COUNTRY-SPECIFIC INSTITUTIONAL EFFECTS ON NON-FINANCIAL DISCLOSURE LEVEL: EVIDENCE FROM EUROPEAN LISTED BANKS

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Abstract

This study investigates the relationship between disclosure level of GRI-compliant non-financial statements, provided to conform with the Directive 2014/95/EU, and cross-country societal variables (Hofstede's cultural dimensions, political and civil systems, legal system and level of economic development) of the European listed banks, using the political economic theory. It analyzes the banks listed in the stock markets of 18 European countries for 2016-2018. The data was collected from the BvD BankFocus database, selecting 134 bank-year observations. A disclosure index based on the GRI framework compliant to the Directive was determined to measure the non-financial reporting disclosure. The findings, partially consistent with the previous literature, show for the banks a significant negative influence of power distance, masculinity, indulgence, the legal system, and level of economic development on the non-financial disclosure. Moreover, the results evidence a significant positive association between individualism, long-term orientation, indulgence, and political and civil system on the non-financial disclosure level. This study contributes to the international debate on how the socio-cultural-economic institutional factors affect non-financial disclosure expectations in the banking sector. Furthermore, understanding the effect of cross-country societal factors on NFR disclosure under EUD might benefit managers when implementing social and environmental strategies in all socio-cultural institutional settings. It might help regulators and policy-makers when adopting new legislation and making reforms dealing with social and environmental laws.

Keywords: Non-Financial Disclosure, GRI, CSR Disclosure, Banks, Cultural Dimensions, Directive 2014/95/EU

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1. INTRODUCTION

Nowadays, companies are facing intense pressure to take into account non-financial dimensions in their corporate reporting. The recent Directive 2014/95/EU (or EU Directive, or EUD) has increased the relevance of the non-financial disclosure (NFD), mainly because it turned the non-financial reporting (NFR) from voluntary to a mandatory requirement (Grove & Clouse, 2017; Stubbs & Higgins, 2018; La Torre, Sabelfeld, Blomkvist, Tarquinio, & Dumay, 2018; Carini, Rocca, Veneziani,, & Teodori, 2019).

This has caused concerns about the disclosure type and the methods for providing the required information.

According to these regulatory provisions, since 2017 the pubic-interest entities (PIEs) have been providing a non-financial statement (NFS) containing information necessary for an understanding of the undertaking's development, performance, position and impact of their activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters. Mostly, most of the information contained in the NFD has environmental and social content. Thus, several NFS tend to provide information recognized by the literature as corporate social responsibility (CSR) disclosure.

The EUD did not clarify which standards/guidelines firms have to apply to be compliant. It just encouraged large companies to use international or national reporting framework to release their reports. Consequently, it recognized a significant discretion to the companies about which standards/guidelines use for providing the NFR.

In the last decades, the researches on CSR disclosure practices have increased (Van der Laan Smith, Adhikari, & Tondkar, 2005). They focused on the extension, content, quality of these reports, as well as their determinants in different countries (Hackston & Milne, 1996; Haniffa & Cooke, 2005; Clarkson, Li, Richardson, & Vasvari, 2008; Mio, 2010; Sotorrío & Sánchez, 2010; Clarkson, Overell, & Chapple, 2011; Gamerschlag, Möller, & Verbeeten, 2011; Legendre & Coderre, 2013; Lock & Seele, 2015; Lombardi & Dumay, 2017; Mari, Terzani, & Turzo, 2019; Velte, 2019). Nevertheless, just a few studies have already addressed the issue of the banks NFR (Scholtens 2006, 2009; Khan, Islam, Fatima, & Ahmed, 2011; Ortiz Martínez & Marín Hernández, 2014; Chakroun, Matoussi, & Mbirki, 2017; Moroney, Windsor, & Aw, 2012; Sethi, Martell, & Demir, 2017; Sannino, Lucchese, Zampone, & Lombardi, 2020). A growing awareness of the relevance of the banking sector in society and the environment as well as of CSR practices (Welford, 2007; Wu & Shen, 2013) in the international banking context emerged. The CSR disclosure practices by banks in anchored to a set of non-financial information directed to increase their credibility in the environment in which they survive, guaranteeing the stakeholder engagement and CSR principles (Sannino et al., 2020). The relevance of the impact of banks in society and the environment (Beck, Demirgüç-Kunt, & Levine, 1999; Levine, 2005; Beck, Demirgüç-Kunt, & Levine, 2010) implies the need to investigate this issue further.

The Global Reporting Initiative (GRI) is one of the leading authorities on CSR reports, providing a widely accepted framework and specific guidelines on how to prepare them (Hess, 2008; Dilling, 2010; Sierra, Zorio, & García-Benau, 2013; Michelon, Pilonato, & Ricceri, 2015; Garcia-Sanchez, Cuadrado-Ballesteros, & Frias-Aceituno, 2016; KPMG, 2017; Fortuna, Ciaburri, Testarmata, & Tiscini, 2020; Cubilla-Montilla, Galindo-Villardón, Nieto-Librero, Vicente Galindo, & García-Sánchez, 2020). There is a widespread attitude by banks to adopt the GRI framework (KPMG, 2017).

Some studies focused on the NFD level employed by listed companies to use GRI framework to comply with the provisions of the legislation and to guarantee comparable information (Cantino, Devalle, Fiandrino, & Busso, 2019; Fiandrino, Rizzato, Busso, & Devalle, 2019). To facilitate the EU Directive adoption, the GRI issued a reporting framework to employ to be compliant with it, defined in the document *Linking the GRI Standards and the European Directive on non-financial and diversity disclosure* (GRI, 2017). In this way, it is possible to identify the main checklist of the CSR information required by the EUD provided through the framework GRI.

In preparing their non-financial reports, entities (and so the banks) have to consider the pressures of their different stakeholders. The country stakeholder orientation assumes different forms following the diverse cultures of countries (Hofstede, 1984a, 1984b, 2001; Hofstede, Hofstede, & Minkov, 2010). Among other models, the culture could be analyzed along with Hofstede's cultural dimensions theory (Hofstede, 1984a, 2001; Hofstede et al., 2010). Prior studies identified the Hofstede's cultural dimensions as the critical determinant of CSR disclosure (Hur & Kim, 2017; Khlif, Hussainey, & Achek, 2015; Orij, 2010; Uribe-Bohorquez, Martínez-Ferrero, & García-Sánchez, 2019)

Our study aims to investigate the relationship between the NFD level of European listed banks that use GRI framework to be compliant to EU Directive and cross-country societal variables (Hofstede's cultural dimensions, political and civil systems, legal system and level of economic development). In other words, we examine whether and how the socio-cultural and economic institutional factors affect the level of CSR disclosure provided by banks to conform to the European requirement. The discretionary, allowed by the EUD, to select the framework and the level of NFR disclosure leads researches to understand better how the banking sector interacts with its stakeholders and how the socio-cultural and economic institutional factors may affect the banks' CSR behaviors.

