



# From Responsibility to Resilience: The Role of Corporate Social Responsibility Committees in the Stability of MENA Banks

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## Abstract

**Background:** Bank stability is fundamental for sustaining economic growth, fostering investment, and maintaining confidence in the financial system. In recent years, the rise of Corporate Social Responsibility (CSR) and the creation of CSR committees (CSRCs) have transformed banks' governance models toward more ethical, transparent, and accountable practices. **Objectives:** This study examines how CSR committees influence bank stability in the Middle East and North Africa (MENA) region, with a comparative analysis between Gulf Cooperation Council (GCC) and non-GCC countries. **Methods/Approach:** Using an unbalanced panel of 40 commercial banks from 2010 to 2022, the study employs the System Generalised Method of Moments (SGMM) estimator to address endogeneity, account for dynamic panel bias, and control for unobserved heterogeneity, thereby producing robust and reliable estimates. **Results:** Empirical findings reveal that the presence of CSR committees significantly enhances bank stability in the overall sample. However, this positive association is statistically significant only for GCC banks, not for non-GCC counterparts. **Conclusions:** These results highlight that institutional quality, regulatory strength, and governance culture determine how CSR governance mechanisms translate into financial stability. The study contributes to understanding the role of CSR governance in promoting sustainable banking in emerging economies.

**Keywords:** CSR committees; bank stability; corporate governance; MENA region; System Generalised Method of Moments; SGMM

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## Introduction

Corporate Social Responsibility (CSR) has increasingly been recognised as a strategic necessity for financial institutions globally, reflecting a transition from traditional profit-driven approaches to more sustainable, stakeholder-oriented models. CSR implies that environmental, social, and governance (ESG) considerations are integrated into a bank's core activities beyond regulatory obligations to address broader societal and ethical challenges (Carroll & Shabana, 2010). In the banking industry, CSR is no longer seen as an image-building tool; instead, it is increasingly understood as a vehicle to enhance financial stability, strengthen risk management, and foster long-term stability (Scholtens, 2009; Goss & Roberts, 2011). This new role makes CSR an imperative driver for stimulating trust, transparency, and long-term sustainability within the banking industry.

The establishment of a Corporate Social Responsibility Committee (CSRC) within corporate governance structures has become increasingly vital for addressing the evolving nature of environmental, social, and governance responsibilities (Liao et al., 2015; García-Sánchez et al., 2018). A dedicated CSRC is essential for protecting stakeholders' interests by integrating CSR and sustainability into the organisation's decision-making mechanisms (Michelon & Parbonetti, 2012). By actively managing CSR-related risks such as environmental liabilities, social unrest, and reputational risks, the committee also enhances the institution's capacity to detect, manage, and mitigate long-term risks that influence financial performance (Haque & Ntim, 2018). Besides, the CSRC supports ESG performance by monitoring sustainability initiatives, promoting transparency, and enforcing accountability across the organisation (Ben Barka & Dardour, 2015). These governance practices serve not only to establish stakeholder trust but also to enable long-term value creation for shareholders through enhanced resilience, improved brand reputation, and conformity with international sustainability standards and investor expectations (Khan et al., 2016; Eccles et al., 2014). As a result, the presence of a CSRC is increasingly considered a sign of sound governance and forward-thinking strategy in the contemporary, complex, and fast-changing business landscape (Naciti et al., 2022).

Bank stability is a pillar of a sound and stable financial system (Demirgüç-Kunt & Detragiache, 1998; Huljak, 2015). Bank stability ensures that banks can absorb economic shocks, maintain public confidence, and continue their essential functions, including financial intermediation, credit allocation, and payment facilitation (Allen & Gale, 2007; Barth et al., 2008; Pejić Bach et al., 2020). Stable banks reduce the likelihood of systemic crises, protect depositors' interests, and foster sustainable economic growth by building a predictable and reliable financial environment (Laeven & Levine, 2009; Beck, 2012; Memić, 2015). Additionally, bank stability encourages investor confidence, long-term investment, and the transmission of monetary policy (Mishkin, 1999; Gambacorta & Marques-Ibanez, 2011). As banks are at the heart of most economies, their stability is important not only for the financial sector but also for broader macroeconomic stability (Schinasi, 2004; Čihák et al., 2012; Memić & Škaljić-Memić, 2013).

A CSRC, or what is better known as a sustainability committee, is a board-level or management-level expert committee responsible for overseeing a bank's CSR policies, strategies, and initiatives (García-Sánchez et al., 2018). Its work has become increasingly essential as stakeholders now expect not only financial stability but also moral conduct from financial institutions (Fernando & Lawrence, 2014). The CSRC plays an essential role in promoting bank stability by integrating environmental, social, and governance (ESG) considerations into strategic decision-making (Naciti et al., 2022; Liao et al., 2015). By overseeing the bank's CSR activities, the CSRC ensures the

bank is socially responsible and ethically sound in its actions, promoting stakeholder trust and minimising reputational risk (Michelon & Parbonetti, 2012; Khan et al., 2016). A well-functioning CSRC can also improve risk management procedures by identifying and resolving sustainability-related risks that could affect long-term performance (Haque & Ntim, 2018). Besides, banks with functioning CSRCs are likely to facilitate transparency, accountability, and compliance with regulatory standards, all factors that foster financial wellness and business resilience (Eccles et al., 2014; Ben Barka & Dardour, 2015). Therefore, a concentrated CSRC can serve as a governance system that ensures sustainable banking and enhances overall bank stability (Manita et al., 2018).

