The COVID-19 pandemic disclosure: A case of the banking sector in an African developing economy

Varaidzo Denhere
Dr., College of Business and Economics, University of Johannesburg, Johannesburg, South Africa

ARTICLE INFO

Article history:
Received 19 January 2022
Received in rev. form 09 March 2022
Accepted 18 March 2022

Keywords:
COVID-19 pandemic, Integrated reporting, Banking sector, Developing economy, South Africa.

JEL Classification:
M41

ABSTRACT

This research aims to explore the extent of COVID-19 reporting by the banking sector in a developing economy after the 2020 experience in the absence of known pandemic standards. The subject of this research is the 2021 top six banks from South Africa, a country classified as a developing economy. An unobtrusive research method was employed. Data were collected from the banks’ integrated reports for 2020/2021 depending on the banks’ financial year period. Document analysis was done and a technique of counting and recording the number of mentions for each COVID-19 content or capital category was employed. Findings indicated that Standard Bank, which was ranked top of the six, took the lead in the extent of COVID-19 reporting based on a recently suggested reporting framework that has not yet been contrasted by the rest of the researchers. A correlation analysis showed a significant positive relationship between the bank size and the extent of COVID-19 disclosure by the sampled banks. The study indicated that the top South African banks significantly reported on the COVID-19 pandemic despite the absence of guiding reporting standards. However, there is a need for another study to develop an index that will show different levels of disclosure extent.

© 2022 by the authors. Licensee SSBFNET, Istanbul, Turkey. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (http://creativecommons.org/licenses/by/4.0/).

Introduction

There are past global challenges that negatively impacted the economy with different magnitudes, and these ranged from world wars, pandemics to economic crises. Since the past two years, the world has been hit by the COVID-19 pandemic and it is still ongoing. According to Newman (2020), the World Health Organisation has defined the term pandemic as the global spread of a new disease. Pandemics have contributed to shaping human history when they strike. Examples of past pandemics include Spanish flu (1918), HIV (1981-present), severe acute respiratory syndrome (SARS) (2002), and H1N1 swine flu (2009-2010) among others (Newman, 2020). The COVID-19 pandemic first struck in China at the end of 2019 and beginning of 2020 in other parts of the world. The onset of the pandemic was followed by the introduction of economic lockdowns in different countries. These have broadened economic and social inequality, inordinately impacting those members of the society with limited access to capital, technology, healthcare and education (Investec integrated report, 2021). Furthermore, the Investec report posited that poor members of the society have been highly vulnerable to income disruption, suffered soaring mortality rates and have also been hesitant to take the vaccine.

Regarding the economic impact of the pandemic, the Absa Integrated Report (2020) indicated that globally the damage to the economy got to an extent that has never been witnessed even in the post-war era. Consequently, those charged with governance and management in different organisations world over were forced to make difficult operational, financial and strategic decisions (Mates & Irimus, 2020). The direct impact of lockdowns caused the decline of the global GDP by 3.5% in 2020 with the South African economy shrinking by approximately 7% in the same year (Absa Integrated Report, 2020). All the highlighted economic and social effect of the COVID-19 pandemic need to find their way into the integrated reports of companies for the benefit of stakeholders. Since the pandemic was a new experience, Mates and Irimus (2020) advocated for the need by companies to widen their reporting disclosures to satisfy the needs of the market and to uphold the legitimacy as well as the stakeholder theories.
With the dearth of literature on standards and guidelines, García-Sánchez, Raimo, Marrone and Vitolla (2020) suggested a rethinking on reporting practices considering the consequences of the COVID-19 pandemic on business operations and business models. Further, the pandemic has generated an expansive need for investors and stakeholders for information linked to impacts of the pandemic on business organisations (García-Sánchez et al., 2020). The Global Reporting Initiative (GRI) standards which are now considered as the de facto global standards for sustainability reporting (Hahn & Kuhnen, 2013) do not cover reporting parameters for the pandemic.

Banks by their nature of being central to all economies were also greatly affected and naturally stakeholders would be interested in knowing how the banks fared amidst the pandemic. In the absence of standards for integrated reporting on the pandemic, the researcher took interest in finding out whether top banks in developing economies disclosed the COVID-19 pandemic impact on their businesses and how they reacted to remain on top of the situation. Generally developing economies tend to trail behind developed economies in adopting best practices for example integrated reporting which currently has no binding standards (Hahn & Kuhnen, 2013; OECD, 2020). The OECD (2020) posited that the developing economies would be most affected by the COVID-19 pandemic to an extent of experiencing potentially extreme social, economic, as well as sustainable development consequences that might overturn gains of many years of development progress. This will hamper the progress of achieving the 2030 Agenda for Sustainable Development.

Consequently, this study sought to explore how banks in one of the developing economies in the Southern African region reported on the COVID-19 pandemic to uphold the stakeholder and legitimacy theories. The sampled banks are listed on the Johannesburg Stock Exchange (JSE) and commencing March 2010, these were required to embrace integrated reporting. The amount of information reported by a company in an integrated report on the company’s activities with regards to a sustainable issue shows how a firm creates value for all stakeholders and not necessarily shareholders (Freeman, 2018), a phenomenon which gives it the legitimacy to operate (de Pablos & Lytras, 2020).

