

# Corporate Social Responsibility and Impact on Profitability of Banks in the United Arab Emirates

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## Abstract

Profitability is a key performance indicator that UAE banks measure periodically. However, the UAE commercial and Islamic banks differ in the profitability policy and pursuit as this illustrates the effectiveness of the organizations' operations. A common practice by banks globally and in the UAE, is Corporate Social Responsibility (CSR) to the stakeholders and environment. Banks engage in pyramid, intersecting cycles and concentric circles CSR models to win and retain clients, whose loyalty accounts yield higher profits. Moreover, CSR creates a positive image among bank customers who associate to be part of the social, environmental and sustainability initiatives and courses. This implies that CSR makes banks disclose their financial performance information better than their counterparts that are profitable. In terms of methodology, this study adopted the KLD approach where banks profitability performance is measured as sum of direct and indirect CRS investments and business. In the UAE, just like the rest of the world, profitability is defined by the Return on Equity (ROE), Return on Assets (ROA), Net Income to Sales, Earnings to Sales, Operating Profit to Assets (OPAT) and Return on Capital (ROC). This research explored previous positions that CSR has positive and significant correlation with UAE banks' profitability. The analysis study of Abu Dhabi Commercial Bank, Abu Dhabi Islamic Bank (ADIB) and Emirates Islamic Banks' CRS impacts on profitability were concluded to be either low impact or insignificant

**Key words:** CSR, profitability, Islamic banking, KLD approach, financial performance,

## Introduction

The term Corporate Social Responsibility (CSR) is very broad and varies with stakeholder participation and objectives. Generally, CSR entails how organizations manage their workers' welfare and rewards, embrace diversity, adhere to tenets of human rights and minimize harmful operations and effects to the environment and society (Blowfield & Murray, 2008; Carroll, 1979). Additionally, CSR entails how organizations govern their activities, legal obligations, economic transparency and ethical dispensation (Freeman, 1984). In many analyses, these CSR practices are embraced systematically and become the organization's culture (Hawa, 2012). However, in exceptional circumstances, some firms embrace a cluster of these CSR activities based on external pressure, for example issues to do with pollution of environment (Bolton, 2013).

A Corporate Social Responsibility Disclosure Index (CSRDI) is a tool used to determine criteria that organizations use to achieve various financial performance metrics including profitability. A typical CSRDI is composed on the organization having vision and mission, board of directors and top management focus, products and services, charitable and welfare activities, employee focus, debt management, community projects environmental conservation, legal and statutory supervision (El-Mosaid & Boutti, 2012).

Whenever banking institutions have been at the centre of some past global financial crisis, their profitability was affected by the operational and policy decisions (Bolton, 2013). Among the actions that banks implemented to reposition their images and brands was engagement in CSR and those in the UAE have embraced the band wagon. There are two aspects of CSR with relation to banks profitability (Orlitzky, et al., 2003). First, CSR can attract more customers to banks and

this can improve their profit values (Arshard, et al., 2015). The hypothesis that banks that act responsibly create a sense of satisfaction of sound management and secure financial deposits which many clients would like to associate with all the time has been proved (Scholtens, 2009). One of the few studies that contradict this position was by Ahmed, et al., (2012).

Second, CSR is itself a capital intensive process and can affect the profitability of the bank. There are arguments that banks should therefore focus on their core activities and only allocate a small percentage of resources towards CSR as a risk management strategy (Bolton, 2013). Research shows that some bank managers are likely to spend more resources on CSR at the expense of growing the profitability (Cai, et al., 2012). Such banks have a policy that more investments in CSR could lead to a more positive image and reputation, whereas the initiatives diminish the profit margins because of need for extra operational costs (Barnea and Rubin, 2010). In fact a study established that a bank's investment into CSR lead to its collapse and ultimately liquidation because of diversion from core business and concentration on the public relations exercise (Sigurthorsson, 2012). Another study established that over compensation of employees as a form of CSR places banks to liquidity risks which eventually affect their profitability (Gande & Kalpathy, 2012).