The potential for the CSRC to improve bank stability is an intriguing research question with important policy implications. Theoretically, the presence of a CSRC within a bank can provide stability from both stakeholder theory and agency theory perspectives (Freeman, 2010; Jensen & Meckling, 2019). Stakeholder theory holds that corporations must consider the interests of all stakeholders, not just shareholders, to be sustainable in the long term. A CSRC in this situation helps align the bank's activities with societal expectations, thereby reducing conflicts with key stakeholders, increasing legitimacy, and limiting reputational and regulatory risks (García-Sánchez et al., 2018; Michelin & Parbonetti, 2012). From the agency theory perspective, the CSRC functions as a governance mechanism that limits managerial opportunism by enhancing monitoring and transparency in CSR-related decisions (Naciti et al., 2022). Through the institutionalisation of CSR practices, the CSRC promotes ethical conduct, strengthens internal controls, and fosters risk-conscious behaviour, all of which contribute to financial resilience (Haque & Ntim, 2018; Eccles et al., 2014). Therefore, theoretical writings claim that an entrenched CSRC can serve as both a regulatory and a strategic tool, supporting bank stability by embedding sustainability principles into core banking practices (Liao et al., 2015; Fernando & Lawrence, 2014).

The direct relationship between CSRC and bank stability, and more specifically, in banks, has attracted little attention. Moreover, the limited research on CSRC and bank risk is primarily focused on advanced economies, with little evidence on how these dynamics play out in developing economies such as those in MENA. The MENA region offers an interesting setting for investigating the interaction between the CSRC and bank stability, given its unique economic, regulatory, and institutional profiles. It is defined by a mix of developed and emerging banking systems, varying stages of corporate governance maturity, and increasing concern with sustainable finance and CSR practices. In recent years, various MENA countries have introduced reforms to enhance financial stability and promote good business practices, offering fertile ground to analyse the efficacy of governance systems such as the CSRC. The region is also facing significant socio-economic challenges, including high unemployment, environmental stress, and political risk, underscoring the need for banks to adopt sustainable, risk-conscious approaches. Examining the role of CSRCs in this dynamic, multilateral setting can offer insight into how governance institutions provide financial resilience in emerging and transitional economies.

While existing studies address the role of CSR in bank performance, few examine the specific governance role of CSRCs in emerging economies—particularly in MENA—where institutional settings and sustainability practices differ significantly. This study empirically examines the effect of the CSRC on the stability of MENA commercial banks, using panel data from the past decade. By targeting this comparatively untapped link in a financially fragile region with evolving CSR norms, the study addresses a fundamental gap in the literature. It adds to the nascent strand of research on sustainable banking in emerging markets. To achieve this goal, we used

a sample of 40 MENA banks over the period 2010-2022 and employed SGMM as an empirical approach. Overall, the empirical findings support a positive association between CSRC and bank stability for the whole sample. However, the disaggregate analysis shows that the results differ across regions. We found that CSRC had a positive and significant effect on the stability of GCC banks. In contrast, there is no significant effect for banks located in the non-GCC region.

This research makes some important contributions to the existing literature on corporate governance, sustainability, and financial stability. First, it sheds light on the comparatively less-studied role of the CSRC as a governance structure that can enhance bank stability, particularly in emerging markets. Second, by emphasising the MENA region and comparing GCC and non-GCC countries, the study provides a comprehensive examination of institutional and regulatory differences and their influence on the effectiveness of CSR-related governance frameworks. Third, the research provides empirical findings using advanced econometric techniques, such as System GMM, to address endogeneity and generate strong results. Overall, this research fills a gap in the literature by linking bank financial soundness to CSR governance, with important implications for policymakers, regulators, and banking institutions seeking to strengthen sustainable, resilient financial systems.

The paper is organised as follows. After the introduction, Section 2 reviews theoretical and empirical literature. Section 3 explains data sources, variable definitions, and methods. Section 4 presents the empirical results. Section 5 discusses the results in light of the theory and prior literature. Section 6 concludes the paper and offers recommendations for policy, practice, and further research.

## Literature Review

The connection between the CSRC and bank stability rests on some of the best-established theories in corporate governance and sustainability. Stakeholder theory (Freeman, 2010) mandates that firms consider the interests of all stakeholders, not just shareholders, in decision-making. As a governance mechanism, CSRC institutionalises stakeholder values by incorporating ESG factors into corporate strategy. In banking, this mechanism enhances ethical bank behaviour, fosters reputational capital, and mitigates social and environmental risk and drivers to improved long-term stability (Fernando & Lawrence, 2014).

According to the agency theory perspective (Jensen & Meckling, 1976), the CSRC serves as an internal control mechanism to mitigate information asymmetry and managerial opportunism in CSR decision-making. By overseeing the bank's CSR initiatives, the CSRC strengthens transparency and accountability, aligns management action with stakeholder expectations, and enhances institutional trust (Naciti et al., 2022). This action reduces agency costs and strengthens financial discipline, thereby improving risk management and stability.

Institutional theory adds a further dimension, suggesting that the presence of a CSRC signals conformance with evolving societal norms and regulatory pressure to include sustainability and ethics. Since banks are increasingly required to demonstrate ESG integration, a CSRC increases legitimacy and reduces regulatory uncertainty, thereby improving the institution's capacity to withstand external shocks and maintain business continuity (Haque & Ntim, 2018; Liao et al., 2015).

According to the resource-based perspective (RBV), a CSRC is a unique organisational capability that enables a bank to develop sustainability-oriented competencies. Such competencies, when utilised effectively, can generate competitive advantage, stakeholder loyalty, and institutional resilience, key drivers of bank stability (Eccles et al., 2014).

Empirical research on the CSRC–stability nexus is emerging, particularly given the ascendancy of ESG performance and governance structures in the financial sector. Research shows that banks that have dedicated CSR or sustainability committees are more proactive in managing ESG-related risks. Haque and Ntim (2018) found that environmental committees are useful for environmental performance and reduce the likelihood of disciplinary sanctions, thereby guaranteeing business continuity and stability. Similarly, García-Sánchez et al. (2018) establish that CSR committees increase CSR disclosure and risk management, strengthening stakeholder trust and resilience.