The main research question is whether the top banks in South Africa disclosed the COVID-19 pandemic enough in their integrated reports to uphold both the legitimacy and stakeholder theories? The objectives of the study were to:

ii. identify the five most and five least disclosed content/capital elements by all the six banks; and
iii. establish if a relationship exists between the extent of COVID-19 pandemic disclosure and the size of the bank.

The significance of this study is to provide some insight on addressing some challenges surrounding obtaining adequate appropriate audit evidence required in formulating an independent opinion regarding acumen of management’s estimates and judgments during the pandemic (Arnold, 2020). Furthermore, the study will contribute towards the scarce literature on integrated reporting on pandemics. It might also inform further empirical research on the integrated reporting of pandemics for the future. The study might further contribute towards the formulation of binding international standards that guide the disclosure of pandemics.

**Literature review**

Literature review for this study covered integrated reporting, theoretical framework, and empirical framework.

**Integrated reporting**

The traditional business financial reporting model has been questioned by the accounting profession on the basis that it did not adequately meet the stakeholders’ needs for information to determine the value and performance of a company (Flower, 2015). In the same vein, society also interrogated the primary reason for a company’s existence because traditional financial reporting is narrow as it excludes other critical issues such as creating value as well as justice for people, communities and the environment (Gray, 2006). Consequently, a response to these concerns has been a transformation with an increase in voluntary reporting on beneficial information as well as corporate transparency and accountability (Dumay, Bernardi, Guthrie, & Demartini, 2016). The term integrated reporting was defined by International Integrated Reporting Council (IIRC) Integrated Report (2020) as a process grounded on integrated thinking that ensues in a periodic integrated report by a firm on value creation progressively and related communications concerning facets of value creation. The same IIRC (2020) also defines it as succinct communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, give rise to the creation of value in the short, medium and long term. These definitions embrace environmental, social and governance (ESG) aspects that users of the integrated reports would require to enable them to be fully informed about a company.

According to Lee and Yeo (2015), integrated reporting entails putting together financial and non-financial data in one document in an integrated way that increases the understanding of the firm by stakeholders. The integrated reporting framework does not stipulate how information should be disclosed; instead, it gives specific guidelines for quality reporting according to guiding principles and content elements (Mates & Irimus, 2020).

In addition to financial issues, integrated reports incorporate sustainability issues (ESG), which provide a company’s business strategic view, past performance and future expectations. Adams (2015) posited that the primary users of integrated reports are investors but other stakeholders benefiting from these reports include customers, policy makers, suppliers, employees, local
communities and regulators. Whilst some professional bodies such as the ACCA, CIMA and CPA in Australia were already producing integrated reports with the ACCA and CIMA announcing that they were going to include integrated reporting in their professional syllabi, the adoption remains optional to companies (Adams, 2015). To try and promote integrated reporting the Global Reporting Initiative (GRI), was instituted in Boston in 1997 after a public outcry over the environmental damage caused by the Exxon Valdez oil spill (GRI, 2021). The GRI is a non-governmental organisation, which has developed a common reporting framework called GRI Sustainability Reporting Guidelines with the aim to guide companies in their preparation of sustainability reports. The GRI has made strides in promoting integrated reporting by developing standards that guide the interested companies in practicing integrated reporting (Hahn & Kuhnen, 2013). The extent of integrated reporting depends on a company and how much the company is willing to appeal to the users of its report.

**Theoretical Framework**

Two theories that influenced this study are the legitimacy and the stakeholder theories and these are outlined below.

**The Legitimacy theory**

The legitimacy theory was defined by (Suchman, 1995, p. 574) as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”. Şchiopoiu and Popa (2013), conceived this theory as a system that supports and enables companies to implement and develop voluntary ESG disclosures so as to accomplish their social contract that enables them to recognise their objectives and survive in an unstable operating environment. This theoretical viewpoint predicts firms’ behaviour towards managing their key stakeholders’ perspectives through company disclosures. The legitimacy theory indicates that firms disclose ESG information to portray a socially responsible representation so that they can legitimise their behaviours to key stakeholders since it is founded on the proposition that there are social contracts that exist between business and society (Suchman, 1995). Further, the theory highlights that companies seek to perform within community acceptable limits and norms and avoid being penalised by the communities in which they operate.

Zyhnarska-Dworczak (2018) highlighted the importance of the legitimacy theory in explaining a company’s behaviour in developing and implementing social responsibility policies, and then communicating its results. According to Deephouse and Suchman (2008), the theory is based on the premises that there is a mutual relationship between a company and the community in which it operates. In this case a company influences the community, and the community also socially influences the company, and this explains why the company’s function is likened to some kind of social contract determined to obtain and maintain social acceptance.