#### Past Studies on Effect Of CSR on Profitability

Whereas most studies on impact of organizations CSR have been on market environment, staff compensation, performance and other tangible and intangible forms of goodwill (Bolton, 2013), very few have covered banks and profitability, especially in the UAE. Various studies before the turn of the century indicate a positive relationship between CSR activities and banks performance often summarized by their profitability (Griffin & Mahon, 1997). The same trend was observed in successive studies after the year 2000 (Orlitzky, et al., 2003; Deckop, et al., 2006). Even more recently, research shows that banks with elaborate CSR tend to perform better than their counterparts (Shen & Chang, 2009).

Research shows that when banks have liquidity problems, this affects their profitability and ability to invest in CSR, yet potential capital investors prefer to engage with banks that have strong CSR initiatives to the society (Anderson & Meyers, 2007). This view was upheld by El Ghouli, et al., (2011) who added that banks with articulate CSR can access credit at low interest rates, have better risk management and generally positive valuation, all leading to better profitability. Moreover, banks with formidable CSR have good capital flows from client and stakeholder deposits and this enables management to explore more investment products and higher profitability (Cheng, et al., 2011).

El Mosaïd and Boutti (2012) conducted a study on the effect of CSR to financial outcomes of Islamic Banks. Among the UAE institutions included in the study which are operated under Islamic banking regulations are Abu Dhabi Islamic Bank (ADIB) whose CSRD Index was 26.83 and Emirates Islamic Bank CSRD Index 25.61, both in 2010. The following table (Table 1 page 14) is a summary of the CSR dimensions as applicable in Is-

lamic banks in the UAE.

For regression analysis, El Mosaïd and Boutti (2012) chose two profitability attributes, namely, Return on Assets (ROA) and Return on Equity (ROE) in relation to the CSR Index. During the year 2010, the ROA for ADIB was 1.47% while that of Emirates Bank was 0.21%, both better than the previous year. Additionally, the ROA for ADIB was 12.63% while that of Emirates Bank was 2.09% in 2010. However, the ANOVA test for all the tested banks profitability performance including ADIB and Emirates Banks established p-value for ROA at  $p=0.489 > 0.0005$  in 2009 and  $p=0.036 > 0.0005$  and these imply there are no statistically significant effects of Islamic Banks CSR on profitability. Additionally, the NOVA test established p-value of  $0.6555 > 0.0005$  in 2009 and  $p=0.078 > 0.0005$  which implies no statistically significant impact on ROE on CSR.

#### CSR Activities of Commercial Bank in UAE

**ADCB Corporate Social Responsibility Activities:** In the last two decades, there are specific challenges that ADCB was facing that necessitated board and management to implement some CSR steps towards better profitability (ADCB, 2010). These are broadly in areas of board efficiency, management capabilities, financial disclosures and investors and customer relations (IFC, 2010). The table at appendix II illustrates some of the ADCB challenges and the changes undertaken by the bank. The ADCB started engaging in CSR from the turn to this century with the realignment of their products and services geared for higher profitability. Therefore, ADCB reorganize the board followed by the management then specific operational aspects such as accounting transparency (ADCB, 2010). Nevertheless, as the ADCB sought to match the best practices globally and to remain competitive, the corporate governance aspects were also reviewed. The objective of ADCB was to become a national and regional role model for other banks. In the last quarter of 2007, the IFC carried out an evaluation to establish how ADCB manages their CSR and governance. Earlier on, ADCB had implemented various CSR policies aimed at strengthening the business operations and performance within the society (IFC, 2010).

Among the changes brought about by the CSR were more transparent roles of the managers, board members and selection of directors. Moreover, ADCB started a system of cooperation between the managers and board members to ensure banking risks are communicated and mitigated in time. The ADCB started a system where the stakeholders would get regular disclosure reports after audits in compliance with IFRS (IFC, 2010).

