperation Council**

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### **INTRODUCTION**

Corporate Social Responsibility (CSR) has become an important integral part of companies' activities and a hot academic research topic during recent decades. Nowadays, companies conduct CSR activities not only to be compliant with regulatory requirements but also to enhance the companies' images, clients' perceptions and financial performance (KLEIN, 2004). Many previous studies have highlighted the economic advantages that a firm might gain through CSR activities. Among the advantages are positive brand and product evaluations, high intention to purchase and repurchase, and brand and product recommendations (BROWN; DACIN, 1997; DRUMWRIGHT, 1994; HANDELMAN; ARNOLD, 1999; SEN; BHATTACHARYA, 2001), and improvement in firm's performance (YANG, 2009; PETERS; MULLEN, 2009; WANG et al., 2015; RHOU et al., 2016; EL KHATIB, 2018). In other words, those studies have proven that CSR activities can lead to positive clients' perception towards the company and positive perception will result in clients' retention and loyalty.

The above case also applies to the banking industry. All types of banks around the world have been spending a considerable amount of money on CSR activities. One of the banking types, which get special attention especially when it comes to CSR, is Islamic banking (DUSUKI; DAR, 2007). This condition is because conceptually Islamic banking and finance has been regarded as a banking type based on permanent divine ethical values, and revealed social and religious responsibilities (WILSON, 2001). Islam as a comprehensive way of life has embedded CSR concept in its teaching. The concept of CSR in Islam can be found in the objectives of *Shari'ah (Maqasid Al-Shariah)*. An essential principle in *Maqasid Al-Shari'ah* is *Maslahah* (the welfare of the society) where benefits are established, and harms are prevented. This principle is based on the axioms of unity, justice, free will and responsibility (MOHAMMED, 2007).

The financial crisis of 2008 has brought international attention to Islamic Banking and Finance (IBF), which may even propel Islamic finance forward as a viable and realistic alternative way of banking. It is commonly believed that IBF has the moral high ground, which is missing in conventional finance. The latter was criticized at the outset of the financial crisis as having a moral deficit. Thus, those who consider IBF as a viable solution make references to its ethical underpinnings and substance rather than its form. In fact, IBF is already recognized as an alternative banking in the international financial system.

Given the importance of CSR and its advantages to the banking industry, it is essential to ensure that the clients are aware of the CSR initiatives undertaken by the banks. Clients' awareness can be defined as behaviors, opinions, approach, judgments, and attitudes of people towards certain information they obtain about a company (GREGORY; MILLER, 1998). Awareness also has been empirically found to have a positive relationship with market preference. It means as higher the level of awareness as higher the market preference towards a specific product or a brand. For that reason, it is important for all the companies including banks to periodically measure the level of their clients' awareness towards their CSR initiatives. Besides, given the Islamic banks' unique characteristics, it is also important to conduct a comparative study on the clients' perception and level of awareness towards CSR activities and initiatives between Islamic and conventional banks. One of the best places to do this comparative study is the Gulf Cooperation Council (GCC). The Cooperation Council for the Arab States of the Gulf, originally (and still colloquially) known as the Gulf Cooperation Council is a regional intergovernmental political and economic union consisting of all Arab states of the Persian Gulf except Iraq, namely: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

The first objective is to comparatively analyze the clients' perceptions of CSR activities

between Islamic and conventional banks in the GCC Secondly, to comparatively analyze the clients' level of awareness of CSR initiatives between Islamic and conventional banks in the GCC. Finally, to determine whether there are significant differences in the clients' awareness and perception of banks' CSR activities when the clients are group according to age, income, education, and bank type.

Review of the literature reveals that there are significant numbers of studies that discuss the importance of CSR perception. For example, Klein (2004) provides a summary of 3 research papers that evaluate the effect of CSR perception towards product judgment. Using literature/library based methodology; the study concludes that CSR is perceived to have a positive impact on the product quality only when CSR activities are relevant to the judgment of corporate ability. Besides, the study also concludes that a good record of CSR helps a company in maintaining its brand image during a product crisis.

Belal & Roberts (2010) measures the perception of non-managerial stakeholders towards CSR practices in Bangladesh. The study is qualitative using a series of semi-structured interviews as its research instrument. The interviews' results reveal that non-managerial stakeholders in Bangladesh believe that CSR practices in the country still need many improvements. The stakeholders are also in the opinion of supporting mandatory verified CSR reporting as part of the implementation of principles of accountability and transparency. Elsakit & Worthington (2012) highlight the importance of understanding the perception of managerial and non-managerial stakeholders on CSR and environmental issues disclosures worldwide. The study reveals that stakeholders have a different perception of the importance of CSR and environmental disclosures. Interestingly, the study also finds that most analysts still regard CSR and environmental issues disclosure as less important in the process of evaluating a company's performance.

Smith et al., (2010) concludes that the awareness of the company's CSR activities will influence the perception of the consumers. If they are aware of some CSR activities, they will have a positive perception of the company for other related CSR activities even though they have little information about it. Chu & Lin (2013) reveals that respondents in China have a higher level of perception on the importance of CSR activities than the respondents in the US and the differences are statistically significant especially for purchase intentions aspect. Dusuki & Dar (2007) indicate that in general, the stakeholders of the Islamic banks in Malaysia perceive positively the CSR activities and initiatives taken by their respective banks.