In their review Şchiopoiu and Popa (2013) established that the legitimate theory indicates that a company’s survival depends on its legitimacy process. Mates and Irímus (2020) also posited that in recent years there has been a growing interest by investors in ESG investing and especially now with the COVID-19 crisis. According to Deegan (2019), a company that fails to comply with community expectations is not deemed legitimate and the community will impose sanctions such as restrictions on its operations, reduced demand for its goods and services among others. In addition to legitimacy being perceived as a resource on which a company depends on for its survival, it is also perceived as a resource that company management can strategically manipulate through numerous disclosure-related strategies (Deegan, 2019). Against this backdrop, the legitimacy theory therefore applies in this current study and therefore should be upheld by banks in their integrated reports on the COVID-19 pandemic to maintain their legitimacy with regards to creating value for their key stakeholders.

**Stakeholder theory**

Edward Freeman propounded the Stakeholder Theory in 1984 when he focused on organisational management and business ethics that speak to morals and values required in the management of organisations (Freeman, Harrison, Wicks, Parmar & de Colle, 2010). Stakeholders include individuals, groups and organizations among others, who are interested in the processes and outcomes of a business firm and upon whom the business firm relies on for the realisation of its goals (Harrison, Freeman & Sá de Abreu, 2015). Further, Freeman, Harrison and Wicks (2007) see the stakeholder theory as a view of capitalism emphasising the interconnection between a business firm and all who have a stake in it among them customers, suppliers, employees, investors, and communities. The theory posits that a business organisation should create value for every stakeholder (Harrison et al., 2015).

Harrison, et al. (2015) posited that this theory is very practical because all firms have to manage stakeholders in one way or another as they do business and that it is also efficient because those stakeholders that are handled well tend to respond to the business firm in kind. The application of this theory in the current study, is that banks are expected to handle their stakeholders well in order to enjoy the reciprocal treatment which will promote their business operations. It is the business firm’s fiduciary duty to create value for all stakeholders and this is critical for the survival and growth of businesses. One way of creating this value is to disclose all necessary information required by the stakeholders about the business. Hence banks had to report on COVID-19 pandemic since it had great impact on business operations.

**Empirical framework**

According to Mates and Irímus, (2020) many studies have proved the significance of integrated reporting but the Broadstock, Chanb, Cheng, and Wangh, (2020) study specifically examined the role of ESG performance during market-wide financial crisis brought
about by the worldwide pandemic. The study employed a new dataset from CS1300 China’s constituents and established that high-ESG portfolios tend to outperform low-ESG portfolios. Further, it also established that ESG performance alleviates financial risk in the course of financial crisis and the role of ESG performance is reduced during normal times, attesting its increased significance during a crisis.

Another study in this space was conducted by Lopatta, Alexander, Gastone and Tammen (2020) in which they found out that companies that take the lead in detecting risk early by reporting on the COVID-19 pandemic in early published annual reports tend to encounter a decline in stock risk following the publication of the annual report among other findings. This just shows the importance of integrated reporting on the pandemic and the consequences of delayed or failure to report on this issue. Mates and Irimus (2020) argued that stakeholders need to see firms compiling COVID-19 pandemic information into their integrated annual reports so as to make a well-funded investing decision.

Whilst there has been many studies on proving the significance of integrated reporting, there is scarcity of literature on disclosure of the COVID-19 pandemic in integrated reports. This research has identified two studies conducted on integrated reporting by companies on the COVID-19 pandemic with regards to the information that should be incorporated in the integrated report among others. One study was conducted by Mates and Irimus (2020) and another by García-Sánchez et al. (2020). Mates and Irimus (2020) study aimed at highlighting the importance of integrated reporting and environmental, social and governance (ESG) disclosures in times of crises and also studying the amount of information regarding the changes that companies would have instituted to their business model as a way of adapting to the Covid-19 pandemic or the impact the pandemic has had on them through their integrated reports. The study found out that most of the companies made the following disclosures regarding the pandemic: COVID-19 pandemic as a risk factor that would change the well-being of the company; a small paragraph on COVID-19 risks in the risk management section of the report; more than 100 COVID-19 mentions throughout their reports which was considered as significantly higher; adding specific information to their business models and how they plan to contribute to the well-being of the society through their businesses; charitable donations to hospitals and research for COVID-19; employees well-being during the pandemic crisis; having instituted a work from home programme as well as measures taken for social distancing at the workplace; not having made any redundancies and paying salaries on time; and not having changed their dividend policy in times of pandemic. Evidenced by its findings above, the study by Mates and Irimus (2020) simply identified areas which were disclosed by some companies but did not develop a framework or guidelines on what information to disclose in the integrated report.

A study by García-Sánchez et al. (2020) developed a COVID-19 pandemic reporting framework which has not yet been contrasted by the rest of the researchers. The study established new information that firms should include in their integrated reports to meet the needs of the market. This was achieved by employing a two-step methodology. The initial step engaged various newspapers, scientific journals in the medicine and pharmacology, specialized websites as well as interviewing several professional investors to identify outcomes of the COVID-19 pandemic on worldwide economies and business activities as well as those of the new information needs by investors considering the proliferation of the pandemic. Professional investors were made to indicate their information needs with regards to their investment decisions in view of the COVID-19 pandemic effects. This analysis provided the researchers a better understanding of the changes instituted within the firms and elucidate on the new information needs that had to do with the pandemic.

