ESG Disclosures and Kuwait Banking Industry Performance

Yausef Alremaidhi

Corresponding Author Email: *Yoseif811@gmail.com*

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ABSTRACT

This research has developed a comprehensive literature review for the regarding the research topic. This literature review contained theoretical framework that included the underpinning theories and the related theories, as well as conceptual framework. This research has proposed a model to be tested in the study, the model contained one independent variables (ESG disclosures) and one dependent variable (Kuwait banking industry performance). One hypothesis was developed to analyse the proposed model.
The descriptive analytical approach was used in this study; it is one of the most used methods in the study of social and human phenomena, and because it fits the phenomenon under study. The data for this study was obtained from the annual reports of Kuwaiti banks, which are publicly available. The ESG disclosures can be extracted from the sustainability reports or other sections of the annual reports. The financial data can be obtained from the income statement, balance sheet, and cash flow statement of the banks..
SPSS has been used to conduct statistical analysis from the secondary data. Several tests have been conducted for the collected data. The main results found that there is a positive and significant relationship between ESG disclosures and Kuwait banking industry performance..
Ultimately, the relationship between ESG disclosures and Kuwait's banking industry performance may depend on a variety of factors, including the specific disclosures made by individual banks, the regulatory environment in Kuwait, and broader trends in the global financial industry. Therefore, further research and analysis would be needed to draw any definitive conclusions about this relationship.

1. Introduction

The Kuwait banking industry is an important sector of the country's economy. The industry is regulated by the Central Bank of Kuwait, which is responsible for overseeing the banking sector and ensuring its stability and soundness. The Kuwaiti banking industry consists of both domestic and international banks, with the largest domestic banks being National Bank of Kuwait, Kuwait Finance House, and Gulf Bank.The Kuwait banking industry provides a range of services to customers, including personal banking, corporate banking, investment banking, and Islamic banking. Islamic banking has become increasingly popular in Kuwait, with several banks offering Islamic financial products and services. In fact, Kuwait is one of the leading countries in the Islamic banking industry. The Kuwait banking industry has weathered economic challenges, including the impact of the COVID-19 pandemic, thanks to strong regulatory oversight, a stable political environment, and the strength of the country's oil reserves. However, the industry faces some challenges, including the need to improve operational efficiency, enhance digital capabilities, and address regulatory compliance requirements. Overall, the Kuwait banking industry plays a vital role in supporting the country's economic growth and development. With ongoing investment in technology and innovation, the industry is poised to continue to grow and evolve to meet the changing needs of customers and the broader economy.
ESG (Environmental, Social, and Governance) disclosures refer to the practice of companies and organizations sharing information about their performance and practices related to environmental sustainability, social responsibility, and corporate governance. ESG disclosures are becoming increasingly important as investors, customers, and other stakeholders are placing more emphasis on the social and environmental impact of the companies they invest in or buy from. ESG disclosures are often used as a tool for measuring a company's sustainability, as well as its overall performance in terms of social responsibility and ethical governance practices. Companies may voluntarily disclose ESG information in their annual reports, sustainability reports, or on their websites, or they may be required to disclose this information by regulators or stock exchanges. ESG disclosures can include information on a company's carbon footprint, diversity and inclusion policies, labor practices, executive compensation, and board composition, among other things.
ESG (Environmental, Social, and Governance) disclosures can have a significant impact on the performance of the banking industry. Here are some ways that ESG disclosures can influence banking industry performance. ESG disclosures can help banks identify and manage risks related to sustainability issues, such as climate change and social inequality. By disclosing information on their sustainability practices and performance, banks can provide stakeholders with greater transparency and assurance that they are managing these risks effectively. ESG disclosures can have a significant impact on a bank's reputation and brand, especially in the era of socially responsible investing. By demonstrating a commitment to sustainability and responsible business practices, banks can enhance their reputation and attract more customers, investors, and employees. ESG disclosures can also have an impact on a bank's financial performance. Research has shown that companies with strong ESG performance tend to have better financial performance over the long term. By disclosing information on their sustainability practices and performance, banks can build trust with investors and

stakeholders, which can lead to greater investment and more favorable lending terms. ESG disclosures can help banks comply with regulatory requirements related to sustainability issues. Many countries are introducing new regulations and reporting requirements related to ESG factors, and banks that fail to comply with these regulations could face financial penalties and reputational damage. ESG disclosures can encourage banks to innovate and pursue new growth opportunities related to sustainability. For example, banks can develop new financial products and services that align with sustainability goals, such as green bonds or impact investing products.