In the European context, Liao et al. (2015) examined board-level arrangements for sustainability. They found a positive relationship between the presence of ESG-focused committees and increased transparency, particularly among banks under strict disclosure regimes. Transparency can mitigate reputational and legal risk, two prime threats to bank stability.

In the American context, Eccles et al. (2014) provide empirical evidence that companies with well-governed sustainability frameworks, including CSR committees, achieve better financial performance and risk-adjusted returns. In the banking sector, this implies a relationship between sustainability governance and financial stability. Khan et al. (2016) also demonstrated that a focus on material sustainability issues (handled mainly by the CSRC) leads to stronger risk management and financial performance. Moreover, Manita et al. (2018) and Naciti et al (2022) validate the view that firms with CSR-based governance frameworks, such as CSRCs, are more resistant to economic and reputational shocks. Their studies highlight how these committees strengthen internal controls and strategic alignment, thereby fostering long-term bank stability.

Recent evidence also highlights that CSR engagement and green investment strategies significantly enhance bank stability, particularly in the post-COVID regulatory context (Boussaada & Karmani, 2025). This aligns with emerging findings showing that CSR-related governance structures, such as CSR or sustainability committees, can serve as critical mechanisms for managing risk and strengthening resilience in the banking sector.

Theoretically and empirically, the current literature clearly indicates that a strong Corporate Social Responsibility Committee is a factor in determining bank stability by improving risk management, aligning stakeholders, and enhancing transparency in governance. The CSRC is both a regulatory compliance mechanism and a strategic asset that enhances resilience in an increasingly complex and socially challenging financial system. Regional differences in institutional arrangements and sustainability priorities are further supported by recent empirical evidence. For example, Pejić Bach et al. (2023) examine the economic and sustainability priorities of the United Arab Emirates and show that development strategies and institutional configurations significantly shape the way ESG and CSR principles are integrated into national financial systems. Their findings reinforce the view that the effectiveness of CSR committees in enhancing bank stability depends on the broader institutional environment in which banks operate.

Based on the literature and theoretical justification, we aim to investigate the following hypothesis:

- H1: The presence of a CSR committee enhances bank stability in MENA banks

While prior research highlights the theoretical and empirical foundations linking CSR governance to financial resilience, the role of the CSRC in enhancing bank stability, particularly in emerging markets, remains insufficiently explored. This is especially relevant in the MENA region, where institutional diversity, regulatory reform, and increasing ESG expectations create a distinct environment for examining these

dynamics. Building on the identified theoretical frameworks and existing empirical evidence, this study aims to empirically test the impact of CSRC presence on bank stability using robust econometric techniques. The following section outlines the data, variables, and methodological approach used to investigate this relationship.

## Empirical Design

### The sample

We used a preliminary sample of 76 banks from 10 MENA nations between 2010 and 2022 to examine the banks' CSRC and stability. However, some banks are excluded because their information is inconsistent or unavailable. Specifically, 36 banks were excluded due to missing CSR committee disclosures, inconsistent financial reporting, or a lack of continuous data across key variables. Thus, only 40 conventional banks are included in the final sample. We divided the MENA region into two sub-regions to better understand and obtain more accurate findings about the effect of CSRC on bank stability. According to Table 1, the first group comprises the GCC nations, with a sample of 22 banks, while the second group comprises non-GCC countries, with a sample of 18 banks (see Table 1).

Table 1  
Sample Distribution of MENA Banks (2010–2022): GCC vs. Non-GCC Countries

GCC		NON GCC	
Country	Number of banks	Countries	Number of banks
Kuwait	4	Egypt	1
Oman	2	Morocco	2
Qatar	4	Tunisia	10
Saudi Arabia	6	Jordan	4
United Arab Emirates	6	Lebanon	1
Number of banks	22	Number of banks	18
Total sample	40 banks		

Source: Authors' work

Table 1 provides an overview of the distribution of the 40 MENA banks included in the sample over the period 2010–2022. The table shows that GCC countries have a slightly larger share of banks (22) than non-GCC countries (18), reflecting the relatively more developed banking sectors in the GCC region. This distribution ensures balanced representation across both groups and supports the comparative analysis conducted in the study.

### Variable selection and theoretical justification

#### Dependent variable: Bank stability

In this paper, we extend the literature by examining the relationship between bank stability and the presence of a corporate social responsibility committee. To determine this relationship, we use the Z-score (ROA), a measure of bank stability calculated by dividing the standard deviation of return on assets by the mean of return on assets plus the capital adequacy ratio. The Z-score reflects the bank's efforts to absorb losses and avoid risk; the bank remained consistent, with a high Z-score, and vice versa.

$$Z - SCORE(ROA) = \frac{ROA + EQTA}{\sigma(ROA)} \tag{1}$$

A higher Z-score indicates a lower probability of insolvency and, therefore, greater bank stability. In comparison, a lower Z-score indicates a higher probability of insolvency and, therefore, greater bank instability. This metric is suitable for the MENA context because it summarises multiple dimensions of financial soundness and is less sensitive to reporting inconsistencies than market-based stability indicators. To reduce skewness and facilitate interpretation, the natural logarithm of the Z-score is used in the empirical analysis.

#### *Primary explanatory variable: Corporate social responsibility committee*

As a primary explanatory variable, the CSRC's existence is included to investigate its impact on bank stability. It is a binary variable that equals one if the committee is present and zero otherwise (Arayssi et al., 2020; Pucheta-Martínez, M. C., & Gallego-Álvarez, 2019).

