**Social Reporting of Egyptian Islamic Banks: Insights from Post-Revolution**

**Abstract**

This paper presents a case study exploring the social reporting practices of Egyptian Islamic banks (IBs) after two revolutions in Egypt. The two Egyptian Arab uprisings in 2011 and 2013 threatened the social legitimacy of IBs. Thus, this study aims at investigating the social reporting strategies employed by Egyptian IBs to defend its social legitimacy after two uprisings. The case is framed within legitimacy theory, arising from the notion of a ‘social contract’ between company and society. It adopts content analysis of annual reports and websites, and interviews with different stakeholders to explore motivations towards social reporting in the new era. The findings reveal that Egyptian IBs used different communication strategies to legitimise themselves after two uprisings; however they failed to do that. This research concludes with different implications to policy makers in IBs in Egypt and Arab spring countries.

**Introduction**:

The Arab world has erupted the world with different uprisings since 2010 asking for a change of political leadership as a result of corruption, low level of living, social injustice, human rights violations, and unsatisfactory growth (Abumustafa, 2016). The Arab uprisings have affected the region’s business environment, particularly in how local companies are expected to behave and respond to increasing social expectations, new social influencers, and changes in societal values and potential consumer behaviours (Avia, 2013). A critical form of these companies is Islamic banks. Over the last 30 years, Islamic banks have gained global acceptance and permeated into international investment markets 50% quicker than the rest of the banking sector and it is expected to continue growing. They even successfully averted the 2007 – 2008 global financial crises, though they nevertheless encountered various financial problems (Ben Khederi et al., 2015). Accordingly, this research explores the social reporting strategies used by Egyptian IBs and motivations towards social reporting practices in the post revolution era.

It is interesting to focus on Egypt, an emerging country, as it went through a dramatic two revolutions in 2011 and 2013 as a result of social injustice practices. These two revolutions led to increasing Egyptians’ social expectations for fair life (Salamy, 2015). Additionally, the concurrent Egyptian government issued different laws to promote social justice and transparency (Ministry of Social Solidarity, 2018). At the same time, this research centres on Islamic banks as they depend on Islamic Sharai that promote fairness and transparency, which makes them different from conventional banks (Haniffa and Huddaib, 2007). Besides that, Islamic banks have a great potential to participate in Egypt’s development after two revolutions by two ways: (1) providing equitable and fair financial products (such as *Mudarabah* partnership) that challenges the conventional credit system through promoting inequitable distribution of income in the community (Burns, 2014), (2) utilising Egypt’s human capital of educated and motivated young people. In Islamic finance, the borrower does not need a great wealth. But, he needs a good business idea and to be good educated (African Development Bank, 2011).

Islamic banks are based on Islamic *sharia* law, which prioritize issues concerning social justice, environment, and general well-being (Kamla et al., 2006). Thus, such banks within the Islmic community are expected to satisfy their social responsibilities but also report on their own activities and performance (Belal et al., 2015). Additionally, Muslims living in the Islamic communities where Islamic banks operate usually hold high expectations of these banks’ social role (Maali et al., 2006). Islamic banks do not apply *riba* (interest), as well as prohibit exploitation and *ghrar* (uncertainty) in financial transactions (Aggrawal and Yousef, 2000). Lewis (2001, p.911) says *ghrar* means to “undertake venture blindly without sufficient knowledge or to undertake an excessively risky transaction. By failing or neglecting to define any of the essential pillars of contract relating to the consideration or measure of the object, the parties undertake a risk which is not indispensable for them”. Therefore, this kind of investment is prohibited because of its inherent risk. Moreover, Islamic banks value correlation with the real economy and are governed by the concept of Profit and Loss Sharing (PLS) (Warde, 2013). PLS – the “contractual arrangement between two or more transacting parties, which allow them to pool their resources to invest in a project to share in profit and loss” (Dar and Preseely, 2000, p.4) – is fundamental in Islamic banking.

Islamic banks offer several predominantly Islamic finance products. *Murbaha* ( a contract whereby the client specifies the goods he/she wants to buy then the bank purchases it and offers its resale to the client with an agreed profit markup); *Mudaraba* (an association between two parties, one providing labour and the other providing capital with profits shared according to a pre-arranged percentage – though in case of loses the capital provider conveys all financial losses up to the invested amount while the other will take no returns of his/her work); *Musharakah* ( a kind of partnership); and *Quard Hassan* (loan repayment by low-income earners over an agreed period of time without the bank collecting any profits) (Kamla, 2009; Faisal Islamic Bank of Egypt, 2016). Further, Islamic banks can offer products similar to those conventional banks do such as letters of guarantee and current accounts but only with the condition of adopting Islamic *sharia* (Maali *et al.,* 2006). Similarly, to guarantee that clients’ religious needs and expectations are met, the bank appoints a *sharia* supervisory board to report whether the banks’ activities comply with Islamic *sharia* (Karim, 1990).

