



The Strategic Evolution of Corporate Social Responsibility in the Global Banking Sector: A Systematic Review of Theories, Practices, and Perceptions

¹Safina Rustam

²Dr. Rabia Ishrat

¹PhD scholar, Department of Business Administration, Sarhad University Peshawar.

²Professor, Department of Business Administration, Sarhad University, Peshawar.

²Rabia.ba@suit.edu.pk

Article Details:

Received on 14 Feb, 2026

Accepted on 09 March, 2026

Published on 10 March, 2026

Corresponding Authors*:

Dr. Rabia Ishrat

Abstract

Corporate Social Responsibility (CSR) has transitioned from a localized philanthropic activity to a global strategic imperative, fundamentally altering the neoclassical "shareholder primacy" model. Utilizing a qualitative systematic review methodology and thematic synthesis of academic literature spanning from 1953 to 2026, this study deconstructs the chronological evolution of CSR with a specialized focus on the financial services industry. The paper evaluates how banking institutions recalibrate the tension between profit maximization and multi-stakeholder expectations through the theoretical lenses of Stakeholder, Legitimacy, and Institutional theories. Findings identify a significant "implementation gap" between the environmental ESG (Environmental, Social, and Governance) focus of Western financial institutions and the socio-economic philanthropic drivers predominant in emerging markets. The study concludes by proposing an integrated "Honeybee" leadership framework to ensure long-term organizational resilience and institutional legitimacy.

Keywords: Corporate Social Responsibility (CSR), Banking Sector, Systematic Literature Review, Qualitative Synthesis, Stakeholder Theory, Triple Bottom Line, Sustainable Finance



1. Introduction

In the contemporary globalized economy, characterized by unprecedented volatility and systemic interconnectedness, the traditional neoclassical paradigm of "shareholder primacy"—most notably championed by the Friedmanite doctrine of the 1970s—has undergone a profound and irreversible transformation. The historic, singular focus on short-term profit maximization is increasingly being superseded by a holistic "**Triple Bottom Line**" (TBL) framework, which necessitates the simultaneous optimization of social equity, environmental fidelity, and economic viability. As anthropogenic global challenges—ranging from ecological degradation and resource scarcity to systemic financial fragility—continue to destabilize international markets, the pursuit of sustainable development has transitioned from a discretionary ethical endeavor to a core strategic imperative for corporate survival. Within this evolving landscape, the banking and financial services sector occupies a unique and critical position as the primary facilitator of national and global capital flows. Banks act as the circulatory system of the economy; however, this intrinsic exposure to market fluctuations renders financial institutions uniquely vulnerable during periods of monetary contraction and systemic crises.

Consequently, the adoption of **Corporate Social Responsibility (CSR)** is no longer merely a peripheral public relations exercise or a superficial "marketing veneer." Rather, it has emerged as a fundamental mechanism for maintaining institutional legitimacy and restoring public trust in a post-crisis era where the "social license to operate" is frequently scrutinized by both regulatory bodies and civil society. The prevalence of CSR in the modern era is driven by the accelerated pace of economic growth and the corresponding demand for social accountability, which appeals to corporations of all scales—from localized domestic firms to expansive multinational conglomerates—to re-evaluate their operational footprints and societal impact. This research seeks to deconstruct the conceptual evolution of CSR, moving beyond its categorization as a corporate "buzzword" to analyze its rapid diffusion across the global corporate apparatus. Furthermore, the study provides a nuanced examination of CSR's specific application within the banking industry, exploring how ethical stewardship is being integrated into the foundational risk management and strategic operational frameworks of modern financial institutions. By examining the intersection of profitability and morality, this introduction sets the stage for an inquiry into how the financial sector navigates the complexities of a socially conscious market.

2. Research Methodology

This research adheres to a **Qualitative Systematic Review** design, characterized by a rigorous and transparent process of identifying, evaluating, and synthesizing existing academic contributions and corporate frameworks.