Based on the above studies, it can conclude that consumers' perception of CSR activities and initiatives is crucial; thus measuring it periodically becomes necessary. Usually customers show different level awareness of companies CSR activities (POMERING; DOLNICAR, 2009). Several available studies discuss CSR awareness. Ramasamy & Ting (2004) indicate that the level of employees' awareness of CSR activities is relatively low in both countries. When the results of both countries compared, it found that employees in Singapore are more aware rather than the employees in Malaysia. Özkan & Tanç (2012) conclude that most of the department managers in the hotel industry in Cappadocia are aware of the CSR concept and they also apply the concepts in their business.

Mohammed (2007) reveals that the selected managers are relatively aware of the CSR concepts and implement them in their respective banks. Hidayat & Al-Hur (2015) conclude that the level of depositors' awareness of CSR activities and initiatives taken by the Islamic banks in Saudi Arabia is still low. The study also finds that there is a significant difference in the level of depositors' awareness among banks in Saudi Arabia. Based on the above studies, it found that measuring awareness of stakeholders on CSR activities and initiatives is very important and should be done periodically.

Khursid et al., (2014) found a significant difference among the respondents when they are group according to their gender, that male students were more aware than female students.

Another significant difference found when the respondents are group according to their work experience that those who have more experience are more aware than those who have less experience. Finally, the findings revealed that students who are working in the middle and top management have partial awareness of the CSR activities. Part of their study, Fatma & Rahman (2016) indicated that the customers have low awareness level regarding these initiatives.

From the above studies, it is important to note that there is no prior study has conducted in GCC Countries' related to CSR perception and awareness, especially in the banking sector. Another novelty of the current study is that it compares the clients' perception and awareness of CSR activities in Islamic and conventional banks. Other studies have not investigated this contribution according to the researchers' search and knowledge. As it has mentioned earlier, banking is an important sector to GCC Countries' economy. Therefore, given the importance of consumer perception and awareness of CSR activities and initiatives, this study adds value to the above previous studies by comparatively analyzing the clients' perception and level of awareness of CSR activities and initiatives between Islamic and conventional banks in GCC.

This study is expected to benefit both Islamic and conventional banks' management in GCC to know how their clients perceive their CSR activities, and what the level of their clients' awareness of their CSR initiatives. The results of this study can be used as an input to set up strategies to improve the clients' perception on CSR activities, and their level of awareness of CSR initiative as this will be reflected on their customer's loyalty and so the bank profitability. This study can also help banking regulators in GCC and other countries (non-Muslims) to evaluate the practice of CSR in both Islamic and conventional banks from the client perspective. This study adds value to the existing literature of CSR since to the best knowledge of the researchers no previous study that comparatively analyzes the clients' perception and level of awareness of CSR activities and initiatives between Islamic and conventional banks generally and in GCC particularly. This paper consists of four sections. Section 2 discusses the research methodology employed by this study. After that, Section 3 shows the findings of this study. The last section concludes the study and also comes out with several recommendations to improve the CSR practices among the banking sector in GCC Countries.

Apart from the importance of the current study, it has some limitations that can be overcome by other studies; the current study is limited to banks in GCC, repeating the same study on different sector might reveal different results. Moreover, the topic of the current research needs more exploration; employing a qualitative research method might imply more comprehensive results. This fact will give the client the opportunity to express their understanding of the corporate social responsibility, and the most important social events they consider in appreciating the firm. Additionally, future studies may study the moderating effect of customer satisfaction between the clients' awareness and the firms' performance.

## **2 BACKGROUND**

### **2.1 Islamic Banking**

Islamic banking and finance (IBF) is a manifestation of the aspiration of Islamic Moral Economy (IME) that performs financial activity according to the Islamic paradigm. To understand, it is crucial to begin with defining the term Islamic banking. IBF is an institution within the capacity of an IME system that translates the ideal theory into practice in an institutional manner in modern times. In the aspirational view of IME, IBF is given the role of financing economic development, but importantly is considered as financing the real economy rather than developing into a financialized system as within a capitalist system.

As widely known, IBF is similar to any other banking system yet it practices an interest-free system where every financial activity must conform to *Shari'ah* and must avoid unethical or non-socially responsible investment that is considered detrimental to society. Therefore, in addition to the prohibition of *riba'* or interest, financial and economic transactions should be free of *maysir* (gambling), *gharar* (uncertainty) and also speculation, but also should not involve the

alcohol industry, pork products, the weapons industry, tobacco, adult entertainment or any transaction that is not permissible according to *Shari'ah* on the grounds that it is not in the interests of human well-being.

As an important principle, explicitly, IBF embeds risk-sharing philosophy and promotes economic and social developments. As a consequence, it is mainly based on profit-and-loss sharing as opposed to fixed returns as provided by a conventional system. These features are the two essential distinguishing features of the operation of IBF from conventional finance.