We test the effect of the Hofstede's cultural variables on the GRI-compliant NFD level, using the conceptual framework of the political economic theory (PET) (Gray, Owen, & Adams, 1996; Deegan, 2014a, 2014b; Gray, Owen, & Adams, 2009). PET constitutes a broader theory from which legitimacy theory (LT), stakeholder theory (ST), and institutional theory are derived (Gray et al., 2009). The most recent literature illustrates that the LT and ST derive from bourgeois theory – a branch of the PET – (Deegan, 2014a, 2014b), and discusses the existence of an overlap between LT and (Neo) institutional theory (Higgins & Larrinaga, 2014). We select the PET because it offers a systemic view.

Thus, we developed the following research question:

RQ: Is there a relationship between the NFD levels (compliant with GRI framework) of European listed banks and the socio-cultural and economic institutional factors dimensions?

Under this theoretical framework, we run a multivariate analysis between the NFD levels, in GRI-compliant NFS (both sustainability report and annual report), and Hofstede's (1984a, 1984b) cultural variables (power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence) and the political and civil system, the legal system, the level of economic development, on a sample of 134 firms-observations European listed banks. Notably, we select the NFS of the entities listed in Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovenia, Slovakia, Spain, Sweden, Switzerland, which are the countries that have transposed the NFR Directive into their national laws.

We determined the GRI-compliant NFD levels using a disclosure index[1], established with content analysis (Krippendorff, 1980, 2004), that provides a quantitative measure of the extent of the NFD required by the EUD through the GRI framework.

This work posits in an under-investigated issue of research (Miralles-Quirós, Miralles-Quirós, & Redondo Hernández, 2019). The paper is novel because it examines the relationship between the level of NFD compliant to EUD and the cultural and socio-economic variables in the banking sector. It contributes to the academic debate that suggests that CSR disclosure expectations, even if through a mandatory requirement, is a function of the industry in which firms operate (Patten, 2002; Guthrie, Cuganesan, & Ward, 2008; Jackson & Apostolakou, 2010) and of the socio-cultural and economic institutional factors of the country from which they originated. Moreover, the study provides implications for CSR practice in the financial sector, identifying policy implications of our findings for managers, regulators, and policy-makers. Specifically, understanding the effect of cross-country societal factors on NFR disclosure, under EUD, might benefit managers when implementing social and environmental strategies in all socio-cultural institutional settings. Similarly, this kind of study might help regulators and policy-makers when adopting new legislation and making reforms dealing with social and environmental laws.

The remainder of the paper is organized as follows: Section 2 explains the theoretical background and the developed hypothesis; Section 3 describes the research design and the method employed; Section 4 analyzes the results. Lastly, Section 5 reports the conclusion of the study.

2. THEORETICAL BACKGROUND

2.1. Political economy theories in corporate disclosure

During the past decades, several studies have investigated accounting disclosure practices, individuating specific rationals for such practices using several theoretical perspectives (Lopes & Rodrigues, 2007). Among the categorization of theoretical perspectives provided in the literature (Gray, Kouhy, & Lavers, 1995), we select the political economy theory (PET) because it seems to explain better why some corporations appear to respond to government or public pressure for information about their social impact (Guthrie & Parker, 1990, p. 172). Political economic theory (PET) which posits that "society, politics, and economics are inseparable, and economic issues cannot meaningfully be investigated in the absence of considerations about the political, social and institutional framework in which the economic activity takes place" (Gray et al., 1996, Deegan, 2014b). Thus, "political economy" concerns the varying levels of expectation (interest), accountability and achievements attached to different groups (in economy and society) which influence others or are influenced by others where they are all in a competitive political process to achieve specific goals (Archambault & Archambault, 2003; Omran & El-Galfy, 2014). As accounting regulations determine the domain of financial reporting, the "political economy" of accounting regulation regards to the development and implementation of accounting regulations that reflect the expectation, accountability, influence, and achievements of various interest groups (Omran & El-Galfy, 2014). The expectation gap is created when different groups potentially affected by regulation, abandon stewardship, or legitimizing roles to maximize their individual utility (Deegan, 2014b).

Consequently, PET considers the political, social, and institutional framework within which the economy takes place (Omran & El-Galfy, 2014). In this view, many studies have highlighted an increase of social and environmental annual report disclosures in the periods where those issues peaked in importance politically and/or socially (Hogner, 1982; Guthrie & Parker, 1989).

According to Gray et al. (2009), the PET constitutes a broader theory from which legitimacy theory (LT), stakeholder theory (ST), and institutional theory are derived. Basing on these assumptions, the importance of PET lies not only in its assessment of corporate disclosures as a reaction to the existing demands of stakeholders but in the way it perceives accounting reports as social, political, and economic documents (Guthrie & Parker, 1990, p. 166). Consequently, PET also recognizes the use of social and environmental disclosures in annual reports as a strategic tool in achieving organizational goals, and in manipulating the attitudes of external stakeholders (Guthrie & Parker, 1990; Omran & El-Galfy, 2014).

Gray et al. (1996) classify PET into classical and bourgeois streams.

The fundamental assumption underlying classical PET is that accounting reports and disclosures are perceived "as a means of maintaining the favored position of those who control scarce resources (capital), and as a means of undermining the position of those without scarce capital. It focuses on the structural conflicts within society" (Deegan, 2014b, p. 252). In this perspective "corporate reports are not passive describers of an objective reality, but play a part in forming the world-view or social ideology that fashions and legitimizes the company annual reports were deployed as ideological weapons aimed at influencing the distribution of income and wealth, in order to ensure the company continued profitability and growth" (Tinker & Neimark, 1987, p. 72).

[1] Although most of the literature uses the term disclosure to indicate the information reported by companies in their sustainability reports and annual reports, we use the non-financial reporting (NFR) term to indicate the disclosure and non-financial statement (NFS) to indicate the document where this is contained. The terminology adopted is in line with the European legislator nomenclature.

Conversely, the bourgeois political economy approach generally ignores sectional (class) interests, structural inequity, conflict (Gray et al., 1995, p. 53). It concentrates on the interaction of actors/groups within a pluralistic world (Clark, 1998; Gray et al., 1996). Bourgeois PET emphasizes that actors, whether they are individuals or organizations, have the right to pursue their own goals and self-interests (Clark, 1998). These rights, however, are moderated by the social environment in which they exist (Gray et al., 1996). Under this theory, the role of governments is crucial. They play an essential part in protecting the interests of individuals seeking to achieve their objectives (Williams, 1999). Thus, if the activities of the organization impinge on, or are perceived to impinge on, the wider community, governments may intervene to protect individual rights within the community (Gray et al., 1995).

Bourgeois PET assumes a concept of "social contract" that suggests that the existence of an organization relies on the support of society in general. If it is perceived that a firm is engaging in undesirable social activities, then it is likely that society will withdraw its endorsement of the enterprise, leading to its demise. To avoid this situation, and to maintain their position in society, it is conjectured that management may release information related to their environmental and social activities (Williams, 1999). Some see environmental and social accounting disclosures as a mechanism that organizations utilize to enhance their status, provide information to stakeholders and discharge the social contract between the entity and the relevant public (Gray, 1988). Guthrie and Parker (1990) stated that environmental and social accounting disclosures "appeared to reflect public social priorities, respond to government pressure, accommodate environmental pressures and sectional interests and protect corporate prerogatives and projected corporate images" (pp. 171-172).