Overall, ESG disclosures can have a significant impact on the banking industry by promoting sustainability, enhancing reputation, improving financial performance, and supporting innovation and growth. As a result, ESG disclosures are becoming increasingly important for banks that want to succeed in the long term.

The aim of this study is to find out the impact of ESG disclosures on the banking industry performance in Kuwait. The remaining sections of this research are designed as follows: Section 2 defines the literature review towards the study variables; Section 3 focuses on illustrating the model used in the study as well as the hypothesis development; Section 4 shows the methodology used; Section 5 analysis the collected data; Section 6 discusses the findings and compare them with the findings of previous studies; and finally Section 7 represents conclusion which includes future research directions.

2. Literature Review

2.1 ESG Disclosures

ESG (Environmental, Social, and Governance) disclosures typically include a range of components that provide information on a company's sustainability practices and performance. Here are some common components of ESG disclosures:

Environmental: This component covers a company's impact on the environment, including its greenhouse gas emissions, energy consumption, water usage, waste management, and efforts to mitigate climate change. Social: This component covers a company's impact on society, including its policies on human rights, labor practices, diversity and inclusion, community engagement, and supply chain management. Governance: This component covers a company's governance structure and practices, including the composition of its board of directors, executive compensation, shareholder rights, and ethical standards. Metrics: ESG disclosures often include key performance indicators (KPIs) that measure a company's sustainability performance, such as carbon emissions per employee, water usage per unit of production, or employee turnover rates. Targets and goals: Many ESG disclosures include targets and goals that a company has set for improving its sustainability performance, such as reducing carbon emissions by a certain percentage or increasing the proportion of women in leadership positions. Reporting standards: ESG disclosures may reference reporting standards or frameworks that the company has used to guide its disclosures, such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), or Task Force on Climate-related Financial Disclosures (TCFD).

Overall, ESG disclosures should provide a comprehensive view of a company's sustainability practices, risks, and opportunities. The specific components of ESG disclosures can vary depending on the company, industry, and reporting standards used

ESG (Environmental, Social, and Governance) disclosures are important for several reasons, which are transparency and Accountability: ESG disclosures increase transparency, which is essential to hold companies accountable for their impact on the environment and society. Investors, stakeholders, and the public can use this information to evaluate a company's sustainability practices and make informed decisions. Risk Management: ESG factors can affect a company's long-term performance, and disclosure of these factors can help identify and manage potential risks. For example, companies that fail to address climate change risks could face regulatory action, reputational damage, and financial losses. Competitive Advantage: Companies that prioritize ESG issues can gain a competitive advantage by attracting customers, investors, and employees who value sustainable practices. ESG disclosure can help showcase a company's commitment to sustainability and differentiate it from competitors. Regulatory Compliance: ESG disclosure requirements are becoming more common around the world, and companies that fail to comply could face legal and financial penalties. ESG disclosures can also help companies stay ahead of regulatory changes and better understand their compliance obligations. Long-term Value Creation: ESG disclosures can help companies focus on long-term value creation rather than short-term profits. By disclosing ESG factors, companies can demonstrate their commitment to sustainable practices and build trust with investors and stakeholders, which can lead to long-term growth and profitability.

2.2 Banking Performance

Banking performance refers to how well a bank is doing in terms of its financial stability, profitability, efficiency, and customer satisfaction. Banks play a crucial role in the economy by mobilizing savings and allocating credit, and their performance is important for the overall health of the financial system.

