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**THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY
DISCLOSURE ON FINANCIAL PERFORMANCE: EVIDENCE
FROM THE US FINANCIAL INDUSTRY**

Master's thesis

International Business Administration

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I declare that I have compiled the paper independently and all works, important standpoints and data by other authors have been properly referenced and the same paper has not been previously been presented for grading.

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ABSTRACT

This thesis studies the relationship between the level of Corporate Social Responsibility (CSR) Disclosure and Financial Performance (FP) in US banks and other financial institutions. The aim is to determine the impact of CSR disclosure made by US financial companies on their financial performance. The sample consists of 35 US largest financial companies by assets whose primary business is banking. The data is collected from annual and stand-alone CSR reports for 2018-2019 years. Besides, the third-party providers like Yahoo Finance and TWS trading platform developed by Interactive Brokers are used to gather additional data. Thematic analysis method is used to assess the level of CSR Disclosure, while descriptive statistics is used to assess financial variables and develop input figures for calculating Pearson's correlation coefficients. The correlation coefficients are estimated to study the relationship between the level of CSR Disclosure and financial performance.

The findings of this thesis show that there is the absence of relationship between most of the financial performance indicators and the level of CSR Disclosure in US banks and other financial institutions.

Keywords: Corporate Social Responsibility, Disclosures, Financial Performance, Financial Institutions

INTRODUCTION

Social responsibility was for a long time associated with two kinds of activities. This is philanthropy and environmental protection. Banks and other financial institutions had minimal environmental impacts in the public eye and therefore they were not included in Corporate Social Responsibility (CSR) studies (Branco, Rodrigues 2006). However, after the financial crisis of 2007 – 2009 and especially in the last few years it has become clear that banks and other financial institutions have a significant impact on society and environmental processes through their business activities. Apart from consuming energy and water, the banks can have a significant impact on society through providing financial services and preventing any form of involvement in unethical activities such as financing of terrorism, money-laundering or inappropriate keeping of client data.

The bankruptcy of Lehman Brothers and the volume of financial resources which were used over the world to save the banking industry made clear that it is too risky to focus only on financial performance metrics.

These events created a global demand from the major stakeholders such as communities, customers, employees, suppliers, shareholders and governments in non-financial reporting. This kind of reporting allows companies to disclose their CSR data to internal and external users. Companies can provide CSR information and metrics in different ways. Some companies include this information in annual reports or display it on corporate websites, while others publish stand-alone CSR reports. Nevertheless, non-financial reporting itself is still voluntary. In addition, the trend of developing CSR reports has led to a number of questions: what is CSR reporting and why companies should invest resources in environmental and social aspects of business? What amount of information and metrics have to be disclosed in reports? What standards are applied to reporting and how should they be implemented? Does CSR reporting bring financial benefits or not?

This thesis examines the relationship between the level of CSR Disclosure and financial performance (FP) in US banks and other financial institutions. The author has chosen this topic due to his own professional interest as he works in the US financial institution which provides brokerage services globally and has direct relations with other large financial institutions in the

US. The topic of the relationship between the level of CSR disclosure and financial performance in the financial industry is comparatively young and this is one of the reasons why most of the existing studies show mixed results. Researchers tend to select a specific country to evaluate correlations between CSR and FP variables and there is a quite limited number of studies focused on the US financial industry and none of them have researched the largest financial institutions separately from others.

This thesis aims to determine the impact of CSR Disclosure made by US financial companies on their financial performance. The author has set the following tasks to achieve the aim: to select a range of financial indicators which will be used to present the financial performance and study their impact on the level of CSR Disclosure: Amount of Total Assets, Return on Equity, Return on Assets, Net Profit Margin, Net Income per Employee and Price Rate of Change. Thematic analysis method will be used to develop the Corporate Social Responsibility Disclosure (CSR D) Index, which shows the level of CSR disclosure among selected companies. The measure of financial indicators and calculating input figures for developing Pearson's correlation coefficients will be done through descriptive statistics. The correlation coefficients will help to examine the relationship between the level of CSR Disclosure and financial performance.

The thesis is divided into three chapters. In the first chapter, the author provides the theoretical framework and literature. Definitions of CSR, non-financial reporting and financial performance are provided since this is crucial to understand them for the following study. Besides, the main reporting standards and the overview of the US financial industry are given. The purpose of the first chapter is to provide theoretical materials and knowledge required for studying the following chapters. The second chapter presents the research objectives, hypotheses and methods which are used for collecting data and sample designing. Also, the CSR D Index is calculated and the financial performance variables are introduced. The purpose of the second chapter is to provide the data and information required for the following research. The last chapter presents the implementation of descriptive statistics and the calculation of Pearson's Correlation Coefficients. The outcomes are illustrated on the scatter plots and discussed while the hypotheses either accepted or rejected.

By the end of the thesis, a reader will have a clear understanding of the relationship between the level of CSR Disclosure and financial performance in the 35 US largest financial institutions. The study results will be interesting for professionals who are in charge of CSR activities in financial institutions and researchers who want to study a similar topic.

1. CORPORATE SOCIAL RESPONSIBILITY IN US BANKS AND OTHER FINANCIAL INSTITUTIONS

This chapter gives an overview of Corporate Social Responsibility (CSR) and Financial Performance (FP) with a particular focus on US banks and other financial institutions. Since the topic of the study is connected to the financial industry, the author used many articles from economic magazines. The literature and prior studies on the relationship between the level of CSR disclosure and FP are introduced to build a comprehensive theoretical background for the thesis.

1.1. Definition and the History of Development of Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a broad term that has a range of other titles like sustainability, corporate citizenship and environment, social and governance (ESG). Despite some differences, in general, they are similar to each other and imply actions that companies do to improve their business practices and strategies using environmental, social and governance factors. It includes how companies manage risks and invest in future developments – for instance, by cutting energy and water consumption, supporting human rights and investing in employees, developing cities and neighbourhoods where they are located.

This is the modern understanding of what Corporate Social Responsibility means for corporations and their stakeholders. However, CSR as a phenomenon has been developing for a century and a variety of events and empirical studies influenced a society's understanding of the term. This chapter introduces several approaches to definition of CSR and aims to present changes of attitude to Corporate Social Responsibilities.

Patrick Murphy (1978) identified four CSR eras, which include the periods before and after the 1950s. Murphy determined the period which was until the 1950s as the philanthropic era in which

companies spent money on charity and this is the only social responsibility activity that existed. The next period 1953-1967 was classified as the awareness era when companies became more involved in community affairs, and it was recognized as one of corporate social responsibility. The period 1968-1973 was named the issue era because companies began investing resources to resolve specific issues which were related to urban decay, human rights, and environmental pollution. The last period from the classification developed by Murphy has a name the responsiveness era, 1974-1978, companies began moving from words to deeds in order to take productive actions to solve CSR issues. These actions include altering boards of directors, examining corporate ethics, and using social performance disclosures (Crane *et al.* 2008, 25). Although the dates forming the eras are indicative and Murphy's classification was developed in the previous century, it gives a good overview of the history of CSR development.

Most scholars are referring to the 1950s as to the period when the modern understanding of CSR began to take shape. Reading and examining literature written during those years, the author noticed that corporate social responsibility was mentioned more frequently as Social Responsibility (SR) than Corporate Social Responsibility (CSR). This might be because it was the time of small and private enterprises, not big corporations.

Archie Carroll, professor of the University of Georgia, claimed that Howard Bowen should be called the Father of Corporate Social Responsibility (Carroll 1999, 270). This is associated with the publication of his book *Social Responsibilities of the Businessman* in 1953, and it was estimated as the beginning of the modern period of literature on this subject. Bowen was one of the first authors who formulated a definition of Social Responsibility: "It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society." (Bowen 1953, 6).

This phrase sounds simple and clear now, but it was something new for those generations of entrepreneurs who grew up on business literature, which stated that the sole purpose of business was to show good financial performance and make a profit for owners. Although this is the time when CSR literature expands, it is difficult to characterize the 1950s as the time of active development of CSR thought.

Nevertheless, the decade of the 1960s is the time when different scholars and researchers are trying to develop a more accurate definition of CSR (Carroll 2008, 27). One of the most significant thinkers on business responsibility and its impact on society of that period was Clarence Walton.

He worked on the topics which were related to the role of business and businessmen in the life of society. One of the main outcomes of his work was the introduction of the fundamental definition of social responsibility. This definition emphasized the importance of relations between corporations and society and understanding that these relations have to be taken into account by top managers when they make business decisions. (Clarence 1967, 18) It was the first small step towards a common understanding by business society that CSR is not just a synonym to charity and helping low-income people. However, it was still the time when people more talk about CSR than the time of real action (McGuire 1963).

At the beginning of the 1970s, among the most popular CSR theories was the shareholder theory, which was described by Milton Friedman. It suggests that there is only one social responsibility of business and this is the responsibility to owners to use their resources to increase profit (Friedman, 1970). What about challenges associated with society, Friedman believes this is the responsibility of governments and other non-profit organizations because they collect taxes, membership fees and donations.

The opposite approach which made a significant contribution to the understanding of the concept of CSR was introduced by the Committee for Economic Development (CED). In the past, the companies thought that they had to produce quality goods and provide quality services to customers, and this should be enough to influence the society positively. According to the CED, the business had to assume broader responsibilities to society because the future of American life was in their hands, and they had to respond to the changing expectations of the public. (Allen 1971, 16) This approach reflects the reality of that period because it was the time when social challenges related to the environment, worker safety, consumers and employees were expecting to move from special interest status to formal government regulations (Carroll 2008, 29).

Eilbert and Parket (1973) conducted a survey to find out what CSR activities, business executives defined as important and what percentage of large companies were engaged in that activity. According to the results of the survey, the most popular activities among companies were engagement in minority hiring and activities associated with ecology. Urban renewal and civil rights activities had the lowest percent of engagement among surveyed companies.

In 1979, the four-part definition of corporate social responsibility was developed by Archie Carroll. He divided CSR responsibilities into four groups: economic, legal, ethical and discretionary responsibility (Carroll, 1979, 500). The four kinds of responsibilities will be

elaborated later in this chapter when the Pyramid of Corporate Social Responsibility is described. However, it is important to note that the introduction of the four-part definition was a small revolution because Carroll mentioned the ethical and discretionary responsibilities implying the practices and behaviour which are voluntary and are not required by law (*Ibid.*).

The decade of the 1980s is frequently called the period of greed when people from Wall Street claim that greed is good, and this is an engine of development. It is a period of corporate and ethical scandals. Examples of these scandals include the Bhopal gas tragedy which killed thousands of people, support of apartheid by the National Party Government in Africa that also killed thousands of people, and the Ivan Boesky insider trading scandal in which he was fined record 100 USD million. It became a trigger for scholars to focus on the business ethics aspects and business responsibilities to society, at a time when companies tried to highlight their ethical statements in an attempt to distance from scandals.

This is the time when Edward Freeman (1984) described the stakeholder theory. It suggests that shareholders are not the sole persons to whom the business is responsible to. According to this theory, the list of stakeholders in addition to shareholders includes employees, suppliers, governmental agencies and others, and the company has to satisfy all these stakeholders to be successful.

In 1991, Carroll continued to work on the four-part definition of CSR, which was presented in 1979 and as a result of his work, the pyramid of corporate social responsibility was introduced.