On the base of the study of Williams (1999), our paper is based on bourgeois PET and argues that firms provide NFD/NFR information in response to the pressures of the social, political, and economic systems that surround them. In this sense, cross-national differences could affect the quantity of NFR information released, which might be due to variations in country-level characteristics that shape the socio-political and economic systems of respective countries.

2.2. Hofstede's model

Hofstade defined the culture as "the collective programming of the mind which distinguishes the members of one human group from another" and proposed a theory of cultural dimensions, which provides a model for establishing differences between countries and related cultures (Hofstede, 1984a; Hofstede et al., 2010).

The identified dimensions of cultural characteristics are:

1. *Power distance* (PDI). The power distance index is the level of perceived hierarchy within society, referring to "the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally" (Hofstede et al., 2010, p. 61). A low index value is associated with societies where power is based on formal position, expertise, and ability to give rewards. These societies are more democratic, and governments are based on the outcome of the majority of votes. They can be considered as more transparent (Romero & Fernandez-Feijoo, 2013). On the other hand, large power distance societies are characterized by power based on family or friends, charisma, and the ability to use force. Their governments are mostly autocratic or oligarchic (Romero & Fernandez-Feijoo, 2013).

2. *Individualism versus collectivism* (IDV). Individualism represents the relations between society and its members. Societies require their members to look after themselves and their immediate family. In collectivistic societies, it acts professionally, objectively, and universally, being them more transparent. People are integrated into strong, cohesive groups in which members protect themselves.

In individualistic societies, individual interest prevails on the collective one (Romero & Fernandez-Feijoo, 2013).

3. *Masculinity versus femininity* (MAS). The masculinity index groups those characteristics related to earnings, recognition, advances, and challenge. Feminine characteristics are those related to management, cooperation, living area, and employment security. In feminine societies, the dominant values are caring for others, consensus, and resolution of conflicts by compromise and negotiation, while in masculine societies, value material success and progress, and stress equity, competition, and performance (Romero & Fernandez-Feijoo, 2013).

4. *Uncertainty avoidance* (UAI). This index measures the difficulties in society to confront unexpected situations. Countries with weak uncertainty avoidance find uncertainty as normal, and each day is accepted as it comes. On the other hand, societies with strong uncertainty avoidance find uncertainty as a threat and fight it. They have an emotional need for rules and strict laws due to their search for precision and formalization (Romero & Fernandez-Feijoo, 2013).

5. *Long-term orientation versus short-term normative orientation* (LTOWVS). Long-term orientation represents societies focused on future rewards; in particular, perseverance and thrift. Short-term orientation describes the recognition of virtues related to the past and present, in particular, respect for tradition and fulfilling social obligations.

6. *Indulgence versus restraint* (IVR). It pertains to the "tendency to allow relatively free gratification of basic and natural human desires related to enjoying life and having fun. Its opposite pole, restraint, reflects a conviction that such gratification needs to be curbed and regulated by strict social norms" (Hofstede et al., 2010, p. 281). Indulgent cultures allow relatively free gratification of human desires, leasing to enjoying life and having fun; restrained cultures suppress satisfaction of needs, and regulate it employing strict social norms (Sannino et al., 2020).

2.3. CSR disclosure and national dimensions

Over the last decades, the studies on the effect of national culture on CSR disclosure are increasing.

Williams (1999) examined the relationship between the quantity of voluntary environmental and social accounting disclosure (VESAD) information and across national boundaries. Specifically, the impact of the national culture in seven Asia-Pacific nations (Australia, Singapore, Hong Kong, the Philippines, Thailand, Indonesia, and Malaysia) on the VESAD information. Empirical tests conducted found that two cultural dimensions (UAI and MAS) and political and civil systems are significant determinants of the VESAD. The study employs the bourgeois PET.

Orij (2010) investigated CS disclosure levels related to the national cultures of 22 countries. They demonstrated a positive relationship between CSD and IVD and a negative relationship between CSD and PDI and MAS.

Adelopo and Moure (2010) examined time and country-specific institutional effects on CSR disclosures by big banks in 14 Western European banks. The authors measured the CSR disclosure using a content analysis following the method adopted in the development of the CSR index by Sustainable Asset Management and Dow Jones Index and GRI. They found that banks operating in high uncertainty avoidance cultures make more CSR disclosures than banks in low uncertainty avoidance culture. Still, individualism/collectivism cultural dimensions were not relevant to banks' CSR disclosures.

Romero and Fernandez-Feijoo (2013) analyzed the cultural differences in sustainability reporting within 22 countries, applying Hofstede's framework. They highlighted that the level of CSR disclosure, on the other hand, does not change with cultural differences, but with the levels of enforcement of the regulations. They found that companies in countries with collectivistic characteristics and low power distance do not need to increase their credibility in terms of the disclosure levels of CSR. In contrast, companies in countries with individualistic characteristics and high power distance need to run the extra mile to show their commitment and guarantee that their reporting on social responsibility is transparent.

Khlif et al. (2015) investigated the moderating effect of cultural dimensions (MAS, IDV, and LTOWVS) on the association between profitability and corporate social and environmental disclosure (CSED). The authors applied the meta-analysis technique on a sample of 48 published studies over the past 20 years. They found that MAS, IDV, and LTOWVS moderate the association between profitability and CSED. Given the weight of US studies on the overall sample, the authors conduct a sensitivity analysis to examine how this factor may affect the findings. After excluding these studies, only LTOWVS and IDV remain strong moderators of the association between profitability and CSED.

Garcia-Sanchez et al. (2016) examined the influence of the institutional environment on the voluntary corporate social responsibility information disclosed. They used an index based on Global Reporting Initiative guidelines and categorized countries according to their socio-economic conditions and cultural, legal, and corporate systems. The authors observed a sample of 20 countries (1598 international companies). They found that firms located in coercive societies, characterized by a higher LTOWVS, higher cultural values of collectivist, feminist and uncertainty avoidance, and a lower power distance index, are more sensitive to publishing corporate social responsibility reports. Moreover, they highlighted the characteristics of the country's system, such as its civil law legal environment, strong law enforcement, and ownership concentration, are key elements on the CSR disclosure.

Halkos and Skouloudis (2017) explored the relationship between CSR at the macro-level and well-established dimensions of national culture offered by Hofstede's framework. The authors investigated a sample of 20 countries. They found LTOWVS and IVR positively affect the composite CSR index, while UAI has a negative impact.

Gallego-Álvarez and Ortas (2017) employed a quantile regression to test the influence of communities' culture features on corporate environmental sustainability reporting (CESR) practices of a sample of more than 3900 companies operating in 59 different countries and 51 industries. The authors used an index based on Global Reporting Initiative guidelines. They demonstrated that in the highest quantile PDI, MAS, pragmatism, IVR had a negative relationship with CESR practices, while UAI had a positive relationship with CESR practices.