Corporate Social Responsibility (CSR) in Islam entails a broader meaning that incorporates a *Taqwa* dimension (God-consciousness) through which companies assume the roles and responsibilities of servants and vicegerents in all conditions. Consequently, organisations as groups of individuals are obliged to God, the owner of their selves, and the resources they are utilizing and managing (Al-Attas, 1996). Islamic moral law (*Sharia*) governs all aspects of Muslim life: spiritual, economic, political and social, and duties and obligations (the faithful execution of these two) (Lewis, 2001). It is concerned with promoting social justice and welfare[[1]](#footnote-1)(\*)in the community, as well as approaching God’s blessings in this world and thereafter (Hassan and Hararhap, 2010). Furthermore, it entails different Islamic teachings that highlight the nature of business activity such as Adl (Justice), Amanah (Honesty), Brotherhood/Sisterhood, socio-economic justice, and satisfying the material and spiritual needs of all humans (Chapra, 1992). These Islamic concepts are considered the core of Corporate Social Responsibility (CSR) activities (Ullah and Jamali, 2010). Similarly, Zinkin (2007) stressed that Islamic teachings surpass the UN Global Compact’s minimum standards. Accordingly, the tenets of CSR are not new to Islamic banks.

This research has two fold contributions. First, it examines social reporting strategies of Egyptian IBs and perceptions of different stakeholders towards motivations of Egyptian IBs to disclose social reporting in post revolution era. There is no study on the social reporting literature in IBs explored this issue in the Arab spring countries (e.g. Malli et al., 2006; Dusuki and Abdullah, 2007; Haniffa and Huddaib, 2007; Arbi and Gao, 2010, 2011; El-Halaby and Hussainey, 2015). Second, to the best of my knowledge, this the first study to explore social reporting practices in the Egyptian context in the post revolution era, as one of the emerging economies that experienced rigorous two revolutions in less than three years as a result of social injustice practices (Salamey, 2015). Most of the previous social reporting literature in Egypt focused on companies/banks in pre revolution era (Rizk et al., 2008; Hussainey et al., 2011; Soliman et al., 2012). We argue that examination of social reporting strategies and motivations of Egyptian IBs in the post revolution era might be important for public understanding (Avia, 2013) and policy development of IBs in the Arab spring countries.

This research adopts legitimacy theory (LT). LT asserts that “organisations continuously seek to ensure that they are perceived as operating within the bounds and norms of their respective societies, that is, they attempt to ensure that their activities are perceived by outside parties as being legitimate” (Deegan and Unerman, 2010, p.323). This research is structured as follows. The next section presents a review of the literature including context and theoretical framework. Then, the following two sections represent the findings and discussion. The final section shows the conclusion and implications, limitations and future research.

**Literature Review**

*Social Reporting and Perceptions in Islamic Banks*

There is growing interest in social reporting by Islamic banks with social responsibility seen as rooted in Sharia (Ullah and Jamali, 2010), with studies on: the relationship between CSR performance and the ability to attract institutional investors and customers (Dusuki and Abdullah, 2007); Islamic fund performance (Abdelsalam et al., 2014); CSR reporting quality vis-à-vis Islamic principles (Maali *et al.,* 2006; Haniffa and Hudaib, 2007; Hassan and Harahap, 2010; Aribi and Gao, 2012; Kamla and Rammal, 2013; Khan, 2013); comparing Islamic and conventional banks’ reporting (Aribi and Gao, 2010; Megeid, 2013); disclosure determinants (Farook et al., 2011; El-Halaby and Hussainey, 2015). A few studies have been used interviews of IB senior managers, *sharia* department officials, and *sharia* scholars to explore CSR drivers, required, expected and desired Socially Responsible Investments (SRI) aspects applicable to IB, and tensions between *sharia* scholars and bank managers in pursuit of their objectives (Belal et al., 2015; Aribi and Arun, 2015; Ullah et al., 2014, 2018). There is silence in the social reporting literature in general and IBs in particular about legitimate social reporting strategies of IBs in post uprisings in the Arab spring countries.

*Social Reporting in Egypt*

Egypt is a developing country located in the North Africa with rich and diverse backgrounds, including colonialism. Egypt had struggled with complex socio-economic and political problems that accelerated the 2011 and 2013 revolutions, such as social injustice, low living standards, reduced GDP, high unemployment, prevention of free elections, violations of human rights, factitious parliamentary elections, realizations of “state of emergency”, high corruption, and lack of transparency (Elmassri et al., 2016; Corruption Perception Index, 2010). These factors motivated citizens to revolt against Mubarak and Morsi regimes (Salamy, 2015).

The Egyptian stock market was ready for globalisation, as it adopts ISA since 1999 and governance codes that depends on the global OECD regulations (Abdelsalam and Weetman, 2003). Consequently, Egyptian listed companies are more expected to learn from international experience and start disclosing CSR information and governance information in their reports to bring foreign investment (Samaha and Dahawy, 2010). Egypt had taken major steps in economic reform, developing investment climate, and attracting local and foreign investments (Soliman et al., 2012). Nevertheless, the ownership structure in the Egyptian stock market concentrates on some families and government (Abdelsalam et al., 2008). Also, corruption, high level of secrecy, and weak enforcement mechanisms of laws and regulations by different authorities led to the low level of social and environmental reporting practices of Egyptian companies, including banks (Dahawy et al., 2002; Osman, 2013).

Egypt has adopted dramatic steps to develop CSR practices; the Ministry of Investment (MoI) established the Egyptian Corporate Responsibility (ECRC), which is part of the Egyptian Institute of Directors (EIOD), that has taken important steps to promote awareness of CSR issues and played leadership role in the Arab region (ROSC, 2009). Furthermore, ESRC cooperated with the UN development program to develop sustainability report guidelines for Egyptian companies in 2008 (Abdel-Razik, 2014). Interestingly, Egyptian Stock Market (EGX) established CSR index in collaboration with Standards and Poor (S&P). This index consists of 30 items covering environmental, social, and governance issues. This is considered one of the main ESG indexes in Africa and MENA region (Abdel-Razik, 2014). In the same vein, central bank of Egypt issued circular strongly suggesting banks to disclose their social and environmental information in their annual reports (Central Bank of Egypt, 2010). The banking policies were aimed at facilitating growth rather than development. As well as, financing and protecting the business class rather than the middle and lower level population. Majority of CSR programs in banks and companies were devoted towards community development with philanthropic and charitable giving (Burns, 2014: Avia, 2013).

