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CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY IN THE BANKING SECTOR IN MOZAMBIQUE

CORPORATE GOVERNANCE E A RESPONSABILIDADE SOCIAL NO SETOR BANCÁRIO EM MOÇAMBIQUE

GOBIERNO CORPORATIVO Y RESPONSABILIDAD SOCIAL EN EL SECTOR BANCARIO DE MOZAMBIQUE

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ABSTRACT
This article explores the relationship between corporate governance and social responsibility in the banking sector in Mozambique, highlighting the importance of these practices for the sustainability and development of financial institutions. By addressing key definitions and concepts, as well as practical examples from the Mozambican context, the article emphasizes the positive change occurring in Mozambique. The present article examines the interrelation between corporate governance and social responsibility in the banking sector in Mozambique, stressing the importance of adopting effective practices that promote transparency and ethics in financial operations. In a context characterized by institutional fragility and distrust in financial institutions, implementing robust governance structures becomes essential. The research explores the current practices of governance and social responsibility adopted by banks, identifying challenges and barriers to their effectiveness. Among the main difficulties are the lack of transparency, insufficient capacity building, a fragile regulatory environment, and corruption. The article argues that corporate social responsibility (CSR) not only helps mitigate socio-economic inequalities but also positions banks as agents of positive change in society. Furthermore, the research reveals that integrating CSR into corporate strategies can yield significant benefits for both financial institutions and the communities in which they operate. The study concludes with recommendations for improving governance and CSR practices in the banking sector, emphasizing the need for a stronger commitment from institutions to ethics and transparency, as well as greater stakeholder involvement in corporate decisions. Thus, the article contributes to a deeper understanding of the role of banks in the sustainable development of Mozambique.

Keywords: Corporate Governance. Social Responsibility. Banking Sector. Mozambique.

RESUMO
Este artigo explora a relação entre a governança corporativa e a responsabilidade social no sector bancário em Moçambique, destacando a importância dessas práticas para a sustentabilidade e desenvolvimento das instituições financeiras. Ao abordar as definições e

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conceitos-chave, bem como exemplos práticos do cenário moçambicano, mudança positiva em Moçambique. Com efeito presente artigo aborda a inter-relação entre governança corporativa e responsabilidade social no sector bancário em Moçambique, destacando a importância da adopção de práticas eficazes que promovam a transparência e a ética nas operações financeiras. Em um contexto caracterizado pela fragilidade institucional e pela desconfiança nas instituições financeiras, a implementação de estruturas de governança robustas torna-se imprescindível. A pesquisa explora as práticas atuais de governança e responsabilidade social adoptadas pelos bancos, identificando desafios e barreiras à sua efetivação. Entre as principais dificuldades, destacam-se a falta de transparência, capacitação insuficiente, um ambiente regulatório frágil e a corrupção. O artigo argumenta que a responsabilidade social corporativa (RSC) não apenas ajuda a mitigar as desigualdades socioeconómicas, mas também posiciona os bancos como agentes de mudança positiva na sociedade. Além disso, a pesquisa revela que a integração da RSC nas estratégias corporativas pode resultar em benefícios significativos, tanto para as instituições financeiras quanto para as comunidades em que operam. O estudo conclui com recomendações para aprimorar as práticas de governança e RSC no sector bancário, enfatizando a necessidade de um compromisso mais forte das instituições com a ética e a transparência, além de um maior envolvimento dos stakeholders nas decisões corporativas. Assim, o artigo contribui para um entendimento mais aprofundado do papel dos bancos no desenvolvimento sustentável de Moçambique.

Palavras-chave: Governança Corporativa. Responsabilidade Social. Sector Bancário. Moçambique.

RESUMEN

Este artículo explora la relación entre el gobierno corporativo y la responsabilidad social en el sector bancario de Mozambique, destacando la importancia de estas prácticas para la sostenibilidad y el desarrollo de las instituciones financieras. Al abordar definiciones y conceptos clave, así como ejemplos prácticos del escenario mozambiqueño, se logró un cambio positivo en Mozambique. De hecho, este artículo aborda la interrelación entre el gobierno corporativo y la responsabilidad social en el sector bancario de Mozambique, destacando la importancia de adoptar prácticas efectivas que promuevan la transparencia y la ética en las operaciones financieras. En un contexto caracterizado por la fragilidad institucional y la desconfianza en las instituciones financieras, la implementación de estructuras de gobernanza robustas se vuelve esencial. La investigación explora las prácticas actuales de gobernanza y responsabilidad social adoptadas por los bancos, identificando desafíos y barreras para su implementación. Las principales dificultades incluyen la falta de transparencia, la formación insuficiente, un entorno regulatorio frágil y la corrupción. El artículo sostiene que la responsabilidad social corporativa (RSC) no sólo ayuda a mitigar las desigualdades socioeconómicas, sino que también posiciona a los bancos como agentes de cambio positivo en la sociedad. Además, las investigaciones revelan que la integración de la RSE en las estrategias corporativas puede generar beneficios significativos tanto para las instituciones financieras como para las comunidades en las que operan. El estudio concluye con recomendaciones para mejorar las prácticas de gobernanza y RSE en el sector bancario, enfatizando la necesidad de un mayor compromiso de las instituciones con la ética y la transparencia, así como una mayor participación de las partes interesadas en las decisiones corporativas. De este modo, el artículo contribuye a una comprensión más profunda del papel de los bancos en el desarrollo sostenible de Mozambique.