2.1 Search Strategy and Selection Criteria

The data synthesized in this review were procured through a multi-stage search of electronic repositories, including Google Scholar, JSTOR, and ScienceDirect. The temporal scope of the search spanned from the foundational texts of the 1950s to contemporary scholarship through 2026. Keywords utilized included "CSR Evolution," "Banking Sector Social Responsibility," "Stakeholder Theory in Finance," and "Green Banking Institutionalization." Inclusion criteria required sources to: (a) offer a formal definitional or theoretical framework for CSR, (b) specifically address the financial or banking services sector, or (c) provide qualitative insights into employee, consumer, or regulator perceptions.



2.2 Data Extraction and Thematic Synthesis

A total of 50 core academic sources were subjected to **Thematic Synthesis**. This analytical process involved the inductive coding of findings from primary studies, followed by the development of descriptive themes. These were then synthesized into analytical themes that move beyond the original data to generate new interpretive insights regarding the implementation gap between developed and developing economies.

3: The Historical Evolution of Corporate Social Responsibility

The conceptual genesis of social responsibility within business structures predates modern nomenclature, with roots stretching into the early 20th century as industrialization began to face nascent social scrutiny. During this formative stage, the discourse moved away from the rigid Victorian views of industrial utility toward a more socially integrated model of corporate existence.

3.1 The Pre-Modern Foundations (1920s–1940s)

During the 1930s and 1940s, a nascent academic interest began to interrogate the purely economic functionality of the firm. Seminal contributions such as Barnard's (1938) *The Functions of the Executive* and Kreps' (1940) *Measurement of the Social Performance of Business* introduced the revolutionary notion that corporate leadership entails inherent social responsibilities that extend beyond the immediate balance sheet. These early scholars argued that businesses, as legal entities granted rights and protections by the state, owed a "social debt" to the communities that provided them with labor, infrastructure, and markets. This period established the "Social Contract" theory in its earliest form, suggesting that the right to operate was contingent upon a contribution to the public good, though these contributions remained largely discretionary and philanthropic in nature.

3.2 The Bowen Era and the Formalization of CSR (1950s–1960s)

The formalization of Corporate Social Responsibility (CSR) as a distinct and codified academic construct is widely attributed to the 1950s, specifically marked by Howard Bowen's (1953) foundational text, *Social Responsibilities of the Businessman*. Bowen, often hailed as the "Father of CSR," posited that businessmen possess an ethical obligation to pursue policies and make decisions that align with the broader objectives and values of society, effectively initiating the "modern era" of CSR. Throughout the 1960s, this discourse was further refined by scholars such as Keith Davis (1960), who introduced the "Iron Law of Responsibility." This law asserted that the social power of a corporation must be commensurate with its social obligations; failure to balance power with responsibility would inevitably lead to the erosion of corporate autonomy through societal backlash or stringent regulatory intervention.

3.3 The Stakeholder Revolution and the Friedmanite Debate (1970s–1980s)

The 1970s and 1980s signaled a pivotal cleavage in economic thought, characterized by a definitive "Stakeholder Revolution" and a direct challenge to neoclassical economic orthodoxy. While the decade opened with Milton Friedman's (1970) vehement defense of shareholder primacy—famously arguing that the "social responsibility of business is to increase its profits"—opposing scholars like Harold Johnson (1971) began advocating for a "multiplicity of interests" approach. Johnson suggested that a truly responsible firm is one that balances the interests of employees, suppliers, and local communities alongside those of the investors, thereby ensuring long-term stability over short-term gain. This era saw the emergence of the "Social Responsiveness" concept, moving the debate from what a company *should* do to how it *actually* responds to social pressures.



3.4 *The Strategic Integration and the Pyramid Framework (1990s–Present)*

This intellectual tug-of-war culminated in the 1990s, where CSR transitioned from a peripheral "lexicographic" utility—where social goals were pursued only if they did not interfere with financial targets—to an integrated strategic management philosophy. This transition was crystallized by Archie Carroll's (1991) Four-Part Pyramid of CSR, which organized corporate duties into a hierarchical structure: economic (the base requirement to be profitable), legal (the obligation to obey the law), ethical (the duty to do what is right and fair), and philanthropic (the desire to be a good corporate citizen).