Figure 1 presents the pyramid to illustrate the nature of the four-part framework. The pyramid is formed to show the fundamental responsibilities and obligations of business, which are expected by society and other stakeholders. The economic responsibility is based at the bottom of the pyramid because it is a fundamental requirement in business. This is like the foundation of the building which has to be strong to maintain the entire structure. At the same time, society requires companies to work in compliance with current legislation and regulations. In addition, society expects that business will act in the context of ethical standards. As mentioned earlier in this sub-chapter, ethical responsibility implies the practices and behaviour which are voluntary and are not required by law. Finally, business is expected to be a good corporate citizen. This means that the company carefully considers any decision in terms of influence on society and all stakeholders. (Carroll 2016)

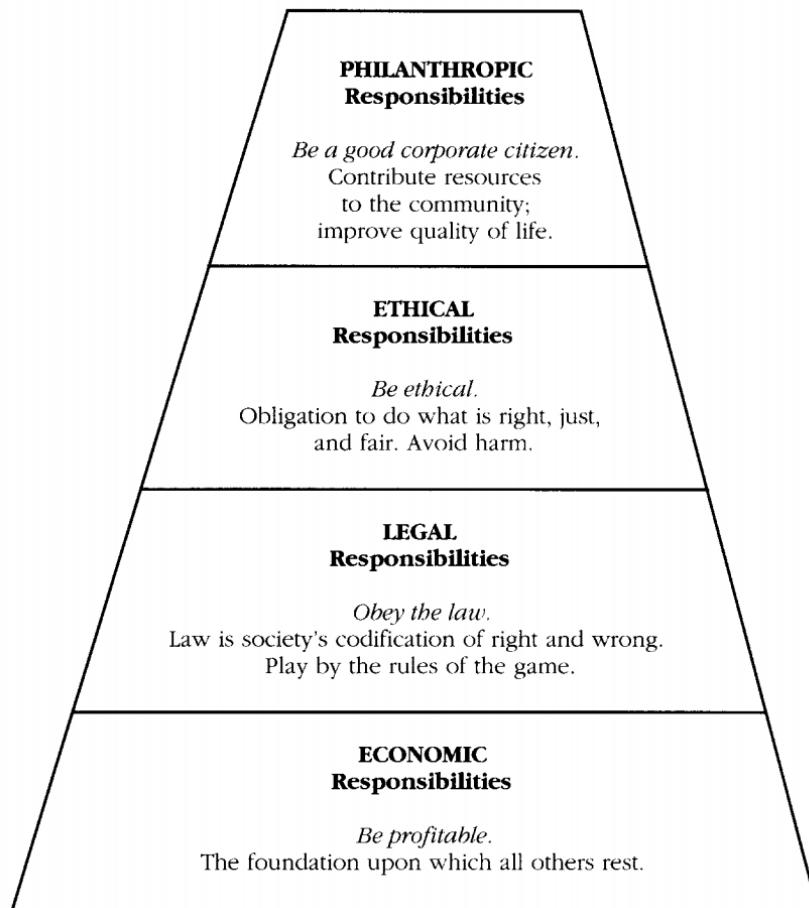


Figure 1. The Pyramid of Corporate Social Responsibility
Source: Business Horizons, 1991

In the 1990s, the CSR concept became a framework for other complementary concepts and themes which continued to grow throughout the decade, one of them was the corporate citizenship. The corporate citizenship concept suggests that a company has to put society's interests at the same level as its own interests. There is important to note that it was not something new. Perhaps it was simply another way to frame CSR, and some companies preferred this term to emphasize their role as a good corporate citizen (Carroll 2008, 37).

Also, it was the time when global corporations began to rise in power and the international society understood the need in the establishment of a non-profit organization (NPO) which could develop and present the CSR initiatives and help member companies to achieve commercial success in the ways which respect ethical values, people rights, community interests and the environment. This is the reason why Business for Social Responsibility was founded (*Ibid.*, 38). In addition to the growth and acceptance of BCR, another major trend became the wish of companies to develop excellent reputations for CSR practices. One of the first companies which implemented these

practices were: IBM, Johnson & Johnson, Nike, Levi Strauss & Co., Coca-Cola and McDonald's (*Ibid.*, 38).

The period from the 2000s until today is filled with empirical research associated with CSR, the establishment of non-government organizations (NGOs) and initiatives. Also, the interest in CSR practices from business is increasing.

In response to business social needs, Kotler and Lee (2005) published the book which presented 25 best practices that could help companies with establishing their own CSR programs. They divided all CSR initiatives into six groups: 1) cause promotions, 2) cause-related marketing, 3) corporate social marketing, 4) corporate philanthropy, 5) community volunteering, 6) socially responsible business practices. These groups clearly demonstrated what kind of activities the society expected from business in the mid-2000s.

The last decades are characterized by a global increase of interest in CSR and it has reached historic highs in our days. The corporations have started to develop and implement their own CSR strategies and publish disclosures on this. International society and mass media have started to emphasize and discuss topics like human rights, climate change and other environmental issues on a daily basis. The governments and regulators have joined the debates, understanding the importance of their involvement in these processes.

It is clear that both globalization of economy and initiatives announced by NGOs, politics, mass media and institutional investors have forced companies to concentrate more attention and invest more resources in CSR activities to meet social demand. All the stakeholders mentioned above require business to be more transparent and disclose information on its social performance.

1.2. Corporate Social Responsibility Reporting in US Banks and Other Financial Institutions

The events described in the previous chapter have given rise to non-financial reporting which has become the “the notification process of social and environmental impacts caused by company economic activity to certain interest groups and the company as a whole” (Gray *et al.* 1996, 3).

As can be seen from the definition above, CSR reporting is different from standard financial reporting which is focused only on financial performance of business activities. Understanding of these differences can help to determine the main features of non-financial reporting:

- **Diversity of users:** CSR reporting has a larger number of users than financial reporting. There are people and entities which are not interested in financial performance of the company but are interested in its impact on society and environment;
- **Diversity of topics:** In the light of the absence of a clear definition of CSR, different companies include different topics in reports, and this leads to a variety of disclosures and reporting formats and makes comparisons and analysis difficult (Kitzmueller, Shimshack 2012; Liang, Renneboog 2017);
- **Diversity of objectives:** The objectives and motivations for reporting on CSR topics differ across companies and industries. Historically, companies started making reporting to win the loyalty of shareholders and customers. However, over the years, companies have concluded that reporting can be used internally for building more efficient business strategies and processes;
- **Diversity of measurement:** Due to a broad range of users and stakeholders, a lot of measures are offered to be disclosed in the reports (e.g., water and energy consumption, GHG emission, employee volunteering hours, ethnic diversity and others). Nevertheless, when there is little standardization, it is difficult to apply particular accounting principles;
- **Voluntary nature of CSR:** In most jurisdictions, CSR activities and reporting are voluntary and therefore are not regulated by local governments and regulators. As a result, the companies independently determine the need to make reporting and choose their own methods to disclose CSR information;
- **Long-term horizon:** CSR activities and metrics do not have an immediate effect on the company's success and therefore CSR reports are developed with a long-term view.

The above listed key features of CSR reporting clearly illustrate that this is a new phenomenon, which due to high interest from a wide range of market participants has been widespread within a short period of time, but formation and analysis tools are still in the process of development. Absence of a standard term of non-financial reporting is a good example confirming this idea.

Corporate social responsibility reporting is a generally accepted term but along with this, different companies across different industries and countries can use other titles for non-financial reporting, for instance: triple bottom line reporting, sustainability reporting or ESG reporting.

Figure 2 shows what CSR report's titles were used by the top 100 companies from the survey conducted by Shearman. In total, the companies published 119 disclosures on CSR topics and the most popular title was Corporate Social Responsibility Report as it was used for 46 reports and only 4 reports titled Impact Report.



Figure 2. Title of CSR reports

Source: Shearman. Corporate Governance & Executive Compensation Survey 2019

For the sake of clarity, only the terms Non-Financial Reporting and Corporate Social Responsibility Reporting (CSR) are used in this thesis.

CSR reporting helps companies to examine their impacts on a wide range of sustainability issues, allowing them to become more transparent for stakeholders in terms of business risks and opportunities they face. The main stakeholders of a company which are interested in reporting are (Benn *et al.* 2016): 1) communities, 2) customers, 3) employees, 4) suppliers, 5) shareholders, 6) governments.

At the beginning of the 1990s, only few companies published CSR reports. According to Corporate Register, since that time, the number of companies which started developing non-financial reports has increased significantly and reached 19 690 in 2019.

Companies can provide CSR information and metrics in different forms and volumes. Some companies prefer to include this information in annual reports or display in relevant sections of websites, while others develop separate CSR reports. Some authors note that due to the increased

number of responsibilities to the society, the companies have started disclosing CSR information in separate reports that accompany their financial statements (Chersan 2015, 425).

In 2017, KPMG conducted the survey of Corporate Responsibility Reporting and determined three main factors that generated the growth of CSR reporting in the US. The most significant factor is a great interest in sustainability from investors and shareholders, that is forcing companies who have not previously reported to begin doing this. The second factor is the requirement which force companies have to carry out climate change-related disclosure in Securities and Exchange Commission (SEC) filings. Publicly traded companies draft 10-K reports in compliance with this. Lastly, the US based reporting framework Sustainability Accounting Standards Board (SASB) prepared industry-specific standards that determine what CRS information must be included in the mandatory financial SEC filings.

Figure 3 presents the outcomes of the research conducted by the Governance & Accountability Institute (G&A). The figure shows that 86% of the companies from the S&P 500 Index published separate corporate responsibility reports in 2018.

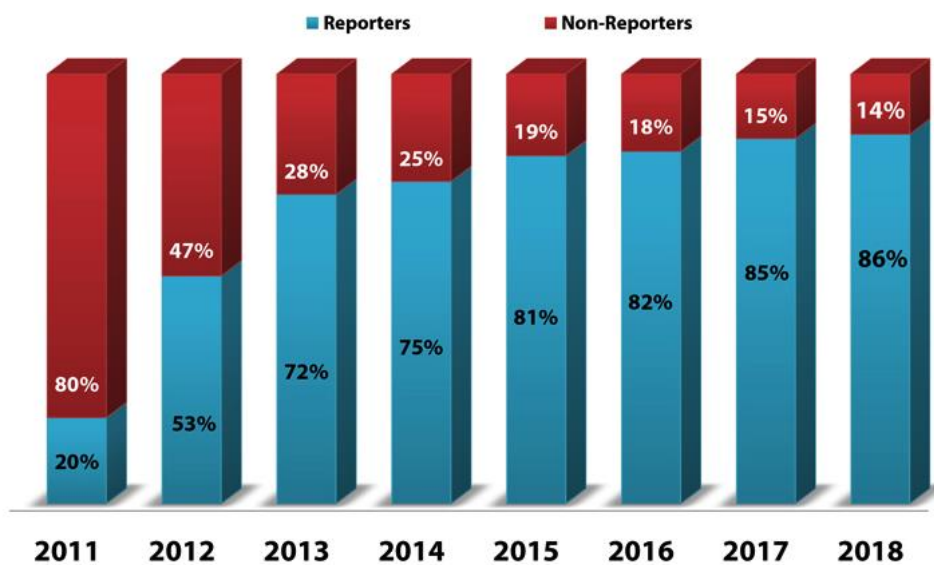


Figure 3. S&P 500 Companies CSR Reporting
Source: Governance & Accountability Institute, Inc. 2018 Research

Figure 4 shows that all of the 30 world’s largest banks and over four-fifths of smaller banks reported on CRS topics in 2015. This means that CSR reporting is well established as a standard business practice in the banking industry. Banks have a higher level of CSR disclosure than companies from other industries. (KPMG ... 2015, 2)

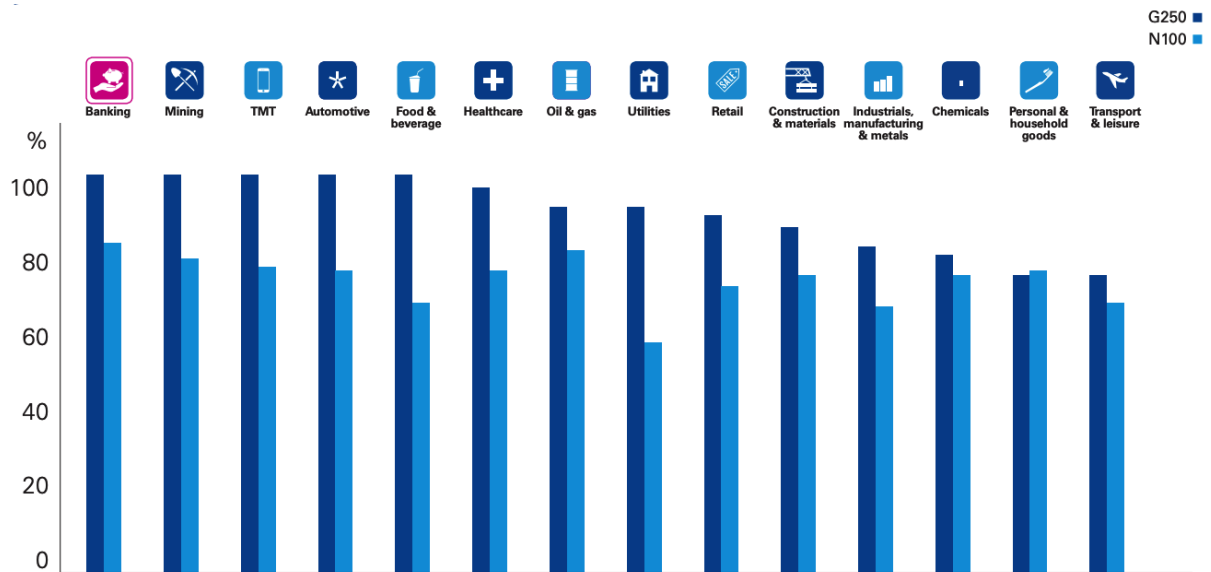


Figure 4. CR Reporting Rates by Sector

Source: KPMG Corporate Responsibility Reporting in the Banking Sector

Auditors, consultants and alternative assurance providers can provide independent assurance of CSR reports or disclosures (Vanstraelen *et al.* 2009; Casey, Grenier 2015). Scholars and market professionals divide assurance providers into two groups: accounting sustainability assurance providers (ASAPs) and non-accounting sustainability providers (NASAPs) (Edgley *et al.* 2015; Manetti, Toccafondi 2012). ASAPs include the big four accounting firms: PwC, E&Y, Deloitte and KPMG. The accounting firms were traditionally focused on providing financial audit services, but when they faced an increased number of regulations in this field, which led to low growth potential associated with higher audit risk, financial audit firms decided to expand their services and entered the new assurance markets such as sustainability assurance (Ackers 2009; Wallage 2000 referenced in Villiers, Maroun 2018).