 Two revolutions in Egypt generate social concerns and expectations in relation to poverty eradication, quality of education, training and health, social justice, economic equity, corruption, a longing freedom, human rights violations, dignity with reference to Islam, non-inclusive economic growth and development (Avia, 2013; Wafa, 2015). The state responded to these calls by different actions: (1) amending the Egyptian institution to emphasis on social justice issues such as guaranteeing equal opportunities between citizens without any discrimination (Egyptian Constitution, 2014), (2) issued different laws to promote social justice such as law no.104/2015(fair tax law), law no.242/2011 (minimum and maximum salary payment law), law no.67/2016 (value added tax law), law no.81/2016 (civil service law), (3) in 2016 the corporate governance code has been amended by adding some guidelines in relation to sustainability report policy, whistleblowing policy, and CSR policy,(4) amending the national subsidy system and issue a new social justice packages, including anew pension for the unprivileged people “Takaful and Karama” (UNDP, 2016; Egypt National Review Report , 2016), (5) the new government launched a sustainable development strategy that gave more emphasis on social justice and transparency (Egypt Vision 2030, 2018).

 Since the late of 2000s, the number of academic CSR research papers in Egypt has increased moderately, although most researchers have adopted content analysis (Rizk et al., 2008; Hussainey et al., 2011; Soliman et al., 2012; Elshabasy, 2017). Rizk et al. (2008) surveyed social reporting practices of Egyptian companies using a 34-item disclosure index covering environmental, energy, human resources, customer and community involvement. The results highlighted that there is a significant differences in reporting practices among the surveyed industries and the importance of ownership structure in the reporting decision. Hussainey et al. (2011) study investigated the determinants of individual and aggregated kind of CSR information. The findings indicate that product/customer information has the highest level of disclosure. And, profitability is the main determinant of CSR disclosure in Egypt. In analysing the top 50 most active traded companies in the Egyptian Stock Market (EGX) over the period 2007 -2009, Soliman et al. (2012) found a positive relationship between CSR ratings and ownership by institutions and foreign investors. Whereas, shareholding by top managers is negatively correlated with firm’s CSR rating. Similarly, Elshabasy (2017) used the same 50 most active firms in the EGX to examine the impact of several corporate characteristics on environmental disclosure for the period 2007-2011. The findings articulate that there is an insignificant relationship between firm size and firm financial leverage and a negative significant relationship with environmental disclosure. Surprisingly, all of these studies focused on the pre revolution era, with silence about perceptions towards social reporting practices in Egypt. Thus, this study is going to fill in the gap in social reporting literature in Egypt and IBs by exploring the legitimate social reporting strategies of Egyptian IBs in post revolution era and motivations of Egyptian IBs to disclose this kind of information after two revolution and new regulations.

*Theory underpinning the Study*

This paper is informed by Legitimacy Theory (LT). LT has been adopted by various researchers, particularly sustainability accounting researchers, when seeking to illustrate why corporate management embark on certain actions – like reporting particular items of social and environmental information (Deegan, 2014). LT discusses that companies always attempt to confirm that they are perceived as working within the bounds and norms of their communities, that is, they want to be perceived as legitimate by outsiders (Deegan, 2000). Thus, social contract is considered to be the core of the LT. Social contract exhibit assembly of explicit and implicit expectations that community has about how company should conduct it activities (Donaldson, 1982). For an organisation to be legitimate, there should be “congruence between the social values associated with or implied by their activities and norms of acceptable behaviour in the larger social system of which they are apart” (Dowling and Pfeffer, 1975, p.122). Since community expectations change, companies must also comply and change. That is, if community’s expectations about performance change, then reasonably company will need to show that what is doing is also changing. In order to do that, there is a necessity to identify community expectations, and then accommodate these changing expectations of community (Deegan and Unerman, 2011). What was legitimate attitude at one point in time might not be legitimate in a consequent period (Lindblom, 1994). Therefore, companies must not only carry out what is expected, they need to inform community about their activities, and changes therein (Deegan and Blomquist, 2006). For companies to be legitimate, “different legitimising strategies” may be adopted to either *gain*, *maintain*, or *repair* legitimacy. O’Donovan (2002) highlighted that:

Legitimation techniques/tactics chosen will differ depending upon whether the organisation is trying to gain or extend legitimacy, to maintain its current level of legitimacy, or to repair or to defend its lost or threatened legitimacy (p.349)

In the same vein, Dowling and Pfeffer (1975) and Lindbolm (1993) described different kinds of communication tactics adopted by legitimacy-seeking companies. These tactics are (*Image Enhancement* (IE), *Avoidance/Deflection* (AD), and *Disclaimer* (DS) (Cho, 2009). To achieve the above mentioned strategies, companies use the accounting disclosure to indicate that they meet the public expectations and such disclosures are considered the most effective to change the perceptions of external parties (Deegan, 2002). Information reported in the annual reports has been used by the corporate to send notices to the public as an endeavour to either persuade readers to accept corporate’s view of community, or to correct misconceptions that the public may have established about organisation’s social and environmental performance (Deegan, 2002; O’Donovan, 2002). In addition to annual reports, some companies started to use websites and press releases in the legitimacy process (Patten and Crampton, 2004).