The second step involved a comprehensive analysis of the Integrated Reporting (IR) framework that was produced by the IIRC in 2013 and various integrated reports with reference to the guiding principles, content elements, and capitals to point out the guidelines and information demands of the IR framework. The analysis was achieved by examining many integrated reports from various organizations among them healthcare establishments and organisations providing risk-related information in view of the salient effect of the pandemic on this kind of information. The methodology enabled researchers to classify the new information in light of the COVID-19 pandemic in the distinct sections and frames of reference anticipated by the IR framework in line with the guiding principles and to initiate a re-address of the framework around the pandemic.

An analysis of the IR framework by García-Sánchez et al. (2020) provided some guiding principles which are the foundation enabling the framework to adjust to the particularities of the circumstances and the abnormalities that characterise the pandemic. The guiding principles are outlined as: Strategic focus and future orientation; Connectivity of information; Stakeholder relationships, and Materiality. These principles guided in the rethinking of the content elements that should be included for disclosure in the integrated reports for the pandemic. The following eight categories of content elements introduced by the IR framework are a representation of the first analysis perspective in the García-Sánchez et al. (2020) study: organizational overview and external environment; governance; business model; risk and opportunities; strategy and resource allocation; performance; outlook; and basis of preparation and presentation. These emerged from the analysed integrated reports and interviews that were conducted with professional investors and each of these has sub-content material showing the items under each content material category (García-Sánchez et al., 2020, p.6).

The second analysis by García-Sánchez et al. (2020) established rudimentary disclosure elements instituted by the IR framework on capitals and these can issue a more efficacious depiction of content elements for integrated reports on COVID-19 pandemic. According to the study by García-Sánchez et al. (2020), the pandemic has consequences on both capital intended as inputs and on capital recognised as outcomes. The following six capitals were identified: financial capital; manufactured capital; intellectual capital; human capital; natural capital; and social and relationship capital. Each of these also had inputs and outcome elements showing the items under each capital category (García-Sánchez et al., 2020, p. 8). These emerged from the interviews with
professional investors. They were also identified as an effective solution in contributing an absolute and straightforward rundown of the effects of COVID-19 on managing of business.

The current study checked for the above reporting requirements in the integrated reports of the 2021 top six South African banks to determine the extent of COVID-19 pandemic reporting for the year 2020.

Research and Methodology

This is a mixed methods research study which employed the desktop research approach and both the qualitative and quantitative content analysis to explore the extent of the COVID-19 pandemic disclosure by the 2021 six biggest South African Banks after the 2020 experience. According to ADV Ratings (2021), there were 17 local banks in South Africa but one of them was under liquidation. Therefore, the population was 16 banks and from these the top 6 which translated into 37.5% of the population were sampled. According to Miklosik, Evans, Hasprova, and Lipianska (2019), qualitative content analysis centres on interpreting and understanding while quantitative content analysis centres on counting and measuring. Therefore, this study analysed the content in the banks integrated reports (qualitative analysis) and then counted the number of mentions of the disclosure elements (quantitative analysis). A correlation analysis was also conducted to test the strength of a linear relationship between the two variables, the extent of COVID-19 disclosure and the size of the banks.

This study focused on disclosure of the COVID-19 crisis in the banking sector for a developing economy hence a purposive sample of the 2021 biggest banks in South Africa was employed. The South African biggest banks of 2021 were identified from the Banker ranking of the biggest 1000 banks in the world as measured by their level of tier 1 capital (Staff Writer, 2021). Six South African banks made it into this list in 2021 and these banks were then purposively chosen to become the study sample. Etikan, Musa, and Alkassim (2016) defined purposive sampling as choosing a participant deliberately because of the qualities they possess in a nonrandom technique without underlying theories or a set number of participants (Etikan, Musa, & Alkassim, 2016). Further, it is commonly employed in qualitative research to recognise and choose the information-rich cases for the most convenient application of resources that are available (Etikan et al., 2016; Patton, 2002). In this case the six banks possessed the quality of being ranked as the biggest 2021 South African banks. These banks according to the Staff Writer (2021) are also part of the world’s largest banks that have defied the pressures from the COVID-19 pandemic and contributed to the collective Tier 1 capital. The six banks are shown on Table 1 in their world ranking according to the Banker’s ranking.

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>2020 Tier 1 Capital US$ (million)</th>
<th>2021 Tier 1 Capital US$ (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Bank</td>
<td>10 547</td>
<td>11 160</td>
</tr>
<tr>
<td>FirstRand</td>
<td>9 163</td>
<td>7 746</td>
</tr>
<tr>
<td>Absa</td>
<td>7 773</td>
<td>7 611</td>
</tr>
<tr>
<td>Nedbank</td>
<td>5 713</td>
<td>5 567</td>
</tr>
<tr>
<td>Investec</td>
<td>2 167</td>
<td>3 050</td>
</tr>
<tr>
<td>Capitec</td>
<td>–</td>
<td>1 899</td>
</tr>
</tbody>
</table>

Source: Adopted from BussinessTech (2021)

Unobtrusive research technique was employed to collect data because this allowed the researcher to collect data from public documents without interfering with the sampled banks (Babbie, 2001; Auriacombe, 2016). Therefore, data was collected from each of the sampled bank’s 2020 or 2021 annual integrated reports depending on the bank’s financial year period. The researcher believed that it was in these financial reports that the banks first reported the COVID-19 issues since the pandemic started almost at the beginning of 2020.