As it is illustrated in Figure 5, the assurance rates increase faster in countries where high rates of CSR reporting have been achieved. For instance, between 2015 and 2017 there was a 12% increase in the US – which had a high CRS reporting rate – around 77%. (KPMG ... 2017)



Figure 5. Growth in Independent Assurance of CR Information
 Source: KPMG Survey of Corporate Responsibility Reporting 2017

If a company wants to work in international markets and deal with big counterparties, it must implement at least one of international norms concerning human rights and environmental protection and issue reports that will highlight the efforts to implement these norms by developing management and production policy (Risse 2007 referenced in Held, McGrew 2007).

Over the past years, it has been noticed that increasingly more companies have voluntarily implemented reporting standards, especially in environmental aspects of reporting. This trend has also affected the financial industry.

1.3. Reporting frameworks and standards

By implementation of CSR standards, we mean the implementation of well-established standards which define the following points:

- What companies have to disclose data about their CSR activities;
- What topics are relevant to certain industries;
- What metrics are important and how it is calculated;
- In which format the information should be presented.

Over the last decades, various standards have been developed all over the world. CSR frameworks and standards could be established by a government body like the SEC in the US or an independent non-profit organization, such as the Global Reporting Initiative (GRI), Sustainability Accounting

Standards Board (SASB) or the Task Force on Climate-related Financial Disclosures (TCFD). Most frameworks are stand-alone and are not integrated with each other. There are approximately 300 standards related to corporate responsibility around the world (Global Reporting Initiative, AccountAbility ... 2005). The author wants to highlight the major standards which are used by US banks today:

- **Global Reporting Initiative (GRI)** is the first and the most widely adopted framework for non-financial reporting. It was established in 1997 in the Netherlands with support from the United Nations Environment Programme. GRI framework consists of a broader scope of disclosure than most of other frameworks. KPMG (2017) defined that 75% of the world's 250 largest companies used GRI guidance for developing CSR reporting in 2017;
- **Carbon Disclosure Project (CDP)** was established in 2002 in the United Kingdom with a purpose to help companies to manage and disclose the environmental impact. Over 515 investors with \$106 trillion in assets requested companies to disclose data on climate change through CDP. As a result, more than 8 400 companies have publicly disclosed environmental information through CDP;
- **United Nations Global Compact (UNGC)** was established in 2004 in the US with support from the Foundation for the Global Compact and close cooperation with the United Nations. This is one of the largest CSR initiatives with 13 000 corporate participants from 170 countries. In 2015, all organization's members adopted the plan for achieving a better future for all and entitled this plan United Nations Sustainable Development Goals. The main goals of the plan are to end extreme poverty, fight inequality and injustice and protect our planet. One of the primary objectives of the UNGC is to support these goals and help companies to achieve them;
- **Sustainability Accounting Standards Board (SASB)** was established in 2011 in the US with financial support from Bloomberg, the Rockefeller Foundation and Generation Foundation. In 2018 SASB released guidelines for how companies should report on financially material ESG concerns in 77 industries, from clothing to finance. According to SASB, 120 companies use their standards in the CSR reporting now. SASB describes its guidelines as accounting standards which help investors to study CSR performance with a focus on the impact on financial performance;
- **Task Force on Climate-Related Financial Disclosures (TCFD)** was established in 2015 with support of the Financial Stability Board, a body that makes recommendations to the G20 group of nations. This is a relatively recent initiative which is designed to provide a framework primarily for financial companies to develop more transparent and effective climate-related

disclosures through their existing reporting process. According to TCFD, 800 organizations support their initiative.

More than 90% of the largest 250 companies in the world disclosed CSR information and as mentioned above, 75% of them used GRI standards for reporting. The similar situation is in the US, 600 US companies are voluntarily using the GRI standards to disclose CSR information, including almost 80% of the companies in the Dow Jones Industrial Average (Temple-West 2019).

Figure 6 presents the results of the survey conducted by Shearman in 2019, which brought together 96 US companies with 119 published reports. According to the results, GRI framework is the leading reporting framework in the US, followed by USDG and SASB. TCFD standards are still not so popular in the US in comparison with other frameworks.



Figure 6. The Leading Reporting Frameworks in the US
Source: Shearman

The big issue related to CSR metrics is that each company and industry has its own unique characteristics when it comes to CSR data. However, by regulating non-financial and diversity disclosure requirements across Europe, Directive 2014/95/EU represents an essential step towards standardizing reporting and formalizing transparency requirements. Achieving this standardization across thousands of organizations and industries in the long term presents a significant challenge.

For instance, the US Congress rejected an initiative to introduce European-style reporting into the US. Instead of adopting the European standards, the congress requested the SEC to write its own

CSR disclosure rules. (Temple-West 2019) The absence of a single international standard for CSR disclosure which is approved by policy makers around the world creates difficulties for investors and other users when they assess CSR data.

The US economy is the largest one in the world with 32 trillion market capitalization and it will be a big risk if the US does not use the common international language for non-financial reporting.

1.4. Financial Performance and Its Relationship with Corporate Social Responsibility

Financial performance (FP) is a general measure of how effectively a company uses assets to generate profit. Also, FP is used to measure the overall financial health of the company. (Kenton 2020; Kalaiselvi 2009, 3)

Companies and external stakeholders use financial performance data to evaluate the company's financial performance and find the ways how to improve it. The primary sources of financial performance data are financial statements, which consist of four types:

- **Balance Sheet** presents the financial position of a company on a certain date and includes assets, liabilities and shareholder's equity;
- **Income Statement** presents the financial performance in terms of profit and loss within a specified period of time;
- **Cash Flow Statement** presents cash movements within a specified period of time and includes three segments of movement – operating, investing and financing;
- **Statement of Changes in Equity** presents the changes of shareholder's equity within a specified period of time and includes the four main segments of movement – net profit or loss, dividend payments, treasury stock purchase and proceeds from the sale of stock.

Financial statements are used to collect data for analyses but due to differences in the company's sizes, the data itself gives a quite limited understanding of FP. Therefore, internal and external users of financial statements also use financial ratios for analysis, and this helps them to remove a company's size as a factor. Financial Performance analysis is a set of methods that are used to evaluate the company's financial results by finding the relationship between data from the income statement and balance sheet (Ganga *et al* 2015, 2250). Analysts classify financial ratios into five

groups (Peterson, Fabozzi 2008): 1) return on investments, 2) liquidity, 3) profitability, 4) activity, 5) financial leverage. The following ratios will be used by the author in the thesis to determine financial performance of banks:

- **Return on Equity (ROE)** is a measure of financial performance calculated by dividing net income by shareholder's equity. This ratio evaluates how effectively a company is using equity to make a profit;
- **Return on Assets (ROA)** is a measure of financial performance calculated by dividing net income by total assets; This ratio evaluates how effectively a company is using assets to make a profit, unlike ROE, it takes into account a company's debt;
- **Net Profit Margin (NPM)** is a measure of financial performance calculated by dividing net income by revenue. This ratio assesses if a company is making enough profit from its sales and its operating costs do not exceed the benchmark;
- **Net Income per Employee (NIPE)** is a measure of financial performance calculated by dividing net income by total number of full-time employees. This ratio evaluates how effectively a company is utilizing its employees.

There is a range of scholars who have studied the relationship between corporate social responsibility and financial performance in a corporate context (Cornett *et al.* 2016). Most researchers agree that CSR and FP are related to each other and the companies with higher CSR involvement have higher financial KPIs. (Bénabou, Tirole 2010 referenced in Cornett *et al.* 2016)

However, this is not clear what exactly is the underlying trigger. For instance, Hong *et al.* (2012) suggest that CSR activities increase with company's performance, but it does not work in the opposite direction. In other words, companies with good financial results have enough funds to participate in CSR activities. Mănescu (2011) states that among all CSR activities only community relations have a positive effect on the financial performance of a company. Other activities do not influence financial performance.

There are not so many studies on the relation between CSR and financial performance in the financial industry. However, two existing comprehensive studies on this topic come to opposite conclusions. The study with a sample of 520 financial institutions from 34 countries suggests that there is no relationship between CSR and financial performance. It is important to note that only 162 of selected companies are from the US. (Chih *et al.* 2010) Cornett *et al.* (2016) receive the

opposite results researching 235 US retail and commercial banks. They find the direct relationship between CSR activities and FP among selected banks.

It is not difficult to explain the discrepancy between the outcomes of studies. CSR performance is a comparatively new field of study, and as it was earlier mentioned, the CSR data is not standardized, and it can be reported in different ways. This leads to difficulties in collecting data for research and increases the chance of erroneous interpretation. Also, due to the low number of studies on this topic, it is difficult to find two studies with a similar sample and a similar method of research.

1.5. US Banking and Financial Industry in Our Days

The financial industry plays a vital role in the daily life of individuals and businesses. Financial institutions provide services to participants of the economy helping them with the monetary needs. They act as intermediaries between those parties which are seeking to raise capital and those which want to lend their capital to get profit. (Mishkin 2016, 20) Financial institutions are classified in the following groups:

- **Retail and Commercial Banks** deal with individuals and businesses. In our days, the majority of banks deal with both groups of clients. The main services provided by them are checking and saving accounts, personal and mortgage loans. The three largest retail/commercial banks in the US are JP Morgan Chase, Bank of America and Citigroup. Their total assets are around \$7 trillion;
- **Investment Banks** assist businesses and governments in raising capital through the issuance of securities like stocks and bonds. Also, they are involved in mergers and acquisitions deals. The three largest investment banks in the US are Goldman Sachs, JP Morgan Chase and Bank of America. Their total assets are around \$6 trillion;
- **Investment companies** engage in the business of investing collective funds into financial and non-financial products. This is the main business of investment companies and they usually offer investors a wide range of investment services, including portfolio management, custodial and tax services. The three largest investment companies in the US are BlackRock, Vanguard Group and State Street Global Advisors. Their total assets under management are around \$15 trillion;

- **Brokerage firms** assist individuals and other institutions to get access to financial markets and allowing them to buy and sell financial products such as securities and derivatives. The three largest brokerage firms in the US are Ameritrade, Charles Schwab and Fidelity Investments. Their total client assets are around \$13 trillion;
- **Insurance companies** assist individuals and other institutions to transfer risk of loss. Insurance companies are used to protect clients from financial loss due to unexpected circumstances as death, disability, property damage and others. The three largest insurance companies in the US are Chubb Limited, Marsh & McLennan and Aon. Their total assets are around \$224 billion.

The US financial industry is characterized in that the large banks like JP Morgan Chase, Bank of America, Citigroup and Wells Fargo as well as many other smaller banks have become multi-financial corporations that provide a wide range of financial services including wealth management, brokerage services and investment banking. Although the thesis is focused on financial institutions whose core business is banking, this is important to emphasize that these institutions also provide other financial services.

According to the Federal Deposit Insurance Corporation (FDIC), there were 5 177 registered institutions with \$18.6 trillion total assets in the fourth quarter of 2019. As Figure 7 shows the annual net income of FDIC insured institutions was \$233.1 billion. This is \$3.6 billion less than a year ago. The decline was primarily associated with slower growth in net interest income and higher loan-loss provisions (FDIC ... 2019).

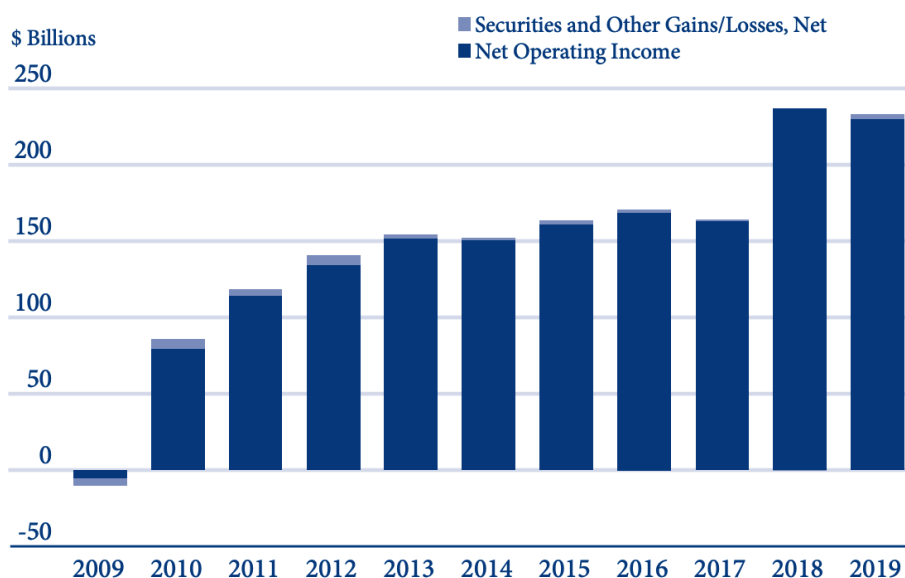


Figure 7. Annual Net Income of FDIC-Insured Institutions
Source: FDIC

After the 2007-2009 financial crisis the banking industry has become highly regulated. The Dodd-Frank Act is a comprehensive bill that was adopted after the crisis. One of the main provisions of the Act is the requirement to increase the amount of money they hold in reserve, which have to be used in case of crisis. Each year in summer, the Federal Reserve performs Dodd-Frank Act stress tests on major US banks. Bankers admit that they had too little equity before the crisis but also, they say that now they have too much (Beddoes 2017). One of the provisions of the Act is associated with CSR. This provision created The Consumer Financial Protection Bureau (CFPB) which protects customers from the unfair business practices of banks. This agency deals with appropriate bank divisions to prevent risky lending and other practices, which can lead to the negative impact on customers and other stakeholders.