Most of the literature in the social reporting investigates how firms seeking to repair their legitimacy, than gaining following to environmental, social or corporate crises such as oil spils (e.g. Deegan and Rankin, 1996; Walden and Schwatz, 1997; Blaconierre and Patten, 1999; Cho, 2009; Nornoha et al., 2015). There is shortage of research on the corporate social accountability practices to the broader community (such as legitimacy and accountability in relation to increasing social expectations) in state of revolution – a different kind of crisis in developing nation, prior social reporting researchers have not yet investigated.

**Research Methods**

This research examines the volume, quality, and nature of social reporting practices in annual reports and websites by three major IB operating in Egypt after two revolutions (political incident)(see appendix, table x for their URL). For this purpose, this study adopts content analysis to investigate if certain themes in relation to social issues are exist or absent in IB’s websites and annual reports, and count number of words relevant to each theme in post revolution annual reports (2016) and websites (from June to December 2016) (e.g. Deegan and Rankin, 1996; Deegan and Gordon, 1996; Wilmshurst and Frost, 2000). The word count is used as a measure of volume as “it was felt to be a robust measure in which counting errors were likely to amount to a lower overall proportion of the total compared to those in sentence counting” (Campbell, 2004, p.109). Content analysis has been widely adopted in social reporting studies analysing different mediums of disclosure including annual reports and newspapers (Guthrie and Parker, 1990; Gray et al., 1995), only a few studies have previously used this method in analysing websites (e.g. Williams and Pei, 1999; Richardson et al., 2002). It is a “research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use” (Krippendorff, 2004, p.18).

 Building a disclosure index (checklist) is recommended for this method and involves major categories and sub-categories. The main categories and sub-categories employed here deprived from Global Reporting Initiatives (GRI) G4 2013, social reporting literature in general and IB (Kamla, 2007; Scholtens, 2009; Aribi and Gao, 2010; Kamla and Rammal, 2013), and pilot investigation into IBs’ websites and annual reports. By getting categories depending on the literature and the reality of disclosure, we have rational and trustable categories which can be analysed (Krippendorff, 2004). Further, this research adopts un-weighted disclosure (0,1) like Brennan (2001) study. To enhance the reliability and validity of the disclosure index, the researcher sent the initial disclosure index to experts in the field of social issues in Islamic banks (e.g. Beattie and Thomson, 2007; Hassan and Marston, 2010; Schadewtiz and Kanto, 2002). The initial index consists of “reference to sharia”, “community involvement, charitable activities and donations”, “socially responsible products and services”, “employees”. However, experts asked to add “political incidents” and “Musharkah” to represent the post revolution context. The “political incidents” main category has been added to the index. As well as, “Musharkah” sub-category has been added to “socially responsible products and services” main category. The details of the index are in the table 1 below.

(Table 1: Social Reporting in Egyptian Islamic banks’ Annual reports and Websites in Post Revolution era)

The three Websites and annual reports of IB in Egypt are investigated to acquire the meaning of reporting and to designate them to convenient categories. Adopting the conceptual and rational analysis approaches maintained insights into whether these practices are generally adopted by banks or rare (Krippendorff, 2004). We adopted individual themes as units of analysis, which permitted us to look for issues relevant to social issues in annual reports and websites. We checked 2016 annual reports and websites from June to December 2016 looking for any disclosures related to social themes. In websites, we reviewed and monitored different parts such as vision, about us, social activities, products and services, social responsibility, SMEs, investor relations, zakat, quard hassan sections. Additionally, we used key words to search for social issues on websites like ‘social’, ‘poverty’, ‘community’, ‘zakat’, ‘quard hassan’, ‘employees’, ‘sharia’, and ‘microfinance’ (e.g. Haniffa and Hiddaib, 2007; Aribi and Gao, 2010, 2011; Kamla and Rammal, 2013) . After that, we evolved codes to help analyse the themes found in the websites and annual reports. The volume of social disclosure is measured by word count, the type of social news disclosed are categorised into good, neutral, and bad news (Gray et al., 1995; Hassan and Marston, 2010); and nature of news reported is analysed under qualitative, quantitative, monetary, picture, videos, charts, tables, graphs, and videos (Guthrie and Parker, 1990; Williams and Pei, 1999). To ensure reliability results, the author asked other two independent researchers to re-code the text using the same method and changes of the coding has been amended to the final results (e.g. Belal et al., 2018; Aribi and Gao, 2010).

To explore motivations of IBs to disclose social information on their annual reports and websites in post revolution era, the author conducted semi-structured interviews with different stakeholders (financial managers in IB, preparer of annual reports in IB, compliance manager in IB, zakat fund manager in IB, CSR consultant, and one of regulators of IB in central bank of Egypt). Our interviewees had long experience, high positions and responsibilities often with ostensibly clear potential to influence policy. Our interviewees included interested people in reading bank reports/websites. Names and contact details were obtained in two ways. The author was supported by partners of well-known firms auditing IB in Egypt. These established initial contact, helping arrange interviews. Snowballing (interviewees recommending further participants) has also been used. Most interviewees can be seen as ‘managers’, typically powerful regarding the bank’s strategic management affecting social reporting, most knowledgeable in the IBs’ social issues, and the only permitted to inform outsiders concerning disclosures about social issues.