Gallén and Peraita (2018) analyzed the relationship between Hofstede's cultural dimensions and the sustainability disclosure with the GDP per capita (GDPPC) of 44 countries, using panel data with information based on the Global Reporting Initiative guideline. The authors showed that in countries with higher GDPPC, the CSR disclosure is negatively related to IDV and MAS and positively associated with UAI and IVR. In countries with lower GDPPC, they observed that CSR disclosure is negatively associated with PDI and positively related to uncertainty UAI. In contrast, in countries with middle GDPPC, PDI, IDV, MAS, LTOWVS, IVR are negatively associated with CSR disclosure.

Adnan, Hay, and van Staden (2018) investigated the effects of national culture and corporate governance on corporate social responsibility reporting and the extent to which corporate governance had a moderating impact on the cultural influences on corporate social responsibility reporting. They explored a total of 403 annual reports, corporate websites, and corporate sustainability stand-alone reports of 203 companies in China, Malaysia, India, and the United Kingdom. Their findings, regarding our specific topic, showed that corporate social responsibility reporting is more prevalent in companies in countries in which the society is individualistic and also in societies where there is low power distance. The authors also found a significant positive association between MAS and CSR disclosure.

Sannino et al. (2020) examined the effect of cultural dimensions of Hofstede's model on the Global Reporting Initiatives (GRI) commitment effect of CSR reports by the Organisation for OECD banks. The authors investigated the GRI commitment level using a sample of 819 firm-year observations from

2012 to 2018 belonging to 27 countries. They found a significant negative influence of MAS on the GRI commitment level, a significant negative impact of UAI, and LTOWVS on the GRI commitment level.

Vollero, Siano, Palazzo, and Amabile (2020) evaluated how Hofstede's cultural dimensions, reflected in CSR content on websites, vary between companies in the Asian context and other organizations worldwide. Their findings evidenced a significant negative association between IDV, PDI, UAI, and online CSR communication.

2.4. Hypothesis development

The factors to which all enterprises within a particular country are subject and which vary between nations are defined in literature as social variables (Thomas, 1991, p. 42; Williams, 1999). The social variables selected for our analysis to explain the influence of the social, political, and economic environments and the CSR disclosure level are discussed below.

2.4.1. Cultural dimensions

Power distance index (PDI)

As described below, a low PDI is associated with democratic societies, while a high PDI indicates countries more autocratic and oligarchic (Romero & Fernandez-Feijoo, 2013). The autocratic societies are less sensitive to ethical problems and social effects of their action, and therefore, they report less on social responsibility (Vitell, Nwachukwu, & Barnes, 1993). In contrast, democratic societies are expected to report truthfully, including more social and environmental issues.

Previous literature presents evidence of a negative association between corporate social disclosure/CSR disclosure and PDI (Orij, 2010; Garcia-Sanchez et al., 2016; Gallego-Álvarez & Ortas, 2017; Gallén & Peraita, 2018; Adnan et al., 2018; Vollero et al., 2020). Therefore, we hypothesize that:

H1: Banks from countries with higher power distance are negatively related to NFR disclosure levels.

Individualism versus collectivism (IDV)

As described below, a high IDV represents societies (with individualistic characteristics) where individual interests prevail over collective interests (Hofstede et al., 2010). In contrast, in collectivist societies, people have a strong desire to belong to groups. In such states, companies are likely to be more sensitive to their stakeholders' needs (Gallego-Álvarez & Ortas, 2017; Gallén & Peraita, 2018).

Previous literature presents both evidence of a negative association between corporate social disclosure/CSR disclosure and IDV (Khlif et al., 2015; Garcia-Sanchez et al., 2016; Halkos & Skouloudis, 2017; Gallén & Peraita, 2018), evidence of a positive association (Orij, 2010; Adnan et al., 2018; Vollero et al., 2020). Hence, we hypothesize that:

H2: Banks from countries with higher levels of collectivism are negatively related to NFR disclosure levels.

Masculinity versus femininity (MAS)

As described below, a high MAS index represents an aggressive management style, and companies will disclose as little as possible to keep their advantage by not exposing all their strategies. Feminine countries have a more communal strategy and will try to improve their public image by showing what they are doing to benefit that group (Romero & Fernandez-Feijoo, 2013). Levels of NFR disclosure are positively related to a social orientation.

Previous literature presents evidence of a negative association between corporate social disclosure/CSR disclosure and MAS (Williams, 1999; Orij, 2010; Khlif et al., 2015; Garcia-Sanchez et al., 2016; Gallego-Álvarez & Ortas, 2017; Gallén & Peraita, 2018; Sannino et al., 2020). Therefore, we hypothesize that:

H3: Banks from countries with higher levels of masculinity are negatively associated with NFR disclosure levels.

Uncertainty avoidance index (UAI)

As described below, the people of countries with a national culture that has a high level of uncertainty avoidance feel uncomfortable with unstructured situations and attempt to reduce or manage uncertainty through rules, regulations, laws, and controls (Hofstede et al., 2010). That is, in countries with high uncertainty avoidance, people tend to avoid risks and unexpected situations; on the other side, in countries with low uncertainty avoidance, people are comfortable with ambiguity, and possible changes are not necessary because they maintain a relaxed attitude (Gallego-Álvarez & Ortas, 2017). Usually, the integration of information is driven by users demanding credibility and higher quality of information (Romero & Fernandez-Feijoo, 2013).

Previous literature presents in some cases evidence of a negative association between corporate social disclosure/CSR disclosure and UAI (Williams, 1999; Orij, 2010; Garcia-Sanchez et al., 2016; Halkos & Skouloudis, 2017; Vollero et al., 2020), while in some others, evidence of a positive association (Adelpo & Moure, 2010; Gallego-Álvarez & Ortas, 2017; Gallén & Peraita, 2018; Sannino et al., 2020). Therefore, we hypothesize that:

H4: Banks from countries with higher levels of uncertainty avoidance are positively related to NFR disclosure levels.

Long-term orientation versus short term normative orientation (LTOWVS)

The long-term orientation (versus short term normative orientation) evokes the concept of management's long decision horizon (Trotman & Bradley, 1981). Indeed, long-term orientation in society looks like long-term orientation in the company. One can say that the long-term orientation of society is related to a stakeholder perspective; therefore, the NFR disclosure level is likely to be positively related to the long-term orientation of society. Long relationships with other stakeholders constitute a way to preserve strong ties with them in the future (Sannino et al., 2020).

Previous literature presents in some cases evidence of a positive association between corporate social disclosure/CSR disclosure and LTOWVS (Khlif et al., 2015; Halkos & Skouloudis, 2017; Sannino et al., 2020), while in some others, evidence of a negative association (Orij, 2010; Garcia-Sanchez et al., 2016; Gallén & Peraita, 2018). Therefore, we hypothesize that:

H5: Banks from countries with high long-term orientation in-country cultures are positively related to NFR levels.

Indulgence versus restraint (IVR)

Indulgence is the degree to which a society allows the gratification of natural human desires related to enjoying life and having fun. Indulgent societies give more importance to freedom of speech and personal life control (Hofstede et al., 2010). Countries with higher values in indulgence tend towards optimism and tend to give more importance to leisure and spending money. On the other side, individuals in societies with lower indulgence try to control their desires and impulses.