Palabras clave: Gobierno Corporativo. Responsabilidad Social. Sector bancario. Mozambique.

1 INTRODUCTION

The banking sector plays a crucial role in the economic development of any country, especially in emerging economies such as Mozambique (Malhado, 2019). This study aims to understand the consonance between social responsibility and investments made related to corporate governance (CSR), which have become indispensable for building the credibility of banking institutions in relation to their public, in the perception of values and social actions that the banking sector offers to the sharehold in relation to sustainability and its actions, since corporate governance is a set of practical actions that ensures transparency aimed at benefiting society linked to its economic interests, (Silva 2021).

What is intended in this study is to analyze the corporate governance and social responsibility practices that they practice for their target audience, where transparency and responsibility for the social and economic well-being of the community in which they operate, who they claim to be (Costa, 2022). This article is based on the foundation of a reciprocal as well as dependent interrelationship between corporate governance and social responsibility in the banking sector. In this sense, the general objective is to analyze the relationship between corporate governance and social responsibility in the banking sector. The specific objective includes to investigate the corporate governance practices adopted for banking institutions, to examine the social responsibility implemented by the banking sector as well as to identify the challenges and opportunities faced by the sector.

It should be noted that the banking sector in Mozambique is vital for the country's economic development but needs to articulate with the practices of social responsibility and corporate governance, supporting sustainable development and always guiding by transparency in all its actions. In favor of this, Rodrigue, 2022 assures that the study of reciprocity between social responsibility and comparative governance is an urgent need since it allows financial institutions to contribute positively to society and help mitigate socio-economic as well as environmental disquality.

The central question of this study is: *what are the main barriers to the implementation of effective corporate governance and social responsibility practices in the banking sector in Mozambique?*

From the problem described above, the relevance of this study lies in the urgent need to promote corporate governance and social responsibility practices in the banking sector in Mozambique. For the academic area, the study becomes relevant since it will help in the perception of the dairy that addresses the subject, creating assos for better perception and compression of content related to social responsibility and comparative governance in the banking sector. In relation to the professional area, the study is extremely important due to its high level of content linked to social responsibility practices and the way institutions lead with their environment, (Reis, 2023). For the social area, the study is extremely relevant because it will help in the compression of the strategies used by companies linked to the environment and the importance of their actions in the sector in which they operate. This article will not only provide a comprehensive understanding of current practices, but will also contribute to the debate on how banks can become agents of positive change in Mozambique.

The methodology of this article is based on a comprehensive literature search that constituted the main basis for the construction of theoretical knowledge, according to (Lima, 2023), explaining the approach included an extensive review of the academic literature and previous studies on corporate governance and CSR, with a specific focus on the banking sector in Mozambique. According to Nascimento, 2012 the bibliographic sources that were used included books, scientific articles and reports from relevant institutions, where governance and social responsibility standards applicable to the banking sector were analyzed, seeking to understand how these guidelines influence the practices of banking institutions. In this context, the research is exploratory in nature and was conducted to complement the literature review, providing an understanding of the current context of governance and CSR in the banking sector (Teixeira, 2023). The analysis of the collected data was carried out qualitatively, integrating information obtained in the bibliographic research, highlighting and analysis focused on the identification of patterns and trends linked to social responsibility in the Mozambican context.

2 THEORETICAL DISCUSSION

2.1 CORPORATE GOVERNANCE IN THE BANKING SECTOR

Corporate governance is essential to ensure efficiency, equity, and transparency in the management of any institution. In the banking sector, where trust is a core asset, corporate governance has the role of establishing an organizational structure that promotes responsible and ethical decision-making. According to Braga (2010), corporate governance aims to align the interests of management with those of shareholders and other stakeholders, ensuring a balance between internal and external control.