Seven semi-structured face-to-face interviews were conducted (five in Arabic and two English) at interviewees’ workplace in Cairo in January 2017, lasting 30 -50 minutes mainly depending on interviewee application of the issue. Interviews transcribed, if applicable, translated into English with attention to preserving local meaning. All interviewees were promised anonymity and asked if recording was acceptable. All of them rejected, detailed notes here being taken. After questions about interviewee educational background and organizational role, interviewees asked about motivations of IB to disclose social reporting in post revolution, but were open to exploring emerging issues (Kvale, 1996; Gillham, 2000). Transcripts and notes, were analysed thematically. Consistent with social and environmental accounting research (Bela and Owen, 2007) in selecting quotes, we tried to select ‘representative’ as well as ‘vivid’ or ‘compelling’, reflecting a balanced, open concern to mobilise companies (Gillham, 2000). The next section articulates findings.

**5. Findings**

This section illustrates findings on content analysis and interviews. The first sub-section manifests IBs reporting under the previously mentioned five categories. The following sub-section provides manifestations on interviews

5.1. ***Content Analysis***

5.1.1. *Reference to Sharia*

This category entails any information about Sharia Supervisory Board Report (SSBR) and how banks comply with Sharia. The SSBR is one of the distinctive features of IBs. This is independent committee monitors the conduct of business and gives different assurance that business transactions are conducted in line with Islamic principles and norms (Aribi and Gao, 2010). Table 1 indicates that all IBs disclose information about reference to sharia with 1,200 and 1,446 words on websites and annual reports, respectively. This is similar to Haniffa and Huddaib’s (2007) results. All disclosures focus on information about SSBR, with absence of disclosure about how IBs comply with Sharia in both mediums. Disclosures were all qualitative in nature, with neutral news types.

5.1.2. *Community Involvement, Zakat, and Quard Hassan*

Disclosures under this category cover items such as zakat fund issues, charitable activities, quard hassan, human rights, fighting terrorism, and CSR commitment, and cultural activity. The results highlight that disclosure about zakat collection and charitable activities have the highest volume of disclosure as a response to socio-economic and poor quality education and health services (Wafa, 2015). Abu Dhabi Islamic Bank Egypt (ADIB) Egypt attempt to portray itself as a good citizen after two revolutions as follows:

 *ADIB Egypt is proud to have contributed to several charitable projects in the Delta and Upper Egypt regions that have benefited large segments of society: we contributed to the completion of construction of the Abrar Charity and Development complex in Bani Sareed Village, Sharqeyia* (ADIB Egypt Website, 2016)

The above mentioned quotation indicates that ADIB Egypt followed an image enhancement strategy in the new Egyptian context after two revolutions to satisfy the increasing social expectations (e.g. Cho, 2009). On the other hand, the findings manifest that there are few disclosures on annual reports and websites about quard hassan and CSR commitment. Quard hassan is peculiar to IB and is not offered by conventional banks. IBs made disclosures about quard hassan by disclosing more information about policy in making such loans after two revolutions:

*… in addition to, the Zakat fund’s legitimate channels, interest-free loans granted to the needy and people with urgent needs and who lived in difficult conditions, repayment of needy debtors’ debt* (Faisal Islamic Bank of Egypt, Annual Report, 2016).

Further, Faisal Islamic bank of Egypt attempts to enhance its image in the Egyptian community after two revolutions by presenting its contribution to the beneficiaries in the annual reports (e.g. Cho, 2009). Similarly, all IBs confirmed their commitment to CSR according to Islamic *Sharia* in the annual reports as a main medium of disclosure. So, IBs adopted a deflection strategy by showing their commitment to CSR in the new context of calling to return to Islam and adopting Islamic *Sharia* as a solution to the revolutionary crisis (Cho, 2009; Burns, 2014). Interestingly, Faisal Islamic bank of Egypt is the only bank that discloses information about cultural activities. The bank emphasised its cultural activities to promote Islamic economic concepts and Islamic banking. This is consistent with Maali et al. (2006) results. Surprisingly, there is silence about human rights and fighting terrorism in annual reports as they felt that these words are very sensitive in the post revolution era and is going to damage their legitimacy rather than being beneficial (Avia, 2013; Salamy, 2015). Accordingly, IBs has adopted avoidance strategy to repair their image in the new context (e.g. Cho, 2009). All information under this category is neutral, and most of disclosures are qualitative and monetary in nature. The following section explores the socially responsible products and services.

5.1.3. *Socially Responsible Products and Services*

IBs should provide products and services that satisfy the needs of their clients while adopting Islamic sharia. The Islamic teachings encourage the concept of *Ihsan*, ‘excellence’ or ‘proper’ (Siddiqui, 1997). Islam strengthens *Ihsan* worship and work. The concept of worship on Islam includes “any constructive endeavour or work. This implies that a ‘committed Muslim employee at organizational level should perform his/her behavior, even if the boss is not around’ (Beekun and Badawi, 2005, p.134). The results manifest that disclosures about socially responsible products and services has the highest level in Islamic banks’ websites and annual reports. This contradicts with the results of Hassan and Harahap (2010) in their analysis of other IBs in the Arab region. This main category entails information about funding socially motivated investments and projects, microfinance and microcredit schemes, engagement with Mudarabah, engagement with Musharakah, environmental policy, policy toward insolvent clients, unlawful (Haram) transactions. Table 1 expressed that the highest level of disclosure was about microfinance and microcredit schemes, and engagement with Mudarabah and Mushrakah. They engaged in such activities to support Egyptians in developing small industries and to face the challenge of poverty and low socio-economic conditions after two revolutions (Salamy, 2015). As well as, improve their image in the Egyptian community (e.g. Cho, 2009). Al Baraka Bank and Faisal Islamic Bank of Egypt stressed their commitment to supporting small-scale industries, professionals, and craftsmen:

*The bank provides required financing to develop existing small-scale projects to raise their financing productivity and capability. This includes establishing new small projects and helping them to create jobs* (Faisal Islamic Bank of Egypt Website, 2016)

*The bank signed an agreement with the social development fund (SFD) to fund small & Medium projects as per Islamic Musharakaha amounted EGP (200) m* (Al Baraka Bank Annual Report, 2016).