However, a lot of Americans still remember the outcomes of the financial crisis that happened in 2008 and despite a large number of new regulations, as seen in Figure 8, the S&P 500 banks index was still 30% below in 2017 than it was in 2007 before the crisis.

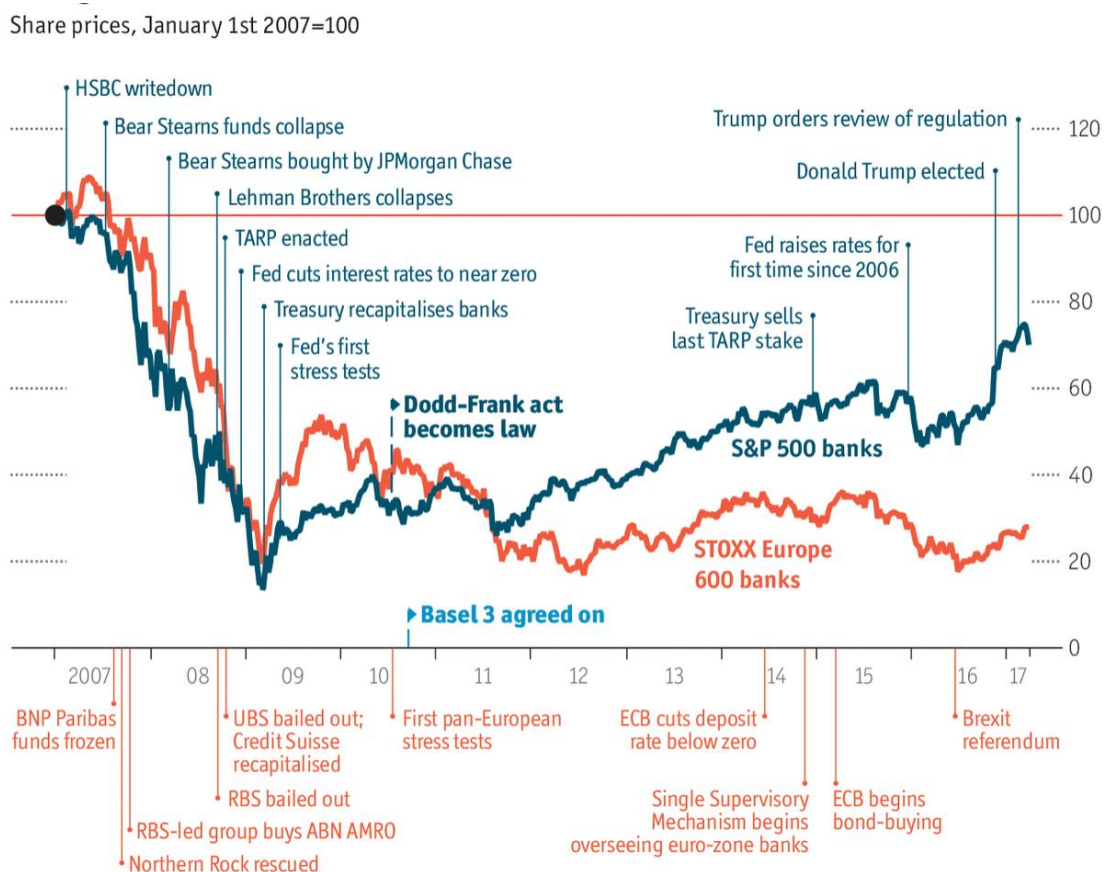


Figure 8. Recovery of Share Prices of Banks from S&P 500
Source: Thomson Reuters, The Economist

The current situation associated with the coronavirus pandemic affirms the crucial importance of financial institutions, which act as intermediaries between governments and societies. Enormous financial flows are going through banks and other financial institutions to support businesses and individuals. Support of the economy without a well-regulated financial system working in a transparent manner will be virtually impossible.

1.6. Sustainable Investing

Sustainable Investing (SI) is considered as a type of investing which is also known as Environmental, Social, Governance (ESG) or Socially Responsible Investing (SRI). This is a type of investment which applies strategies taking the company’s environmental, social and governance factors into consideration. Companies with good corporate social responsibility performance have higher stock returns (Edmans 2011), lower market risk (Ma, Li 2015), and higher corporate value (Lev *et al.* 2010). Also, these companies attract more attention from investors and experts (Dhaliwal *et al.* 2011). Sustainable investing has become a mainstream trend in Wall Street in the last few years.

Figure 9 shows that the ESG-oriented investing reached nearly \$30 trillion in 2018, a 34% increase from 2016 (GSIA ... 2019). This significant growth rate is a strong signal which confirms that more and more institutional investors are reviewing and assessing CSR metrics making investment decisions.

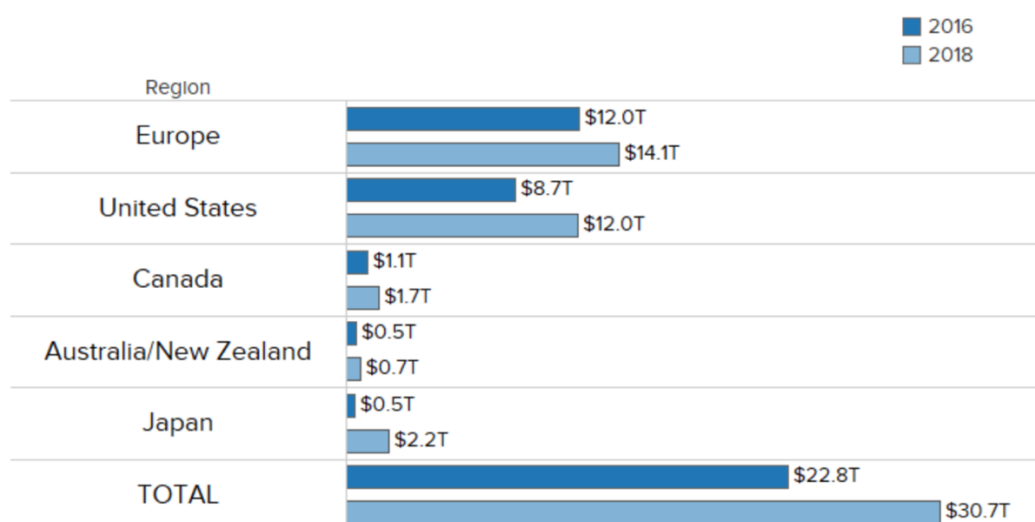


Figure 9. ESG Investing Growth
Source: Global Sustainable Investment Alliance

Nine of the biggest ESG mutual funds in the US outperformed the Standard & Poor's 500 Index last year, and seven of them showed the performance better than their market benchmarks over the past five years (Benhamou *et al.* 2020).

Figure 10 shows that the 878 million dollars Ave Maria Growth Fund showed the best performance in 2019, followed by the 3.8 billion dollars Calvert Equity Fund and the 4.9 billion Putnam Sustainable Leaders Fund. All three funds published returns which exceeded 35%, in contrast to the S&P 500 with 31.5%.

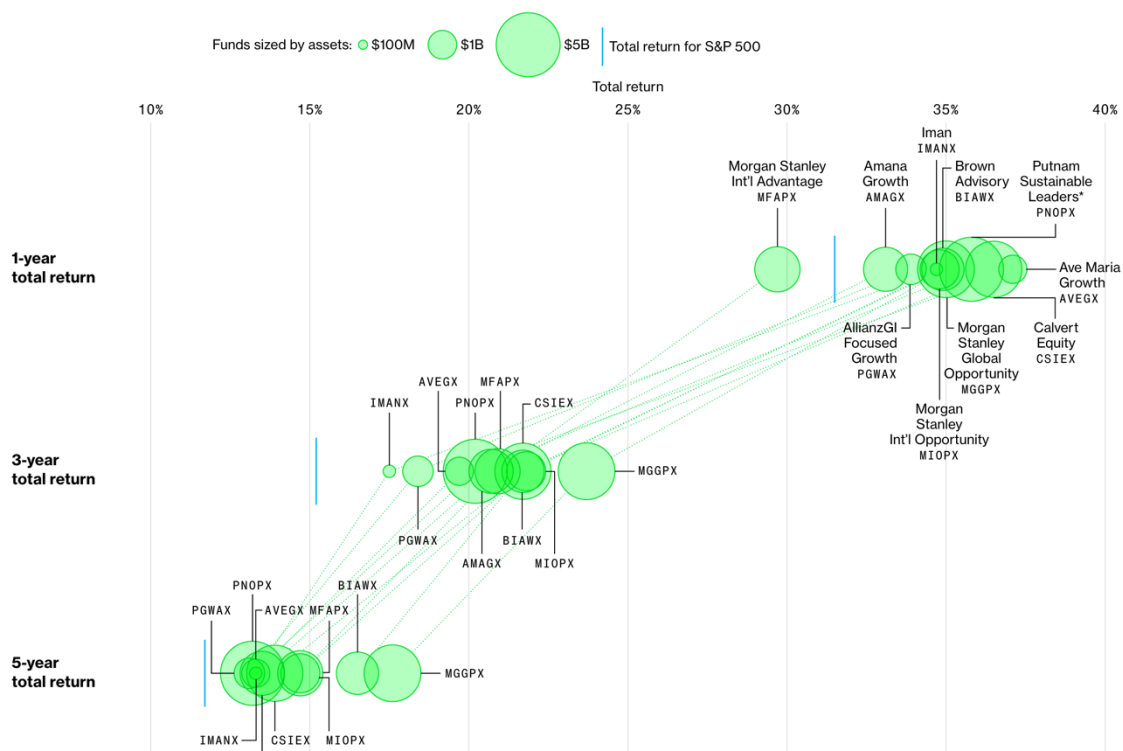


Figure 10. Performance of ESG Funds
Source: Bloomberg

Institutional investors consider CSR information as an important factor when they decide to keep or sell a stock (Hoq *et al.* 2010). Janine Guillot, an official at the Sustainability Accounting Standards Board, suggests that the statement that CSR questions do not affect financial performance is outdated and this is not correct in our days. Many investors believe that CSR metrics is related to financial performance and study it when making an investment decision. (Temple-West 2019)

Larry Fink, Chief executive of BlackRock, announced that the investment company would assess ESG aspects with the same accuracy as credit and liquidity risks of companies in which they invest.

BlackRock is also pushing companies to disclose more information about their environmental risks (Henderson *et al.* 2020).

State Street Global Advisors, one of the largest shareholders in many blue-chip companies has also announced that they will vote against the boards of big companies that do not act in accordance with environmental, social and governance standards (Wigglesworth 2020).

The research made by the author of the thesis shows that the institutional ownership percentage among the 25 largest US banks is very high – 85.4%. The Vanguard Group is one of the largest shareholders in all 25 banks, while BlackRock Institutional Trust Corporation and State Street Global Advisors are one of the largest shareholders in 14 of 25 banks (see Appendix 1). This means that US banks cannot ignore a fast-growing investors demand in CSR transparency and disclosure and the quality of CSR data can affect their financial performance in the near future.

2. RESEARCH DESIGN AND METHODS

The second chapter describes the research design and methods used in the thesis; the research objective and hypotheses are identified and sampling and data collecting methods are presented. Corporate Social Responsibility Disclosure (CSR) Index, which will be used in the third chapter for analysis is elaborated and introduced. The index indicators are also disclosed for a clear understanding of how the data was gathered. Financial Performance variables for the banks from the sample which will be used in the next chapter for analysis are also presented and explained.

2.1. Research Objective and Hypothesis

The objective of this thesis is to determine how the level of Corporate Social Responsibility (CSR) disclosure influences Financial Performance (FP) of US banks and other financial institutions by calculating correlation coefficients for selected variables.

Global attention to the integration between the social and economic responsibilities of business among scholars and economists has increased significantly in the last decades. Some of these scholars have attempted to identify this relationship, but their studies led to mixed results. The first group of scholars supports the stakeholder theory and their researches find the positive link between CSR and FP, profitability in most cases. Preston, O'Bannon (1997) are some of them, they found a positive association between three CSR factors and three financial performance indicators. They used ROA, ROE and ROI as financial performance indicators. According to a wide range of studies, the CSR index has a positive impact on a company's financial performance allowing the company to build its reputation and as a result protect financial results (Soana 2011). Most researchers who used regression analysis methods to compare the CSR Index and financial performance indicators such as ROE and ROA also received positive results, which were explained by the top manager's understanding that CSR activities help them to build successful relations with stakeholders.