Previous literature presents, in some cases, evidence of a negative association between corporate social disclosure/CSR disclosure and IVR (Gallego-Álvarez & Ortas, 2017), and, in others, a positive association (Halkos & Skouloudis, 2017). Gallén and Peraita (2018) observed a negative relationship in countries with middle GDPPC and a positive association in states with higher GDPPC. Therefore, we hypothesize that:

H6: Banks from countries with high indulgence level in country cultures are related to NFR disclosure levels.

2.4.2. Political and civil system (PCS)

The extent of reporting and disclosure of an organization should decrease when in the countries, the political and civil violations and repression increase (Belkaoui & Karpik, 1989; Williams, 1999). The degree of political and civil freedom in a given country is generally assumed to depend on the degree of political rights and civil liberties in the associated political and civil structure (Gastil, 1990). Under a repressive regime, organizations face lower social expectations and pressure and are only required to justify their operations to a select group (Iqbal, Melcher, & Elmallah, 1997; Williams, 1999). In a more open community with greater freedom, firms may need to provide greater justification for why they should be allowed to continue to operate.

Williams (1999) found a negative relationship between corporate social disclosure/CSR disclosure and PCS. Therefore, we hypothesize:

H7: Banks from countries with a high level of political and civil repression are negatively related to NFR disclosure levels.

2.4.3. Legal system (LEGAL)

Regulative institutions correspond to the existing laws, regulations, and rules that could be significant in accounting for the differences in the demands placed on firms to issue CSR reports (Kolk & Perego, 2010).

Several authors claim that the legal system is a key determinant of the level of stakeholder orientation (Frias-Aceituno, Rodríguez-Ariza, & Garcia-Sánchez, 2014), determining the importance of CSR issues in business operations (Williams & Aguilera, 2008). In this regard, it has been considered that civil law countries are more stakeholder-oriented than common law countries (Ball, Kothari, & Robin, 2000; Simnett, Vanstraelen, & Chua, 2009).

Countries with a civil law system have generally developed laws on employee rights and stakeholder protection to a greater extent. Thus, on a CSR perspective, firms not only compromise more often with stakeholders, they also voluntarily disclose more significant volumes of CSR information so stakeholders can analyze the degree to which firms handle social and environmental issues (Holland & Foo, 2003; Van der Laan Smith et al., 2005; Simnett et al., 2009; Kolk & Perego, 2010; Prado-Lorenzo & García-Sanchez, 2010).

Previous literature predicted (Williams, 1999; Garcia-Sanchez et al., 2016) a positive relationship between corporate social disclosure/CSR disclosure and LEGAL, that was not confirmed. Adelopo and Moure (2010) found a positive association between corporate social disclosure/CSR disclosure and LEGAL in the banking sector. Therefore, we hypothesize:

H8: Banks from civil law countries are positively related to NFR disclosure levels.

2.4.4. Level of economic development (LED)

Several theoretical studies identified economic factors as important determinants of the development of accounting and reporting practices (Mueller, 1967; Radebaugh, 1975). A factor that has received extensive attention recently is the level of economic development (Cooke & Wallace, 1990; Adhikari & Tondkar, 1992; Ahmed, 1995; Doupnik & Salter, 1995; Salter, 1998; Williams, 1999). Doupnik and Salter (1995) hypothesize a positive impact on the level of disclosures and reporting practices in a given nation as the level of economic development increases. Moaddel (1994) argued that greater economic development would be accompanied by a growth in the number and strength of pressure and monitoring groups, such as labor unions and consumer bodies, that seek to ensure an equitable distribution of benefits derived from enhanced economic wealth. Under a CSR perspective, an increase in the social and environmental disclosure could represent an effective way for companies to present a responsible image, thereby preventing government regulation (Williams, 1999).

Previous literature (Williams, 1999; Garcia-Sanchez et al., 2016) demonstrated a positive association between corporate social disclosure/CSR disclosure and LED. Therefore, we hypothesize:

H9: Banks from countries with a higher level of economic development are positively related to NFR disclosure levels.

3. METHODOLOGY

3.1. Sample

The data we use for the estimation of the model and testing our hypotheses is collected using multiple sources. The GRI DB database was used to retrieve GRI adoption information. When not available, the information was collected on the companies' websites.

Our sampling frame is based upon the BvD BankFocus data source.[2] The time frame covers three years, from 2016 to 2018. We exclude banks that are not listed in the respective UE's country stock exchange during at least one of the three years of the study period. Therefore, the final sample included 46 banks, for 134 bank-year observations from different 18 countries. Table 1 shows the complete list of the countries considered with the respective observations.

Table 1. Countries and the number of observations of the sample

Countries	*Obs.*
Austria	11
Belgium	3
Czech Republic	2
Cyprus	2
Finland	2
France	1
Germany	9
Greece	8
Hungary	2
Ireland	2
Italy	37
Netherlands	10
Norway	3
Poland	11
Portugal	1
Spain	13
Sweden	15
United Kingdom	1
Total	134

3.2. NFR disclosure level index development and data analysis

Content analysis is used in this article to analyze corporate sustainability reporting practices of cruise companies as is considered the dominant research method for collecting empirical evidence in the field of social and environmental accounting and reporting (Guthrie & Abeysekera, 2006; Parker, 2005; Silverman, 2009; Steenkamp & Northcott, 2007).

Thus, we defined a GRI Content Index applying a manual content analysis (Krippendorff, 1980, 2004) on sustainability reports of the EU-based banks (NFR disclosure level or NFR_D level). The information published by companies was codified according to the following rules. If the information found in NFR of a specific company is relative to one of the items selected, we assign "1" to that item. If information related to a specific item was not found in the NFR of the company, we assigned "0" to that item. We reiterate that as this is a disclosure index, we did not set out to test whether the information provided shows a high level of performance, simply if the company reports the information per each issue. This unweighted approach assumes that each item as being equally important.

The disclosure index was constructed on the basis of the Linkage Table published on the official document *Linking the GRI Standards and the European Directive on non-financial and diversity disclosure* (GRI, 2017) that shows the GRI Standards and Disclosures that can be used to collate information and formulate responses, to each element of the European Directive (the GRI Standards referred to are the 2016 versions). Thus, we developed a checklist, which involves 75 items or information that the GRI considers complying with the EUD. The item/information considered in our checklist is summarized in Table 2.

The disclosure index scores of each company are expressed as a percentage of the highest possible score. It indicates the level of the extent of NFR disclosure compliance to the EUD.