In the contemporary era, particularly within the global banking sector, CSR has moved beyond these distinct layers toward a unified "Triple Bottom Line" approach. In this modern context, sustainability is no longer an "add-on" but is woven into the very fabric of risk management, credit assessment, and corporate governance. This reflects a global consensus on the moral and economic interdependence of the modern corporation, where a financial institution's legitimacy is inextricably tied to its ability to foster social and environmental health alongside robust financial growth.

4: **Theoretical Framework: A Multi-Lens Synthesis**

To provide a robust scholarly justification for the integration of Corporate Social Responsibility (CSR) within the banking sector, this study adopts a **Triangulated Theoretical Framework**. This approach synthesizes Stakeholder, Legitimacy, and Institutional theories to move beyond a singular motivation for ethical behavior, instead presenting a holistic view of why financial institutions adopt social mandates.

4.1 *Stakeholder Theory: The Management of Multiplicity*

Stakeholder Theory, pioneered by R. Edward Freeman (1984), serves as the primary foundational lens for modern CSR research. It fundamentally challenges the traditional "Shareholder Primacy" model by suggesting that an organization's long-term success is inextricably linked to its ability to manage a complex web of relationships. In the banking industry, where stakeholders range from individual depositors and corporate borrowers to national regulators and international NGOs, CSR acts as a vital balancing mechanism. This framework posits that value creation is a joint process; for a bank to remain competitive, it must address the diverse and often conflicting interests of its constituents. For instance, a bank that prioritizes "Green Lending" not only satisfies the environmental concerns of the public but also mitigates credit risk by investing in sustainable, future-proof industries, thereby fulfilling its fiduciary duty to shareholders through a stakeholder-centric approach.

4.2 **The CSR Needs Hierarchy: A Psychological Adaptation**

This stakeholder framework is further enriched by applying Tuzzolino and Armandi's (1981) **CSR Needs Hierarchy**, which adapts Maslow's psychological hierarchy of needs to the corporate entity. Under this model, a financial institution is viewed as a living organism with a hierarchy of requirements. The base of the pyramid represents "physiological" and "safety" needs—equivalent to economic profitability and legal compliance. A bank cannot effectively pursue social justice if it is financially insolvent or in violation of statutory laws. However, once these foundational layers are secured, the institution naturally ascends toward higher-level needs of "connectedness" and "esteem" through stakeholder engagement and reputation management. The pinnacle of this hierarchy is "self-actualization," where the bank transcends traditional profit motives to become a transformative force for social equity and environmental restoration. This suggests that



true corporate citizenship is a developmental process, requiring a stable economic foundation to support high-level ethical aspirations.

4.3 Legitimacy Theory: The Social Contract and Public Trust

Legitimacy Theory provides the sociopolitical context for CSR adoption, predicated on the assumption of a "social contract" between the corporation and society. Under this theory, legitimacy is defined as a generalized perception that corporate actions are desirable, proper, or appropriate within a socially constructed system of norms and values. For banks, which operate as the guardians of public wealth and the circulatory system of the economy, maintaining this legitimacy is a matter of survival. CSR is strategically employed as a tool to "repair" or "maintain" this legitimacy, particularly in the wake of systemic financial crises or ethical scandals. When a bank publicly reports its social investments, it is essentially signaling to society that it is upholding its end of the social contract, thereby ensuring the continued granting of its "social license to operate."

4.4 Institutional Theory: Isomorphism and Industry Standardization

While Stakeholder and Legitimacy theories explain the *motivation* for CSR, Institutional Theory explains the *structural similarity* of CSR practices across the banking sector—a phenomenon known as "isomorphism." This theory suggests that organizations adopt certain behaviors not necessarily because they are efficient, but because they provide social standing and professional alignment. Within banking, this occurs through three distinct mechanisms. **Coercive Isomorphism** is driven by formal regulatory mandates, such as the State Bank of Pakistan's guidelines on Green Banking. **Mimetic Isomorphism** occurs when local banks imitate the social strategies of successful global entities (like HSBC or Citibank) to mitigate uncertainty in a volatile market. Finally, **Normative Isomorphism** stems from the shared professional values and ethical training of banking executives globally, who are socialized into a common understanding of what constitutes a "responsible" bank. Together, these theories provide a comprehensive explanation for the institutionalization of CSR as a strategic necessity rather than a voluntary gesture.