Exceptionally, All Egyptian IBs made less disclosures about funding socially motivated investment projects. They offered support to the national economy through bolstering public and infrastructure projects, with 300 and 500 words on websites and annual reports, respectively. ADIB attempt to portray itself as a good citizen as follows:

*.. to participate in getting the national economy moving forward by investing in vital projects in different sectors and consequently enhancing the economic and social situation, as well as reducing the unemployment rates, improving the per capita income and redistributing the wealth in accordance with the bank’s social responsibility* (ADIB Egypt, Annual Report, 2016)

Notably, Al Baraka Bank of Egypt is the only bank that highlighted its commitment to environmental accountability to legitimise itself in front of the state, which started to give a priority to environment after two revolutions (Egypt Vision 2013, 2018). Uncommonly, these banks did not disclose information about policy towards insolvent clients and unlawful transactions. This refers to high level of secrecy culture in Egyptian community, and they might be afraid of losing their legitimacy if they disclosed suck kind of information (Dahawy et al., 2002; Osman, 2012). Under this category, all news provided is neutral and good. Further, the majority of reportings are qualitative with some monetary, quantitative, picture and video terms. The next section explores employees.

5.1.4. *Employees*

Employee information is considered a key concern of employees and other stakeholders (Adams et al., 1995). This main category comprises details about employee benefits, equal opportunities, training schemes, training in relation to Sharia, appreciation and thanks, and workplace environment. Table 1 articulates that IBs disclose more information about employee benefits and training schemes offered to employees, and workplace environment to attract good quality staff enhance its image (e.g. Cho, 2009). Al Baraka Bank Egypt disclosed more information about the average basic salary and rewarding systems linked to targets. What is more, all Egyptian IBs reported details of training programs and stressed on the significance of training in developing human capital. ADIB Egypt disclosed the following on its website:

*.. ADIB Egypt continued to focus on investing in staff training, learning and development with intent to improve the skills of its employees and to drive the bank towards delivering the best customer experience… the bank offered tamaken and qyiddat programs to develop skills in different levels* (ADIB Egypt Annual Report, 2016)

Equally, Al Baraka Bank Egypt is the only bank that offered training on *Sharia* as follows:

*… the bank offered training programs on Sharia to enhance the efficiency of human resources*

Moreover, Egyptian IBs disclosed information about appreciation and thanks to employees and workplace environment to legitimise themselves in the new Egyptian context after two revolutions that gave more priority to health and safety in the workplace and human development (Egypt National Review Report, 2016). In this sense, Faisal Islamic Bank Egypt attempt to show itself as a good employer:

*…. Realising more harmony between employees of different administrative levels and providing them with all the means to develop their abilities and efficiencies to meet their work requirements, and providing them with effective and fair systems of salaries, bonuses, and promotion opportunities in order to achieve a high level of job satisfaction* (Faisal Islamic Bank of Egypt Website, 2016)

Remarkably, IBs adopted an avoidance strategy in their silence of reporting about equal opportunities (e.g. Cho, 2009). Again, this might be due to sensitivity of these words in the new context (Osman, 2013). All employee information disclosed on the website and annual reports tends to be qualitative, with quantitative nature. All news is neutral. The following section shows disclosures about political incidents.

5.1.5. *Political Incidents*

This category includes any information in relation to political incidents and opportunities in realizing social cohesion and solidarity. All Egyptian Islamic banks disclosed information about the hard political and economic circumstances. As well as, they released information about social cohesion and solidarity as the new constitution in 2014 induces about these issues. IBs adopted image enhancement strategy to legitimise themselves in front of the new government and show their eagerness to promote social solidarity and social justice (Avia, 2013; Sobhy, 2015; Deegan et al., 2002). Faisal Islamic bank of Egypt highlighted about these hard conditions as follows:

*… in 2016, there was a hard economic rules has been issued to deal with a decline in the indicators of the national economy as a result of two revolutions. One of the major decisions is currency flotation in the Egyptian currency. And, re-order the priorities of public spending with emphasis on enhancing the quality of health and education services* (Faisal Islamic Bnak of Egypt Annual Report, 2016)

Additionally, ADIB Egypt elaborated its commitment to social justice after revolution:

*… stemming from ADIB Egypt’s commitment to build bridges of social justice in this critical time in the country* (ADIB Egypt Website, 2016)

All political incident information provides good and bad news in nature, with qualitative and descriptive style. The subsequent section illuminates stakeholders’ perceptions towards motivations of IBs to disclose social reporting in the new context.

5.2. ***Interviews***

This section shows the views of different stakeholders towards the motivations of IB to disclose social information in the post revolution era. The key motivations are global pressures, increasing local social expectations, compliance with laws and regulations.