The most commonly used indicators of banking performance include:

Financial ratios: These ratios provide insight into a bank's financial health, including its profitability, liquidity, and solvency. Examples include the return on assets (ROA), return on equity (ROE), net interest margin (NIM), and capital adequacy ratio (CAR).

Efficiency ratios: These ratios measure how well a bank is using its resources to generate revenue. Examples include the cost-to-income ratio (CIR) and the efficiency ratio.

Non-performing loan (NPL) ratio: This ratio measures the percentage of loans in a bank's portfolio that are not being repaid on time. A high NPL ratio can indicate poor credit quality and could be a sign of potential financial distress for the bank.

Customer satisfaction: This measures how satisfied customers are with the bank's products and services. Customer satisfaction can impact the bank's reputation and long-term success.

Overall, a bank's performance can be influenced by various internal and external factors, including macroeconomic conditions, regulatory changes, and competition. Therefore, it is important for banks to regularly assess their performance and adjust their strategies accordingly to remain competitive and financially stable.

Banking performance can be evaluated based on several dimensions, including:

Financial Performance: This dimension measures the bank's financial strength and profitability. It includes factors such as profitability ratios (e.g. return on assets and return on equity), asset quality (e.g. non-performing loan ratio), liquidity ratios, and capital adequacy ratios.

Operational Performance: This dimension assesses how efficiently a bank is operating. It includes factors such as cost-to-income ratio, efficiency ratio, and processing time for transactions.

Customer Performance: This dimension measures customer satisfaction with the bank's products and services. It includes factors such as customer satisfaction surveys, customer retention rate, and the number of new customers.

Market Performance: This dimension evaluates the bank's competitiveness and market share. It includes factors such as loan growth, deposit growth, and the bank's market position compared to its competitors.

Social Performance: This dimension assesses the bank's contribution to social and environmental issues. It includes factors such as the bank's adherence to ethical and social responsibility standards, support for community development initiatives, and sustainability practices.

Overall, evaluating banking performance along these dimensions provides a more comprehensive understanding of how well the bank is meeting the needs of its stakeholders, including shareholders, customers, employees, and the broader community. Banks that perform well across these dimensions tend to be more resilient, adaptable, and successful over the long term.

The factors that affect bank performance are extensively studied in the literature. The overview of prior research projects demonstrates that internal and external variables are typically used to express bank profitability. Internal determinants are those that are unique to each bank, whereas external variables include those that relate profitability to the industry's structure and to the macroeconomic climate, which has an impact on how well the banking system performs and operates. Following is a list of these studies—which is not all-inclusive—that have to do with measuring financial performance:

The performance of banks in 12 nations across Europe, North America, and Australia from 1972 to 1981 was analyzed by Bourke (1989). He discovered that size, liquidity, concentration, and inflation all had a favorable impact on the performance and profitability of banks. The research by Molyneux and Thornton (1992) replicates Bourke's methods (1989). Between 1986 and 1989, they researched the factors that affect banking performance in 18 different European nations. The outcomes supported Bourke's conclusions.

Pasiouras and Kosmidou (2007) looked at the profitability of 584 commercial domestic and international banks operating in the 15 European Union nations between 1995 and 2001 using return on average assets (ROAA) as a measure of bank performance. The findings demonstrate that the profitability of both local and foreign banks operating in the European Union is influenced by size, capital sufficiency, managerial effectiveness, financial market structure (concentration), and macroeconomic factors (inflation and the real gross domestic product [GDP] growth).

Additionally, a study by Athanasoglou et al. (2008) that covered the years 1985 to 2001 examined the impact of bank-specific, industry-specific, and macroeconomic factors on Greek banks' profitability. With the exception of bank size, the estimation findings showed that all bank-specific characteristics strongly impacted bank profitability. The findings revealed that there is little correlation between ownership and concentration and bank profitability.

For the years 1999 to 2009, Trujillo-Ponce (2013) examined the variables affecting the profitability of Spanish banks. First, the empirical findings show that commercial and savings banks behave differently. Second, the findings showed a

significant positive correlation between ROA and ROE and asset quality, capitalization, concentration, inflation, economic growth, and real interest rates. Finally, when it comes to the relationship between bank size and profitability, the findings revealed that there was little correlation between the two profitability measures and size.