ADCB is involved in various community investments initiatives towards CSR. Most of these CSR investments operate under Memorandum of Understanding between ADCB and the community as beneficiary. In 2013, nearly 2,200 homes were renovated while 37,000 windows were fixed to prevent children falling through (ADCB, 2013). ADCB appreciates the need for supporting communities via fund collection at their ATMs and online portals. ADCB is involved in various health and safety initiatives under CSR umbrella. ADCB promotes works with Sheikh Khalifa Medical City staff to create awareness about different ailments on specific open days where the banks



Table 1: Islamic Banks CSR Dimensions Summary

Dimension	Abu Dhabi Islamic Bank (ADIB) and Emirates Banks CSRD by 2010
Banks Mission and Vision	ADIB and Emirates Bank did not have clear mission or vision commitment towards CSR whereas there were multiple activities on the sidelines with significant financial support. Both banks appeared to have operations around CSR as long as they were Sharia compliant. On the other hand neither of the banks revealed if the investments in CSR were not permitted by the board despite the colossal investments (El Mosaid and Boutti, 2012).
Board of Directors (BOD) and Senior Management	ADIB and Emirates Bank provided adequate information about the organizational structure but vary on the same about team leadership. However both banks did not disclose information about the BOD shareholding (El Mosaid and Boutti, 2012).
Banking Products	ADIB and Emirates Bank did not disclose much about their products especially when they engage in initiatives that do not have the vote of the shareholders. Additionally, both banks are protective on information about innovative products until when launched to the market. Such product information lacks even in the periodic financial reports if not hinted in the glossary (El Mosaid and Boutti, 2012).
Charitable initiatives and Zakat	ADIB and Emirates Bank embrace the giving of Zakat and actually mention the same annual statements. However, both banks did not elaborate where the Zakat contributions came from and the same trend was observed with donations for charity goals. Additionally, neither of the banks declared the <i>Qard Al- Hassan</i> (El Mosaid and Boutti, 2012).
Bank Employees	ADIB and Emirates Bank disclose the workforce numbers in their annual reports. However, neither of the banks provided information about workers welfare, compensation, remuneration and opinions (El Mosaid and Boutti, 2012).
Debt management	ADIB and Emirates Bank did not provide report on how they manage debts in their annual reports. Lack of this report puts to question the capability of the two banks to manage debts effectively (El Mosaid and Boutti, 2012).
Communal Initiatives	ADIB and Emirates Bank indicate their CSR to the community in their annual report including sponsors. Moreover both banks are active in caucuses that advocate for communal welfare and Islamic economics (El Mosaid and Boutti, 2012).
Environment Conservation	ADIB and Emirates Bank did not indicate how they work towards environmental conservation with regard to natural resources and efficient use of renewable energy (El Mosaid and Boutti, 2012).
Shariah Supervisory Board (SSB)	ADIB disclosed the names of SSB members while Emirates Bank did not. Both banks did not publish the pictures of the SSB members on the annual report. Both banks did not indicate the compensation of SSB members or the deliberation dates and issues discussed (El Mosaid and Boutti, 2012).

employees also benefit from free heart check-up (ADCB, 2013). The following table illustrates the sources of fund for the breast cancer campaigns.

**Table 2: ADCB mobilization of funds to fight breast cancer in 2013**

Breast Cancer Awareness Fundraising Events & Initiatives	Total (AED)	% to Total
ADCB Tree of Hope + Pink Polo	11,158	11%
ADC Anantara Ladies Luncheon	14,200	14%
ADCB Zayed Sports City 5 & 10 K Pink Run	20,247	20%
ADCB ATMs Donate a Dirham Programme	54,159	54%
<b>Total</b>	<b>99,764</b>	

Source: (ADCB, 2013, p.48).