The main distinction between conventional banking and Islamic banking is that the latter's objective does not end with profit maximization, albeit achievement of material capital growth is important. Profit yielding is guided by the Islamic norm to fulfil its social obligation to augment to stock of faith and beliefs condoning a traditional legal regulatory framework in the sense of moral filtering. Islamic banking and finance are required to fulfil the commandments of God that regulate every aspect of human life and also directly to fulfil spiritual values and social justice

## **2.2 Corporate Social Responsibility in Financial Institutions**

Financial institutions in general and banks in particular have a great impact on modern societies as they determine the economic stability and sustainable development. Considering the fact that banks have a dominant share in the financial sector, boost and foster economic activity, they are accepted as the central pillars in the global economy (Merton, 1995; Levine, 1997; 2005). In other words, banks as financial intermediaries serve a useful purpose in society; they occupy an essential part of everyday living for most people. As business has become more complex nowadays, traditional banking facilities provide an access to the financial system. Banks perform various roles in the economy and the banking sector, therefore, is considered as a backbone of the daily financial activities in societies. Thus, the banking industry has been under continuous attention and scrutiny by the mass media and academia. In addition, debates over social and economic responsibilities of banks in the past few years have been raised as a result of their irresponsible behavior (DUSUKI, 2007; CHAMBERS; DAY, 2009).

During the recent financial turmoil, banks were criticized for not meeting the stakeholders' needs (DECKER; SALE, 2009). The extent of the financial crisis and its corrupting effect on economy and society is related to inadequate regulation and supervision of banks and financial markets. In addition, the excessive bonus culture of the banking sector and its insufficient commitment to the community has raised the public anger. Consequently, the reputation of the banking sector has been damaged in the eyes of the consumers. As Decker and Sale (2009) emphasize, governments and public opinion are increasing the pressure on the banking industry to embrace CSR as a result of the global financial crisis. The re-establishment of credibility and improvement of legitimacy are considered as essential issues of CSR initiatives of the banking sector. Thus, the UK and several other countries have presented special programmes in order to re-build the trust and reputation of the banking system. Due to the fact that the banking sector is a unique industry in society and its role nowadays goes far beyond bringing financial stability to the economy, to establishing new trends and strategies, to providing necessary services for the customers and reducing the financial exclusion. It is admitted that the banking sector is at the heart of the society, thus, it is expected to be more socially responsible (CHAMBERS; DAY, 2009; EL KHATIB, 2018).

Consequently, professionals and academics worldwide show a tendency towards acknowledging and researching the importance of CSR practices in the banking sector. It is vital for financial intermediaries to integrate moral or ethical as well as environmental concerns into their business operations (EVANGELINOS et al., 2009). Despite the visible trend to promote environmentally and socially responsible behavior in corporations, the implementation of CSR practices in banks is still relatively new (DECKER; SALE, 2009). In Greece and other European countries documentations of CSR initiatives reveal that only a small number of banks have taken effective steps to assist efforts for CSR and achieve sustainability in order to respond to



stakeholders 'expectations (EVANGELINOS et al., 2009). In fact, several studies have illustrated that in the banking industry, the problems of sustainability have been addressed very carefully (VIGANO; NICOLAI, 2006). The majority of banks have lagged far behind the institutions in the non-banking sector in implementing CSR as a discourse and practice. However, several attempts have been made in integrating social welfare initiatives into the operations of financial intermediaries. One of these is the guidance, published by the FORGE group in the UK in 2002, which aimed to support the efforts of professionals in the financial services sector in developing and managing the CSR reporting framework that can be applied by the variety of business industries. According to this paper, the banking sector has been facing difficulties in approving the principles and choosing the fitting answers in addressing socially responsible matters (DECKER; SALE, 2009). The same group continued the work and made another publication available in 2007, which was related to the response of the financial services sector to climate change issues (DECKER; SALE, 2009; HADRAMI; HIDAYAT, 2019)

The existing literature on CSR initiatives in the banking sector demonstrates that environmental issues such as industrial activities causing pollution were integrated into agenda of the banks before social concerns (BOUMA et al., 2001). It was a few years later, when banks had focused on social issues such as reputation and sensitivity in lending money to projects harmful to communities. This can be explained by the behavior of banks, where responsible investment has become a part of standard risk assessment and placed the importance not only on environmental but also on social and financial criteria (VIGANO; NICOLAI, 2006).

As a result, a further attempt was made to promote responsible banking in 2003, when numerous financial intermediaries adopted the Equator Principles, the framework for social and environmental standards for project financing (FRESHFIELDS BRUCKHAUS DERINGER, 2005). Therefore, in 2005, 30 banks, including Bank of America, Citigroup and JP Morgan Chase agreed to restrict the lending or projects sponsoring that may have environmental and social liabilities associated with them. According to the report published by an international law firm, Freshfields Bruckhaus Deringer (2005), the Equator Principles were implemented by the banks due to external and internal pressures to embrace and improve socially responsible initiatives.

In short, the recent financial meltdowns have shown that there is straightforward association between CSR and financial institutions, in particular banks. Thus, banks are expected to conduct their operations in a responsible fashion to ensure market stability.