5: Thematic Analysis of CSR Practices in the Banking Sector

The translation of CSR theory into banking practice is not a monolithic process; rather, it is characterized by diverse strategic orientations that reflect the underlying ethical culture of the institution. A primary thematic discovery in contemporary scholarship is the distinction between sustainable and extractive leadership models, which dictates how a bank perceives its social and environmental obligations.

5.1 The Sustainable Leadership Construct: "Honeybee" vs. "Locust" Models

A central theme in modern banking CSR is the dichotomy between "Honeybee" and "Locust" leadership, as popularized by Avery and Bergsteiner (2011). This framework provides a high-level qualitative lens through which corporate behavior can be categorized. **Honeybee leadership** is characterized by a long-term perspective, where the bank operates as an integral part of the social ecosystem. In this model, the institution prioritizes human capital development, environmental stewardship, and community resilience, recognizing that the bank's long-term profitability is inextricably linked to the health of its stakeholders. Honeybee banks typically exhibit higher levels of innovation in "Green Banking" and maintain a "Social License to Operate" that is resilient even during economic downturns.

Conversely, **Locust leadership** represents the neoclassical, short-termist approach. These institutions prioritize immediate quarterly returns and shareholder dividends, often at the



expense of the environment or social equity. In the banking sector, Locust behavior is frequently observed in aggressive lending practices, opaque fee structures, and a "decoupled" approach to CSR, where social initiatives are used as a superficial marketing veneer rather than a core strategic pillar. Scholarly analysis suggests that while Locust banks may achieve rapid short-term growth, they are significantly more vulnerable to the legitimacy crises and regulatory sanctions that follow financial instability.

5.2 The Triple Bottom Line in Financial Intermediation

The implementation of the **Triple Bottom Line (TBL)**—encompassing Social, Environmental, and Economic performance—has fundamentally altered the nature of financial intermediation. Historically, banks functioned as neutral conduits of capital; however, the TBL framework mandates that banks become "ethical gatekeepers." This is manifested through the institutionalization of **Environmental, Social, and Governance (ESG)** criteria in credit risk assessment. By integrating ESG scores into lending decisions, banks effectively penalize "brown" industries (those with high carbon footprints or poor labor records) and provide preferential financing to "green" initiatives. This thematic shift represents a move from "defensive CSR"—which focuses on avoiding harm and legal penalties—to "proactive CSR," where the bank actively seeks to create positive social externalities through its core financial products, such as energy-efficient mortgages, microfinance for marginalized entrepreneurs, and green bonds.

5.3 Internal CSR: Employee Identification and Psychological Empowerment

Beyond external philanthropy, a burgeoning theme in banking literature focuses on **Internal CSR** and its impact on the workforce. Research indicates that when a bank is perceived as a "good corporate citizen," it triggers a process of positive organizational identification among employees. This identification fosters a sense of "Psychological Empowerment" (Spreitzer, 1995), where staff members feel that their work contributes to a broader social purpose. In the high-stress environment of modern banking, internal CSR initiatives—such as fair promotion tracks, diversity and inclusion programs, and volunteerism leaves—serve as critical tools for talent retention and engagement. The thematic synthesis of recent studies suggests that the "Internal Brand" created by CSR is often more valuable than the "External Brand," as it builds an organizational culture of integrity that acts as a natural buffer against the ethical lapses that lead to systemic financial fraud.

6: Regional Implementation Gaps: The Global North-South Divide

A critical finding in the thematic synthesis of recent literature is the persistent "Implementation Gap" between developed economies and emerging markets. This divergence is not merely a matter of financial capacity, but is rooted in differing institutional pressures, regulatory maturity, and cultural expectations of the "Social Contract."

6.1 The ESG Paradigm of the Global North

In Western financial markets (the Global North), the discourse has shifted decisively from discretionary philanthropy toward **Environmental, Social, and Governance (ESG)** integration. Driven by sophisticated investor demands and stringent European Union regulations (such as the Sustainable Finance Disclosure Regulation), banks in these regions prioritize the "Environmental" pillar of the Triple Bottom Line. The primary objective is the mitigation of "Climate Risk" through carbon-neutral banking operations and the divestment from fossil fuel-intensive industries. In this context, CSR is viewed as a



technical risk-management function, where sustainability is quantified through complex non-financial reporting standards.