#### *Control variables*

As stated, our econometric model includes several control variables. The first group deals with factors specific to individual banks, such as bank size (BS), which has been used to account for variations in bank stability (Ghenimi et al., 2017). Additionally, we used the bank diversification outlined in the non-interest income (NII) ratio (Mercieca et al., 2007). The second category focuses on industry-specific factors, such as bank concentration (CONC), a key driver of bank stability (Mercieca et al., 2007). According to Djebali and Zaghdoudi (2017), the GDP growth rate (GDPG), inflation rate (INF), unemployment rate (UNEM), and gross domestic savings (as a percentage of GDP) (GDS) (Ozili & Ndah, 2024), the third category comprises macroeconomic conditions and the financial environment. Lastly, we incorporated the World Governance Indicators (WGIs), which measure governance quality across the MENA region. Included are six policy variables examined by Kaufmann et al. (2011) and drawn from the World Bank's global governance dataset. Voice and accountability, regulatory quality, rule of law, corruption control, government efficacy, political stability, and the lack of terrorism or violence are the markers. According to Kaufmann et al. (2011), the average of these six metrics, which range from -2.5 (indicating poor governance) to 2.5 (indicating strong governance), is used to determine institutional quality.

The Refinitiv Eikon database provided data on accounting and financial variables. In contrast, the World Bank database, specifically, World Bank Indicators (WDI), Global Financial Development (GFD), and Worldwide Governance Indicators (WGI), provided data on macroeconomic variables, bank concentration, and institutional quality.

#### *Empirical approach and model specification*

To explore the association between the CSRC and bank stability, we applied the SGMM as an empirical approach. One of the main problems in corporate and banking finance is endogeneity, which may be addressed with the SGMM approach. In addition, measurement error and omitted variable bias are problems that OLS and fixed- and random-effects (FE and RE) models frequently face. As recommended by Blundell and Bond (1998), we used the SGMM technique. The SGMM approach produces more accurate and feasible results, argue Zhou (2014), Teixeira & Queirós (2016), Danisman & Tarazi (2020), and Hakimi et al. (2023).

The dataset used in this study constitutes an unbalanced panel, as not all banks report data for every year within the 2010–2022 period. This imbalance primarily results from variations in disclosure practices, temporary missing financial information, and

differences in bank entry or exit across the sample countries. Missing data were handled by allowing for an unbalanced panel structure, which preserves sample size without introducing imputation bias. We retained banks with at least five years of continuous data to maintain estimation reliability.

Using an unbalanced panel is common in cross-country banking research, as it allows the retention of as many available observations as possible and minimises potential sample-selection bias. Importantly, the System GMM estimator is well-suited for unbalanced panels, as it efficiently handles missing observations without affecting the consistency or reliability of the estimates.

Since the system generalised method of moments (SGMM) technique is robust to dynamic panel data, it was chosen given the prevalence of endogeneity in research on governance and financial performance. To avoid instrument proliferation, we limited the number of instruments by collapsing them and restricting lag depth. Instrument validity was assessed using the Sargan (1958) and Hansen (1982) tests for overidentifying restrictions. The results confirmed the instruments' validity, indicating no evidence of misspecification. Where appropriate, the method also accounts for unobserved heterogeneity and reverse causality to produce more precise and reliable parameter estimates. The technique adheres to established principles in financial econometrics, particularly studies that examine the relationship between corporate social responsibility and governance and bank stability. To investigate the relationship between CSRC and bank stability, we estimated the econometric model presented in (2). Table 2 provides definitions for all variables.

$$\begin{aligned}
 Z - ROA_{i,t} = & \beta_0 + \beta_1 Z - ROA_{i,t-1} + \beta_2 CSRC_{i,t} + \beta_3 BS_{i,t} + \beta_4 NII_{i,t} \\
 & + \beta_5 CONC_{i,t} + \beta_6 GDPG_{i,t} + \beta_7 INF_{i,t} + \beta_8 IQ_{i,t} + \beta_9 GDS_{i,t} \\
 & + \beta_{10} UNEM_{i,t} + \varepsilon_{i,t}
 \end{aligned}
 \tag{2}$$

Table 2  
Definition and Measurement of Variables Used in the Study (40 MENA Banks, 2010–2022)

Variables	Definitions	Measures
<b>Dependent variables (Z-ROA)</b>		
Z-ROA	Bank stability	The ratio of the sum of the averaged ROA and the CAP to the standard deviations of ROA. We applied the natural logarithm to Z-ROA.
<b>Corporate Social Responsibility Committee</b>		
CSRC	Corporate social responsibility committee	Sustainability committee existence, which takes one if the sustainability committee exists, otherwise 0
<b>Bank specifics</b>		
BS	Bank size	Natural logarithm of total assets
NII	Bank diversification	Non-interest income in % of total income
<b>Industry specifics</b>		
CONC	Bank Concentration	Herfindahl–Hirschman Index (HHI)
Financial environment and macroeconomic conditions		
GDPG	The growth rate of GDP	Annual growth rate of GDP (%)
INF	The inflation rate	Consumer price index (%)
IQ	Institutional quality	An index of IQ
GDS	Gross domestic savings	Gross domestic savings (% of GDP)
UNEM	The unemployment rate	The unemployment rate (%)

Source: Authors' work

Table 2 summarises the variables used in the empirical analysis and outlines their definitions and measurement approaches for the 40 MENA banks observed from 2010 to 2022. The table distinguishes between bank-level indicators, industry characteristics, and macroeconomic conditions to ensure a comprehensive assessment of the determinants of bank stability.