Document analysis was done on the integrated annual reports. According to Frey (2018), qualitative document analysis involves analysing documentary evidence and answer specific research questions, and interpretation of the data in order to get meaning and empirical knowledge of the construct that is being studied. For Investec Bank the 2021 Integrated Report Volume 1 (ESG) report was used because it covered period 1 April 2020 to 31 March 2021 the period which COVID-19 struck in South Africa. The same applied for Capitec Bank. The 2021 Integrated Report was used because it covered period 1 March 2020 to 28 February 2021 for the bank’s operational and financial performance. For the rest of the banks 2020 integrated reports were used.

From each of the six banks’ reports, all the information about disclosures on the COVID-19 pandemic was abstracted and analysed to determine the content or capital to which it belonged based on the García-Sánchez et al., (2020) proposed COVID-19 pandemic reporting framework. The current study employed a technique of counting and recording the number of mentions for each content or capital category to determine the extent of disclosure and the most disclosed content/capital. The technique of counting mentions was also employed by Miklosik and Evans (2021) in a study where they explored how some mining companies that were listed on the Australian Stock Exchange (ASX) incorporated topics that are related to the environment and its protection in their integrated reports. Correlation analysis was also conducted to determine whether the extent of disclosure had a linear relationship with the bank’s size, checking if the extent of COVID-19 pandemic disclosure increased with the increase in bank size.
**Findings**

Table 2 shows information on the 14 content/capital elements from the García-Sánchez et al. (2020) proposed framework and the number of mentions for each for the top six South African banks. It has emerged that all the six banks reported on all except one, the natural capital, out of the 14 content/capital elements. The natural capital focuses on disposal of individual protection devices used to face the pandemic, consequences of the pandemic on water and energy consumption, and consequences of the pandemic on detrimental emissions and noise. The results also show that Standard bank reported most on the 13 content/capital elements on COVID-19 pandemic with 124 mentions, FirstRand and Capitec both had 81 mentions, Absa had 73 mentions, Nedbank had 52 mentions, and Investec had 47 mentions.

This study also identified the top three reported COVID-19 pandemic content/capital elements by each of the six banks. Results from Table 2 also indicate that the most reported element by Standard bank was Social and relationship capital with 16.9%, followed by both Human capital and Business model with 14.5%, and Strategy and resource allocation with 10.5%. FirstRand reported most on Social and relationship capital with 22.2%, followed by Manufactured capital with 12.3%, then both financial capital and Business model with 11.1%. Absa reported most on Social and relationship capital with 16.4%, followed by Human capital and Business Model both with 13.7%, then Strategy and resource allocation with 11.0%. Nedbank reported most on Social and relationship capital with 19.2%, followed by Human capital with 17.3%, then both Outlook and Business model with 11.5%. Investec also reported most on Social and relationship capital with 21.0%, followed by Social and relationship capital with 19.8%, then both Human capital and Risk and opportunities with 11.1%.

The first top 5 banks, Standard bank, FirstRand, Absa, Nedbank and Investec all reported most on Social and relationship with the sixth bank, Investec reporting most on Business model. The results show that there was no uniformity or pattern in terms of COVID-19 pandemic element coverage in the banks integrated reports. Each bank covered what they felt like covering and the extent for each element coverage varied from one bank to another. This shows that the extent of integrated reporting depends on the bank and how much they are willing to appeal to the users of their report. Of interest is that all the six banks covered the majority of content/capital content in their integrated reports as suggested by the García-Sánchez et al. (2020) COVID-19 reporting framework.
Table 2: Extent of COVID-19 pandemic report by six top 2021 South African Banks