Table 2. GRI Standards and Disclosures selected in the checklist

GRI Standards			
102-1	103-1	305-3	401-1
102-2	103-2	305-4	406-1
102-3	103-3	305-5	407-1
102-4	205-1	305-6	408-1
102-5	205-2	305-7	409-1
102-6	205-3	401-1	410-1
102-7	302-1	401-2	411-1
102-8	302-2	401-3	412-1
102-9	302-3	402-1	412-2
102-10	302-4	403-1	412-3
102-11	302-5	403-2	413-1
102-12	303-1	403-3	413-2
102-13	303-2	403-4	414-1
102-14	303-3	404-1	414-2
102-15	304-1	404-2	415-1
102-21	304-2	404-3	
102-22	304-3	405-1	
102-24	304-4	405-2	
102-43	305-1	401-1	
102-56	305-2	406-1	

3.3. Regression model

We propose the following relation to test all the hypotheses:

$$GRI\ NFD\ LEVEL = f(Cultural\ Variables, Control\ Variables) \quad (1)$$

Following the previous literature (Williams, 1999; Garcia-Sanchez et al., 2016; Cantino et al., 2019), we perform the analysis through the following regression model:

$$NFR\_D\ LEVEL_i = \beta_0 + \beta_1 PDI_{ij} + \beta_2 IDV_{ij} + \beta_3 MAS_{ij} + \beta_4 UAI_{ij} + \beta_5 LTOWVS_{ij} + \beta_6 IVR + \beta_8 LEGAL_j + \beta_9 LED_j + \beta_{10} SIZE_i + \beta_{11} PROFITABILITY + \beta_{12} RISK_i + \varepsilon_i \quad (2)$$

The variables in the regression above are defined as follows:

[2] Moody's Analytics BankFocus is the definitive solution for analyzing banks. It's a new approach to global banking data, combining renowned content from Bureau van Dijk and Moody's Investors Service, with expertise from Moody's Analytics. The result is a comprehensive banking database that you can use to identify, analyze and monitor banks and other financial institutions. BankFocus offers you a range of access and analysis options including a contemporary interface and integrated workflow solutions (Bureau van Dijk, n.d.).

Table 3. Variables used in the model and description

Variable	*Description*
NFR_D LEVEL	Company *i*'s GRI Content Index. It is a continuous variable (Source: Data hand collection).
PDI – Power distance index	Stands for individualism versus collectivism. Scores close to 0 stand for the most collectivistic, scores close to 100 for the most individualistic country (Source: Geer Hofstede™).
IDV – Individualism versus collectivism	Stands for masculine versus feminine. Scores close to 0 stand for the most feminine, scores close to 100 for the most masculine country (Source: Geer Hofstede™).
MAS – Masculinity versus femininity;	Stands for uncertainty avoiding societies versus uncertainty accepting societies. Scores close to 0 stand for weaker, scores close to 100 for the stronger uncertainty country (Source: Geer Hofstede™).
UAI – Uncertainty avoidance index	Stands for long versus short term orientation. Scores close to 0 stand for a shorter, scores close to 100 for a longer term orientation country (Source: Geer Hofstede™).
LTOWVS – Long-term orientation versus short term normative orientation	Stands for indulgence versus restraint. Scores close to 0 stand for the most restrained, scores close to 100 for the most indulgent country (Source: Geer Hofstede™).
IVR – Indulgence versus restraint	Stands for individualism versus collectivism. Scores close to 0 stand for the most collectivistic, scores close to 100 for the most individualistic country (Source: Geer Hofstede™.
PCS – Political and civil system	Overall index scores based on the work of Gastil (1978) (Source: Freedom House).
LEGAL – Legal system	*Dummy* variable assuming the value of 1 if the entity *i* comes from a civil law country; 0 if it comes from a common low country.
LED – Level of economic development	Country-level of economic development, measured as gross domestic product (GDP) pro-capita of *j*-country at the and the year *t* (Source: World Bank and United Nations statistical webpage).
SIZE	Company size, measured as the natural log of total assets of *i*-companies at the end of each year *t* (Source: BvD BankFocus).
PROFITABILITY	Profitability, measured as the return on asset of *i*-companies at the end of each year *t* (Source: BvD BankFocus).
RISK	Risk, measured as the leverage ratio of debt to equity of *i*-companies at the end of each year *t* (Source: BvD BankFocus).
E	Error term.

The above model was tested empirically through linear regression, estimated by pooled OLS. As mentioned above, the dependent variable was obtained from the analysis of items in the GRI Content Index of either sustainability report or annual report. Furthermore, to analyze whether the factors proposed to explain the different levels of information disclosed, other additional models were run, substituting the control variables.

3.3.1. Control determinants

To avoid biased results, we included several control determinants, whose influence on the NFR disclosure is well confirmed by previous studies. Individually, we consider the company size, performance, and risk.

Size

The relationship between the impact of size on environmental and social GRI disclosure is widely explored in research studies. Extant literature shows the firm size is a significant determinant of CSR disclosure (Clarkson et al., 2008, 2011; Gamerschlag et al., 2011; Prado-Lorenzo, Gallego-Alvarez, & Garcia-Sanchez, 2009; Liu & Anbumozhi, 2009; Garcia-Sanchez et al., 2016).

Profitability

The association between profitability and environmental or social disclosure is widely investigated. Several studies have demonstrated nonetheless that firms with higher performance are more likely to provide a higher level of environmental and social information (Tagesson, Blank, Broberg, & Collin, 2009). Other studies, conversely, have not supported these results, finding any significant relationship between these concepts.

Risk

The relationship between risk and environmental and social disclosure is not as extensively inquired in research studies (Fifka, 2013).

Lender, as one of the most relevant stakeholders of the firm, could have concerns regarding payments of loans and their interests. Firms, therefore, are expected to take the matters of this class of stakeholders into consideration, providing related environmental and social disclosure to reduce their concerns (Deegan, 2014b).

4. EMPIRICAL FINDINGS

Table 4 shows the descriptive statistics of firm-specific control and independent variables. The mean (median) of the NFR_D level is 0.517 (.486). Compared to the minimal and maximal value, the control variable presents a higher dispersion. The independent variables show a distribution on an acceptable level.

Table 4. Descriptive statistics

Variable	*Obs*	*Mean*	*Std.Dev.*	*Min*	*1st quartile*	*Median*	*3rd quartile*	*Max*
NFR_D LEVEL	134	.517441	.1663318	.1944444	.4078947	.4861111	.5972222	1
PDI	132	44.81061	15.50628	11	33	50	57	68
IDV	132	66	12.75369	27	56.5	71	76	89
MAS	132	51.54545	25.34084	5	42	64	70	88
UAI	132	70.05303	20.30016	29	59	75	86	100
LTOWVS	132	56.4976	13.01763	24.43325	47.60705	60.4534	61.46096	82.87154
IVR	134	47.26846	17.51915	29.24107	29.6875	43.52679	62.72321	77.67857
PCS	132	92.12121	5.618984	70	89	92	96.5	100
LEGAL	134	.9776119	.1484971	0	1	1	1	1
LED	134	36597.01	14441.4	12710	27530	33740	47110	81810
SIZE	134	17.89911	1.792838	12.60317	16.59595	17.77814	19.39454	21.18734
PROFIT	134	8.206269	9.943488	-23.43	4.4	8.585	12.41	46.16
RISK	134	13.07552	10.51999	.3619028	8.596282	11.83633	14.70683	80.37328

Table 5 offers the Pearson correlations statistics between the NFR_D level compliant with the EUD, the cultural and socio-economic variables, and the control variables. Some cultural dimensions are significantly correlated with some other dimensions, such as PDI and UAI (0.687), and IVR and MAS (−0.711), and IVR and UAI (−0.713). Similar correlations are already found by other authors (Orij, 2010; Garcia-Sanchez, Rodríguez-Ariza, & Frías-Aceituno, 2013). Table 5 shreds of evidence that there is no multicollinearity between the independent variable, as no bivariate correlation exceeds the value of 0.8 (Gujarati, 2009).