In Mozambique, the application of good corporate governance practices still faces challenges, such as the fragility of control and monitoring systems. The Mozambican economist Castel-Branco (2009) suggests that the adoption of a robust governance model in the banking sector is crucial for financial stability and the construction of a resilient economic system, that is, for the banking system to align itself with social responsibility it needs to follow the international standards of ethics applicable to the sector, hence the author above highlights the need for stronger regulatory policies that ensure transparency and the fight against social responsibility. Corruption within financial institutions.

In agreement, Abreu (2008) argues that corporate governance should be seen as a strategic pillar in the banking sector, especially in emerging economies such as Mozambique, where public confidence in the financial system is fragile, since a solid governance structure not only reduces financial risks, but also contributes to institutional strengthening and investment attraction.

Analyzing the above arguments, I realized that corporate governance in the banking sector is a key piece to ensure efficiency, transparency and equity in the management of financial institutions, in favor of this, a sector where trust is fundamental for the operation, corporate governance creates an organizational structure that encourages responsibility, ethics and accountability on the part of managers, as Bruni & Fama (2009) states, this alignment between management, shareholders and other stakeholders is vital for the health of the bank and the economic system as a whole.

According to Braga (2010), the main objective of corporate governance is to balance internal and external control, in order to protect the interests of shareholders and ensure that the decisions made by managers are transparent and beneficial to all stakeholders. What the author emphasizes is that any action taken by tactical and operational managers must be based on a code of conduct established by the industry as well as the body that regulates the banking sector, these practices include the establishment of strong boards of directors, effective internal audit mechanisms, and adherence to clear ethical standards that together, promote trust and security. It is noted then that in Mozambique, the application of these governance practices faces significant difficulties, where one of the biggest challenges is the fragility of control and monitoring systems, which hinder the ability to ensure transparency and accountability in financial institutions, which is why Castel-Branco, (2009) stresses that the adoption of a robust corporate governance model is essential for the stability of the banking system and to strengthen resilience economic situation of the country. According to him, there is a need for the financial sector to adopt stronger regulatory policies and for there to be greater government oversight to combat corruption, which often affects public confidence in the Mozambican banking system.

Analyzing the idea above, it can be seen that the implementation of stricter regulatory policies is essential to ensure that banks operate ethically and transparently, it is a fundamental measure to avoid financial crises and increase the credibility of institutions, since without these measures, banks are vulnerable to opportunistic behavior and mismanagement of resources, which can undermine their stability and that of the economic system itself.

Complementing this debate, corporate governance in the banking sector should be treated as a strategic pillar, especially in emerging economies such as Mozambique where the financial system is not yet mature, sound governance not only helps to reduce financial risks, but also strengthens institutions, making them more attractive to international investors, which is why Abreu (2008) believes that the existence of a robust financial system, Backed by efficient governance, it is key to building trust and fostering sustainable economic development.

Thus, corporate governance in the banking sector is a crucial instrument to ensure the integrity and proper functioning of financial institutions, based on governance and good practices, ethics that link the internal and external environment, establishing improvement in the relationship between the institution and its public, aiming to protect the corporate actions of the organization in order to attract investments and strengthen the banking system, creating an economic interdependence of the country.

Corporate governance in the banking sector is key to ensuring efficiency and transparency, especially in an environment where trust is crucial. The analysis proposed by authors, such as Braga (2010) and Castel-Branco (2009), demonstrates that governance must go beyond legal compliance, promoting a genuine alignment between the interests of shareholders and stakeholders, making it even more relevant in Mozambique, where the lack of transparency in the processes and execution of banking processes is noted. In my opinion, the adoption of robust governance models, accompanied by strong regulatory oversight, is a vital step in restoring public trust, for this, financial institutions must not only comply with standards, but also demonstrate a commitment to ethics and transparency, which are indispensable for the health of the banking system.

2.1.1 Corporate Social Responsibility in the Banking Sector

Corporate social responsibility (CSR) is an approach that companies use to integrate social and environmental concerns into their operations. Not just limited to donating funds to social causes, but including promoting financial inclusion, financial education, and supporting small and medium-sized businesses. According to Bruni and Famá (2009), the adoption of these policies is a strategy that aims not only to improve the company's image, but also to contribute to the sustainable development of the communities where the banking institutions operate, in the case of Mozambique Millennium BIM has focused on promoting digital inclusion projects and supporting local entrepreneurship.