<table>
<thead>
<tr>
<th>Content/ Capital element</th>
<th>Standard bank</th>
<th>FirstRand</th>
<th>Absa</th>
<th>Nedbank</th>
<th>Investec</th>
<th>Capitec</th>
<th>Total Mentions</th>
<th>Total Mentions of content/Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
</tr>
<tr>
<td>Organisational overview and external environment</td>
<td>7</td>
<td>5.6</td>
<td>6</td>
<td>7.4</td>
<td>6</td>
<td>8.2</td>
<td>4</td>
<td>7.7</td>
</tr>
<tr>
<td>Governance</td>
<td>2</td>
<td>1.6</td>
<td>2</td>
<td>2.5</td>
<td>2</td>
<td>2.7</td>
<td>2</td>
<td>3.8</td>
</tr>
<tr>
<td>Business model</td>
<td>18</td>
<td>14.5</td>
<td>9</td>
<td>11.1</td>
<td>10</td>
<td>13.7</td>
<td>6</td>
<td>11.5</td>
</tr>
<tr>
<td>Risk and opportunities</td>
<td>8</td>
<td>6.5</td>
<td>4</td>
<td>4.9</td>
<td>3</td>
<td>4.1</td>
<td>2</td>
<td>3.8</td>
</tr>
<tr>
<td>Strategy and resource allocation</td>
<td>13</td>
<td>10.5</td>
<td>8</td>
<td>9.9</td>
<td>8</td>
<td>11.0</td>
<td>4</td>
<td>7.7</td>
</tr>
<tr>
<td>Performance</td>
<td>3</td>
<td>2.4</td>
<td>2</td>
<td>2.5</td>
<td>3</td>
<td>4.1</td>
<td>1</td>
<td>1.9</td>
</tr>
<tr>
<td>Outlook</td>
<td>7</td>
<td>5.6</td>
<td>4</td>
<td>4.9</td>
<td>6</td>
<td>8.2</td>
<td>6</td>
<td>11.5</td>
</tr>
<tr>
<td>Basis of preparation and presentation</td>
<td>1</td>
<td>0.8</td>
<td>1</td>
<td>1.2</td>
<td>1</td>
<td>1.4</td>
<td>1</td>
<td>1.9</td>
</tr>
<tr>
<td>Financial capital</td>
<td>9</td>
<td>7.3</td>
<td>9</td>
<td>11.1</td>
<td>4</td>
<td>5.5</td>
<td>1</td>
<td>1.9</td>
</tr>
<tr>
<td>Manufactured capital</td>
<td>11</td>
<td>8.9</td>
<td>10</td>
<td>12.3</td>
<td>6</td>
<td>8.2</td>
<td>5</td>
<td>9.6</td>
</tr>
<tr>
<td>Intellectual capital</td>
<td>6</td>
<td>4.8</td>
<td>1</td>
<td>1.2</td>
<td>2</td>
<td>2.7</td>
<td>1</td>
<td>1.9</td>
</tr>
<tr>
<td>Human capital</td>
<td>18</td>
<td>14.5</td>
<td>7</td>
<td>8.6</td>
<td>10</td>
<td>13.7</td>
<td>9</td>
<td>17.3</td>
</tr>
<tr>
<td>Natural capital</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Social and relationship capital</td>
<td>21</td>
<td>16.9</td>
<td>18</td>
<td>22.2</td>
<td>12</td>
<td>16.4</td>
<td>10</td>
<td>19.2</td>
</tr>
<tr>
<td>Total</td>
<td>124</td>
<td>100</td>
<td>81</td>
<td>100</td>
<td>73</td>
<td>100</td>
<td>52</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 3: Ranking of the reported content/capital

<table>
<thead>
<tr>
<th>Ranking No.</th>
<th>Content/Capital</th>
<th>Total % mentions by the six banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Social and relationship capital</td>
<td>19.0</td>
</tr>
<tr>
<td>2</td>
<td>Business model</td>
<td>14.0</td>
</tr>
<tr>
<td>3</td>
<td>Human capital</td>
<td>13.5</td>
</tr>
<tr>
<td>4</td>
<td>Manufactured capital</td>
<td>10.0</td>
</tr>
<tr>
<td>5</td>
<td>Strategy and resource allocation</td>
<td>9.8</td>
</tr>
<tr>
<td>6</td>
<td>Organisational overview and external environment</td>
<td>6.1</td>
</tr>
<tr>
<td>7</td>
<td>Risk and opportunities</td>
<td>5.9</td>
</tr>
<tr>
<td>8</td>
<td>Financial capital</td>
<td>5.9</td>
</tr>
<tr>
<td>9</td>
<td>Outlook</td>
<td>5.7</td>
</tr>
<tr>
<td>10</td>
<td>Performance</td>
<td>3.5</td>
</tr>
<tr>
<td>11</td>
<td>Intellectual capital</td>
<td>2.8</td>
</tr>
<tr>
<td>12</td>
<td>Governance</td>
<td>2.4</td>
</tr>
<tr>
<td>13</td>
<td>Basis of preparation and presentation</td>
<td>1.3</td>
</tr>
<tr>
<td>14</td>
<td>Natural capital</td>
<td>0.0</td>
</tr>
<tr>
<td>Total %</td>
<td></td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 3 shows total mentions for each content element for all the six banks and percentages of total mentions of all the 14 COVID-19 pandemic elements from all the six integrated reports. This is the ranking of the reported content/capital by all the six banks. It emerged that the top five most reported elements reported on by all the six banks were Social and relationship capital with 19.0%, Business model with 14.0%, Human capital with 13.5%, Manufactured capital with 10.0%, and Strategy and resource allocation with 9.8%. The least five reported elements were Performance 3.5%, Intellectual capital 2.8%, Governance 2.4%, Basis of preparation and presentation 1.3%, and Natural capital 0.0%. These statistics show the areas that were mostly prioritised by the banks as they were considering reporting on the pandemic to their stakeholders.

