

Within the Banks: The Determinants of ESG-Controversies. Evidence from Worldwide Banks

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Abstract

Scholars and practitioners recognize the sui generis relevance of reputation in the banking sector, due to the financial services' reliance on trust. Notwithstanding scandals in banks have fueled the debate on controversies, no contribution emerges looking at the extent to which internal environment influences the Environmental, Social, Governance - Controversies (ESG-C) performance. Provided by Refinitiv (Thomson Reuters), ESG-C score is ought to be investigated in terms of its potential determinants. Thus, by involving a sample of 141 heterogeneously geographically distributed banks drawn from the Bloomberg World Banks Index (BWBANK), the research produces a 2020-picture of the phenomenon, by implementing the valuable lenses of Stakeholder Theory joint by the Signalling Theory. Findings reveal a not-significant impact of the operational efficiency of banks on ESG-C score, whereas ESG-C is positively affected by banks' size in terms of number of employees, board gender diversity, asset quality, and stocks' valuation. By controlling for internal and external additional aspects, insights show their power and increase those obtained by descriptive statistics, especially in terms of the geographical distribution. The study enhance literature in ESG-C vein and provides implications and suggestions for both banks' managers and regulators mainly referring to the relevance of internal marketing, operational efficiency and gender board diversity whether addressing risk management.

Keywords: Scandals, ESG-Controversies score, Banks, Internal environment, Reputation.