5.2. 1.*Global Pressures*

Some interviewees see the main motives for IB to report social information in post revolution era are pressures from the global markets and competition with the conventional banks:

*… There is more awareness nowadays about IB and how they affect on the global financial markets. Thus, there is a global demand to see their impact on the welfare of the community* (A1)

For manager in financial department in IB:

*… it is very important for IB to disclose more social information to compete with the international and conventional banks in the Egyptian market. It is becoming a phenomenon. Currently, we are working towards development of reporting about these issues in order to sustain..* (A6)

The two quotations indicate that pressures from the global markets and competition with the international and conventional banks represent the main motives for IBs to disclose social information in the new era, as this era is characterised by adopting neoliberal policies from the World Bank to make restructuring of economy and adopting international standards including IFRS and GRI (Bank Misr, 2016). This is similar to pressures from foreign buyers on Bangladeshi companies to disclose social information (Belal and Owen, 2007).

5.2.2. *Increasing Local Social Expectations*

A few interviewees highlighted that Egyptians’ increasing social expectations is considered one of the motives for IBs to enhance social reporting to be legitimate in the new context. A CSR consultant stressed that:

*.. after two revolutions because of social injustice, poverty, corruption, there is an increasing social expectations . Egyptians want fair salaries, good quality of life, and equity of distribution. Here, IB need to play a catalyst role in enhancing financial inclusion in the Egyptian community, facilitate access to finance, promote equity, transparency, and sustainable finance. This can be done by offering Islamic products that achieve that such as Musharakah…In comparison with international banks they need to work a lot to develop their reportings, I want to see how IBs comply with Sharia … this is the pressing request nowadays* (A5)

Interestingly, one of the regulators mentioned:

*… Currently, there is an increasing awareness of Egyptians towards accountability and responsibility of the country …… there is a public pressure for more disclosure/transparency. Thus, IB should respond to these pressures by disclosing more information. Particularly, social contributions, how IB comply with sharia, human rights…. How they add value to the Egyptian community now… I did not see any change in IBs in relation to social reporting, all Egyptians want to see changes and how they contribute toi the Egyptian community nowadays, how they comply with Sharia, how they enhance the financial inclusion, and social justice!!! (*A2)

Those two interviewees gave a voice to the local motives of increasing Egyptians social expectations. IBs need to increase their social reporting to enhance their image in the new context (e.g. Cho, 2009). This is analogue to to Lebanon and Syrian managers who are motivated by indigenous religious notions of mercy in undertaking CSR in their companies (Jamali et al., 2009).

5.2.3. *Compliance with Regulations*

Other group of interviewees articulated that compliance with laws and regulations and Sharia laws are motives for Egyptian IBs to report social information in post revolution. The compliance manager commented:

*We already need to disclose more social information as the new regulations needs more information…. There are changes in the corporate governance code, social justice laws, sustainable development strategy, central bank laws, and state regulations… we still need to work more to develop our disclosures about these issues* (A3)

Exceptionally, the zakat fund manager highlighted on the importance of accountability and transparency according to Islamic Sharia. He is affected by Islamic principles of *Umma* that entail more accountability towards the community (Rice, 1999):

*… IB are based on Islamic Sharia that promote social justice and accountability … so, IBs have to report social information according to Sharia… IBs provide a good example for promoting social justice and accountability in any community (Muslim and non-Muslim)*… *but hopefully we can see development in the coming period* (A7)

In the same vein, a preparer of annual reports focused on new pressures from new regulatory organisations:

*… IBs need to disclose more social information as there are pressures from new regulators; parliamentary regulators and Administrative control authority* (A4)

The next section shades on discussion on the results of the content analysis and interviews, and conclusion

6. **Discussion and Conclusion**

This research represents a case study to explore the various communication strategies adopted by Egyptian IBs to legitimize themselves after two revolutions. The organisation has a social contract with the community and should attempt to meet the changing social expectations (Shocker and Sethi, 1973). Accordingly, the company needed to repair its threatened legitimacy to recapture a specific image within the community using different tactics such as communication strategies (Deegan et al., 2002).

Egyptian IBs legitimacy has been threatened after two revolutions as an economic and social institution (Burns, 2014). Thus, this study adopted a content analysis of annual reports and websites after two revolutions. As well as, interviews with IBs’ stakeholders to explore motivations to report social information in the new era. IBs attempt to manage local pressures of increasing social expectations “bread, freedom, and dignity” and global pressures using its external communication strategies. However, the content analysis and interview evidences demonstrate the failure to legitimize themselves in the new context. The content analysis reveals that the image enhancements, with a few avoidance/deflection tactics are the dominant tactics used by Egyptian IBs (e.g. Cho, 2009). Surprisingly, there is silence about any disclaimer tactics.

Egyptian IBs used image enhancement strategy through disclosing information about SSB, Zakat, charitable activities and donations, funding socially motivated investment projects, microfinance and microcredit schemes, Mudarabah, Musharakah, employee benefits, training schemes, appreciation and thanks, and political incidents (see table 1). This is consistent with the tactic used by Oil Company that has been involved in a critical oil spill that caused environmental damage. The company ‘attempt to shape perceptions of the organisation’ tactic, through which the company may reiterate past social and environmental achievements of the company’ (O’Donovan, 2002, p.348). Nonetheless, the Egyptian IBs failed to meet the increasing social expectations and global pressures as evidenced in the interviews and adopted avoidance/deflection tactic. Egyptian IBs avoided disclosing issues about how banks comply with Sharia, policy towards quard Hassan, human rights, fighting terrorism, insolvent clients, (Haram) unlawful transactions, and equal opportunities. This refers to the sensitivity of this kind of information that may harm the legitimacy of Egyptian IBs in the new context (Burns, 2014; Aribi and Gao, 2010; 2011). And, dominance of culture of secrecy in the Egyptian context (Dahawy et al., 2002).