Numerous academics have compiled studies on the effect of corporate governance on bank performance. In China, Liang and colleagues (2013) examined the effects of board characteristics on bank performance and asset quality. The proportion of independent directors and the number of board meetings, on the other hand, have a considerably favorable impact on both bank performance and asset quality. This was discovered using panel data of the 50 largest Chinese banks from 2003 to 2010.

De Andres and Vallelado (2008) examined 69 large commercial bank boards from 1995 to 2005 from Canada, France, the UK, Italy, Spain, and the US. They discovered that the number of board meetings and the percentage of outside directors have an inverted U-shaped relationship with bank performance.

The size of the board of directors and the percentage of non-executive directors, two of the most important corporate governance parameters, were evaluated by Staikouras and colleagues (2007) in connection to business performance using a sample of 58 major European banks from the years 2002 to 2004. The findings show that board size has a negative influence on bank profitability, whereas board composition, while beneficial in all models, has a generally negligible effect.

2.3 Related Theories

Environmental, social, and governance (ESG) disclosures are a way for companies to communicate to investors and stakeholders about their environmental, social, and governance practices and performance. There are several theories that underpin the importance of ESG disclosures, including:

Agency Theory: This theory suggests that companies have a responsibility to disclose information about their ESG practices and performance because they have a fiduciary duty to their investors. By disclosing this information, investors can better assess the risks and opportunities associated with a company's ESG practices, which in turn can affect their investment decisions.

Stakeholder Theory: This theory suggests that companies have a responsibility to disclose information about their ESG practices and performance because they have a responsibility to their stakeholders, including employees, customers, suppliers, and communities. By disclosing this information, companies can demonstrate their commitment to their stakeholders and build trust and credibility.

Legitimacy Theory: This theory suggests that companies have a responsibility to disclose information about their ESG practices and performance in order to maintain their social license to operate. By disclosing this information, companies can demonstrate their commitment to being a responsible and sustainable business, which in turn can enhance their reputation and legitimacy in the eyes of stakeholders.

Information Asymmetry Theory: This theory suggests that ESG disclosures can help to reduce information asymmetry between companies and investors, which can lead to more efficient capital markets. By providing more information about their ESG practices and performance, companies can reduce uncertainty and improve the accuracy of investors' assessments of the company's value.

Overall, ESG disclosures are important because they can provide valuable information to investors and stakeholders, which in turn can help to improve the sustainability and social responsibility of companies.

Banking performance theories are frameworks that help to explain how banks perform and how they can be evaluated. Some of the key theories of banking performance include:

Financial Intermediation Theory: This theory suggests that banks play a crucial role in the economy by serving as financial intermediaries between savers and borrowers. According to this theory, banks are able to generate profits by borrowing funds from depositors at a lower interest rate and lending them to borrowers at a higher interest rate. The difference between these rates is known as the bank's net interest margin, and it is a key measure of a bank's performance.

Market Power Theory: This theory suggests that banks with significant market power are able to generate higher profits than their competitors. According to this theory, banks with a dominant market position can charge higher fees and interest rates, and may also be able to take on riskier investments. However, this theory also suggests that excessive market power can lead to anti-competitive behavior and other negative outcomes.

Agency Theory: This theory suggests that banks have a duty to act in the best interests of their stakeholders, including shareholders, depositors, and borrowers. According to this theory, the performance of a bank can be evaluated based on its ability to generate profits while also fulfilling its obligations to its stakeholders.

Capital Structure Theory: This theory suggests that the way a bank finances its operations can have a significant impact on its performance. According to this theory, banks that rely heavily on debt financing may be more vulnerable to financial distress and may have higher levels of risk. In contrast, banks that rely more heavily on equity financing may be more stable and less risky.