On the other hand, Nuvunga (2015) reinforces the importance of social responsibility in the banking context, he notes that CSR initiatives have the potential to align banks' business objectives with the Sustainable Development Goals (SDGs), creating a positive impact in areas such as education, health and social inclusion, where banks can contribute significantly to reducing regional inequalities and promoting more equitable development. What the author above proclaims is that CSR in the banking sector involves a series of practices that go beyond the simple donation of resources, but rather an integral strategy that aims to align the interests of the financial institution with the needs and aspirations of the communities in which they operate, so let's address some of these practices:

Financial Inclusion: is one of the pillars of CSR in the banking sector where many people in Mozambique still do not have access to basic banking services, which limits their economic opportunities. Abreu (2008) warns that banks have the responsibility to develop products and services that meet the needs of this population, such as low-cost accounts, microcredits and accessible payment services, since these financial inclusion practices not only improve the quality of life of individuals, but also stimulate local economic growth.

Financial Education: is another form of CSR that banks can adopt involving empowering customers, especially those from vulnerable communities, with knowledge about financial management, savings, investments and credit. By educating consumers in this regard, banks help create a more informed and responsible customer base, which can result in better financial health for the community as a whole.

Support for Small and Medium Enterprises (SMEs) According to Abreu (2008), he ensures that banks can offer more detailed credit conditions, such as mentoring programs and consulting services to help these companies prosper. This not only generates jobs, but also contributes to the diversification of the local economy.

In Nuvunga's (2015) approach, CSR in the banking sector helps to align business objectives with the SDGs. For example, initiatives that promote financial education and social inclusion can contribute to SDG 4 (Quality Education) and SDG 10 (Reduction of Inequalities). By integrating these objectives into their operations, banks not only improve their image but also become agents of social change. For example, Millennium BIM, by focusing on digital inclusion projects (Smart IZI, interbank transfer, online payment) and support for local entrepreneurship, exemplifies how banks can contribute to sustainable development.

In the opinion of Pinto, (2012), CSR in the banking sector is a holistic approach that seeks to integrate social and environmental issues into the operations of financial institutions, creating improvement in the company's image, these practices have the potential to create a lasting impact on communities, where the adoption of these policies is not only an ethical responsibility, but also a smart business strategy that can lead to a more equitable and sustainable development in Mozambique and other regions.

I believe that banks should be proactive in creating products that meet the needs of these communities, thus promoting more equitable economic growth, so in my opinion financial education is a key part of CSR that should be incorporated by banking institutions. As stated by Nuvunga (2015). Thus, empowering customers with knowledge about financial management is essential to promote a more informed and responsible consumer base, since it is through financial education that banks not only improve their relationships with customers, but also help create a more prosperous and autonomous society.

2.1.2 The Mozambican Context: Governance and CSR

According to Nuvunga (2015), in the Mozambican context, corporate governance and social responsibility in the banking sector are still at a stage of development, driven mainly by the demand for greater transparency and public trust, in this regard the regulation of the sector, promoted by the Bank of Mozambique, has focused on strengthening supervision and combating corruption.

These robust governance practices have been a crucial strategy for large banks in the country, such as Banco Comercial e de Investimentos (BCI) and Millennium BIM. These institutions have sought to align their operations with international standards of governance and social responsibility, promoting initiatives that benefit both their clients and Mozambican society in general.

As illustrated above, in the Mozambican context, corporate governance (KM) and corporate social responsibility (CSR) in the banking sector are in the process of maturing, in response to demands for greater transparency and public trust, where the banking sector is under pressure to improve its internal management and promote social responsibility, particularly in a country where trust in the financial system is vulnerable, Costa & Nascimento (2011).

On the other hand, Mustafa (2016) urges that the adoption of CSR programs in the Mozambican banking sector is seen as a way to create value for society and at the same time, build a positive image of the institutions, arguing that companies must meet their economic, legal, ethical and philanthropic obligations, hence the challenges faced by the banking sector in Mozambique are significant, but the opportunities to promote these governance practices and a robust CSR are equally promising since it emphasizes issues related to the functioning system of the banking sector linked to the fight against internal control and corruption, as well as the adoption of international standards, banks can not only improve their image and operations, but also contribute to the economic and social development of the country as stated by Costa & Nascimento (2011).

3 ANALYSIS AND INTERPRETATION OF THE THEORETICAL DISCUSSION

The theoretical discussion presented above on corporate governance and social responsibility in the banking sector in Mozambique offers a comprehensive overview of the dynamics that influence the sustainable development of financial institutions in a developing country. The analysis involves three main dimensions: the importance of corporate governance, the role of social responsibility initiatives, and the challenges and opportunities in the Mozambican context.