ADCB collaborates with different stakeholders with agendas on environmental conservation. Among the bodies working with ADCB is Environ's services to manage electronic waste like all old electronic devices like computers, wires, mouse, printer and many more and ensure the bank adopts green initiatives. The following table illustrates the ADCB environmental footprints.

**Table 3: ADCB Environmental Foot Print**

ADCB ENVIRONMENTAL FOOTPRINT				
SOURCE	2010	2011	2012	2013
Water Consumption (m3)	41,181	31,955	5,755,954	6,271,110
Electricity (kWh)	12,671,333	12,211,333	39,477,277	38,975,068
Diesel Consumption	42,527	257,744	278,009	269,246
Petrol Consumption (L)	22,343	135,416	101,141	250,730
Total Fuel Consumption	64,870	393,160	379,150	519,977
Employee (Direct) Flight (Km)	N/R	N/R	346,916	3,161,318

Source: (ADCB, 2013, p. 50).

The following are the Green House Gas Emissions (GHG) for ADCB from 2010 - 2013.

**Table 4: ADCB GHG Related Emissions**

GHG EMISSIONS (TONNES CO2 EQ)	2010	2011	2012	2013
Source				
Water	N/R	N/R	79,201	86,289
Electricity	9,639	9,289	30,030	29,648
Diesel	116	703	758	735
Gasoline (Vehicle)	54	327	244	606
Air Flight (Travel)	N/R	N/R	69	389
Other Emissions (kgr)	N/R	N/R	985	740
<b>TOTAL GHG EMISSIONS</b>	<b>9809</b>	<b>10,319</b>	<b>111,287</b>	<b>118,407</b>

Source: (ADCB, 2013, p.50).

Many ADCB operations involve staff travelling with flights and the majority are about a three-hour journey. In 2010, ADCB started monitoring the mileage and possible emissions with ozone depleting potential. The following table (next page) shows the trends.



**Table 5: ADCB Related Emissions**

<b>OTHER EMISSIONS</b>				
<b>Source</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Nox Emissions (Kgr)	N/R	N/R	758	474
SO2 Emissions (Kgr)	N/R	N/R	227	266
Ozone Depleting Potential (CFC-11 Equivalent)	N/R	N/R	0	0
Total Other Emissions	N/R	N/R	985	740

Source: (ADCB, 2013, p. 50).

From 2013, as the ADCB electronic transactions increase, the same happens to the number of electronic statements and the paper it saves by the same. The Banks have realized huge savings from the e-statements while the e-waste has increased as shown in the table below.

**Table 6: E-Statement Savings**

<b>Paper Consumption and E-Statements</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Electronic Transaction vs Manual Transactions (%)	81%	85%	87%	91%
Retail e-statement subscriptions (total number at year end)	162,591	220,237	253,273	374,685
Retail e-statement subscription (monthly average of total subscribers)	162,591	220,237	253,273	313,685
Retail e-statement subscription (%)	28	45	50	71
Paper Saved by e-statements (Calculated by e-statement per customer per month)	3,902,184	4,593,936	5,682,120	7,535,496
Money Save by e-statement (AED) (Calculated as AED per Statement)	5,228,927	6,155,874	7,614,041	10,097,565
Paper Consumption (Tonnes)	N/R	173	215	279
Paper Recycle (Tonnes)	N/R	N/R	47	43
e-Waste (tonnes)	11.5	3.6	3.6	49.8

Source: (ADCB, 2013, p.51).

ADCB supports financial literacy by engaging other stakeholders such as the Emirates Foundation. This CSR activity completed within the Q4-2013. ADCB collaborates with various organizations, which have environmental conservation programs. These organizations include EWWS-WWF and the Emirates foundation. This initiative completed culminating into the bigger Abu Dhabi Sustainability Group (ADSG). ADCB uses sustainability as a measure of prequalifying their suppliers by providing them with a questionnaire for assessment of their procedures and status. ADCB managed to lower the energy usage by 1.3% in 2013. ADCB is in the process of cutting back paper usage with the 30% rise in 2013 attributed to 48% as customers were shifting to online platforms to long term benefits. Finally, ADCB deferred the waste recycling programs to 2014 and the progress will be captured in the 2015 reports (ADCB, 2013).