Correlation analysis

Bhandari (2021) defines correlation analysis as a statistical analysis used to investigate the relationships between variables without the researcher controlling any of them. The analysis involves the calculation of the level of change in one variable as a result of change of the other variable. To sum it up, correlation is a bivariate analysis that measures the robustness of interrelation between two variables and the direction of the relationship. To determine the strength of the relationship, either a positive or negative value between +1 and -1 is assigned. According to Schober, Boer and Schwarte (2018), +1 shows that both variables change in the same direction. For example using the two variables in this study, a correlation of +1 would mean that as the size of the bank increases, the COVID-19 disclosure extent also increases. -1 shows that the variables change in an opposite direction. Again as an example in this study, a correlation of -1 would mean that as the bank size increases, the COVID-19 disclosure extent decreases. 0 shows no relationship between the variables.

The formula for calculating Correlation Spearman is as follows:

\[
 r = \frac{n(\Sigma xy) - (\Sigma x)(\Sigma y)}{\sqrt{[n(\Sigma x^2 - (\Sigma x)^2)] [n(\Sigma y^2 - (\Sigma y)^2)]}}
\]

Where \(x\) is the independent variable (size of the bank); and \(y\) is the dependent variable (extent of COVID-19 disclosure).

The values shown on Table 4 below for \(x\) were extracted from the 2021 Tier 1 Capital on Table 1 for each of the six banks as given by the BussinesTech (2021). The values of \(y\) were extracted from the total number of counts for COVID-19 disclosure as shown on Table 2 above.

Table 4: Values of the two variables used to calculate the correlation

<table>
<thead>
<tr>
<th></th>
<th>(x)</th>
<th>(x^2)</th>
<th>(y)</th>
<th>(y^2)</th>
<th>(xy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>160</td>
<td>124</td>
<td>15 376</td>
<td>1 383 840</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>746</td>
<td>81</td>
<td>6 561</td>
<td>627 426</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>611</td>
<td>73</td>
<td>5 329</td>
<td>555 603</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>567</td>
<td>52</td>
<td>2 704</td>
<td>289 484</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>500</td>
<td>47</td>
<td>2 209</td>
<td>143 350</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>899</td>
<td>81</td>
<td>6 561</td>
<td>153 819</td>
<td></td>
</tr>
<tr>
<td>(\Sigma) = 37 033</td>
<td>(\Sigma = 286 373 627)</td>
<td>(\Sigma = 458)</td>
<td>(\Sigma = 38 740)</td>
<td>(\Sigma = 3 153 522)</td>
<td></td>
</tr>
</tbody>
</table>
The value of Correlation Spearman is +0.7. This value is closer to +1 and therefore shows a significant positive linear relationship that exists between the two variables, the bank size, and extent of COVID-19 disclosure. This implies that the size of the bank had a significant influence on determining the extent of the COVID-19 disclosure in the integrated reports.

**Discussion**

Despite lack of standards on COVID-19 pandemic reporting framework, the sampled banks managed to cover 13 out of 14 content/capital elements put forward by the García-Sánchez et al. (2020) proposed framework of COVID-19 pandemic reporting which is the basis employed by the current study. This justifies their legitimacy according to the legitimacy theory as well as embracing stakeholders’ expectations according to the stakeholder theory. Literature does not have any suggested actual threshold or index measure which shows the implication of a certain number of COVID-19 pandemic content/capital mentions made in the integrated reports. This study therefore simply established the number of mentions. This is a limitation of this study, and the researcher suggests conducting a study to develop an assessment tool that can be used to determine the levels of COVID-19 disclosure extent.

However according to the Mates and Mates (2020) study, more than 100 COVID-19 mentions throughout the studied companies’ reports was considered as significantly higher. This again has a limitation in that it only gives one level, namely ‘significantly higher’, but does not provide a distinct scale of the other levels other than this. Therefore, using Mates and Irimus (2020) findings in terms of numbers of mentions of COVID-19 pandemic content/capital elements in the integrated reports, results of the current study show that only Standard bank had a significantly higher disclosure because its integrated report had 124 mentions. The other five had lower than 100 mentions hence according to Mates and Irimus (2020), this implies that their mentions were on the lower side.

Considering the top five content/capital elements mostly reported by the banks, it emerged that these were Social and relationship capital, Business model, Human capital, Manufactured capital, and Strategy and resource allocation. These results show that in their response to the COVID-19 pandemic, top on the 14 reporting elements, Social and relationship capital, the six banks wanted their stakeholders to know what they did in terms of monetary and non-monetary donations made; financial and non-financial support of scientific research projects on the pandemic; the use of corporate resources; and investments to modify the supply chain according to the new environmental set up among other things (García-Sánchez et al., 2020, p. 8).

In the second most reported element, Business model, the banks wanted their stakeholders to know how they responded in terms of consequences of the pandemic on business model inputs; consequences of the pandemic on the value chain activities; consequences of the pandemic on the outputs of the business model such as state of sanitation of work environments; consequences of the pandemic on the financial outcomes of the business model such as profitability and leverage among other things (García-Sánchez et al., 2020, p. 8).