The analysis of corporate governance in the banking sector in Mozambique, based on the theoretical contributions of Braga (2010) and Carlos Nuno Castel-Branco (2009), reveals the importance of these practices for institutional strengthening and the creation of an environment of trust, in favor of which Castel-Branco (2009) highlights that "*in a context where the fragility of control structures is a continuous challenge, Corporate governance plays a central role in ensuring financial stability*." This statement reinforces the idea that robust governance is crucial in countries with weak institutions, such as Mozambique. In addition, by aligning the interests of management with those of shareholders and other stakeholders, governance contributes to the prevention of conflicts of interest and abuses of power, one of the biggest risks in banking systems that face weak supervisory mechanisms.

According to Braga (2010), *"the application of good corporate governance practices is an effective way to attract foreign investment and consolidate the Mozambican banking sector in a global context."* Thus, governance practices not only improve trust in the banking system, but also favor the business environment in Mozambique, strengthening corporate governance in the Mozambican banking sector to combat problems related to corruption and mismanagement, these practices create greater transparency by strengthening its reputation, promoting greater trust among investors and customers (Nuvunga, 2015), assures that transparency is a key element that can mitigate the negative perception of the integrity of financial institutions.

On the other hand, corporate social responsibility (CSR), as discussed based on the studies of Bruni and Famá (2009) and Nuvunga (2015), is presented as an essential tool for promoting social and economic development, going beyond profit maximization, which is why Bruni and Famá (2009) argue that "*CSR is not only a strategy to improve corporate image, but also an instrument that contributes directly to the sustainable development of* *communities*." This approach is particularly relevant in the Mozambican context, where CSR initiatives can have a significant impact on local communities. This means that the banking sector has a unique role in integrating social responsibility practices with its business operations, especially in promoting initiatives such as financial inclusion and support for small entrepreneurs. Millennium BIM, for example, focuses on digital inclusion and financial education projects, highlighting how CSR practices not only directly benefit society, but also help to consolidate a relationship of trust between the bank and its customers (Nuvunga, 2015).

Social responsibility, when adopted strategically, as can be seen, goes beyond being a charitable initiative, it becomes an integral part of the bank's operations, reinforcing its contribution to social development and at the same time expanding its customer base, especially among marginalized populations that would not normally have access to the financial system. Thus, according to Nuvunga (2015), "*CSR practices can transform the public perception of financial institutions, leading to an increase in financial inclusion.*"

In the opinion of Costa & Nascimento (2011), one of the main obstacles to CSR is institutional weakness and the need for stricter regulation that can ensure transparency and equity in the sector, however, there are significant opportunities for the Mozambican banking sector to contribute to inclusive economic development through initiatives that promote financial inclusion and financial education. As can be seen, the Mozambican scenario presents challenges, but also great opportunities for the banking sector to be an engine of economic and social development, in this sense, adopting governance and social responsibility practices in line with international standards, banks strengthen their operations, contributing directly to the creation of a fairer and more equitable economy, Costa & Nascimento (2011).

The theoretical analysis of corporate governance and social responsibility in the Mozambican banking sector reveals a deep interconnection between responsible management practices, social development and financial stability, in fact robust corporate governance is essential to ensure transparency and trust in the sector, while social responsibility allows banks to contribute to the development of the communities in which they operate. Thus, the idea that "*governance and social responsibility practices are inseparable for the strengthening of the banking sector and sustainable development in Mozambique*" (Braga, 2010) is reinforced.

4 CONCLUSION

The study reveals that corporate governance and CSR play a central role in promoting trust, transparency and sustainable development. Since Corporate Governance refers to the practices that ensure the good management and accountability of institutions, while social responsibility covers actions aimed at improving the well-being of society beyond the financial interests of companies.

During the study it was realized that in the Mozambican context, the implementation of good corporate governance practices is essential to ensure the financial stability and credibility of banking institutions, where during the study it was realized that for these practices to happen it is necessary to align the interests of shareholders, customers, employees and other stakeholders, with efficient governance to reduce risks and increase transparency in the bank's management. As the study shows, corporate social responsibility (CSR) in the banking sector directly contributes to the development of local communities, especially in areas such as financial inclusion, small business support, and financial education. This means that banks not only fulfill their traditional financial intermediation functions, but also play an active role in promoting more equitable development and reducing inequalities. Since these actions go beyond legal issues more with a long-term strategy.

Evaluated and analyzed the theoretical basis of the study, it concluded that by adopting robust corporate governance and CSR practices, the Mozambican banking sector can strengthen its operations and, at the same time, be an engine of social transformation, since such practices create a positive cycle, where transparency and accountability generate more public trust and attract more investments and, in turn, they promote sustainable economic growth.

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