Information Asymmetry Theory: This theory suggests that banks are able to generate profits by exploiting information asymmetry between borrowers and lenders. According to this theory, banks are able to use their expertise to evaluate the creditworthiness of borrowers and to structure loans in a way that minimizes risk. However, this theory also suggests that excessive information asymmetry can lead to market failures and other negative outcomes.

Overall, these theories provide valuable insights into the performance of banks and the factors that contribute to their success or failure. By understanding these theories, investors, regulators, and other stakeholders can better evaluate the performance of banks and make informed decisions about their investments and policies.

2.3 Conceptual Framework

Prior research has extensively discussed the broad difficulties of ESG reporting (Buallay, 2019b; Ching et al., 2017; Gallego-lvarez and Ortas, 2017; Hussain et al., 2018; Shad et al., 2019). According to stakeholder theories, ESG engagement provides a competitive advantage if long-term core strategies incorporate the interests of agents and the benefits of stakeholders, including employees, consumers, governments, and local communities (Khlif et al., 2015). The neoclassical theory of Friedman (2007) contends that there is a negative correlation between ESG practises and financial performance since they may raise costs, negatively impact corporate performance, and reduce the competitive advantage. In this regard, some academics assert that managers would not focus on maximising shareholder value if social and environmental goals were included. According to the neoclassical view, owners' and managers' ability to maximise profits and create value may be adversely impacted by the satisfaction of stakeholder groups other than shareholders (Galant and Cadez, 2017; Kusi et al., 2018).

Few studies have focused on ESG strategies in the banking and financial services sectors, despite the fact that the relationship between ESG policies and financial performance has been thoroughly examined from theoretical and empirical perspectives (Bătae et al., 2021; Branco and Rodrigues, 2008; Buallay, 2019a; El Khoury et al., 2021). Additionally, there is a dearth of studies on this subject that are exclusively focused on the Italian banking industry.

Studies on how ESG disclosure affects financial performance in the banking industry have produced contradictory results. Numerous studies have shown a favourable correlation between banks in industrialised and emerging nations (Akdogan et al., 2020; Buallay et al., 2021; Cornett et al., 2016; Oino, 2019; Shen et al., 2016; Wu and Shen, 2013) While other research (e.g., Matuszak and Róaska, 2017; Soana, 2011) have not shown a substantial link between ESG and financial performance for banks at the national level.

The requirement for additional steps to incorporate sustainability policies into banks' operational activity explains why there have been conflicting results (Buallay, 2019a). There is more to the cause-and-effect relationship between ESG dimensions and performance than meets the eye. The necessity for greater research into each component of the ESG strategy arises from the potential for strong correlations between the many ESG aspects and business financial success. To support our testing from the earlier studies, we disaggregate ESG pillars and investigate these linkages.

The acronym ESG is an abbreviation for the cumulative influence of environmental, social, and governance regulations, opportunities, and problems. ESG involvement is a complicated issue with many sides (Chouaibi and Affes, 2021; Nizam et al., 2019). A bank should be able to communicate with its clients and business partners about its environmental commitments, social responsibility programmes, and governance quality policies.

3. Research Model and Hypotheses

Banks are closely involved in environmental protection initiatives both within the company and towards their clients and business partners. Therefore, the adoption of an environmental strategy for internal usage as well as in favour of borrowers and other consumers could result from the establishment of an extensive environmental management system. As a result, a bank's commitment to the environment can be evaluated from three angles (Gangi et al., 2019; Jacobs et al., 2010; Laguir et al., 2018): funding environmentally sound projects, lowering the risk of lending money to unclean industries and making efficient use of resources within the bank. Therefore, a bank can demonstrate its commitment to environmental policies by integrating environmental considerations into lending policies and by providing "green" financial products and services (such as environmental advisory services, climate products, and socially responsible saving instruments) (Gangi et al., 2019; Scholtens, 2009).

To the extent that incremental environmental investments will continue to be advantageous, environmental initiatives (such as paper and water reduction policies and electricity savings plans) can positively improve the competitive

advantages of environmentally conscious banks (Finger et al., 2018; Miralles-Quirós et al., 2019). Proactive environmental management in particular can direct the creation of distinctive organisational capacities for environmental impact reduction as a source of competitive advantage.