### **2.3 Corporate Social Responsibility in Islamic Banks**

Islamic moral economy offers a new paradigm in which moral is endogenised into the economic and financial thinking in an integrated manner. It, therefore, provides a moral filter through which economic and financial choices as part of behavioral norms can be made in line with ethical and social concerns according to the Islamic norms. The concept of CSR, by definition, hence, is considered an integral part of Islamic moral economy due to the ontological reasoning of Islamic teachings. In other words, the Islamic moral economy paradigm with its axioms and principles has direct implications and provides rationale for CSR in organizations through articulating the ideals of Islamic moral economy in personal and organizational levels.

Since Islamic Financial Institutions (IFIs) are considered as financing and operational tools of the Islamic moral economy paradigm, the business sector, including IFIs working within the Islamic moral economy paradigm, are expected to function in essentialising and prioritizing CSR by also considering the social outcomes of their operations in terms of social welfare, natural resources and the environment in their attempt to fulfil their social responsibilities towards society. This is made essential through Islamic moral economy, as Islamic banks are expected to work within the objective function defined by the *Maqasid al-Shari'ah* objective aiming to promote social well-being through maintaining justice. In other words, IFIs, by definition, are expected to "consciously align their decision and actions so that these are

‘socially responsible’ (SAIRALLY, 2005; DUSUKI, 2007; EL KHATIB, 2018).

Thus, CSR in Islam in addition to stakeholder’s duties and their interests also includes moral obligations, due to which it is expected to determine the shape of IFIs along with financial performance. It should be noted that the epistemological and ontological sources of the Islamic thought, the Qur’an and Sunnah have a clear emphasis on human responsibilities towards other individuals, society and the environment. This rationalizes as to why CSR should be considered as an essential element of IFIs (HADRAMI; HIDAYAT, 2019).

Despite an aspirational worldview articulated by Islamic moral economy as a base for IFIs, in reality the practice is not that optimistic and critics argue that IFIs have not been able to fulfil the aspirations of Islamic moral economy as they are no longer attached to the spirit and the nature of the moral economy in delivering social responsibility. This is also observed in how Islamic banks are being converged towards their conventional counterparts in terms of objective function, and also in operational level. As a result, the social failure of IFIs has been observed. In other words, a divergence between the principles and ideals of Islamic moral economy and the course taken by the professional operations of Islamic banking and finance has been set in since the 1990s, when the internationalization of Islamic banking and finance became a reality. However, it is suggested that Islamic moral economy can be offered as one of the remedies for the social failure of Islamic finance (ASUTAY, 2009; HADRAMI; HIDAYAT, 2019)

### **3 RESEACRH DESIGN**

This section presents the method followed by the current research. This article aims to investigate the clients’ perception and awareness of CSR among Islamic and conventional banks across GCC Countries’. The majority of the previous studies related to the field of the current study have relied on survey questionnaire to collect the research data (RAMASAMY; TING, 2004; DUSUKI; DAR, 2007; SMITH et al., 2010; ÖZKAN; TANÇ, 2012; CHU; LIN, 2013; HIDAYAT; AL-HUR, 2015; AND FATMA; RAHMAN, 2016; HADRAMI, HIDAYAT, 2019).

Accordingly, the current research uses the same method to collect the required data. The study factors (Perception and awareness of the CSR activities) are latent (unobservable) variables and cannot be measured directly. However, the variable development and the questionnaire were guided by the literature. The questionnaire divided into three sections. The first section collects the demographic profile of the respondents. The second section of the questionnaire collects the required data regarding the respondents’ perception, awareness, evaluation, and the perceived importance of CSR. The last section of the questionnaire provides information about the client’s level of awareness of his/her bank contribution to different social issues. The clients’ perception and awareness of his/her bank CSR activities have taken from the study of Fatma & Rahman (2016). Client’s perception of the bank CSR activities has been measured using 5 items, while the clients’ awareness has been measured using two items. The second and the third sections of the questionnaire use 5-likert scale ranged from strongly disagree to strongly agree, with regard clients’ awareness the 5-likert scale ranged from very low to very high.

The population of the study comprises all clients of the Islamic and conventional banks in GCC Countries’. Convenience sampling was applied to collect the research data since this technique widely employed for exploratory research. This sampling method gathers information from participants who agree to participate in the research. The 1,263 questionnaires have distributed manually and through e-mails to the clients’ of the Islamic and conventional banks in GCC Countries’. However, only 905 questionnaires were collected and well responded.

The collected data has been analyzed using descriptive and ANOVA techniques. The descriptive analysis was used to describe the respondents’ demographic profile and to explore their perception and awareness of the banks CSR activities. ANOVA test was used to test the impact of the demographic variables on the client’s perception and awareness of their bank CSR activities. Moreover, Cronbach’s alpha coefficient was used to test the internal consistency of

the scales.