## Empirical results

### *Descriptive statistics and correlation analysis*

As shown in Table 3, the average bank stability, measured by Z-ROA, is 2.81, ranging from 4.33 to -0.55. A mean Z-ROA of 2.81 suggests a moderate level of stability, indicating that, on average, MENA banks maintain a reasonable buffer against earnings volatility. The maximum value of 4.33 reflects relatively high stability for some banks, whereas the minimum value of -0.55 indicates that certain institutions experienced substantial financial vulnerability during the period. Regarding bank-specific factors, the average bank size (BS) is 23.5, ranging from 20.94 to 26.51. Bank diversification, measured by NII, has a mean of 38.12, a minimum of 9.55, and a maximum of 96. Regarding industry specifics, Table 3 reports that the mean bank concentration (CONC) is 80.88%, ranging from 56.03% to 100%. In terms of macroeconomic conditions, the MENA region recorded the highest GDP growth rate of 19.59% and the lowest at -21.4%. The inflation rate ranges from -3.74% to 171.20%, with an average of 3.87%. The highest inflation rate was recorded in Lebanon in 2022. The average institutional quality (IQ) was 0.66, with a highest score of 0.97. The average value of Gross domestic savings (GDS) is 30.56% with a high value of 75.54% and a low of -21.37%. Finally, the unemployment rate (UNEM) ranges from 0.11% to 19.83%, with an average of 8.23%.

**Table 3**  
Descriptive Statistics of Main Variables (2010–2022)

Variable	Obs.	Mean	Std. Dev.	Min	Max
ZROA	520	2.811	2.512	-0.525	4.333
CSRC	520	0.217	0.413	0	1
BS	428	23.5	1.313	20.942	26.512
NII	513	38.121	17.5	9.552	96
CONC	519	80.888	14.14	56.035	100
INF	520	3.878	10.913	-3.749	171.205
GDPG	519	2.531	4.05	-21.4	19.592
IQ	520	0.662	0.167	0.171	0.971
GDS	512	30.565	21.374	-21.418	75.55
UNEM	503	8.238	6.412	0.100	19.837

Source: Authors' work

Table 4 presents the pairwise correlations among the key variables for the period 2020–2022. The results show that bank stability (ZROA) is positively correlated with the presence of a CSRC and bank size (BS), suggesting that larger banks and those with CSR governance structures tend to be more stable. The table also reveals meaningful relationships among several control variables, including strong associations among institutional quality, gross domestic savings, and market concentration. Although some variables exhibit moderate correlations, none exceed the commonly accepted thresholds for multicollinearity, supporting their inclusion in the regression analysis. Multicollinearity is avoided when the correlation coefficients between independent variables are below 70% (Kervin, 1992). The results in Table 4 confirm that our model is not subject to multicollinearity.

Table 4  
Pairwise Correlations Among Key Variables (2020-2022)

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) ZROA	1.000									
(2) CSRC	0.203*	1.000								
	(0.000)									
(3) BS	0.256*	0.564*	1.000							
	(0.000)	(0.000)								
(4) NII	-0.073	0.022	0.342*	1.000						
	(0.097)	(0.616)	(0.000)							
(5) CONC	0.233*	0.214*	0.416*	0.225*	1.000					
	(0.000)	(0.000)	(0.000)	(0.000)						
(6) INF	0.005	0.072	-0.047	-0.153*	-0.149*	1.000				
	(0.907)	(0.101)	(0.332)	(0.001)	(0.001)					
(7) GDPG	0.027	-0.007	0.085	0.111*	0.139*	-0.181*	1.000			
	(0.544)	(0.874)	(0.080)	(0.012)	(0.002)	(0.000)				
(8) IQ	0.013	0.243*	0.413*	0.085	0.525*	-0.323*	0.214*	1.000		
	(0.762)	(0.000)	(0.000)	(0.056)	(0.000)	(0.000)	(0.000)			
(9) GDS	0.071	0.132*	0.501*	0.260*	0.619*	-0.269*	0.339*	0.681*	1.000	
	(0.111)	(0.003)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)		
(10) UNEM	-0.146*	-0.213*	-0.612*	-0.228*	-0.627*	0.047	-0.164*	-0.602*	-0.602*	1.000
	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)	(0.294)	(0.000)	(0.000)	(0.000)	

Note: \* indicates level of significance at 5%

Source: Authors' work

### Discussion of the empirical findings

This paper's empirical methodology includes the CSRC test on MENA bank stability. According to Table 5, the model's dependability is ensured by the diagnostic tests, including the Arellano-Bond test for serial correlation and the Sargan test for over-identifying restrictions. More specifically, the null hypothesis that there is no serial correlation and that there are legitimate over-identifying restrictions cannot be rejected because the p-values for the Sargan and AR(2) tests are both above 5%.

The empirical findings support a positive relationship between CSRC and bank stability for the whole sample. A Corporate Social Responsibility (CSR) committee can enhance bank stability by improving governance, risk management, and stakeholder trust. By overseeing environmental, social, and ethical policies, the committee helps banks to address and manage non-financial risks that could otherwise lead to reputational risk, regulatory sanctions, or financial losses. Good CSR governance promotes transparency, accountability, and long-term strategic thinking, thereby reducing excessive risk-taking and reinforcing internal controls. Additionally, it strengthens stakeholder relations, for instance with investors, regulators, and customers, establishing greater trust in the bank's operations. This, in turn, contributes to financial resilience, lower earnings volatility, and enhanced overall stability.

The empirical findings indicate that the presence of a CSRC positively and significantly influences bank stability. This result suggests that banks with dedicated CSR governance bodies are better equipped to monitor ESG-related risks, enforce ethical conduct, and integrate sustainability considerations into strategic decision-making, thereby collectively enhancing their resilience. Although the findings reveal a statistically significant association between the presence of a CSRC and improved bank stability, the analysis remains correlational. Causal interpretations should be made with caution, as unobserved factors or reverse causality cannot be entirely ruled out despite the use of SGMM. Economically, this implies that establishing a CSRC increases the distance to default, reflecting improved solvency and lower vulnerability to earnings volatility. In the MENA context, characterised by heterogeneous regulatory environments and varying levels of transparency, the impact of CSRCs appears particularly meaningful, as these committees may compensate for institutional gaps

by strengthening internal oversight. These findings are consistent with stakeholder and legitimacy theory, which posit that strong CSR governance reduces agency conflicts and mitigates reputational risk. These results are consistent with earlier evidence on sustainability dynamics in GCC countries. Pejić Bach et al. (2023), for instance, demonstrate that the UAE—one of the leading GCC economies—has developed relatively coherent economic and sustainability priorities that reduce tensions between growth objectives and sustainability commitments. Such alignment enables more effective implementation of CSR and ESG governance mechanisms, which can help explain why CSR committees exhibit a stronger stabilizing effect in GCC banks compared to their non-GCC counterparts.