To capitalise on the public need for corporate environmental awareness, a bank's reputation can be enhanced by announcing philanthropic programmes for environmental causes, green building certifications, and the achievement of ISO 14001 accreditation (Chang and Devine, 2019). When a bank engages in environmental preventative initiatives for either itself or its clients, the resource-based view contends that environmental improvements can result in higher profitability. The stakeholder theory holds that a bank must promote environmental principles throughout its value chain while also having obligations to a wide range of stakeholders, including customers, suppliers, the government, and staff. In this way, environmental philanthropy gains respect from all parties involved (Jacobs et al., 2010). Although research results are inconsistent across economic sectors, there appears to be a positive correlation between BP and the effectiveness of corporate environmental management. Environmental practises and BP has a beneficial link, under the resource-based and stakeholder perspectives (Albertini, 2013). Hence, this research hypotheses the following:

H1: There is a positive and significant relationship between ESG disclosures and Kuwait banking industry performance.

Fig. 1. Research conceptual model.

4. Methodology

This research seeks to understand the relationship between ESG disclosures and Kuwait banking industry performance. For that reason, this study has used the quantitative methodology. A possible quantitative methodology for examining the relationship between ESG disclosures and the performance of the Kuwait banking industry could involve the following steps:

Define the variables: The independent variable would be the level of ESG disclosures made by Kuwaiti banks, which can be measured using metrics such as the Global Reporting Initiative (GRI) standards, Carbon Disclosure Project (CDP), and Sustainability Accounting Standards Board (SASB) standards. The dependent variable would be the performance of the Kuwaiti banking industry, which can be measured using financial metrics such as return on assets (ROA), return on equity (ROE), and net income.

Collect data: The data for this study was obtained from the annual reports of Kuwaiti banks, which are publicly available. The ESG disclosures can be extracted from the sustainability reports or other sections of the annual reports. The financial data can be obtained from the income statement, balance sheet, and cash flow statement of the banks.

Conduct statistical analysis: The relationship between ESG disclosures and banking performance was examined using statistical tools such as correlation and regression analysis. Correlation analysis was used to determine whether there is a relationship between the level of ESG disclosures and banking performance. Regression analysis was used to identify the direction and strength of the relationship, as well as to control for other factors that may influence banking performance, such as market conditions and regulatory environment.

Interpret the results: The results of the statistical analysis were interpreted to determine whether there is a significant relationship between ESG disclosures and banking performance. The direction and strength of the relationship was also assessed. For example, if the analysis indicates a positive correlation between ESG disclosures and banking performance, this would suggest that banks that disclose more ESG information tend to have better financial performance.

Draw conclusions: Based on the results of the analysis, conclusions can be drawn regarding the relationship between ESG disclosures and banking performance in Kuwait. These conclusions can inform future research and provide guidance for policymakers and industry stakeholders. For example, if the analysis shows a positive relationship between ESG

disclosures and banking performance, this could encourage greater ESG reporting by Kuwaiti banks and potentially lead to improved sustainability practices and financial outcomes in the industry.

5. Data Analysis and Results

5.1 Normality Test

A normality test is a statistical procedure used to determine whether a data set is normally distributed or not. The normal distribution, also known as the Gaussian distribution or bell curve, is a symmetrical probability distribution that is commonly found in many natural and social phenomena.

There are several statistical tests that can be used to determine whether a data set follows a normal distribution. The used values for this test are the Skewness and Kurtosis statistics. If skewness is less than -1 or greater than 1, the distribution is highly skewed. If skewness is between -1 and -0.5 or between 0.5 and 1, the distribution is moderately skewed. If skewness is between -0.5 and 0.5, the distribution is approximately symmetric. According to table 1, the distribution is between -1.051 and -0.624, which means that the distribution is moderately skewed. All the data ranged between -3 and +3 as recommended by (Joe F Hair et al., 2012).