## CSR Activities of Islamic Banks in UAE

*Abu Dhabi Islamic Bank CSR Initiatives:* The ADIB CSR initiatives are managed by a Council to integrate the banks' business goals to the community and employees. However, it is important to state early that the ADIB investments for CSR are not published according to the findings in the last five years. Most of the CSR activities are merely described and qualified in successive financial and sustainability annual reports. Nevertheless, the ADIB recognized the important of engaging in CSR as a way of giving back to the community (ADIB, 2014). ADIB participates in public financial education since 2011, by sponsoring programmes in high schools, colleges and Universities. This initiative is to empower people to make better financial decisions in life with the ability of confirming their progress via an online portal. ADIB has a Business Pulse where SMEs are provided with financial information and assistance to meet their needs. This portal also brings together various business heads who share their financial experiences and challenges in their SME organizations (ADIB, 2014). ADIB has invested heavily in their workforce in recognition of their human resource assets. This initiative motivates the workforce to give their best when handling banking customers. ADIB encourages workforce learning and career development by motivating training opportunities and financing appropriate courses. ADIB encourages workforce diversity because it enables close ties and excellence in customer service. ADIB nurtures the UAE local talents and has been recognized for the efforts with awards by the Emirates Institute of Banking and Financial Studies (EIBFS). ADIB has entered into collaboration with various Higher Education Institutions (HEIs) to further the Emiratisation policy that is active in the UAE. By 2014, about 48% of ADIB workforces were UAE locals in line with the Emiratisation goals (ADIB, 2014). ADIB is very active in environmental conservation initiatives to lower the 2014 carbon footprint by 20% annually. Due to ADIB efforts towards environmental responsibility, the bank has LEED Pre-Certification for Gold standards and is on its way to other esteemed recognitions. ADIB is active in minimizing paper materials using E-Systems, recycles waste and has invested in various energy saving processes within the banking facilities (ADIB, 2014).

In line with the Islamic banking work, ADIB supports the annual Islamic Finance Forum. ADIB also offers socio-economic solutions to the Islamic Finance world and offers rewards of up to \$100,000 to winning innovators in an annual competition with the 2014 event having more than 200 entries. ADIB sponsors Art and Science in Islam conferences to make the public aware of opportunities and history of their heritage. Around Ramadhan period ADIB always provides Iftar boxes to enable people to contribute to the aid of the less fortunate in the society. Collections are done from major public transit areas like Mosques, Banks and commuter areas. ADIB is also very active in assisting and sponsoring sports events. The last event in 2014 had over 2000 children participate in a football challenge. Finally, ADIB (2014) sponsored mass weddings to support people who are unable to do so on their own and avoid food wastage typical of such occasions.

*Emirates Islamic Bank CSR Initiatives:* The Emirates Islamic Bank is active in supporting social activities especially around the Ramadhan period. The objective is to create a lasting effect on the society. The bank supports the Zakat Fund Ramadhan Campaign (ZFRM) which mandates all Muslims to donate to the less fortunate people in society. The bank supports the Al Ajer Initiative (AAI) to enhance societal harmony and promote forgiveness. The bank has numerous multispectral collaborations such as with the government, civil society and non-government organizations with the climax of activities happening around Ramadhan period. The bank supports Emirates Foundation for Youth Development (EFYF) which undertakes numerous social philanthropic activities to improve public welfare. Finally, Emirates Islamic bank collaborates with the Dar Al Ber Society which is a leading charity support organization to distribute financial vouchers from AED 100-500 especially around the Ramadhan period (Emirates Islamic Bank, 2013).