While the CSRC coefficient is positive and statistically significant at the 10% level, the relatively high p-value (0.086) suggests caution in interpretation. Further robustness checks or alternative specifications could help validate the strength and consistency of this relationship. However, the results highlight the strategic importance of CSR governance for improving financial stability in emerging and transition economies.

Our results also provide theoretical evidence for the mechanisms through which CSR committees strengthen bank stability. According to stakeholder theory, CSRCs embed values of ethics and responsible behaviour within the firm, thereby diminishing incentives to excessive risk-taking. Risk governance theory holds that the CSRC enhances risk culture by fostering greater integration of sustainability-related risks and stronger internal oversight. These mechanisms align with our empirical findings, which show that banks with active CSRCs are more stable. This finding is consistent with previous studies (García-Sánchez et al., 2018; Liao et al., 2015). Therefore, we accept H1.

Table 5  
Regression Results for MENA Countries (2010-2022)

MENA countries				
ZROA	Coef.	St.Err.	t-value	p-value
ZROA (-1)	0.919***	0.019	48.61	0.000
CSRC	3.484*	2.028	1.72	0.086
BS	0.171	0.555	0.31	0.758
NII	0.014	0.011	1.30	0.195
CONC	0.105***	0.018	5.72	0.000
INF	-0.067***	0.011	-5.94	0.000
GDPG	-0.013	0.028	-0.46	0.648
IQ	2.189	5.872	0.37	0.709
GDS	0.086***	0.017	5.06	0.000
UNEM	-0.562***	0.063	-8.94	0.000
Constant	-20.912	14.175	-1.48	0.14
AR (1)			-2.539	
Prob			0.011	
AR (2)			-0.909	
Prob			0.363	
Sargan test			21.890	
Prob			0.783	
Number of obs			405	

Note: \*\*\*, \*\*, and \* indicate the rejection of null hypothesis at 1%, 5% and 10% significance levels, respectively

Source: Authors' work

Our findings from the MENA region also contribute new insights to the global debate on CSR governance in banking. The MENA context is characterised by emerging CSR

frameworks, evolving regulatory pressure, concentrated ownership structures, and bank-based financial systems. Demonstrating that CSR committees enhance stability even in such institutionally diverse and developing environments suggests that their effectiveness is not limited to mature governance systems. This evidence broadens the international understanding of CSR governance by showing that CSRCs can strengthen ethical conduct, oversight, and resilience even where sustainability practices are still taking shape.

Regarding the influence of industry-specific factors, the findings indicate that bank concentration is positively significant for banking stability at the 1% significance level. Banks' concentration can lend stability to banks in various significant ways. Concentrated banking markets tend to be dominated by a small number of large banks, and hence offer greater stability due to their economies of scale, diversified portfolios, and enhanced risk management capabilities. These big banks tend to be better capitalised, able to absorb shocks, and thus less vulnerable to economic downturns. Apart from that, more concentrated markets would likely lead to greater profitability for dominant banks, as fewer competitors would leave them with more substantial capital buffers and greater resilience to financial pressure. Banks would also enjoy longer-term relationships with customers in concentrated markets, enabling better credit assessments and lower default risk. Regulators would also focus more intensely on fewer institutions, becoming more efficient supervisors. In general, although over-concentration might be problematic in terms of moral hazard or "too-big-to-fail" interactions, some concentration can improve systemic stability by enabling more solid, robust banks. This result is consistent with the work of Hakimi et al. (2025a).

Macroeconomic conditions, including inflation, gross domestic product, and the unemployment rate, significantly influence the stability of MENA banks. Findings indicate that the inflation rate negatively and significantly affects bank stability. A high level of inflation can negatively affect bank stability via multiple channels. First, inflation erodes the real value of financial assets, particularly fixed-income instruments such as loans and bonds, thereby deteriorating bank profitability and asset quality. Second, inflation typically leads to interest rate volatility, which can impair banks' net interest margins and increase funding costs. Third, high inflation reduces borrowers' real income, making it harder for them to repay loans and pushing up the NPL ratio. This weakens banks' balance sheets and increases credit risk. Moreover, inflation can create macroeconomic uncertainty, discouraging investment and reducing demand for financial services. It also complicates financial planning and forecasting, making bank risk management more problematic. At worst, chronic inflation erodes confidence in the banking system and can trigger capital flight or liquidity crises, both of which pose significant threats to bank stability. This result corroborates the works of Djebali and Zaghoudi (2017).

Gross domestic saving (GDS) can play a positive role in bank stability by strengthening the financial system's resource base and fostering sustainable credit growth. High domestic savings provide banks with a low-cost, stable source of funding, reducing their reliance on volatile or expensive external capital. This enhances liquidity and allows banks to fund loans more securely, facilitating better asset-liability management. Additionally, strong saving rates often reflect a sound economic environment, with financial prudence among households and businesses, thereby reducing default risk and improving loan performance. Higher savings also increase bank deposits, enhance capital adequacy, and give banks greater scope to absorb shocks during periods of financial stress. Overall, robust gross domestic saving generates financial resilience, maintain credit growth without excessive risk-taking,

and underpin long-term bank stability. This result corroborates the works of Ozili and Ndah (2024).