**Table 1 - Cronbach's Alpha coefficient**

Variable	$\alpha$
Awareness of banks CSR activities	0.777
Perception of banks CSR activities	0.723

**Source:** Authors'.

Reliability concerns whether the instrument will yield the same results under different conditions or not. Reliability was tested using a simplified method called Cronbach's alpha coefficient ( $\alpha$ ). In order to consider the results are consistent and reliable, Cronbach's alpha coefficient should be 0.7 or more. In the current study as seen in Table 1, the Cronbach's alpha coefficient for both variables is higher than 0.7. This result indicates that the results are considered reliable.

#### 4 RESULTS AND DISCUSSIONS

Table 2 presents the demographic profile of the study's sample, which comprises gender, age, income, education, and bank's type. Out of 905 respondents, 55.7% were males, and 44.3% were females whereby 72.8% of them are below 36 years old, while 27.2% of the respondents are in the age of 36 and above. In term of education, 12.5% are high school graduates, 53.8% hold a bachelor degree and 30.8% are holding a Master or equivalent degree, and 3% are having a Ph.D. or equivalent degree. In term of income, 51.8% have monthly income below USD 1000. 23.9% of the respondents have monthly income in the range of USD 1001-2000. 17.7% of the respondents earn in the range of USD 2001-3000 monthly, and 4.9% earn monthly income between USD 3001 and USD 4000. Only 0.7% earns more than USD 4000 a month.

**Table 2 - Demographic profile of the respondents**

Variable	Frequency	%
<b>Gender</b>		
Male	505	55.7
Female	400	44.3
<b>Total</b>	905	100.0
<b>Age</b>		
25 and below	315	34.8
26-35	344	38.0
36-45	130	14.4
46-55	92	10.2
56 and above	24	2.6
<b>Total</b>	905	100.0
<b>Income</b>		
Under1000	469	51.8
1001-2000	216	23.9
2001-3000	160	17.7
3001-4000	45	4.9
4001 and more	6	0.7
Missing	9	1
<b>Total</b>	905	100.0
<b>Education</b>		
high school and under	113	12.5
Bachelor	487	53.8
Master or Equivalent	279	30.8



PhD or equivalent	26	3.0
<b>Total</b>	<b>905</b>	<b>100</b>
<b>Bank</b>		
Bank Islamic	519	57.4
Conventional	386	42.6
<b>Total</b>	<b>905</b>	<b>100</b>

**Source:** Authors’.

Table 3 shows that the overall weighted average of the respondents’ responses regarding their perception towards CSR of their bank is 3.66, with a verbal interpretation of “Agree.” Besides, the average responses regarding the five elements of this category have a verbal interpretation of “Agree.” The question about “the bank is socially responsible” has the highest average score (3.76). Next, it followed by the question about “The bank does not harm the environment,” with an average score of 3.71. The question about “The bank contributes to the welfare of society” with an average score of 3.69, followed by “The bank contributes to the donation program” with an average score of 3.62, and “My bank contributes to the recovering from the economic crises” with an average score of 3.51. The findings indicate the respondents have a positive perception regarding their banks CSR activities.

**Table 3 - Banks’ Clients’ Responses Regarding Their Perception of Their Banks’ CSR activities**

<b>Item</b>	<b>Mean</b>	<b>Interpretation</b>
My bank is socially responsible	3.75	Agree
My bank doesn’t harm the environment	3.71	Agree
My bank contributes to the welfare of society	3.69	Agree
My bank contributes to the donation program	3.62	Agree
My bank contributes to the recovering from the economic crises.	3.51	Agree
<b>Overall weighted Average</b>	<b>3.66</b>	<b>(Agree)</b>

**Source:** Authors’.

In terms of the client’s response regarding each item of the five items mentioned above according to the clients’ bank type Table 4 summaries these responses. 58.04% of the clients from both have positive perception towards their banks’ CSR initiatives. In terms of each bank and as seen in Table 4 the majority of the Islamic bank’s clients agree on four out of five items with an overall weighted average of 66.6%, but concerning the conventional banks this is not the case. Less than 50% of the conventional banks’ clients (46.48%) have a positive perception regarding their banks’ CSR activities.

The clients of Islamic banks scored a higher percentage than the clients of the conventional banks in 4 items out the five perception items. For example, 79.5% of the Islamic banks’ clients agree that their bank is socially responsible while only 46.2% of the conventional banks’ clients agree on this item. About 71.5% of the Islamic banks ‘clients agree that their bank does not harm the environment, while only 43.1% of the conventional banks’ clients believe in this. After that 65.1% of the Islamic banks customers agree that their banks contribute to the welfare of the society, while 48.5% of the conventional banks’ clients agree on this item, and 70.3% of the Islamic banks’ clients believe that their bank contribute to the donation program, but 44.6% of the conventional banks’ customer believe that their banks contribute to some donations. However, only 46.9% of the Islamic banks’ clients believe that their banks contribute to the recovering from the economic crises, while 50% of the conventional banks’ customers

believe that their banks play a role in recovering the social-economic crises.

The above result is in line with Chu & Lin (2013), Dusuki & Dar (2007), and Smith et al., (2010), who found a positive perception of the stakeholders toward the companies' CSR activities. However, the current study finding with regard of the client's perception of CSR contradicts the results of Belal & Roberts (2010) who found that the stakeholders have negative perception toward their companies' CSR activities. Unlike the previous studies, the current study compares between the clients' perception in Islamic and conventional banks and found remarkable results.