Table 1: Results of Skewness and Kurtosis for Normality Test

Constructs	Skewness	Kurtosis Statistic
ESG Disclosures	-.624	.559
Kuwait Banking Industry Performance	-1.051	2.075

5.2 Construct Reliability

Construct reliability refers to the degree to which a measurement instrument, such as a questionnaire or survey, produces consistent and reliable results. It is an important aspect of validity and is essential in ensuring that the instrument is measuring what it is intended to measure.

There are several methods for calculating construct reliability, but the most commonly used method is Cronbach's alpha. Cronbach's alpha is a measure of internal consistency, which is the extent to which the items in a scale or instrument are measuring the same construct. Cronbach's alpha ranges from 0 to 1, with higher values indicating greater reliability.

According to table 1, the variables' items have got very good results where the Cronbach's Alpha values were between 0.793 and 0.801, while the composite reliability values were between 0.865 and 0.944. These results mean that there is great internal consistency among the research variables' items.

Table 2: Construct Reliability

Constructs	Cronbach's alpha (> 0.7)	Composite Reliability (> 0.7)
ESG Disclosures	0.793	0.865
Kuwait Banking Industry Performance	0.801	0.944

5.3 Descriptive Analysis

Descriptive statistics is a set of statistical methods used to describe and summarize data in a meaningful way. It provides a way to organize, summarize, and present the data in a clear and understandable manner. Descriptive statistics can be used to analyze any type of data, such as numerical, categorical, or ordinal data.

Descriptive statistics can be presented using tables, charts, or graphs, depending on the type of data being analyzed. The choice of presentation method is based on the research question and the intended audience.

Descriptive statistics are commonly used in many fields, such as social sciences, healthcare, finance, and engineering. It helps to identify trends, patterns, and relationships in the data, and it can be used to draw meaningful conclusions and make informed decisions. Descriptive statistics is an important first step in data analysis and is often followed by inferential statistics to test hypotheses and make predictions.

According to table 3, the mean score for the variables ESG disclosures and Kuwait banking industry performance are 337.641 and 10301.809 respectively. These results reflects the role of ESG disclosures for increasing and influencing the Kuwait banking industry performance. Furthermore, the standard deviations for the variables ESG disclosures and Kuwait banking industry performance are 0.709847 and 129.84563.

Table 3: Descriptive Statistics for Study Variables

Constructs	N	Minimum	Maximum	Mean	Std. Deviation
ESGD	367	110.00	529.00	337.641	.709847
KBIP	367	9021.736	11298.90	10301.809	129.84563

Key: ESGD; ESG disclosures, KBIP; Kuwait banking industry performance

5.4 Correlation Test

Correlation tests are statistical tests used to determine whether there is a relationship or association between two variables. The most common correlation test is the Pearson correlation test, which measures the strength and direction of the linear relationship between two continuous variables.

To conduct a Pearson correlation test, the researcher needs to have paired observations of two continuous variables, and the researcher would calculate the correlation coefficient, which ranges from -1 to +1. A correlation coefficient of +1 indicates a perfect positive correlation (both variables move in the same direction), while a correlation coefficient of -1 indicates a perfect negative correlation (the variables move in opposite directions). A correlation coefficient of 0 indicates no correlation between the variables.. According to table 4, this test has come up with the following conclusion:

- There is a positive and significant relationship between ESG disclosures and Kuwait banking industry performance with r = 0.732 and significance level = 0.000.

Table 4: Correlations test for the dependent variable

Independent variables		**Kuwait Banking Industry Performance**
ESG Disclosures	Pearson Correlation Sig. (2-tailed)	**.732** **.000**

5.5 Regression Test

Regression tests are statistical tests used to examine the relationship between one or more independent variables and a dependent variable. The most common type of regression test is linear regression, which aims to model the relationship between the independent variables and the dependent variable using a linear equation.

In linear regression, the goal is to find the line of best fit that minimizes the sum of squared errors between the predicted values and the actual values of the dependent variable. This line of best fit is characterized by its slope (the change in the dependent variable for a unit change in the independent variable) and its intercept (the value of the dependent variable when the independent variable is zero).