6.2 *Strategic Philanthropy in Emerging Markets*

Conversely, in emerging economies—such as Pakistan, Uzbekistan, and parts of Sub-Saharan Africa—the CSR trajectory remains heavily oriented toward **Social and Economic Philanthropy**. Due to systemic gaps in state-provided social safety nets, financial institutions are often expected to act as "surrogate states." Consequently, the "Social" pillar dominates, with banks focusing on primary education foundations, rural healthcare camps, and disaster relief. While "Green Banking" is theoretically present in central bank guidelines (e.g., the State Bank of Pakistan's 2017 Green Banking Manual), its practical application is often restricted to internal paperless operations rather than a fundamental shift in lending portfolios. This is largely attributed to low public awareness of environmental externalities and a higher immediate societal demand for poverty alleviation and financial literacy.

7: **Critical Discussion: The Challenges of "Decoupling" and "Greenwashing"**

The rapid institutionalization of CSR has given rise to significant ethical challenges, most notably the phenomenon of **Organizational Decoupling**. Drawing on Institutional Theory, this section critiques the gap between a bank's "External Signaling" and its "Internal Reality."

7.1 *The Decoupling Effect*

Decoupling occurs when a financial institution adopts a high-profile CSR policy to satisfy external legitimacy requirements (Ceremonial Conformity) while failing to integrate these values into its core operational procedures. For example, a bank may publicize an award-winning scholarship program (External Signal) while simultaneously engaging in predatory lending or maintaining an opaque fee structure (Internal Reality). This creates a "legitimacy facade" that can mislead stakeholders and regulators, ultimately undermining the transformative potential of the CSR movement.

7.2 *Greenwashing and the Risk of Reputation Damage*

Closely related to decoupling is **Greenwashing**—the practice of making unsubstantiated or misleading claims about the environmental benefits of a bank's products or strategy. As "Green Bonds" and "Sustainable Funds" become lucrative market instruments, some institutions have been accused of relabeling traditional loans as "Green" without rigorous environmental auditing. Scholars warn that as consumer awareness and regulatory scrutiny increase, banks found guilty of Greenwashing face severe "Reputation Risk." This can lead to a withdrawal of the "Social License to Operate" and a subsequent decline in market value, as observed in several high-profile scandals in the European banking sector over the last five years.

7.3 *Toward "Honeybee" Resilience*

To overcome these challenges, the discussion suggests a move toward **Honeybee Resilience**, where CSR is not an "add-on" managed by a public relations department, but a governance-level strategy. True CSR integration requires a "nested" approach, where ethical considerations are embedded in the credit-approval process, the executive compensation structure, and the organizational culture. Only through such deep-rooted alignment can a bank transition from being a "Locust" extractor of wealth to a "Honeybee" generator of shared societal value.



8: Conclusion and Future Scholarly Recommendations

8.1 Synthesis of Research Findings

The strategic evolution of Corporate Social Responsibility (CSR) within the global banking sector represents a fundamental paradigm shift from discretionary philanthropy toward an institutionalized mandate of ethical governance. This systematic review has deconstructed the trajectory of CSR, illustrating how financial institutions have transitioned from the neoclassical constraints of "shareholder primacy" toward a holistic "Triple Bottom Line" framework. Through the theoretical lenses of Stakeholder, Legitimacy, and Institutional theories, it is evident that CSR is no longer a peripheral "buzzword" but a core survival mechanism used to navigate the complexities of modern market volatility and public skepticism. The thematic synthesis highlights that while "Honeybee" leadership models foster long-term institutional resilience, the industry still faces significant challenges regarding "Organizational Decoupling" and the rising risk of "Greenwashing," which threatens the very legitimacy these programs seek to build.