The alternative group of scholars came to the opposite conclusion. Their studies showed that excessive investing resources in CSR led to additional costs and losing competitive disadvantages and as a result had a negative impact on financial results (Ngoc 2018).

One of the main reasons for getting mixed results is an attempt to study companies from multiple industries and countries in one research. Therefore, it is more productive to include in a sample the companies from the same industry and country (Soana 2011).

Taking into the account the vague results of previously conducted studies, the author has developed the following hypotheses which are intended to be accepted or rejected in Chapter 3:

1. Amount of Total Assets has a positive relationship with the level of Corporate Social Responsibility Disclosure;
2. Return on Equity (ROE) has a positive relationship with the level of Corporate Social Responsibility Disclosure;
3. Return on assets (ROA) has a positive relationship with the level of Corporate Social Responsibility Disclosure;
4. Net Profit Margin (NPM) has a positive relationship with the level of Corporate Social Responsibility Disclosure;
5. Net Income per Employee (NIPE) has a positive relationship with the level of Corporate Social Responsibility Disclosure;
6. Price Rate of Change (ROC) has a positive relationship with the level of Corporate Social Responsibility Disclosure.

As it was mentioned above, almost all studies compared the CSRD Index and two financial performance Indexes – ROE and ROA. The author has decided to expand the list of indicators and in addition to ratios measuring management effectiveness, include:

- **Amount of Total Assets** shows the size of the company;
- **Net Profit Margin (NPM)** shows a company's profitability;
- **Net Income per Employee (NIPE)** shows a company's efficiency;
- **Price Rate of Change (ROC)** shows the level of investor interest.

As can be seen from the description, Amount of Totals Assets is the only indicator that is not directly related to the activities of top management. However, this indicator will allow the author to determine how the size of the companies is associated with their level of CSR Disclosure. A

broad range of other financial performance indicators will allow to receive more comprehensive figures for study and analysis.

2.2. Sample and Data

The sample of this thesis consists of 35 US largest financial companies with total assets of around 15.5 trillion dollars, which provide a wide range of financial services but whose core business operations involve banking services. One more important requirement which was applied to the financial companies during the formation of the sample was the country of origin. The companies which have the head office outside of the US like HSBC and MUFG Union Bank were not included in the sample. All selected companies are publicly traded on the NYSE or NASDAQ; therefore, their reporting practices are quite standardized by FASB, GRI and SASB frameworks, allowing the author to receive more precise data for research.

As mentioned in the paragraph above, the companies were selected on the basis of total assets. Annual reports for 2019 were used for collecting financial data. Amount of Total Assets was measured in 2019 and 35 banks with the highest figures were selected but 4 of them were removed due to foreign origin: HSBC, TD Bank Group, BMO Harris Bank and MUFG Union Bank. They were replaced by four domestic banks: Webster Bank, Old National Bank, Ameris Bank and First Midwest Bank. The full list of selected banks can be found in Appendix 2.

Secondary data was used to conduct the research. For elaborating the CSR Index the latest non-financial reports and corporate websites were used. Most of the reports were published in 2019 and included information for 2018 year. The stand-alone non-financial reports were developed by 27 of 35 banks. Due to lack of standardization, the title varied from a Corporate Social Responsibility report to a Corporate Citizenship report, but the report title did not impact on the research outcomes because half of the banks used at least one of the well-established frameworks: GRI, SASB, TCFD or UNGC. According to the research conducted by the author, the primary CSR reporting framework among selected banks is GRI, 16 banks from the sample follow these standards. Number two by popularity is SASB with seven banks following this framework. TCFD and UNGC are also used by some banks to develop non-financial reporting, 6 and 4 respectively. The remaining 17 banks apply internally developed standards or do not disclose CSR information (see Appendix 3). Websites and annual reports were used as additional sources of information for collecting financial and non-financial data. For some variables, such as historical Net Income, it

was needed to use third-party information providers like Yahoo Finance and TWS trading platform developed by Interactive Brokers.

2.3. Corporate Social Responsibility Index

To be different from many other studies conducted by scholars on the same topic where publicly available CSR indexes were used, the author has decided to explore bank’s annual and CSR reports using thematic analysis method to assess the CSR disclosure. Thematic analysis is a qualitative research method which is used to detect, analyze, structure and report items found in a set of data (Braun, Clarke 2006). This analysis method allows to apply a well-organized approach which helps to prepare a clear and well-structured final report (Nowell *et al.* 2017).

The checklist containing CSR indicators is made in order to measure the volume of Corporate Social Responsibility information disclosed by US banks. The checklist includes 19 variables which are part of GRI standards. As GRI standards are inclusive and cover many topics that are not related to the research, only the most relevant indicators are included in the checklist.

There are only two possible scores that a company could get. The score depends on the accuracy of provided information in CSR reporting. If an indicator was reported in compliance with minimum GRI standards, the company would get a score of 1, otherwise the company would get a score of 0.

Table 1 presents the CSRD Index itself and how it was calculated. In accordance with GRI recommendations, all reviewed CSR information was classified into four separate categories of items: general, economic, environmental and social. The table illustrates that general disclosures were the most frequently reported – 80%, while environmental disclosures were reported only by 61% of selected banks.

Table 1. CSRD index

Category	Indicators	n	%
General			80
Organizational Profile	Name, Activities, Products, Location, Ownership	35	100
Strategy	Statement from senior decision-maker, Key risks and opportunities	31	89

Category	Indicators	n	%
Ethics and Integrity	Values, Principles, Mechanism for advice and concerns about ethics	35	100
Stakeholder Engagement	List of stakeholder groups, key topics and concerns raised	28	80
Governance	Governance structure, Delegating authority, Conflicts of interest	22	63
Reporting Practice	List of material topics, Reporting period, GRI context index	18	51
Economic			69
Economic Performance	Direct economic value generated and distributed	35	100
Market Presence	Ratios of standard entry level wage by gender compared to local minimum wage	18	51
Procurement Practices	Proportion of spending on local suppliers	16	46
Anti-corruption	Operations assessed for risks related to corruption	28	80
Environmental			61
Energy	Energy consumption within the organization, reduction of energy consumption	22	63
Water	Water withdrawal, water consumption, water discharge	19	54
Emissions	GHG emissions (Scope 1, 2, 3)	27	77
Effluents and Waste	Waste by type and disposal method	17	49
Social			70
Employment	New employee hires and employee turnover, parental leave	20	57
Training and Education	Average hours of training per year per employee	22	63
Diversity and Inclusion	Diversity of governance bodies and employees	26	74
Human Rights	Operations that have been subject to human rights reviews or impact assessments	23	66
Local Communities	Operations with local community engagement	32	91
Total CSRD index			70

Source: Author's calculations based on data from Appendix 4

The average rate of CSR information disclosure among the selected banks is quite high – 70%. As presented in Appendix 3, the level of CSR reporting varied widely from one bank to another one. This is mainly because of the low level of reporting in the banks with assets less than \$50 billion. Most of the smaller banks do not have stand-alone CSR reports and disclose limited information in annual reports and corporate websites. In addition, in most cases this information does not include metrics, only common words.

Several variables were reported by all 35 banks from the sample, for instance Organizational Profile, Ethics and Integrity and Economic Performance. Two more variables were reported more

than 30 times. This is Local Communities (32) and Strategy (31). The following variables were the least frequently reported: Procurement Practices (16), Effluents and Waste (17) and Reporting Practice (18).

2.4. Financial Performance Variables

There are many variables that can be used to measure financial performance of banks. FP variables for this thesis were determined based on the reviewed literature and the previously conducted researches on similar topics. However, as the author described in the previous sub-chapter dedicated to research methods and hypotheses, a few additional indicators were added. The full list of indicators looks as follows: 1) Total Amount of Assets, 2) Return on Equity, 3) Return on Assets, 4) Net Profit Margin, 5) Net Income per Employee.

Griffin showed that there were more than 80 financial measures of financial performance among which Return on Assets (ROA) was considered as the most accurate in the context of bank's financial performance (Simpson, Kohers 2002).

Table 2 illustrates the values of financial performance variables of the research, which will be used for analysis in Chapter 3.

Table 2. Financial Performance Variables

Bank name	Total Amount of Assets, \$ in billions	Return on Equity (ROE), %	Return on Assets (ROA), %	Net Profit Margin (NPM), %	Net Income per Employee (NIFE), \$ in thousands	Price Rate of Change (ROC), %
JP Morgan	2700	13,4	1,4	21,6	145,6	143
Bank of America	2430	8,5	1,2	29,6	131,9	117
Citibank	1951	10,5	1,0	27,0	97,0	58
Wells Fargo	1900	9,4	1,1	19,0	75,0	-10
Goldman Sachs	1000	8,8	0,9	21,4	223,7	38
Morgan Stanley	895	10,5	1,1	20,5	154,0	55
U.S. Bancorp	475	12,8	1,4	30,8	93,9	27
Truist	473	7,5	0,8	27,0	87,3	46

Bank name	Total Amount of Assets, \$ in billions	Return on Equity (ROE), %	Return on Assets (ROA), %	Net Profit Margin (NPM), %	Net Income per Employee (NIPE), \$ in thousands	Price Rate of Change (ROC), %
PNC Financial Services	410	10,5	1,4	30,3	104,2	76
Capital One	374	9,4	1,5	24,8	106,7	36
The Bank of New York Mellon	343	10,4	1,2	27,1	88,8	24
Charles Schwab Corporation	294	16,6	1,3	33,3	185,2	75
State street Corporation	246	8,2	0,9	20,1	57,5	6
American Express Bank	198	29,2	3,5	16,9	114,6	61
Ally Financial	181	12,4	1,0	27,4	190,6	36
Fifth Third Bank	169	12,8	1,6	31,8	125,0	64
Citizens Bank	166	8,0	1,1	22,7	99,5	56
Key Bank	145	9,9	1,2	26,1	100,5	44
Northern Trust	137	13,2	1,1	24,5	78,5	50
Regions Bank	126	9,6	1,3	26,0	79,1	79
First Republic Bank	116	9,5	0,9	27,5	186,0	118
Synchrony Bank	104	25,2	3,5	41,0	220,4	17
Comerica Bank	73	16,1	1,7	36,6	149,8	47
SVB Bank	71	19,6	1,9	35,3	284,3	113
Zions Bancorporation	69	10,4	1,2	29,2	81,6	90
Peoples United Banks	57	7,0	1,0	28,7	86,7	10
CIT Bank	51	8,3	1,1	23,8	147,2	4
TCF National Bank	47	6,9	0,9	17,5	42,1	40
BOK Financial Corporation	42	10,7	1,3	28,4	100,2	46
Bank Popular	50,4	11,7	1,4	29,2	83,9	82
Frost Bank	34	11,9	1,3	33,3	95,3	41
Webster Bank	30	12,2	1,3	31,8	116,1	47
Old National Bank	20	8,6	1,2	29,9	87,9	34
Ameris Bank	18	8,2	1,1	24,0	89,7	67
First Midwest Bank	18	9,0	1,2	28,3	94,1	29

Source: Author's calculations; secondary sources

Overall, it can be seen that all required variables were successfully collected and now they can be used for calculating Person's correlation coefficients. These variables will be discussed in greater detail in Chapter 3.

Information provided in this chapter is the basis for future analysis. Table 1 gives an overview of CSR indicators which were selected for creating the CSR Index. Appendix 4 contains more

detailed information presenting CSR indicators for each individual bank, which were used for calculations. Also, this chapter introduces the sample and financial performance variables.

3. RESULTS AND DISCUSSION

This chapter presents an analysis of the data provided in the previous chapter. Descriptive statistics is used to assess financial variables and develop input figures for calculating Pearson's correlation coefficients. Scatter Plots are prepared for each financial performance indicator for illustrative purposes. At the end of this chapter, the findings are defined and discussed.

3.1. Descriptive Statistics

Table 3 provides the results of descriptive statistics for financial performance variables. As can be seen, the CSR Index is quite wide with a minimum of 3 and a maximum of 19. Amount of Total Assets has a range from 18 to 2 700 billion dollars, with an average of \$440,38 billion (SD=704,71). This means that the sample includes banks of widely different sizes and capabilities. Return on Equity (ROE) is varied between 6,92 and 29,24, with an average 11,62 (SD=4,80), which shows that management effectiveness in some banks is at a relatively low level. There is a similar situation with Return on Assets (ROA). Net Profit Margin (NPM), which evaluates a company's profitability has a range from 16,91 to 41,04 with an average of 27,20 and a median 27,38. This means that there is at least one bank in the sample, which is very close to the average level of profitability. Net Income per Employee assesses a company's efficiency and according to the table, this measure varies between 42,10 and 284,30 with an average of 120,11. The last variable is Price Rate of Change (ROC), which shows investor interest and this measure has a range from -10 to 143. This means that the stock price of at least one of the selected banks has decreased in the period of the last five years.