In the same vein, Egyptian IBs followed a deflection strategy by showing a commitment to supporting the state development projects, CSR, social cohesion, and solidarity. This is similar to Total company strategy after the AZF explosion. The company attempt to move attention from key issues of legal responsibility and compensation in relation to explosion, and diverted public attention to other issues such as industrial risks in general or its commitment to support economic activity in Toulouse (Cho, 2009). The interview evidences show that motivations for Egyptian IBs to disclose social information to repair their threatened public legitimacy in post revolution are global pressures, increasing local social expectations, and compliance with laws and regulations. This is akin to Islamic Bangladeshi bank mangers’ motivations to report social responsibility information (Belal et al., 2015).

The results of this research cannot be generalised as it focuses only on Egyptian Islamic banks’ legitimate behaviour after two revolutions in Egypt. Also, it is limited to investigating the post revolution annual reports and websites. So, the future research can be extended to compare between the disclosures strategies of Egyptian IBs in pre and post two revolutions. Interestingly, the findings of this study have important implications for policy makers of IBs in Egypt and Arab region. The results indicate that it is necessary for policy makers and regulators of IBs in Egypt and other countries in the Arab region to amend the accounting and governance regulations with more requirements of disclosure and transparency about compliance with Sharia, policy of quard Hassan, human rights, fighting terrorism, environmental policy, policy towards insolvent clients, unlawful transactions, equal opportunities, training in relation to Sharia, and how IBs promote social justice and cohesion after Arab spring revolutions in the Arab world.

**References**

Table 1: Social Reporting in Egyptian Islamic Banks’ Annual Reports and Websites

|  |  |  |
| --- | --- | --- |
| Category | Illustration | (2016) |
|  |  | Web | Paper |
|  |  | % | No. of Words | % | No. of Words |
| **1.Reference to Sharia** | Information about SSB, how banks report their compliance to sharia | 100% | 1,200 | 100% | 1,446 |
| Total |  | 100% | 1,200 | 100% | 1,446 |
| **2.Community Involvement, Zakat, and Quard Hassan** |  |  |  |  |  |
| 2.1.Zakat collection, Expenses, and Activities | It includes all information related to zakat fund | 67% | 450 | 67% | 1,686 |
| 2.2.Charitable Activities and Donations | Details about education, health, and support to any kind of marginalized and vulnerable groups | 100% | 1,375 | 100% | 1,000 |
| 2.3.Quard Hassan  | Any information related to sources, uses, and policy of Quard Hassan | 67% | 110 | 67% | 200 |
| 2.4.Human Rights | Any information related to human rights issues | 0 | 0% | 67% | 20 |
| 2.5.Fighting Terrorism | Any information pertinent to fighting terrorism | 0 | 0% | 33% | 5 |
| 2.6.CSR Commitment | Any details related to commitment of the bank to CSR | 100% | 208 | 67% | 250 |
| 2.7. Cultural Activities | Any information in relation to promoting Egyptian cultural heritage and Islamic concepts |  |  |  |  |
| Total |  | 100% | 2,143 | 100% | 3,161 |
| **3.Socially Responsible Products and Services** |  |  |  |  |  |
| 3.1.Funding socially Motivated Investment Projects | Information about funding infrastructure projects, public projects, taking into account social and environmental dimensions in investment decisions | 100% | 300 | 100% | 500 |
| 3.2.Microfinance and Microcredit Schemes | Details about microcredit and microfinance  | 100% | 400 | 100% | 1100 |
| 3.3.Engagement with Mudarabah | Any information about Mudarabah programs | 100% | 713 | 100% | 3900 |
| 3.4. Engagement with Musharakah | Any information about Musharakah Programs | 100% | 300 | 100% | 1000 |
| 3.4.Environmental Policy | Details about the environmental attitude of the bank | 0% | 0 | 33% | 14 |
| 3.5.Policy Towards Insolvent Clients | Details about insolvent clients and policies towards them | 0% | 0 | 0% | 0 |
| 3.6.Unlawful (Haram) Transactions | Specifics about unlawful (Haram) transactions | 0% | 0 | 0% | 0 |
| Total |  | 100% | 713 | 100% | 6514 |
| **4. Employees** |  |  |  |  |  |
| 4.1. Employee Benefits | Benefits to employees including salaries, healthcare..etc. | 67% | 122 | 100% | 270 |
| 4.2.Equal Opportunities | Information related to equal opportunities practices | 0% | 0 | 0% | 0 |
| 4.3. Training Schemes | Any reference to training programs | 67% | 200 | 100% | 546 |
| 4.4. Training in relation to Sharia | Training programs in relation to Sharia | 0 | 0 | 33% | 10 |
| 4.5.Appreciation and Thanks | Any reference to respect and thanks to employees. | 67% | 100 | 100% | 150 |
| 4.5.Workplace Environment | Strategies related to work-life balance, effective employee communication | 33% | 50 | 67% | 80 |
| Total |  | 67% | 472 | 100% | 1056 |
| **5.Political Incidents** | Any reference to political incidents, social cohesion and solidarity | 0% | 0 | 67% | 1,100 |

1. (\*) Social welfare is promoted through *Z*akat. it is collected from Muslim individuals and businesses to be paid to the poor and the needy, to enhance community welfare. It is basically a redistribution of wealth (Lewis, 2001). [↑](#footnote-ref-1)