**Table 4 - Distribution of the Banks 'Clients' Responses Regarding Their Perception of their bank CSR activities according to the bank type**

Item	Percentage of Bank clients'		
	Islamic	Conventional	Total
My bank is socially responsible	79.5	46.2	65.3
My bank doesn't harm the environment	71.5	43.1	59.3
My bank contributes to the welfare of society	65.1	48.5	58
My bank contributes to the donation program	70.3	44.6	59.4
My bank contributes to the recovering from the economic crises.	46.9	50	48.2
<b>Overall weighted average</b>	<b>66.6</b>	<b>46.48</b>	<b>58.04</b>

Source: Authors'.

Table 5 shows the overall weighted average of the clients' responses regarding their awareness of their banks CSR initiatives are 3.38 with a verbal interpretation of "Not sure." The awareness of the CSR initiatives for improving each the social conditions in the community and the environmental conditions scores almost the same average of 3.4 and 3.3 respectively with a verbal interpretation of "Not sure." This finding indicates that the banks do not announce clearly the CSR initiatives they are involved. In terms of the clients' response regarding the awareness items mentioned above according to the clients' bank type Table 6 summaries these responses. On average only 48% of the respondents from both banks are aware of their banks' CSR activities.

**Table 5 - Clients awareness of the bank CSR activities**

Item	Mean	Interpretation
I am aware of some CSR initiatives my bank involved in, which are aimed at improving the social conditions in the community	3.4	Not sure
I am aware of some CSR initiatives my bank involved in, which are aimed at improving the environmental condition.	3.3	Not sure
<b>Overall weighted Average</b>	<b>3.35</b>	<b>(Not sure)</b>

Source: Authors'.

In terms of each bank, Islamic banks clients showed more awareness of their banks' CSR activities than the conventional banks' clients. 62.8% of the Islamic banks' clients believe that they are aware of the CSR initiatives that aim to improve the social conditions in the community, while only 39.3% of the conventional banks' clients believe in this. Additionally, more than 50% of the Islamic banks' clients are aware of the CSR initiatives that aim to improve the environmental conditions, but 67% of the conventional banks' clients are not aware of this CSR initiative in their bank.

**Table 6. Distribution of the Banks' client's responses regarding their awareness of their bank CSR activities according to the bank type**

Item	Percentage of Bank clients'		
	Islamic	Conventional	Total
I am aware of some CSR initiatives my bank involved in, which are aimed at improving the social conditions in the community.	62.8	39.3	52.8
I am aware of some CSR initiatives my bank involved in, which are aimed at improving the environmental condition.	50.8	33	43.3
<b>Overall weighted average</b>	<b>56.8</b>	<b>36.2</b>	<b>48</b>

**Source:** Authors'.

Table 7 shows that the majority of the respondents have little information about their banks' contribution in some social activities, that the overall average of the respondents' responses is 3.37. The respondents showed a high level of awareness about their bank contribution in only two social activities, namely Education and Charity, with an average score of 3.68 and 3.52 respectively. The remaining social issues scored an average ranged between 3.14 and 3.41.

**Table 7 - Clients' awareness level of their bank contribution in different social issues**

Social activities	Mean	Level of awareness
Charity	3.52	High
Culture	3.41	Not sure
Education	3.68	High
Research	3.19	Not sure
Environment protection	3.33	Not sure
Sports	3.14	Not sure
Support of national institutions	3.38	Not sure
Health services	3.27	Not sure
<b>Overall weighted Average</b>	<b>3.37</b>	<b>(Not sure)</b>

**Source:** Authors'.

The results of the current study is line with the results of each of Ramasamy & Ting (2004), Hidayat & Al-Hur (2015), and Fatma & Rahman (2016), who found low awareness among the respondents of their studies. However, the results of the current study contradict the results of Özkan & Tanç (2012), and Mohammed (2007) who found high awareness of CSR activities among the stakeholders of the companies studied.

Table 8 shows that only 47% of both banks' clients are aware of the eight social activities, with the highest percentage for education activity, followed by charity and culture activities. It has found that the majority of the Islamic banks' clients are aware of their banks' role in supporting charity, culture, and education, but the majority is not aware or they do not know if their banks support the other social activities. About the conventional banks, the majority of the respondents have low awareness about the banks' role in supporting all the social activities mentioned in Table 8 except for education the majority of the clients expressed high awareness about the support that their banks provide to this social activity.