Table 5. Pearson correlation

Variables	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**	**(13)**
NFR_D LEVEL (1)	1.0000												
SIZE (2)	0.3047* 0.0003	1.0000											
PROFIT (3)	-0.1123 0.1963	-0.1724 0.0464	1.0000										
RISK (4)	-0.0346 0.6913	0.1142 0.1888	0.2428* 0.0047	1.0000									
PCS (5)	-0.0739 0.3998	0.0634 0.4703	0.1841 0.0346	0.2788* 0.0012	1.0000								
LED (6)	-0.1529 0.0778	0.1016 0.2427	0.1480 0.0880	0.2252* 0.0089	0.6375* 0.0000	1.0000							
LEGAL (7)	0.1223 0.1592	-0.1013 0.2444	0.0064 0.9419	0.0601 0.4906	-0.1057 0.2279	-0.1607 0.0636	1.0000						
PDI (8)	0.1071 0.2214	-0.0077 0.9303	-0.1418 0.1050	-0.1541 0.0776	-0.5604* 0.0000	-0.6668* 0.0000	0.1429 0.1021	1.0000					
IDV (9)	0.0370 0.6732	-0.1120 0.2009	0.0415 0.6365	0.1289 0.1409	0.1401 0.1092	0.3732* 0.0000	-0.1240 0.1565	-0.1671 0.0555	1.0000				
MAS (10)	0.1064 0.2246	-0.0258 0.7689	-0.2766* 0.0013	-0.2895* 0.0008	-0.6551* 0.0000	-0.5359* 0.0000	0.0954 0.2767	0.1631 0.0617	-0.0795 0.3651	1.0000			
UAI (11)	0.1840 0.0347	0.0821 0.3493	-0.2588* 0.0027	-0.3329* 0.0001	-0.6407* 0.0000	-0.7155* 0.0000	0.2643* 0.0022	0.6867* 0.0000	-0.5020* 0.0000	0.6293* 0.0000	1.0000		
LTOWVOS (12)	0.2341* 0.0069	0.0792 0.3665	-0.0923 0.2923	0.0642 0.4648	0.1100 0.2092	0.2091 0.0161	0.2724* 0.0016	-0.2326* 0.0073	0.4493* 0.0000	0.2025 0.0199	-0.1006 0.2511	1.0000	
IVR (13)	-0.1722 0.0467	0.0006 0.9949	0.2981* 0.0005	0.2474* 0.0040	0.6857* 0.0000	0.6655* 0.0000	-0.1663 0.0549	-0.6443* 0.0000	-0.0200 0.8202	-0.7116* 0.0000	-0.7137* 0.0000	-0.0478 0.5861	1.0000

*Notes: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$.*

Table 6 provides the results of multivariate regressions for the NFR_D level dependent variable. The regression is using dummy variables to control for year fixed effects.

Table 6. Regression results

	NFR_D LEVEL
SIZE	.0292795 (3.73)***
PROFIT	.0006985 (0.51)
RISK	- .0005317 (-0.70)
PCS	.0092249 (1.90)*
LED	-.0000101 (-4.28) ***
LEGAL	-.3155629 (-1.89)*
PDI	- .0113664 (-3.10)***
IDV	.004872 (2.11)**
MAS	- .0066205 (-2.37)**
UAI	.007134 (2.31)**
LTOWVS	.0037488 (2.52)**
IVR	- .0060821 (-3.05)***
DUMMY_YEAR	YES
_cons	- .0723855 (-0.10)*
F-value	7.13***
R-sq	31.93%

*Notes: * p < 0.1; ** p < 0.05; *** p < 0.01.*

The findings exhibit a significant positive association between the NFR_D level and the variables IDV ($p < 0.05$), UAI ($p < 0.05$), LTOWS ($p < 0.05$), PCS ($p < 0.1$), SIZE ($p < 0.01$). They show a significant negative association between the NFR_D level and the variables PDI ($p < 0.01$), MAS ($p < 0.05$), IVR ($p < 0.01$), LED ($p < 0.01$), LEGAL ($p < 0.1$). No significant associations are found between the NFR_D level and PROFIT and RISK.

Compliant with most of the previous literature, banks that present a greater interest in disclosing standardized NFR_D, provided to adequate to the EUD, origin from countries with a high level of uncertainty avoidance, long-term orientation, that are more feministic-oriented, more democratic oriented. All of these dimensions define a society profile oriented to the transparency, to the accountability. The decision-making process in CSR practices of banks seems focused on to meet the stakeholders' expectations, particularly in a long-term perspective, as the CSR approach remarks that the stakeholders value creation is the way to guarantee their going concern and survival. Moreover, the banks that present a greater interest in disclosing standardized NFR_D, provided to adequate to the EUD, are located in countries characterized by low indulgence and high individualism. In other words, where relatively strong control exists (high restraint), banks have more incentives to engage in providing NFR_D. This is also supported by the positive association between IDV and NFR_D, as individualism is assumed as a mechanism of self-development through the increasing of the NFR_D (Gannon, 2002; Van der Laan Smith et al., 2005; Orij, 2010). The banks coming from countries with higher LED and with a LEGAL SYSTEM have not particular incentives to report more NFR_D to respond to an EU requirement, likely because their motivations depend on other factors. Finally, PCS represents an incentive in disclosing standardized NFR_D, probably because banks come from freedom-oriented countries are more sensitive to the ethical aspects.

Regarding the formulated hypothesis, the *H1* (PDI) is supported, consistently with the results of the previous literature (Orij, 2010; Garcia-Sanchez et al., 2016; Gallego-Álvarez & Ortas, 2017; Gallén & Peraita, 2018; Adnan et al., 2018; Vollero et al., 2020). The *H2* (IDV) is not supported. This result complies with one part of the literature (Orij, 2010; Adnan et al., 2018; Vollero et al., 2020), but it is in contrast with another part of the literature (Khlif et al., 2015; Garcia-Sanchez et al., 2016; Gallén & Peraita, 2018). The *H3* (MAS) is confirmed, and this finding is compliant with the previous literature (Williams, 1999; Orij, 2010; Khlif et al., 2015; Garcia-Sanchez et al., 2016; Gallego-Álvarez & Ortas, 2017; Gallén & Peraita, 2018; Sannino et al., 2020). The *H4* (UAI) is supported; this finding is in line with a part of the literature (Adelopo & Moure, 2010; Gallego-Álvarez & Ortas, 2017; Gallén & Peraita, 2018; Sannino et al., 2020). The *H5* (LTOWVS) is accepted. This result is in line with the findings of a part of the literature (Khlif et al., 2015; Halkos & Skouloudis, 2017; Sannino et al., 2020), but in contrast with another (Orij, 2010; Garcia-Sanchez et al., 2016; Gallén & Peraita, 2018). The *H6* (IVR) is confirmed. Previous literature demonstrates both a significant positive association with CSR disclosure (Halkos & Skouloudis, 2017; Gallén & Peraita, 2018) and negative (Gallego-Álvarez & Ortas, 2017). The *H7* (PCS) is not supported and not in line with Williams (1999). The *H8* (LEGAL) is not supported, and in contrast with the previous literature (Williams, 1999; Garcia-Sanchez et al., 2016; Adelopo & Moure, 2010) The *H9* (LED) is not supported and not in line with the previous studies (Williams, 1999; Garcia-Sanchez et al., 2016).