## Methodology

The researcher applied mix qualitative and quantitative methods in this study (Saunders, et al., 2007). The qualitative study was applied in the critical literature review of the concept of CSR in commercial and Islamic banks in the UAE. This method was rational considering that Islamic banks hardly publish expenditures in CSR even though there is literature to confirm they undertake such activities. The Quantitative method was used in the analysis of impact of CSR to the commercial and Islamic banks' profitability. This method was justified because it is easier to summarize data and draw conclusions from trends. This study on the impact of CSR to UAE banks' profitability covered data from 2010 - 2014. This was rational because the activities are current and the impact is recognizable if not documented.

From the literature review, it is clear that the concept of CSR differs between the commercial banks and Islamic banks in the UAE, hence the visible differences in the profitability. However, other issues like size of bank could also be affected by the impact analysis. In order to harmonize the CSR effects and be able to generalize for the sampled UAE banks on assumption that some share customers, this study adopted the KLD Research & Analytics (KLD) (Bolton, 2013). Therefore, by decomposing the available CSR data, the research sought to establish its effect on the sampled banks namely, ADCB, ADIB and Emirates Islamic Banks. The focus on CSR was on issues like community initiatives, environmental conservation, health and safety and employee development. This research was an analysis of the impact of CSR on profitability hence the following equation was applicable:

*Profitability Performance = Direct + Indirect CRS Investments + Business*

*Therefore, KLD Profitability + KLD CRS + KLD Business.*

## Analysis

ADCB Analysis of CSR on Profitability: The ADCB CSR model resembles the intersecting circles according to Geva (2008). This is the analysis all the ADCB functions such as economic policies, ethical obligations, legal compliance and philanthropic commitments are all weighed by their customers to determine their retention and eventually the profitability (ADCB, 2014) as shown in the figure and table below.

**Figure 1: ADCB's Intersection Circles CSR Model**



Source: (Geva, 2008, Cited in Al-Tamimi, 2014, p.92).

The overall CSR changes at ADCB yielded various outcomes related to profitability. A summary of the effects of CSR at ADCB is illustrated in Appendix I (IFC, 2010) and the impact is minor. The CSR at ADCB has created additional knowledge to the management and board on how to tighten governance and increase profitability consistently. Such practices attract new clients to ADCB via word of mouth or publicity of the banks from periodic financial statements (IFC, 2010). Due to the numerous ADCB CSR initiatives, the profit has been rising yearly from AED 391 million in 2010 to AED 4,201 billion in 2014. For example, ADCB's direct investment in CSR in 2013 was AED 7.79 million as the bank shifted to e-statements managed to save the bank over 7,535,500 pieces of paper and recycled 49.8 tonnes of e-waste. Additionally, the ROE also increased from 1.54% in 2010 to 18.41% by 2014 (ADCB, 2014). The following table shows the calculations for ADCB using

*Profitability Performance = Direct + Indirect CRS Investments + Business*

Therefore, *KLD Profitability = KLD CRS + KLD Business*

Table 7: KLD Profitability of ADCB

Community Investment (AED)	2010	2011	2012	2013	2014
<b>Direct Community Investments</b>					
Donations	512,500	1,020,440	2,928,378	2,063,853	2,663,000
Sponsorship	5,823,707	11,052,685	7,763,353	6,422,651	8,000,000
Donation Islamic Group	N/R	N/R	397,300	724,105	800,000
<b>Indirect Community Investments</b>					
ATM Donations	N/R	N/R	818,969	764,494	500,000
e-Banking Donations	N/R	N/R	N/R	3,494,897	4,000,000
Total Direct and Indirect Community Investment	6,336,207	12,073,125	11,908,000	13,470,000	16,463,000
Percentage Annual Investment Increase	91%	-1%	13%	22%	
Total CSR Direct + Indirect Investment	6,336,207	12,073,125	11,908,000	13,470,000	16,463,000
Profitability (AED)	391,000,000	1,731,000,000	2,810,000,000	3,620,000,000	4,201,000,000