**Table 8 - Distribution of the Clients Responses regarding Their Awareness Level of Their Bank contribution in different social activities**

Social issue	Percentage of Bank clients		
	Islamic	Conventional	Total
Charity	66.8	40.8	55.8
Culture	58.2	47.7	53.7
Education	70.3	51.5	62.3
Research	40.6	32.3	37.1
Environment protection	49.2	40.8	45.6
Sports	44.0	32.3	39
Support of national institutions	47.4	40.8	44.6
Health services	41.2	34.6	38.3
<b>Overall Weighted Average</b>	<b>52.2</b>	<b>40.1</b>	<b>47</b>

**Source:** Authors'.

The results prove that Islamic banks are more severe concerning the application of good CSR. This result might be since the Islamic banking system based on *Shari'ah* rules. *Shari'ah* has special care about the ethical and social issues within the community. Moreover, the fundamental differences between Islamic and conventional banks in terms of values that are guided by *Shari'ah* reflected in supporting society activities. Additionally, good CSR practices must be embedded in the operations of Islamic banks and according to *Shari'ah* principles. Therefore, it expected that the clients of the Islamic banks would have higher perception towards their banks CSR in comparison to the conventional banks' clients. The low perception of the conventional banks' clients towards their banks CSR might be because conventional banks do not put the CSR on its top priority as they lack the values that concentrate on improving the society unless required by the central bank regulations.

It had found that the majority of the Islamic banks' clients are aware of the CSR initiatives that aim at improving the social and environmental conditions in the community. However, conventional banks' clients have low awareness of these two CSR initiatives. The findings also indicated that the majority of the Islamic banks' clients are more aware of three social activities supported by their banks, namely charity, culture, and education, but this is not the case of the conventional banks that low majority (51.5%) of the clients are aware of only the educational, social activities supported by their bank. This data can consider as an expected result based on the clients' perception. As if the bank puts the CSR on its top priority this will lead to a high awareness towards the CSR.

One of the remarkable results of the current study is that clients' awareness of CSR activities has a positive impact on their perception towards CSR activities. This result obvious for the Islamic banks' clients, it has been found that they are more aware of the CSR activities than the clients of the conventional banks, and have better perception towards the CSR activities. This matches the results of Smith et al., (2010) who found that customer's awareness of the clients has a direct relationship with their level of perception. The comparison between the customers' awareness toward CSR activities in Islamic and conventional banks is considered an essential contribution of the current study to fill the gap in the literature by providing a study that conducts the above comparison.

The current study employed analysis of variance (ANOVA) at a 90% level of confidence to test for any significant influence of demographic variables on the perception of CSR activities. ANOVA was conducted to identify any statistical significance in the differences between sample elements' responses when they are grouped based on their gender, age, level of

income, level of education, and bank type.

**Table 9 - ANOVA test for gender**

		N	Mean	F-test	
				F-ratio	F Sig
Perception of CSR activities	Male	504	3.7117	2.879	.091*
	Female	401	3.5970		
Awareness of banks CSR initiatives	Male	504	3.4000	0.076	.783
	Female	401	3.3703		

\* P < 0.10

Source: Authors'.

The effects of gender on the perception of bank's CSR activities, awareness of banks CSR initiatives, and the perceived importance of banks CSR behavior were examined using an ANOVA. The mean scores, F-ratios and the significance levels of the F-ratios is present in Table 9. Male respondents had a higher mean score than female respondents for all factors except for the perceived importance of CSR behavior. By using a significance level of 0.10, significant gender differences found for client perceptions of the bank CSR activities, and the perceived importance of the bank CSR behavior. That is, males' ratings of the bank CSR activities (M= 3.711) were higher than those of females (M= 3.59) (F= 2.879; P= 0.091). This result is in line with results of Khursid et al., (2014) who found similar results that males are more aware than females of the CSR activities.

**Table 10 - ANOVA test for age**

		N	Mean	F Test	
				F-ratio	F Sig
Perception of CSR activities	25 and below	315	3.5585	3.352	.011*
	26-35	344	3.7086		
	36-45	131	3.8955		
	46-55	92	3.5548		
	56 and above	23	3.4500		
Awareness of banks CSR initiatives	25 and below	315	3.2500	6.074	.000*
	26-35	344	3.4397		
	36-45	131	3.9091		
	46-55	92	3.0161		
	56 and above	23	3.0000		

\* P < 0.10

Source: Authors'.

The influence of age on clients' perception of the bank CSR activities and awareness of banks CSR initiatives were examined using an ANOVA. Table 10 shows the mean scores, F-ratios and significance levels of the F-ratios. Age categories in the questionnaire were as follows: (1) 25 and below, (2) between 26 and 35, (3) between 36 and 45, (4) between 46 and 55, (5) and 56 and above. As seen in Table 10, clients who were between 36 and 45 had higher scores than others for all factors; namely, the perception of bank CSR activities, Awareness of



banks' CSR initiatives, and the perceived importance of CSR behavior. Moreover, significant age differences found for the three factors.

When the respondents' group according to their age, ANOVA outputs reveal that significant differences found for the three factors. Concerning client's perception of bank's CSR activities, clients who are between 36-45 have the highest perception about bank's CSR activities among the five groups (M= 3.8955) (F= 3.352; P= .011). Additionally, clients who are between 36-45 have the highest awareness about their bank's CSR initiatives among the five groups (M= 3.9091) (F= 6.074, P= .000).