Concerning the control variables, the results are in line with the literature (Gamerschlag et al., 2011; Tagesson et al., 2009; Legendre & Coderre, 2013). The findings evidence that large banks are potentially more likely to provide a higher level of disclosure, probably due to the significant pressures of their stakeholders. Finally, about the annual effects, only dummies for the years 2016 and 2017 are positive and significant.

The overall findings support the conclusion that, regarding socio-cultural-economic institutional dimensions, banks operating in countries with similar systems, tend to adopt homogeneous behavior when providing CSR disclosure in their NFR commanded by the EU Directive. In the absence of a specific requirement about the extent and the type the non-financial information to report, the socio-cultural-economic institutional characteristics of the country-system affect the CSR reporting behavior. The country-systems are the expression of shared values, similar norms, and practices of institutions and management, where all the banks need to meet the stakeholders' expectations, which in turn are determined by a shared societal context. Thus, independently by a mandatory requirement, the different behavior to respond to the EUD depends on the socio-cultural-economic-institutional pressures that suffer in order to comply with stakeholders' expectancies.

5. CONCLUSION

The banking sector assumes a crucial role in economic development, generating a direct and indirect effect on society. This growing awareness of the relevance of the banks in the community implies the emerging of a significant focus on CSR practices in the international banking sector. The CSR disclosure practices (Stubbs, Higgins, & Milne, 2013) by banks in anchored to a set of non-financial information directed to increase their credibility in the environment in which they survive, guaranteeing the stakeholder engagement and CSR principles.

In the present study, employing the political economic theory, we analyzed the impact of Hofstede's cultural dimensions and socio-economic variables (political and civil system, legal system, and level of economic development) on the GRI-compliant CSR disclosure of European listed banks, required by the Directive 2014/95/EU, in the banking industry. Although the EUD requires to provide an NFR on the social and environmental issue, it does not indicate the framework to be compliant. There is a widespread attitude by banks to adopt the GRI framework (KPMG, 2017). Many studies on the topic use the GRI framework to quantify the level of CSR disclosure (Garcia-Sanchez et al., 2016; Gallego-Álvarez & Ortas, 2017; Gallén & Peraita, 2018; Sannino et al., 2020).

In this research, we defined the NFR disclosure index, compliant with the GRI framework and the EUD requirement, employing the Linking Table provides by the GRI in the official document *Linking the GRI Standards and the European Directive on non-financial and diversity disclosure* (GRI, 2017). This letter shows the GRI Standards and Disclosures that can be used to collate information and formulate responses, to each element of the European Directive (the GRI Standards referred to are the 2016 versions).

According to our work, the level of NFR_D of the European listed banks observed is affected by institutional and economic factors. Specifically, we found, in line with most of the previous studies, that banks that come from countries with a low degree of power distance, masculinity, and the high orientation to the uncertain avoidance and the indulgence provide a higher level of NFR_D, under the EUD. Moreover, our findings, in contrast with the results of previous studies, showed that banks that come from countries characterized by high degree individualism and high long term orientation tend to provide a more extensive CSR disclosure.

As shown in the previous section, these latest results are very controversial in the literature on the topic. Below we discuss just those uncompliant with the prevalent essay.

The individualism, according to Gannon's cultural metaphors (2002), indicates the degree to which the group influences the individual when making decisions. Referring to the metaphor of the Swedish Stuga or summer house Gannon (2002) describes the ideals of equality matching society and states that "individualism expressed through self-development" (p. 190) (Van der Laan Smith et al., 2005). Orij (2010), compliant with Van der Laan Smith et al. (2005), employed in its study a combination of Hofstede's variables: power distance and individualism-collectivism. He uses this combination of variables as a moderator mechanism in society, where the desire of a self-development (individualism) could compensate the degree to which there are wide disparities in power and prestige in a nation's culture (power distance) (Gannon, 2002; Van der Laan Smith et al., 2005; Orij, 2010). Under this view, our result might be interpreted as a mechanism of self-development through the increasing of the NFR_D. It is important to remark that our study is on the CSR disclosure by EUD so that it might be able to help the stakeholders to understand the individual behavior of banks in deciding the NFR_D level when an institutional requirement influences them.

The long-term orientation dimension refers to the fact that in both the short- and long-term horizons, companies want to preserve their good performances (Hussein, 1996). This implies that in the long-term orientation culture, managers need to establish good relationships with their stakeholders, including customers, employees, social and environmental organizations, and investors. Firms operating in high long-term orientation countries need to be in line with social and environmental norms to preserve their reputation among stakeholders and build long-term and strategic competitive advantages (Orij, 2010). Long-term-oriented cultures give more weight to the future effect of their decisions and prefer to make sacrifices now for the future (Khlif et al., 2015; Halkos & Skouloudis, 2017; Gallén & Peraita, 2018; Sannino et al., 2020). These assumptions should be fundamental in the CSR practices of banks analyzed, to the scope to create/preserve the value.

Moreover, our work found a negative impact of the variable LED and LEGAL on CSR disclosure, in contrast with the previous literature. Probably globalization is affecting socio-economic factors not only at the company level but at the country level as well. The banks coming from countries with higher GDP pro-capita have not particular incentives to provide more NFR_D to respond to an EU requirement, differently to the banks coming from countries with lower GDP pro-capita. Similarly, the legal system of a single country is not an incentive to increase the CSR disclosure. Then the positive relationship between PCS and the CSR disclosure might express a significant association with the ethical policies of banks come from freedom-oriented counties, which would result in more attention to CSR disclosure.

Finally, this stream of accounting research for the banking sector suggests that culture may play a critical role in determining management behavior concerning financial and non-financial reporting. Thus, our study may have implications for future research, managers, and policy-makers.

From a managerial standpoint, it is beneficial to develop and expand capabilities through learning the domestic and international elements that affect the CSR orientation in each country-market and to fully appreciate how people of different cultures interpret their banks' CSR actions. Managers need to consider the national cultures and the socio-economic orientation of countries concerning the level of CSR disclosed to achieve good financial performance (Njapha & Lekhanya, 2017).

Our findings can help, also, regulators and policy-makers who have to take into account cultural dimensions characteristics when adopting new legislation and making reforms dealing with social and environmental laws.

Finally, although every effort was made to be comprehensive in data collection, the principal limitation of this study is the size of the sample and the limited number of countries examined.

Despite these limitations, the straightforward yet insightful findings reported in this exploratory empirical work provide an overall image of the cultural and socio-economic variables that affect the NFR_D level of the European listed banks.

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