### Islamic Bank Analysis of CSR Impact on Profitability

Before delving into the Islamic banks CRS impact proper, it is critical to understand this concept in the Islamic context. Generally Islamic banking believes in collaboration or Shirikah, which implies that CSR is not separated or recognized as a legal entity. Therefore, it appears Islamic banks do not have a special treatment or CSR activities which perhaps indicates why most if not all financial and sustainability reports do not explicitly indicate the expenditures. Islamic banking believes that CSR is something which is natural and an obligation, whether it is real or abstract. Thus, stating the financial expenditures on CSR would look like imposing something that is assumed to be already happening religiously (Josuh, et al., 2015). Therefore, under the Zimmah theory, CSR takes place in Islamic banks on partnership basis as opposed to business basis as is typical with commercial banks. Moreover, Islamic banks have a principle of sharing loss and profits, therefore their financial statements have huge debt write offs equivalent to losses (Al-Khuli, 2003).

The ADIB model of CSR resembles the pyramid model proposed by Geva (2008). This is because there is more emphasis on the economic stability of the bank, followed by the legal, ethical then philanthropic aspects (ADIB, 2014) as shown in the figure and table below.

Table 8: ADIB CSR Investment vs. Profitability

ADIB	2010	2011	2012	2013	2014
Total CSR Expenditure (AED)	N/A	N/A	N/A	N/A	N/A
Profitability (AED) (Source: ADIB, 2014, p. 9)	1,023,600	1,155,100	1,201,200,000	1,450,200,000	1,750,700,000
CSR % to Profit	N/A	N/A	N/A	N/A	N/A



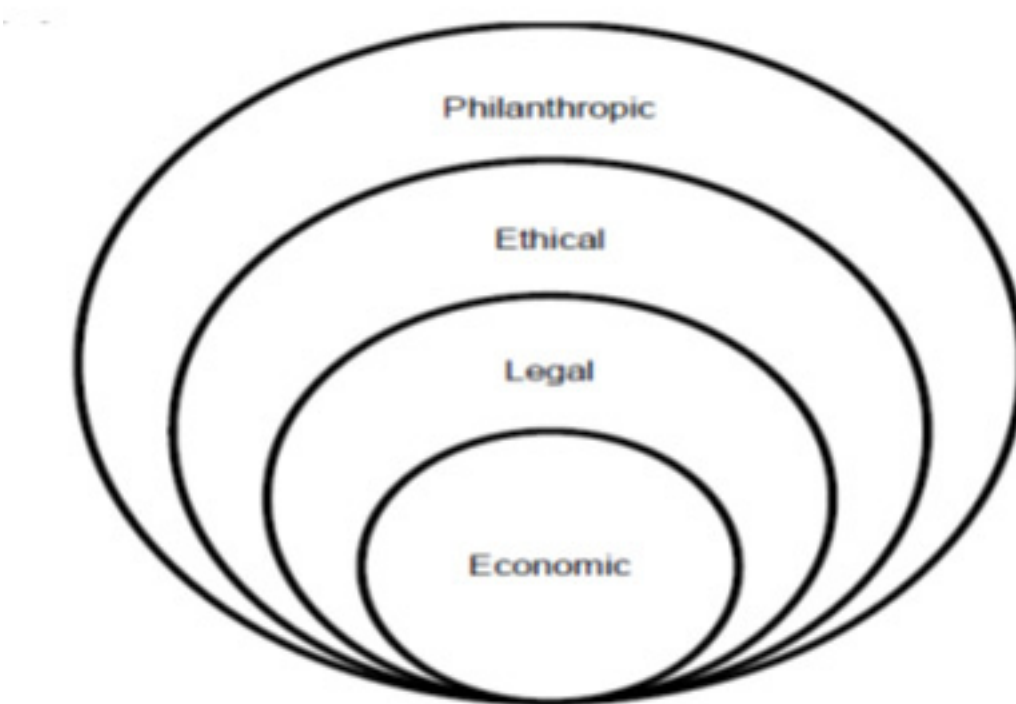
Figure 2: ADIB Pyramid Model of CRS



Source: (Geva, 2008, Cited in Al-Tamimi, 2014, p.92).