**Table 11 - ANOVA test for the level of income**

		N	Mean	F Test	
				F-ratio	F Sig
Perception of CSR activities	Under 1000	469	3.5038	8.297	.000*
	1001-2000	225	3.7945		
	2001-3000	161	3.8852		
	3001-4000	44	4.0533		
	4001 and more	6	3.8		
Awareness of banks CSR initiatives	Under 1000	469	3.2975	2.009	.093*
	1001-2000	225	3.4315		
	2001-3000	161	3.6667		
	3001-4000	44	3.2		
	4001 and more	6	4		

Source: Authors'.

ANOVA was used to determine the effect of the level of income on the clients' perception of their bank's CSR activities, and awareness of their bank's CSR initiatives. Table 7 shows the results, including the mean scores, F-ratios and the significance levels of the F-ratios. As seen in Table 11, clients who earn USD 4001 and more have a better awareness level of their banks' CSR initiatives than others.

However, clients who earn between USD 3001 and USD 4000 have a higher score about their perception of their bank's CSR activities. Significant income differences found for client perceptions of the bank CSR activities and the client awareness of their bank CSR initiatives.

Those clients who earn between 3001 and 4000 ratings of the bank CSR activities (M= 4.0533) were higher than other groups. Concerning the awareness of the bank's CSR initiatives clients who earn BD4000 and more ratings (M=4) were higher than others.

**Table 12 - ANOVA test for the level of education**

		N	Mean	F Test	
				F-ratio	F Sig
Perception of CSR activities	High school and under	113	3.5842	4.039	.008*
	Bachelor	487	3.6756		
	Master or Equivalent	278	3.7255		
	PhD or equivalent	27	3.0444		
	High school and	113	3.2368		

		under			
Awareness of banks CSR initiatives	Bachelor	487	3.4085	5.979	.001*
	Master or Equivalent	278	3.5213		
	PhD or equivalent	27	2.2222		

**Source:** Authors’.

ANOVA was used to determine the effect of the level of education on the clients’ perception of their bank’s CSR activities, and awareness of their bank’s CSR initiatives, Table 12 shows the results, including the mean scores, F-ratios and the significance levels of the F-ratios. By using a significance level of 0.10, significant education level differences found for client perceptions of the bank CSR activities, and the client awareness of their bank CSR initiatives. That clients who have Master or equivalent have higher perception of the bank CSR activities (M= 3.7255) (F= 4.039; P= .008) and better awareness (M= 3.5213) (F= 5.979; P=.001) than other groups.

**Table 13 - ANOVA test for the bank type**

		N	Mean	F Test	
				F-ratio	F Sig
Perception of CSR activities	Islamic	589	3.8102	28.865	.000*
	Conventional	386	3.4600		
Awareness of banks CSR initiatives	Islamic	589	3.5743	17.516	.000*
	Conventional	386	3.1346		

**Source:** Authors’.

An ANOVA was used to determine the effect of the bank type of the clients on the clients’ perception of their bank’s CSR activities, and awareness of their bank’s CSR initiatives, Table 13 shows the results, including the mean scores, F-ratios and the significance levels of the F-ratios.

By using a significance level of 0.10, significant bank type differences found for the three factors, namely client perceptions of the bank CSR activities, and the client awareness of their bank CSR initiatives. Those clients of the Islamic banks have a higher perception of the bank CSR activities (M= 3.8102), and better awareness (M= 3.5743). In summary, it had found there are significant differences to age, income, education, and bank type against the clients’ perception of their bank CSR activities and awareness of their bank CSR initiatives, but when the clients are group according to gender a significant difference was found only for the clients’ perception of their bank CSR activities. This result implies that consumer satisfaction must be imparted its fair share of importance (CHAUDARY et al., 2016; RIVERA et al., 2016). Potepkin and Firsanova (2017) states that the CSR activities will be a significant factor of forming customer loyalty. CSR will build a good corporate organization (YADAV et al., 2018).

## CONCLUSION

The purpose of this paper was made to conduct a comparison between the clients’ perception and awareness of the Islamic and conventional banks’ CSR in GCC. Nine hundred five clients participated in this study, of which 519 respondents are Islamic banks’ clients, and 386 are clients of conventional banks. Overall, the findings of this study indicated that the clients’ of the Islamic banks have more positive perception and awareness than the conventional banks’ clients. This result indicates that Islamic banks in GCC are more diligent in informing their clients about the efforts they do in supporting the community social activities.

Based on the findings, the study comes out with several recommendations. Both types of

banks must make more efforts to improve the clients' awareness of the banks' CSR activities. The improvement of this awareness might lead to a better perception of the CSR activities conducted and so might improve the firm's performance. There is a need to enhance it by improving the methods of communications with the clients through more awareness campaigns. Conducting seminars and workshops, sponsoring events related to different social activities such as cultural events, can do this. Moreover, banks must consider the demographic characteristics of their clients. Banks must think more about how to reach other age categories. For instance, banks can contribute to sports activities to reach young clients.

Another way to improve the level of awareness is by issuing a special CSR report that includes the bank's CSR activities and initiatives conducted and their plans. This report must be accessible by all clients through different possible ways, such as the bank website, and social media. The bank also can notify their clients about their CSR activities by sending them SMS. Conventional banks in GCC must pay more attention to their CSR activities and to put them at their top priorities since several studies have found a significant positive relationship between CSR activities and firm's performance.

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