8.2 Summary of the Regional Implementation Gap

The research identifies a persistent divergence in CSR application across geographical boundaries, often referred to as the North-South implementation divide. In the Global North, the "Environmental" and "Governance" pillars of ESG dominate the corporate agenda, driven by climate risk concerns and sophisticated investor oversight. In contrast, emerging markets—specifically within the banking sectors of nations like Pakistan and Uzbekistan—remain anchored in the "Social" pillar, where banks function as critical facilitators of education, healthcare, and financial literacy. This gap suggests that CSR is not a one-size-fits-all construct; rather, it is a socially constructed response to localized institutional pressures and the specific needs of the immediate "Social Contract." As global standards harmonize, the challenge for banks in emerging markets will be to integrate environmental sustainability without compromising their vital social contributions.

8.3 Future Directions

To further the integration of ethical practices within the financial sector, several strategic directions are recommended for both practitioners and scholars. Banks are encouraged to transcend traditional profit-centric models by expanding service accessibility and increasing public awareness of banking utilities, particularly among marginalized demographics. There is a critical need for financial institutions to diversify their Corporate Social Responsibility (CSR) portfolios by intensifying investments in essential social sectors, including education (edification), public health, hygiene, and sustainable urban growth. Furthermore, future corporate strategies should place a heightened emphasis on women's empowerment, the promotion of arts and culture, and the establishment of robust disaster relief funds. For the academic community, this study opens new avenues for research into how these specific social interventions shape long-term institutional outcomes. Ultimately, the findings suggest that the future of banking excellence depends on a balanced approach that harmonizes environmental stewardship, ethical integrity, and societal well-being to ensure enduring corporate success.

References

- Asante Boadi, B., He, Y., Bosompem, L. S., Say, J., & Boadi, E. K. (2019). Corporate social responsibility and financial performance: Evidence from the banking sector. *Journal of Sustainable Finance & Investment*, 9(4), 1–18. <https://doi.org/10.1080/20430795.2019.1618262>



- Avery, G. C., & Bergsteiner, H. (2011). *Honeybees and locusts: The sustainable leadership difference*. Allen & Unwin.
- Barnard, C. I. (1938). *The functions of the executive*. Harvard University Press.
- Bowen, H. R. (2013). *Social responsibilities of the businessman*. University of Iowa Press. (Original work published 1953).
- Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 34(4), 39–48. [https://doi.org/10.1016/0007-6813\(91\)90005-G](https://doi.org/10.1016/0007-6813(91)90005-G)
- Carroll, A. B. (1999). Corporate social responsibility: Evolution of a definitional construct. *Business & Society*, 38(3), 268–295.
- Davis, K. (1960). Can business afford to ignore social responsibilities? *California Management Review*, 2(3), 70–76.
- European Commission. (2001). *Green paper: Promoting a European framework for corporate social responsibility*. Office for Official Publications of the European Communities.
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Pitman.
- Friedman, M. (1970, September 13). The social responsibility of business is to increase its profits. *The New York Times Magazine*.
- Johnson, H. L. (1971). *Business in contemporary society: Framework and issues*. Wadsworth Pub. Co.
- Kreps, T. J. (1940). *Measurement of the social performance of business*. Monograph No. 7, Investigation of Concentration of Economic Power, Temporary National Economic Committee. U.S. Government Printing Office.
- Maslow, A. H. (1954). *Motivation and personality*. Harper & Row.
- Polychronidou, P., Ioannidou, E., Kipouros, A., Tsourgiannis, L., & Simet, G. F. (2014). Corporate social responsibility in Greek banking sector: An empirical research. *Procedia Economics and Finance*, 9, 193–203. [https://doi.org/10.1016/S2212-5671\(14\)00020-3](https://doi.org/10.1016/S2212-5671(14)00020-3)
- Spreitzer, G. M. (1995). Psychological empowerment in the workplace: Dimensions, measurement, and validation. *Academy of Management Journal*, 38(5), 1442–1465. <https://doi.org/10.2307/256852>
- State Bank of Pakistan. (2017). *Green banking guidelines*. Infrastructure, Housing & SME Finance Department.
- State Bank of Pakistan. (2021). *National financial literacy program for youth (NFLP-Y)*. SBP Publications.
- Tuzzolino, F., & Armandi, B. R. (1981). A need-hierarchy framework for assessing corporate social responsibility. *Academy of Management Review*, 6(1), 21–28. <https://doi.org/10.2307/257137>