The Emirates Islamic Bank CRS model resembles the concentric circles as proposed by Geva (2008). This is because even though the bank has economic prosperity at the heart of the organization, there is strong consideration for legal compliance, ethical practices and philanthropic activities (Emirates Islamic Bank, 2004) as shown in the table and figure below.

Figure 3: Emirates Islamic Bank Concentric Circle CRS Model



Source: (Geva, 2008, Cited in Al-Tamimi, 2014, p.92).

**Table 9: Emirates Islamic Bank CSR vs. Profitability**

Emirates Islamic Bank	2010	2011	2012	2013	2014
Total CSR Expenditure (AED)	N/A	N/A	N/A	N/A	N/A
Profitability (AED) (Source: Emirates Islamic Bank, 2010- 2014)	59,340,000	-448,552	81,112,000	139,488,000	364,191,000
CSR % to Profit	N/A	N/A	N/A	N/A	N/A

Then after the decomposition of the annual CSR expenditure data with their corresponding profitability, it was established that the KLD impact was greater among the commercial banks than the Islamic Bank as indicated in the table below.

**Table 10: KLD Combined Profitability Impact**

	2010	2011	2012	2013	2014	Average
ADCB Profitability (AED)	391,000,000	1,731,000,000	2,810,000,000	3,620,000,000	4,201,000,000	2,550,600,000.00
ADIB Profitability (AED)	1,023,600	1,155,100	1,201,200,000	1,450,200,000	1,750,700,000	880,855,740.00
Emirates Islamic Bank (AED)	59,340,000	-448,552	81,112,000	139,488,000	364,191,000	128,736,489.60
<b>Combined Average</b>	<b>150,454,533.3</b>	<b>577,235,516.0</b>	<b>1,364,104,000.0</b>	<b>1,736,562,666.7</b>	<b>2,105,297,000.0</b>	<b>1,186,730,743.2</b>

### Conclusion

In conclusion, various studies in the last two decades support the view that CSR activities in banks lead to higher profitability. Nevertheless, this only applies to specific CSR activities especially when they align to the banks' core activities and business environment in the UAE. The studies show that CSR creates a strong bond between the banks and their stakeholders who pool their capital leading to banks stronger investment options and profitability (Bolton, 2013). The study established the CSR impact is greater in commercial banks as compared to the Islamic bank. This was attributed to the Islamic banks ideas of understanding and implementing CSR as well as concept of profitability where the banks undertake to share losses and profits.

The ADCB CRS approach anchors on sustainable business coexistence with the community and environment. Therefore, ADCB has established strong partnerships at these levels by investing into worthy causes that will leave a lasting socio-economic effect within the national market while conserving the environment. This paper concludes that the ADCB, which follows the intersecting circles CSR model, could be contributing to minor annual increments in profitability even though regression analysis has been accomplished to date on the same (IFC, 2010, ADCB, 2010; 2014) as shown in Appendix I. However, the paper concluded that the CSR accomplished in Islamic counterparts namely ADIB

and Emirates Bank have no significant impact on the profitability (El Mosaid and Boutti, 2012). The ADIB pyramid CRS model has actually yielded higher annual profitability while the Emirates Islamic Bank's concentric circle CSR model yields moderate profits as compared to the other two banks.

The current study merely had descriptive commitment and barely any data to compare with the profitability of the Islamic banks and this trend seemed to be widespread when the researcher was searching for similar information.

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