The regression in table 5 showed that all variable (ESG disclosures) has a significant value less than 0.05, which was (0.000) which means that the Kuwait banking industry performance is influenced by ESG disclosures in the regression model.

Table 5: Regression test for the dependent variable

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.537	.232		-2.311	**.023**
business impact analysis	.218	.053	.241	4.113	**.000**

6. Discussion and implications

This part is going to discuss the obtained results and compare them according to the finding of the previous studies.

applied the correlation test and found that there is a positive and significant relationship between ESG disclosures and Kuwait's banking industry performance. This study also applied the regression test and found out that the Kuwait banking industry performance is influenced by ESG disclosures in the regression model.

These results came in the context of the results of previous studies, prior research has extensively discussed the broad difficulties of ESG reporting (Buallay, 2019b; Ching et al., 2017; Gallego-lvarez and Ortas, 2017; Hussain et al., 2018; Shad et al., 2019). According to stakeholder theories, ESG engagement provides a competitive advantage if long-term core strategies incorporate the interests of agents and the benefits of stakeholders, including employees, consumers, governments, and local communities (Khlif et al., 2015). The neoclassical theory of Friedman (2007) contends that there is a negative correlation between ESG practises and financial performance since they may raise costs, negatively impact corporate performance, and reduce the competitive advantage. In this regard, some academics assert that managers would not focus on maximising shareholder value if social and environmental goals were included. According to the neoclassical view, owners' and managers' ability to maximise profits and create value may be adversely impacted by the satisfaction of stakeholder groups other than shareholders (Galant and Cadez, 2017; Kusi et al., 2018).

Few studies have focused on ESG strategies in the banking and financial services sectors, despite the fact that the relationship between ESG policies and financial performance has been thoroughly examined from theoretical and empirical perspectives (Bătae et al., 2021; Branco and Rodrigues, 2008; Buallay, 2019a; El Khoury et al., 2021). Additionally, there is a dearth of studies on this subject that are exclusively focused on the Italian banking industry.

Studies on how ESG disclosure affects financial performance in the banking industry have produced contradictory results. Numerous studies have shown a favourable correlation between banks in industrialised and emerging nations (Akdogan et al., 2020; Buallay et al., 2021; Cornett et al., 2016; Oino, 2019; Shen et al., 2016; Wu and Shen, 2013) While other research (e.g., Matuszak and Róaska, 2017; Soana, 2011) have not shown a substantial link between ESG and financial performance for banks at the national level.

The requirement for additional steps to incorporate sustainability policies into banks' operational activity explains why there have been conflicting results (Buallay, 2019a). There is more to the cause-and-effect relationship between ESG dimensions and performance than meets the eye. The necessity for greater research into each component of the ESG strategy arises from the potential for strong correlations between the many ESG aspects and business financial success. To support our testing from the earlier studies, we disaggregate ESG pillars and investigate these linkages.

The acronym ESG is an abbreviation for the cumulative influence of environmental, social, and governance regulations, opportunities, and problems. ESG involvement is a complicated issue with many sides (Chouaibi and Affes, 2021; Nizam et al., 2019). A bank should be able to communicate with its clients and business partners about its environmental commitments, social responsibility programmes, and governance quality policies.

7. Conclusion

In general, ESG disclosures are becoming increasingly important for companies in all industries, as they can have an impact on factors such as public perception, investor confidence, and regulatory compliance.

In the banking industry, ESG disclosures can be particularly relevant because of the potential risks and opportunities associated with environmental, social, and governance factors. For example, a bank that discloses information about its

environmental impact may be more attractive to customers who value sustainability, while a bank that has strong governance practices may be more stable and less likely to experience regulatory or legal problems.

Ultimately, the relationship between ESG disclosures and Kuwait's banking industry performance may depend on a variety of factors, including the specific disclosures made by individual banks, the regulatory environment in Kuwait, and broader trends in the global financial industry. Therefore, further research and analysis would be needed to draw any definitive conclusions about this relationship.

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