Our analysis indicates that unemployment adversely affects bank stability. High unemployment is detrimental to bank stability via a series of interlinking channels. As unemployment rises, households and businesses experience declining incomes and financial stress, increasing the likelihood of loan defaults and contributing to a higher number of non-performing loans (NPLs). This reduced asset quality depresses banks' balance sheets and profitability. In addition, high unemployment is often associated with sluggish economic growth and low demand for financial and credit services, thereby reducing banks' revenue streams. High unemployment also poses a threat to credit and can diminish investor and depositor confidence in the financial system. Under extreme conditions, high unemployment can perpetuate a vicious cycle of financial distress, loan defaults, and economic hardship, ultimately leading to bank insolvency and business failure. The findings confirm those found by Ghenimi et al. (2017).

### Sensitivity analysis: GCC vs NGCC countries

Before proceeding with the analysis, it is important to note that macroeconomic, financial, and regulatory heterogeneities exist across countries in the MENA region, despite their belonging to the same bloc. Therefore, to better understand and obtain reliable results regarding the impact of CSRC on bank stability, we subdivide the MENA region into two sub-regions. The first block includes the GCC countries, and the second includes the non-GCC countries. We use the same empirical method for the disaggregate analysis across GCC and non-GCC nations. Findings displayed in Table 6 reveal significant relationships between several variables and bank stability in the GCC and non-GCC regions.

Table 6  
Regression Results for GCC Countries and Non-GCC Countries (2010-2022)

	GCC countries		Non-GCC countries	
	Coef.	t-value	Coef.	t-value
ZROA				
ZROA (-1)	0.774***	19.05	1.065***	15.67
CSRC	3.25**	2.46	8.181	1.32
BS	-1.112**	-2.24	.95	0.36
NII	-.002	-0.19	.048	0.87
CONC	.041	0.84	.187***	2.87
INF	-.074	-0.88	-.113***	-3.29
GDPG	-.028	-0.97	-.119**	-2.09
IQ	10.284**	2.13	24.85	1.31
GDS	.118***	6.96	-.243	-0.89
UNEM	-.362	-1.17	.874	1.48
Constant	14.749	1.24	-61.098	-0.90
AR (1)		-1.532		-2.214
Prob		0.125		0.026
AR (2)		-1.047		0.676
Prob		0.295		0.499
Sargan test		9.922		6.838
Prob		0.899		0.914
Number of obs		221		184

Note: \*\*\*, \*\*, and \* indicate the rejection of null hypothesis at 1%, 5% and 10% significance levels, respectively

Source: Authors' work

The lagged bank stability is significant at the 1% level in both regions. This indicates that an increase in bank stability in the previous period is significantly associated with an improvement in bank stability in the current period in these two regions.

The model's output has provided two different results. Indeed, although the overall sample's findings confirm the positive effect of CSRC on bank stability, the disaggregate analysis indicates that this effect differs across the GCC and non-GCC regions. Table 6 shows that the results differ by region. We found that CSRC improves bank stability for banks in the GCC, but there is no notable effect on non-GCC banks.

The empirical results provide strong evidence of regional variation in the CSRC's influence on bank stability. Specifically, the results indicate that the presence of a CSRC greatly enhances the stability of GCC country banks. At the same time, it has no statistically significant effect on bank stability in the non-GCC region. This variation can be attributed to different institutional quality, regulatory frameworks, and CSR maturity levels. GCC banks have more structured environments, with more extensive corporate governance systems and more specific sustainability mandates, which are likely to make CSR committees more effective in reinforcing sound risk management and stakeholder engagement. Conversely, banks in non-GCC economies should anticipate weaker enforcement of governance standards, reduced institutionalisation of CSR into strategic attention, and minimal stakeholder pressure, reducing the influence of CSRCs on financial stability. These findings emphasise the role of contextual and institutional factors in the effectiveness of CSR governance mechanisms within their respective domains. Our result is consistent with the work of Khémiri and Alsulami (2023).

Regarding Bank Size (BS), the findings indicate that it is significant and negative for GCC countries. At the same time, it is not significant for non-GCC countries, indicating that GCC nations' stability is highly sensitive to bank size, whereas non-GCC nations are not. This divergence traces to structural and economic differences between the two. In the GCC, the banking sector is highly concentrated, with a few big banks holding monopolies, fostering "too-big-to-fail" moral hazard and promoting excessive risk-taking in anticipation of government bailouts. Large GCC banks are even more exposed to oil-based industries such as energy, construction, and real estate, and are therefore particularly at risk from commodity price fluctuations. In addition, their reliance on wholesale funding and on financing large-scale projects heightens their sensitivity to global liquidity shocks. In contrast, non-GCC banking markets are more diversified, less dominated by a few giants, and more sectorally diversified in terms of exposure, with funding bases that are more retail deposit-oriented, blunting the destabilising effect of size. That is why bank size has a significant destabilizing effect in GCC countries but no statistically significant effect in non-GCC markets. Our findings confirm the conclusions of Beck et al. (2006).

Bank concentration (CONC) exhibits distinct dynamics between the GCC and non-GCC regions. In the GCC, no significant effect was observed, whereas in the non-GCC region, a positive and significant relationship at the 1% level was observed. Bank concentration (CONC) exhibits various dynamics in the GCC and non-GCC regions. In the GCC, there was no significant impact, suggesting that the power of major banks, often supported by firm capital cushions and implicit government support, offsets the likely risks or benefits of market concentration. On the other hand, in the non-GCC nation, the positive and very highly significant correlation at the 1% level indicates that higher market concentration raises bank stability, perhaps because it allows for more pricing power, reduces competitive pressures to undertake excessive risk-taking otherwise, and allows for the larger banks to achieve better economies of scale and superior risk management techniques. This difference reflects heterogeneity

in market structures, regulatory environments, and the availability of government support in the two areas. These results support the conclusions of Claessens and Laeven (2004)

As for macroeconomic conditions, the inflation rate (INF) has a negative and significant coefficient of 1% in the non-GCC countries, but it is not significant for the GCC countries. This means that in non-GCC economies, inflationary pressures erode bank stability by reducing the real value of assets, increasing loan default risk through borrowers' lower repayment capacity, and generating uncertainty that can weaken financial intermediation. On the other hand, the absence of a significant inflationary impact in GCC countries can be attributed to comparatively low and stable inflation rates, currency pegs to the U.S. dollar, and strong fiscal positions buttressed by oil income, which collectively dampen the adverse impact of inflationary pressures on the banking system. These results support the work of Awdeh et al. (2024).