Table 3. Descriptive Statistics

Variable	N	Mean	Median	Minimum	Maximum	St. Deviation
CSRDI	35	13,54	14,00	3,00	19,00	5,75
Total Assets	35	440,38	145,00	18,00	2700,00	704,71
ROE	35	11,62	10,39	6,92	29,24	4,80
ROA	35	1,33	1,20	0,81	3,54	0,59
NPM	35	27,20	27,38	16,91	41,03	5,42
NIPE	35	120,11	100,20	42,10	284,30	52,15
ROC	35	53,31	47,00	-10,00	143,00	34,25

Correlation coefficients for the variables from the table will be introduced in the following sub-chapter 3.2.

3.2. Correlation Coefficients

The strength of the linear relationship between two variables can be measured by correlation coefficients. Pearson's correlation coefficients have a value between +1 and -1, where a value of 0 indicates that there is no relationship between observed variables. A value higher than 0 indicates a positive relationship, while a value lower than 0 indicates a negative relationship. (Schober *et al.* 2018)

Appendix 5 presents Person's correlation coefficients, which are calculated by the following formula:

$$r_{xy} = \frac{\sum x_i y_i - n \bar{x} \bar{y}}{(n-1) s_x s_y} \quad (1)$$

where

r_{xy} - Pearson's correlation coefficient

n - number of observations

\bar{x} - arithmetic mean of all x_i

\bar{y} - arithmetic mean of all y_i

s_x - standard deviation for all x_i

s_y - standard deviation for all y_i

According to common standards, very high correlation has values from (+/-) 0,90 to (+/-) 1,00; high correlation from (+/-) 0,70 to (+/-) 0,90; moderate correlation from (+/-) 0,50 to (+/-) 0,70;

low correlation from (+/-) 0,30 to (+/-) 0,50 and negligible correlation from 0,00 to (+/-) 0,30 (Hinkle *et al.* 2003).

As can be seen from the data in Appendix 5, correlation is positively low only for Total Amount of Assets ($r=0,0403$). Correlation is also negligible positive for Return on Equity ($r=0,0890$) and Net Income per Employee ($r=0,1066$). Net Profit Margin ($r=-0,3250$) surprisingly has a low negative correlation with CSR Index. Other three correlations are negative: Return on Assets ($r=-0,0037$), Net Profit Margin ($r=-0,325$) and Price Rate of Change ($r=-0,0450$).

To define significance of Pearson's correlation coefficients the table of critical values was used. Degrees of freedom (df) in our research is defined by a simple calculation: $35 - 2 = 33$ ($n-2$). This figure allows to determine the critical values at a significance level of 90% and 95%. However, the table does not show critical values for the df 33, instead of them the values for the df 30 were used. They are -0,296 and 0,296 at the significance level of 90% and -0,349 and 0,349 the significance level of 95%. As can be seen from Appendix 5, only Amount of Total Assets is significant on both 90% and 95% levels ($0,490 > 0,349$ and $0,296$). NPM is also significant on 90% level ($-0,325 > -0,296$). Other variables are not statistically significant, as ROE ($0,089 < 0,296$), ROA ($-0,004 < -0,296$), NIPE ($0,107 < 0,296$) and ROC ($-0,045 < -0,296$) do not exceed the significance level of 90%.

3.3. Relationship Between Financial Performance and Corporate Social Responsibility in the US Banks and Other Financial Institutions

In this sub-chapter the previously discussed outcomes will be presented on the scatter plot diagrams for illustrative purposes. Each Pearson's Correlation Coefficient will be individually discussed, and the formulated in Chapter 2 hypotheses will be either accepted or rejected.

Figure 11 illustrates the relationship between Amount of Total Assets and CSR Index.

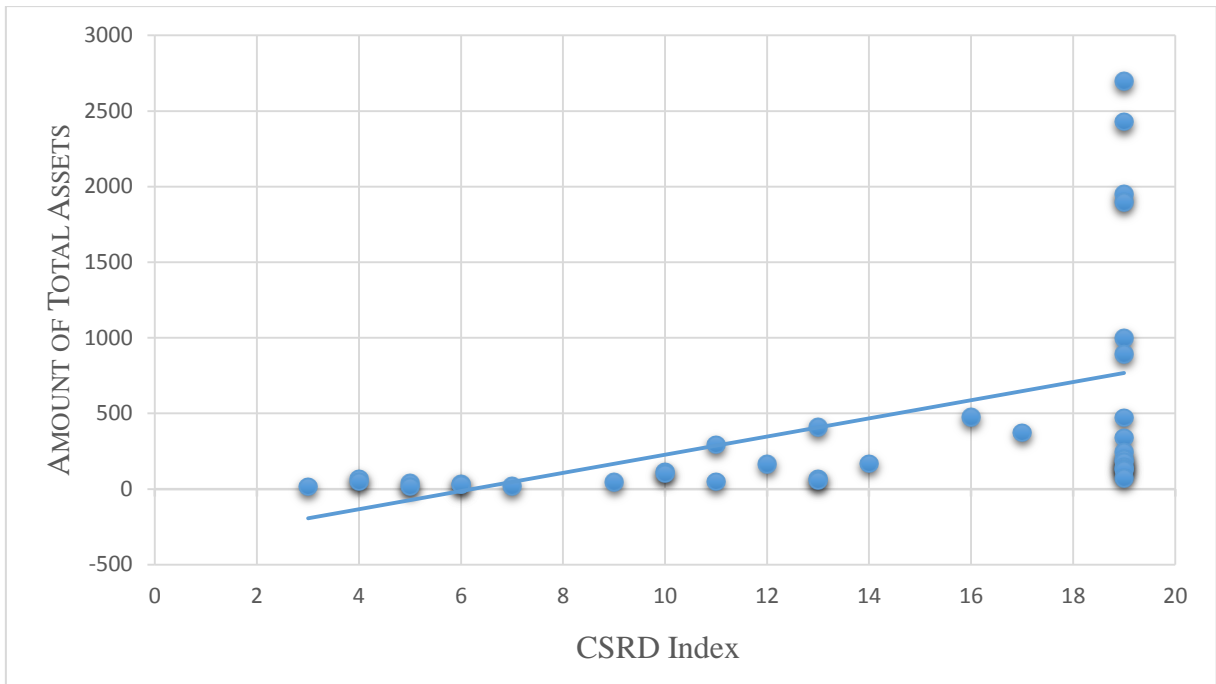


Figure 11. Scatter Plot Diagram illustrating the Relationship between Amount of Total Assets and CSRD Index

Source: Authors' calculations based on figures from Table 2 and Appendix 4

Pearson's correlation coefficient ($r=0,490$) shows a positively low correlation between the two variables. This is significant at a 95% level and therefore the author can state that large banks have a higher rate of CSR disclosure than smaller banks. This statement confirms the hypothesis that there is a positive relationship between Amount of Total Assets and CSRD Index.

The relationship between Return on Equity (ROE) and CSRD Index is presented in Figure 12.



Figure 12. Scatter Plot Diagram illustrating the Relationship between ROE and CSRD Index
 Source: Authors' calculations based on figures from Table 2 and Appendix 4

Pearson's correlation coefficient ($r=0,089$) shows a negligible positive correlation between the two variables. This means that the level of CSR disclosure does not have a significant impact on the management effectiveness in the selected banks. Although a range of previously conducted studies found a strong positive relationship between Return on Equity and CSRD Index, the results of this research do not find evidence for this statement, therefore the hypothesis should be rejected.

The relationship between Return on Assets (ROA) and CSRD Index is presented in Figure 13.

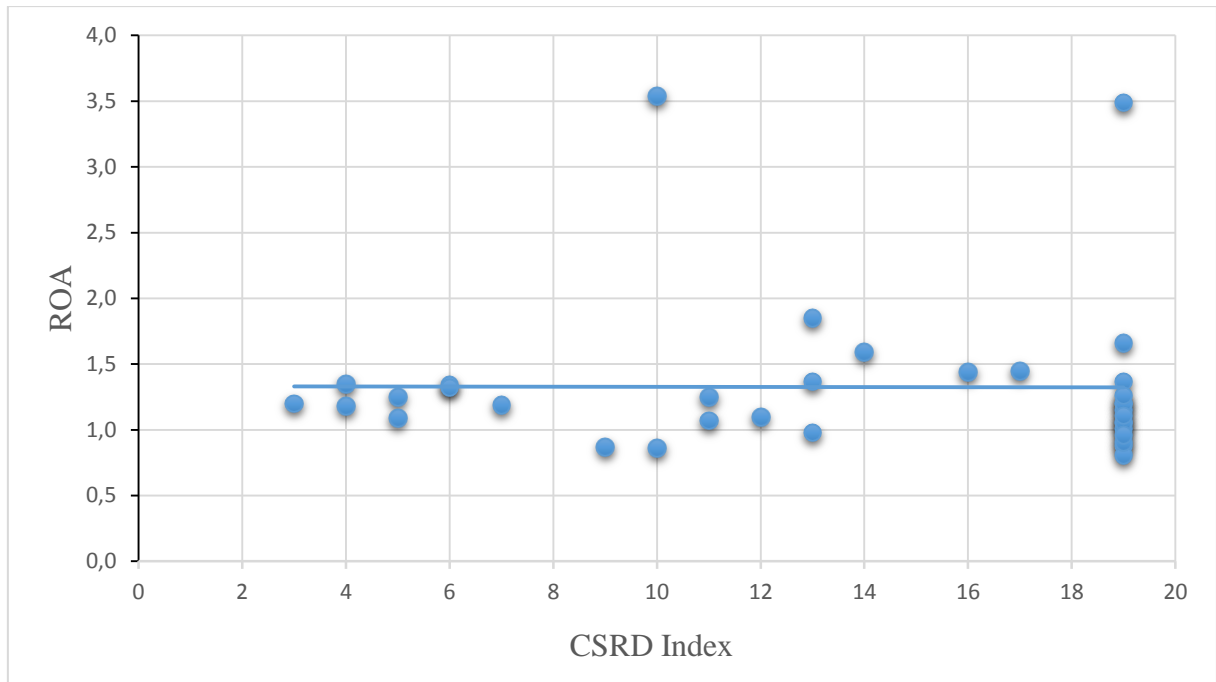


Figure 13. Scatter Plot Diagram illustrating the Relationship between ROA and CSRD Index
 Source: Authors' calculations based on figures from Table 2 and Appendix 4

Pearson's correlation coefficient ($r=-0,004$) shows the absence of any relationship between the two variables. Despite the outcomes of the previous studies conducted by scholars, the author came to the same conclusion here as with ROE, which states that the level of CSR disclosure does not have a significant impact on the management effectiveness in the selected banks. On the basis of these results, the hypothesis that a positive relationship between ROA and CSRD Index exists should be rejected. This may be caused by the small sample size which consists of only the largest banks, which initially should be managed effectively.

The relationship between NPM and CSRD Index is illustrated in Figure 14.

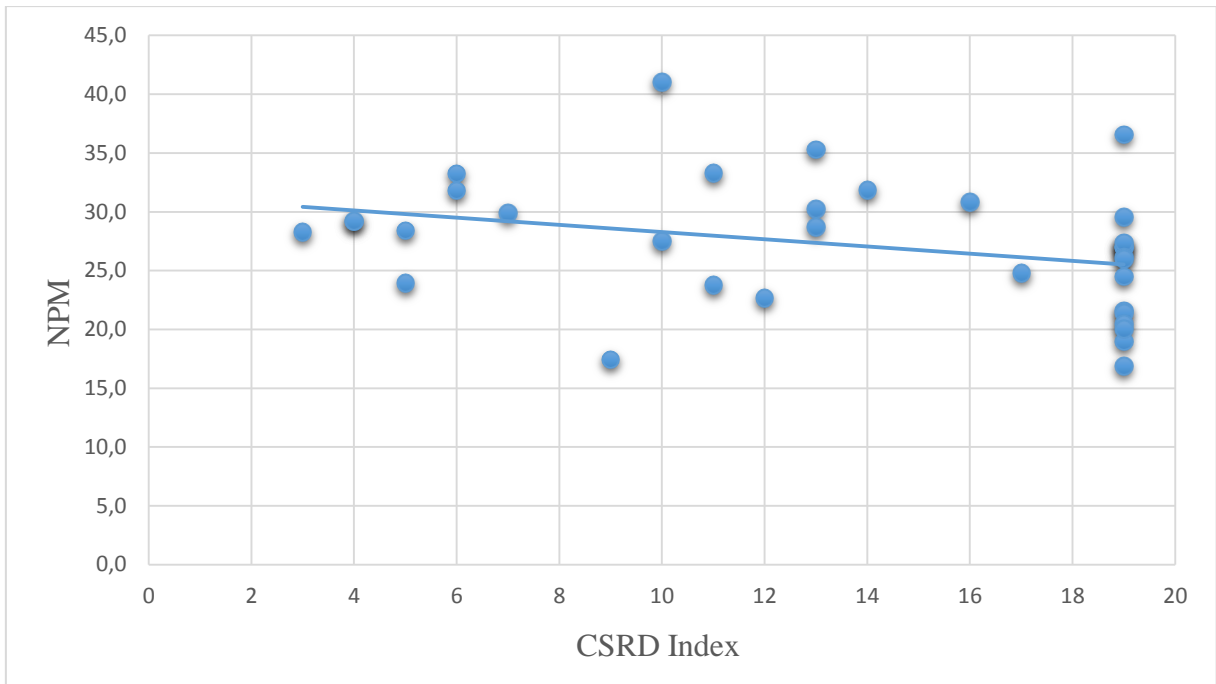


Figure 14. Scatter Plot Diagram illustrating the Relationship between NPM and CSRD Index
 Source: Authors' calculations based on figures from Table 2 and Appendix 4

Pearson's correlation coefficient ($r=-0,325$) shows a low negative correlation between the two variables supporting by the 90% level of significance. This is a surprising result, which means that a company's profitability is negatively associated with the level of CSR disclosure. The author assumes that it is largely due to the sample features like presence of recently founded online banks with high incomes and relatively low costs. These banks due to limited resources are not involved in CSR reporting at the same level as big banks with a long history. The previously set hypothesis about a positive relationship between NPM and CSED Index should be rejected.