In the third most reported element, Human capital, the banks wanted their stakeholders to know how much they responded in terms of skills obtained through new recruitments during the pandemic; pandemic training programs; smart working modes such as planned activities, number of workers involved, working hours; skills related to the staff already working in the organization to deal with the pandemic; and health status and health prevention of workers. (García-Sánchez et al., 2020, p. 8).

In the fourth most reported element, Manufactured capital, the banks reported on specific assets used to deal with the pandemic such as individual protection devices and health monitoring tools; information and technology tools that supported digitalisation to deal with the pandemic; and modification of the hardware part of information technology systems in order to adjust them to fit the environmental context. In the fifth most reported element, Strategy and resource allocation, the banks reported on any changes to the competitive and corporate portfolio strategies following the pandemic such as changes in the value proposition, customer targets, entry into new businesses, abandonment of current businesses; and any changes to the set of resources and skills managed following the pandemic. Out of the five most reported elements, three were capitals which emerged from the interviews with professional investors and two were content which emerged from the analysed integrated reports and interviews that were conducted with professional investors in the García-Sánchez et al. (2020) framework on which this study was based.

The top five banks showed a direct influence between the ranking and number of pandemic elements mentions but this was not the case with the sixth ranked bank because it had the same number of elements with the second ranked bank. This distorted a linear relationship between the bank size and the extent of disclosure.

Whilst according to literature many studies have proved the significance of integrated reporting. Broadstock et al. (2020) specifically examined the role of ESG performance during market-wide financial crisis as an impact of the global pandemic. The study established that high-ESG portfolios generally outperform low-ESG portfolios. The implication of this finding is that the extent of COVID-19 disclosure contributes to the ESG portfolios and those banks with high-ESG portfolios are expected to outperform those with low-ESG portfolios. The size of the ESG portfolio is a critical factor when it comes to the legitimacy of the bank’s operations and satisfaction of stakeholders by the bank as well. Mates and Irimus (2020) argued that stakeholders need to see firms compiling
COVID-19 pandemic information into their integrated annual reports so as to make a well-informed investing decision. Similarly the bank that fails to comply with community expectations is not deemed legitimate and the community will impose sanctions such as restrictions on its operations, reduced demand for its goods and services among others (Deegan, 2019).

Reference can also be made to another study by Lopatta et al. (2020). Lopatta et al. (2020) found out that companies that are leaders in early risk detection capability through reporting on the COVID-19 pandemic in early released annual reports tend to experience a reduced stock risk following the publication of the annual report. This shows the importance of integrated reporting on the pandemic and the consequences of delayed or failure to report on this issue. All the six banks did report on COVID-19 in the reports to be released immediately after the pandemic struck hence their stocks would not slump. This would allow them to remain in business.

Conclusion

Pandemics have contributed to shaping human history and ultimately the economy when they strike. With COVID-19, the whole world was negatively affected as hard lockdowns were introduced. With regards to the economic impact of the pandemic, globally the damage went to an extent that has not been witnessed even in the post-war era. The direct impact of lockdowns caused the decline of the global GDP by 3.5% in 2020. The supply chain of goods was also greatly hampered due to travel restrictions. A number of airlines grounded their fleets and the access of goods and services also changed as most of these migrated to online platforms. These and other effects also hit the banking sector which happens to be central to the economy. Communities, investors and other stakeholders in the banking sector would want to know how the banks fared under these challenging circumstances hence the importance of disclosing the COVID-19 pandemic by banks.

It could be a challenge to disclose to the satisfaction of the community, investors and the rest of the stakeholders to uphold both the legitimacy and stakeholder theories against the background of lack of international reporting standards on the pandemic. However the six banks that were sampled in this study all disclosed the pandemic to some extent which could not be measured since there is no index yet or disclosure level assessment tool. This lack is a gap which researchers should focus on. The current study explored the extent of COVID-19 disclosure by the six banks basing on the García-Sánchez et al. (2020) framework that has not yet been contrasted by any researchers to date, and also using the methodology of counting mentions based on a study by Miklosik and Evans (2021).

The study recommends further empirical studies on the disclosure of COVID-19 pandemic in integrated reports as a comparison between developed and developing economies’ banking sectors as well as other industrial sectors towards the development of international standards and framework on the pandemic disclosure. It also recommends development of an assessment tool to determine the index or levels of COVID-19 pandemic disclosure extent for comparative purposes amongst different companies.

Acknowledgement

Author Contributions: Conceptualization, VD.; Methodology, VD.; Data Collection, VD.; Formal Analysis, VD.; Writing—Original Draft Preparation, VD.; Writing—Review And Editing, VD. All authors have read and agreed to the published the final version of the manuscript.

Institutional Review Board Statement: Ethical review and approval were waived for this study, due to that the research does not deal with vulnerable groups or sensitive issues.

Data Availability Statement: The data sets generated during and/or analysed during the current study are available in Research data Repository.

References


**Publisher’s Note:** SSBFNET stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.

© 2022 by the authors. Licensee SSBFNET, Istanbul, Turkey. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (http://creativecommons.org/licenses/by/4.0/).

International Journal of Research in Business and Social Science (2147-4478) by SSBFNET is licensed under a Creative Commons Attribution 4.0 International License.