We also found that the unemployment rate (UNEM) has a negative and significant coefficient at the 5% level only for non-GCC countries. This implies that higher unemployment in these economies undermines banks by weakening borrowers' repayment capacity, increasing non-performing loans, and reducing credit demand, thereby straining profitability and asset quality. The lack of significance in the GCC area could be due to government-sponsored job schemes, large public-sector employment bases, and extensive social safety nets, which shield the banking sector from the adverse effects of labour market cycles. These results corroborate the findings of Hakimi et al. (2025b).

In contrast, institutional quality (IQ) is not significant in non-GCC countries, whereas it is significant at the 5% level in the GCC region. The non-significant effect observed in non-GCC banks may reflect several factors, including weaker enforcement of corporate governance regulations, lower stakeholder pressure for sustainability practices, and limited institutional support for CSR frameworks. These structural differences likely constrain CSRCs' operational effectiveness in these countries. This suggests that in the GCC economies, a stronger institutional framework characterised by effective regulatory oversight, enforcement of financial contracts, and transparency in governance plays an important role in enhancing bank stability. Its significance may also reflect the high reliance of GCC banking systems on institutional trust to bridge concentrated markets and large-scale financing activities. However, in non-GCC economies, institutional quality improvements can have a weaker or less direct effect on stability, possibly due to structural constraints, poor regulatory enforcement, or the overwhelming influence of macroeconomic and market risks, which dilute the stabilising role of institutions. This finding aligns with the research of Hakimi et al. (2025a).

Finally, Gross Domestic Saving (GDS) has a positive impact on bank stability, significant at the 1% level in the GCC and insignificant in the non-GCC countries. This confirms that high domestic savings in GCC economies, driven mainly by high oil revenues and sovereign wealth hoarding, provide banks with a solid and abundant source of funding, add liquidity, facilitate credit growth, and reduce reliance on unstable external finance. Lower, less volatile saving rates in GCC countries, along with greater reliance on foreign capital and remittances, limit the extent to which domestic savings can directly contribute to bank sector resilience. This finding is consistent with the work of Alodayni, S. (2016).

## Conclusions

This paper investigates the interaction between the corporate social responsibility committee and bank stability in the MENA region. It uses a sample of 40 MENA banks

during the period 2010-2022 and performs the SGMM technique. Due to several economic, financial, and regulatory differences, we split the MENA region into two sub-regions using the International Monetary Fund's classification. The first group comprises GCC countries, while the second comprises the remaining countries.

Overall, the empirical findings support a positive relationship between the corporate social responsibility committee and bank stability for the whole sample. However, the disaggregate analysis shows that, in GCC countries, corporate social responsibility committees improve bank stability; conversely, in non-GCC countries, CSRCs have no significant effect on bank stability. The findings underline that CSR committees are a key governance mechanism for promoting bank stability by improving ethical oversight, risk culture, and strategic decision-making.

The findings of this study carry significant policy implications for policymakers and bankers in both GCC and non-GCC MENA countries. First, in GCC countries, Policymakers and regulators need to further promote CSR governance as an integral part of financial sector regulation. Strengthening existing structures, embedding CSR performance within supervisory assessments, and encouraging disclosure of CSR committee activities can further entrench the positive effects observed. Conversely, for non-GCC countries, the non-significance suggests that CSR governance systems may be underdeveloped or implemented less effectively. Policymakers in these countries should aim to formalise and institutionalise CSR committees in banks by introducing regulatory guidelines, providing technical support, and raising awareness of the long-term benefits of CSR governance. Embedding CSR activities within a broader set of financial sector reforms and institutional strengthening can unleash their full potential to reduce bank vulnerability and boost stakeholder confidence. Strengthening CSR governance is therefore not only a reputational asset but also a practical lever for improving long-term financial stability.

Although these results are helpful to policymakers, some limitations should be observed. First, the empirical analysis holds only for banks within the MENA region and hence cannot necessarily be applied to other regions with different institutional and regulatory settings. Additionally, limited data availability and inconsistent CSR disclosure across MENA banks present challenges for longitudinal analysis. They may constrain the generalisability of results. Second, although using the System GMM estimator mitigates endogeneity, unobserved heterogeneity, and measurement errors may still taint the findings. Third, the analysis relies on the presence of CSR committees as a proxy for the quality of CSR governance, which may not capture the extent or effectiveness of CSR practices. Lastly, limitations in the data prevented the inclusion of other potentially meaningful variables, such as board composition or ESG performance scores.

Future studies on the subject should address these weaknesses by extending the sample population beyond the MENA region to include banks in other heterogeneous institutional environments, enabling more robust cross-regional comparisons. Researchers should also use qualitative methods, such as interviews or case studies, to supply richer insights into the actual functioning and effectiveness of CSR committees. Moreover, future studies can incorporate more precise CSR performance and governance quality measures, ESG ratings, CSR disclosure scores, or stakeholder engagement to enhance the measurement of the CSR impact on bank stability. A study of the interaction between CSR governance and other institutional controls, regulatory quality, or investor protection would more firmly establish how contextual conditions modulate the CSR–stability relationship.

Future research could also examine how CSR committees help align banking operations with the SDGs, responsible investment practices, and ethical finance

principles. Such an investigation would deepen understanding of the strategic role of CSR governance in promoting sustainable and responsible banking.

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