Figure 15 presents the relationship between NIPE and CSRD Index.

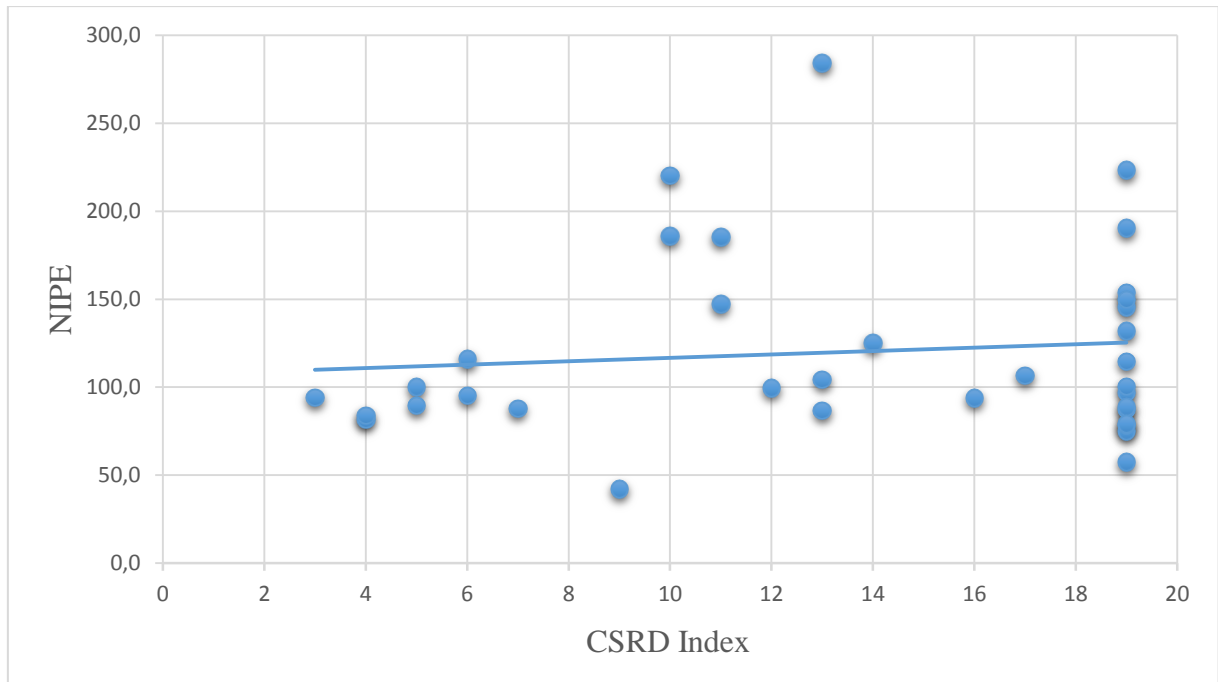


Figure 15. Scatter Plot Diagram illustrating the Relationship between NIPE and CSRD Index
 Source: Authors' calculations based on figures from Table 2 and Appendix 4

Pearson's correlation coefficient ($r=-0,107$) shows a negligible negative correlation between the two variables. Because the correlation coefficient is quite low, and the result is statistically not significant, the author assumes that the previously conducted studies did not use NIPE as a financial performance indicator on purpose. There is the same reason as with NPM applicable. The sample includes recently founded online banks that try to automate most processes to decrease costs on employees. As a result, the previously set hypothesis about a positive relationship between NIPE and CSED Index should be rejected.

The relationship between ROC and CSRD Index is illustrated in Figure 16.

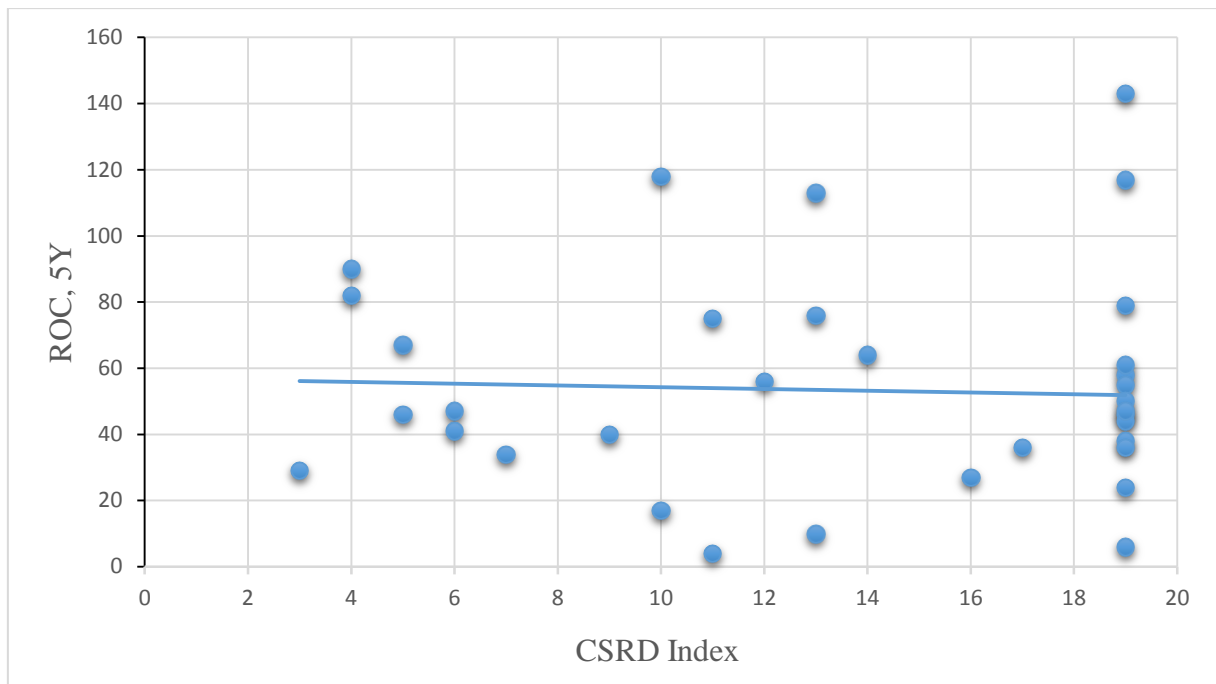


Figure 16. Scatter Plot Diagram illustrating the Relationship between ROA and CSRD Index
Source: Authors' calculations based on figures from Table 2 and Appendix 4

Pearson's correlation coefficient ($r=-0,045$) shows almost the full absence of relationship between the two variables. There are no existing researches that studied the correlation between ROC and CSRD Index, and therefore the results received in this thesis are the only available for review. The author assumes that the sample has an impact on the outcomes as well as with previous indicators. The recently founded online banks have been growing faster in the last five years because they deal with millennials who prefer to do everything online and have a higher rate of trust in the banking industry. The hypothesis set previously has to be rejected accordingly.

This is important to note at the end of this chapter that according to the results of the study, only one hypothesis was accepted. This is the hypothesis which states that there is a positive relationship between Amount of Total Assets and CSRD Index. Other hypotheses were rejected.

The outcomes of the conducted study confirm the practice of receiving mixed results when researchers are trying to find a relationship between the level of CSR disclosure and financial performance. More detailed conclusions will be given in sub-chapter 3.4.

3.4. Summary of Findings and Limitations

The objective of this thesis was to determine how the level of CSR disclosure influences financial performance of US banks and other financial institutions. The CSR Index was composed in order to determine the level of CSR disclosure among banks from the sample, and the Pearson's correlation coefficients were calculated for selected variables. The most significant finding of the study was the absence of the relationship between most of financial performance indicators and CSR Index.

The only variable which showed a low positive correlation with CSR Index was the Total Amount of Assets, and this allowed to make a conclusion that the banks with a higher Amount of Total Assets were more involved in disclosing CSR information than smaller banks. A low negative correlation was found for Net Profit Margin, and it became a surprising result which means that the level of CSR disclosure did not influence the company's profitability. Other Financial Performance variables were not affected by the level of CSR Disclosure.

These findings prove the view that the studies which aimed to evaluate the association between CSR disclosures and financial performance come to mixed results. This is mainly due to the limitations of samples. Although the author selected companies from the same country and industry, it included only 35 banks, and this is a comparatively small number. Besides, some financial performance indicators were collected through third-party information providers and their data is required to be additionally checked. As the study was focused on the banks and financial companies from one country – the US, they all are subject to minimum SEC requirements on CSR Disclosure. This fact also could affect the research results.

Future studies on this topic should design a larger sample. This will help to get more accurate results because the financial performance of local private banks and their attitude to disclosure of CSR data can differ from performance of large international banks like JP Morgan and Goldman Sachs. Also, most of studies are focused on a specific region and this leads to some impact from local regulations such as SEC requirements in the US. The samples which include banks and financial institutions from multiple jurisdictions can avoid the influence of this factor. In addition, other quantitative methods can be used, regression analysis, for instance can help to identify outliers and anomalies.

CONCLUSION

More stakeholders than ever are expecting that companies will update the way they do business and their approach to solving social and environmental issues. Stakeholders demand less words and more action. In addition to this, they require to increase transparency in order to have the capability to evaluate the CSR data. The world's attention to Corporate Social Responsibility (CSR) has extremely increased within the last decades. It is obvious, the world events related to coronavirus pandemic and the actions which have been adopted by governments in the last months will have a significant impact on the company's CSR policies and developing generally binding standards of CSR reporting.

This thesis studied the relationship between the level of Corporate Social Responsibility (CSR) Disclosure and Financial Performance (FP) in US banks and other financial institutions. The research was conducted based on the sample consisting of 35 US largest financial companies by assets whose primary business is banking. The purpose was to examine the impact of CSR Disclosure made by these financial companies on their financial performance. In order to meet the purpose, the author selected the following financial performance indicators: Amount of Total Assets, Return on Equity, Return on Assets, Net Profit Margin, Net Income per Employee and Price Rate of Change. The CSR Index was elaborated to measure the level of CSR Disclosure among selected companies, while Pearson's correlation coefficients were used to evaluate the relationship between FP and CSR variables.

The study outcomes indicated that the only variable which had a low positive correlation with CSR Index was Total Amount of Assets ($r=0,490$), and this allowed to state that the banks with a higher Amount of Total Assets disclosed more CSR data than smaller banks. Net Profit Margin showed a low negative correlation ($r=-0,325$), and it was an unexpected result which means that the level of CSR disclosure did not influence the company's profitability. Other Financial Performance variables did not have the significant correlation with CSR Disclosures: Return on Equity ($r=0,089$), Return on Assets ($r=-0,004$), Net Income per Employee ($r=0,107$) and Price Rate of Change ($r=-0,045$). Therefore, the author can conclude that there is the absence of relationship

between most of financial performance indicators and CSRD Index in US banks and other financial institutions.

For further examination of this topic, the larger samples should be designed in such a manner as to include banks and financial institutions from other jurisdictions and other sizes. The fact that there are 5177 registered banks in the US allows the author to assume that the designing of a large sample with including local banks will help to get more accurate results. In addition, using the regression analysis can help to identify outliers and anomalies in the sample. The results of these studies can be a useful source of information for professionals who is in charge of CSR activities in financial institutions, investors and other stakeholders when they make strategic decisions.

