

Corporate social responsibility of Islamic and conventional banks: the influence of institutions in emerging countries

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Abstract-

Purpose

The purpose of this paper is to compare the sustainability practices of Islamic and conventional banks, with the aim of evaluating whether their Corporate Social Responsibility (CSR) strategies converge or diverge in response to formal and informal institutions in an emerging country.

Design/methodology/approach

Drawing on institutional theory, this study contextualizes the competitive scenario through the National Business System (NBS) framework, and showcases the CSR strategies employed by large conventional and Islamic banks in Turkey. CSR patterns are examined from different angles such as motivations, strategy, actions and institutional results.

Findings

Within the same institutional environment, Islamic and non-Islamic banks combine convergent and divergent models to accommodate institutional realities in their CSR policies. Islamic banks exhibit an implicit commitment to CSR that is mostly based on informal institutions, whereas conventional banks use explicit CSR strategies as a means to fill the voids in formal institutions. In addition, philanthropy-oriented CSR prevails in Islamic banks, as opposed to the CSR actions associated with core business that are followed by conventional banks.

Social implications

An increased focus on formal institutions and explicit CSR actions by Islamic banks may further contribute to social well-being in emerging countries.

Originality/value

This study contributes to the paucity of research, from an institutional perspective, related to CSR practices amongst Islamic and conventional banks in emerging countries.

Index Terms- CSR, Institutional theory, Emerging markets, Banks/other depository institutions, Comparative business systems, Financial and industrial structure

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