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APPENDICES

Appendix 1. Institutional ownership percentage in the 25 largest US banks

Bank name	Institutional ownership, %	Largest Institutional owners	Ownership share, %
JP Morgan	77,0	The Vanguard Group	8,1
		State Street Global Advisors	4,8
		BlackRock Institutional Trust Corporation	4,4
Bank of America	73,3	Berkshire Hathaway Inc	10,6
		The Vanguard Group	7,1
		State Street Global Advisors	4,1
Citibank	81,7	The Vanguard Group	8,5
		State Street Global Advisors	4,7
		BlackRock Institutional Trust Corporation	4,6
Wells Fargo	78,0	Berkshire Hathaway Inc	7,9
		The Vanguard Group	7,6
		BlackRock Institutional Trust Corporation	4,3
Goldman Sachs	76,7	The Vanguard Group	7,3
		State Street Global Advisors	5,8
		BlackRock Institutional Trust Corporation	4,1
Morgan Stanley	63,3	State Street Global Advisors	7,6
		The Vanguard Group	6,2
		T. Rowe Price Associates	3,9
U.S. Bancorp	78,1	Berkshire Hathaway Inc	8,7
		The Vanguard Group	7,5
		BlackRock Institutional Trust Corporation	4,4
Truist*	74,2	The Vanguard Group	7,9
		BlackRock Institutional Trust Corporation	4,7
		SSgA Funds Management	4,4
PNC Financial Services	84,6	The Vanguard Group	7,8
		Wellington Management Company	5,4
		Capital World Investors	4,7
Capital One	91,6	Dodge & Cox	8,9
		The Vanguard Group	7,8
		Capital World Investors	7,8
The Bank of New York Mellon	87,3	Berkshire Hathaway Inc	10,0
		The Vanguard Group	7,2
		Dodge & Cox	5,2

Bank name	Institutional ownership, %	Largest Institutional owners	Ownership share, %
Charles Schwab Corporation	83,6	Dodge & Cox	7,5
		The Vanguard Group	6,9
		BlackRock Institutional Trust Corporation	4,3
State street Corporation	95,7	The Vanguard Group	8,0
		T. Rowe Price Associates	6,7
		MFS Investment Management	6,6
American Express Bank	86,8	Berkshire Hathaway Inc	18,8
		The Vanguard Group	6,1
		State Street Global Advisors	4,3
Ally Financial	100,0	The Vanguard Group	10,1
		Harris Associates L.P.	9,2
		BlackRock Institutional Trust Corporation	4,8
Fifth Third Bank	80,4	T. Rowe Price Associates	10,0
		The Vanguard Group	8,7
		State Street Global Advisors	4,8
Citizens Bank	100	The Vanguard Group	12,2
		BlackRock Institutional Trust Corporation	5,6
		State Street Global Advisors	5,1
Key Bank	84,2	The Vanguard Group	11,8
		BlackRock Institutional Trust Corporation	6,4
		State Street Global Advisors	5,1
Northern Trust	85,3	The Vanguard Group	7,5
		Wellington Management Company	5,6
		BlackRock Institutional Trust Corporation	4,9
Regions Bank	75,4	The Vanguard Group	12,7
		State Street Global Advisors	5,6
		BlackRock Institutional Trust Corporation	5,1
First Republic Bank	97,9	The Vanguard Group	11,0
		Capital International Investors	6,6
		State Street Global Advisors	5,6
Synchrony Bank	99,9	The Vanguard Group	9,0
		GIC Private Limited	7,1
		Fidelity Management & Research Company	5,9
Comerica Bank	85,9	The Vanguard Group	12,7
		State Street Global Advisors	5,5
		BlackRock Institutional Trust Corporation	5,5
SVB Bank	95,0	The Vanguard Group	10,9
		State Street Global Advisors	5,3

Bank name	Institutional ownership, %	Largest Institutional owners	Ownership share, %
		BlackRock Institutional Trust Corporation	4,9
Zions Bancorporation	99,9	The Vanguard Group	12,6
		State Street Global Advisors	5,7
		Invesco Advisors	5,7
Average Institutional Ownership percentage:	85,4		

Source: Author's calculations, secondary sources

Appendix 2. Research Sample

Bank name	Total assets, billions
JP Morgan	2 700
Bank of America	2 430
Citibank	1 951
Wells Fargo	1 900
Goldman Sachs	1 000
Morgan Stanley	895
U.S. Bancorp	475
Truist*	473
PNC Financial Services	410
Capital One	374
The Bank of New York Mellon	343
Charles Schwab Corporation	294
State street Corporation	246
American Express Bank	198
Ally Financial	181
Fifth Third Bank	169
Citizens Bank	166
Key Bank	145
Northern Trust	137
Regions Bank	126
First Republic Bank	116
Synchrony Bank	104
Comerica Bank	73
SVB Bank	71
Zions Bancorporation	69
Peoples United Banks	57
CIT Bank	51
TCF National Bank	47
BOK Financial Corporation	42
Bank Popular	50
Frost Bank	34
Webster Bank	30
Old National Bank	20
Ameris Bank	18
First Midwest Bank	18
Total Assets:	15 413

Source: Author's calculations; secondary sources

Appendix 3. Reporting standards in the US banks

Bank name	Internal	GRI 102	GRI 103	GRI 200	GRI 300	GRI 400	G4	SASB	TCFD	UNGC
JP Morgan	-	1	1	1	1	1	1	-	-	-
Bank of America	-	1	-	-	-	-	-	-	-	1
Citibank	-	1	1	1	1	1	1	-	1	1
Wells Fargo	-	1	1	1	1	1	-	1	-	-
Goldman Sachs	-	-	-	-	-	-	-	1	-	-
Morgan Stanley	-	-	-	-	-	-	-	1	1	-
U.S. Bancorp	-	1	-	1	1	1	-	-	-	-
Truist*	-	1	1	1	1	1	-	1	1	-
PNC Financial Services	-	1	-	1	-	1	-	-	1	1
Capital One	-	1	-	1	1	1	-	-	-	-
The Bank of New York Mellon	-	-	1	1	1	1	-	-	-	-
Charles Schwab Corporation	1	-	-	-	-	-	-	-	-	-
State street Corporation	-	1	1	1	1	1	1	1	1	1
American Express Bank	-	1	1	1	1	1	-	-	-	-
Ally Financial	-	1	1	1	1	1	-	1	-	-
Fifth Third Bank	1	-	-	-	-	-	-	-	1	-
Citizens Bank	1	-	-	-	-	-	-	-	-	-
Key Bank	-	1	1	1	1	1	-	-	-	-

Bank name	Internal	GRI 102	GRI 103	GRI 200	GRI 300	GRI 400	G4	SASB	TCFD	UNGC
Northern Trust	–	1	1	1	1	1	–	–	–	–
Regions Bank	–	1	1	1	1	1	–	–	–	–
First Republic Bank	1	–	–	–	–	–	–	–	–	–
Synchrony Bank	1	–	–	–	–	–	–	–	–	–
Comerica Bank	–	1	1	1	1	1	–	1	–	–
SVB Bank	1	–	–	–	–	–	–	–	–	–
Zions Bancorporation	–	–	–	–	–	–	–	–	–	–
Peoples United Banks	1	–	–	–	–	–	–	–	–	–
CIT Bank	1	–	–	–	–	–	–	–	–	–
TCF National Bank	1	–	–	–	–	–	–	–	–	–
BOK Financial Corporation	–	–	–	–	–	–	–	–	–	–
Bank Popular	–	–	–	–	–	–	–	–	–	–
Frost Bank	–	–	–	–	–	–	–	–	–	–
Webster Bank	–	–	–	–	–	–	–	–	–	–
Old National Bank	1	–	–	–	–	–	–	–	–	–
Ameris Bank	–	–	–	–	–	–	–	–	–	–
First Midwest Bank	–	–	–	–	–	–	–	–	–	–

Source: Author's calculations, secondary data

Appendix 4. Corporate Social Responsibility Index

Bank name	CSR Indicator																			
	General Disclosures						Economic Disclosures				Environmental Disclosures				Social Disclosures					Total
	Organizational Profile	Strategy	Ethics and Integrity	Stakeholder Engagement	Governance	Reporting Practice	Economic Performance	Market Presence	Procurement Practices	Anti-corruption	Energy	Water	Emissions	Effluents and Waste	Employment	Training and Education	Diversity and Inclusion	Human Rights	Local Communities	
JP Morgan	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
Bank of America	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	19
Citibank	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	19
Wells Fargo	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	19
Goldman Sachs	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	19
Morgan Stanley	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	19
U.S. Bancorp	1	1	1	1	0	1	1	1	0	1	1	1	1	0	1	1	1	1	1	16
Truist	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	19
PNC Financial Services	1	1	1	1	0	1	1	0	0	1	0	0	1	0	1	1	1	1	1	13
Capital One	1	1	1	1	0	1	1	1	0	1	1	1	1	1	1	1	1	1	1	17
The Bank of New York Mellon	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	19
Charles Schwab Corporation	1	1	1	1	0	0	1	1	0	1	0	0	1	0	0	0	1	1	1	11

Bank name	CSR Indicator																			
	General Disclosures						Economic Disclosures				Environmental Disclosures				Social Disclosures					Total
	Organizational Profile	Strategy	Ethics and Integrity	Stakeholder Engagement	Governance	Reporting Practice	Economic Performance	Market Presence	Procurement Practices	Anti-corruption	Energy	Water	Emissions	Effluents and Waste	Employment	Training and Education	Diversity and Inclusion	Human Rights	Local Communities	
State street Corporation	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
American Express Bank	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	19
Ally Financial	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	19
Fifth Third Bank	1	1	1	1	0	0	1	0	0	1	1	1	1	1	0	1	1	1	1	14
Citizens Bank	1	1	1	1	1	0	1	0	0	1	0	0	1	0	0	1	1	1	1	12
Key Bank	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	19
Northern Trust	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	19
Regions Bank	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	19
First Republic Bank	1	1	1	1	1	0	1	0	0	1	0	0	1	0	0	0	1	0	1	10
Synchrony Bank	1	1	1	1	0	0	1	0	0	1	1	0	1	0	0	0	1	0	1	10
Comerica Bank	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	19
SVB Bank	1	1	1	1	0	0	1	0	0	1	1	0	1	0	1	1	1	1	1	13
Zions Bancorporation	1	0	1	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	4
Peoples United Banks	1	1	1	1	1	0	1	0	1	0	1	0	1	0	1	1	1	0	1	13
CIT Bank	1	1	1	1	1	0	1	0	0	1	1	1	1	0	0	0	0	0	1	11
TCF National Bank	1	1	1	1	0	0	1	0	0	1	0	0	0	0	0	0	1	1	1	9
BOK Financial Corporation	1	1	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	5

Bank name	CSR Indicator																			
	General Disclosures						Economic Disclosures				Environmental Disclosures				Social Disclosures					
	Organizational Profile	Strategy	Ethics and Integrity	Stakeholder Engagement	Governance	Reporting Practice	Economic Performance	Market Presence	Procurement Practices	Anti-corruption	Energy	Water	Emissions	Effluents and Waste	Employment	Training and Education	Diversity and Inclusion	Human Rights	Local Communities	Total
Bank Popular	1	1	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	4
Frost Bank	1	0	1	0	1	0	1	0	0	1	0	0	0	0	0	0	0	0	1	6
Webster Bank	1	1	1	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	1	6
Old National Bank	1	1	1	1	1	0	1	0	0	0	0	0	0	0	0	0	0	0	1	7
Ameris Bank	1	0	1	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	1	5
First Midwest Bank	1	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	3
Total	35	31	35	28	22	18	35	18	16	28	22	19	27	17	20	22	26	23	32	–

Source: Author's calculations, secondary sources

Appendix 5. Pearson's Correlation Coefficients

	Total Assets, \$ in billions	Return on Equity (ROE), %	Return of Assets (ROA), %	Net Profit Margin (NPM), %	Net Income per Employee (NIPE), \$ in thousands	Price Rate of Change (ROC), %
CSRDI	0,4903	0,0890	-0,0037	-0,3250	0,1066	-0,0450
Organizational Profile	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Strategy	0,2098	0,1342	0,0758	-0,0982	0,2092	-0,0366
Ethics and Integrity	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Stakeholder Engagement	0,2901	0,1107	0,0674	-0,1831	0,2500	-0,0609
Governance	0,3051	-0,1594	-0,2214	-0,3343	-0,0574	-0,1207
Reporting Practice	0,5045	0,0121	-0,0477	-0,3548	-0,0927	-0,0451
Economic Performance	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Market Presence	0,4950	0,0858	-0,0594	-0,3222	-0,0026	-0,0468
Procurement Practices	0,4797	-0,0185	-0,1094	-0,3857	-0,0683	-0,0833
Anti-corruption	0,2876	0,1785	0,0991	-0,2020	0,2644	0,0745
Energy	0,3755	0,2111	0,1887	-0,1280	0,2251	-0,1890
Water	0,4541	-0,0004	-0,0513	-0,3759	-0,0395	-0,1495
Emissions	0,3197	0,1988	0,1160	-0,0597	0,3331	0,0817
Effluents and Waste	0,4818	0,0254	-0,0373	-0,3766	-0,0404	-0,0209
Employment	0,4470	0,0532	-0,0306	-0,2545	0,0533	-0,0176
Training and Education	0,4113	0,0239	-0,0275	-0,2596	0,0365	0,0054
Diversity and Inclusion	0,3417	0,1889	0,1054	-0,1588	0,2353	0,0771
Human Rights	0,4052	0,0871	-0,0471	-0,3224	0,0612	0,0977
Local Communities	0,1739	0,0835	0,0432	-0,0968	0,2000	-0,1241

Source: Author's calculations based on figures from Table 2 and Appendix 4

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