

The warm heart of banks

An econometric study on the determinants of the activities of banking foundations in Italy



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Abstract

In 1990, banking foundations were created in Italy, through the implementation of the Amato-Carli law, which aimed to separate the banking and the socially responsible activities of Saving Banks. Banking foundations (BFs) are corporate foundations representing the philanthropic part of banks. Their legislative and historical background has made them a specific case of corporate foundations both in terms of their relationship with the parental banks and the activities performed. They are economically, managerially, and operationally independent from the respective banks and they perform two main activities: the collection of artworks and the investment in philanthropic activities. The implementation of these activities and the strong ties they have with the territory make them key organisations in the Italian socio-economic context. In that respect, they may influence the cultural and economic development of the local area in which they have their headquarters, supporting the state in areas of market failure, such as investments in education, research, and arts. The aim of this thesis is to identify the determinants of the two main social activities of banking foundations, i.e., the collection of artworks and investments in philanthropic donations. To do so, the literature on Corporate Social Responsibility will be investigated as it represents the closest and broader literature that can be applied, particularly focusing on corporate philanthropy. Organisational and contextual variables will be analysed. However, since the contextual variables analysed for corporations are unsuitable for the context of the banking foundations, because they are tailored to analyse the context of profit-oriented companies, the characteristics of the community will be considered, analysing different types of capital. The variables will be studied through the construction of two models, one for each of the activities conducted by banking foundations, and a robust regression method is applied. Data were manually collected from the foundations' website, ACRI's website and ISTAT, and a panel was constructed considering the period from 2015 to 2021. The results of the research highlight that BFs' activities are influenced by both organisational and contextual factors, such as the size of BFs, the presence of a mission statement and the artistic supply of the region.

Keywords: Social responsibility, philanthropy, corporate foundations, social capital, cultural capital

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1. Introduction

Organisations are called upon to reconcile their financial purposes with social ones, through the implementation of social practices. In this context, the concept of Corporate Social Responsibility has developed. Particularly, companies can decide to engage in philanthropic practices either internally or through the creation of corporate foundations. Banking foundations (BFs), present a peculiar case of corporate foundations, present in Italy. BFs are non-profit, private and independent organisations, which pursue public purposes while promoting economic and cultural development (ACRI, 2021). They were created in the late nineties, with the law Amato-Carli, which aimed to separate the social practices of banks from their lending activities. However, they present specific characteristics that made them unique, due to a legislative and political process that has made them independent of their parent banks. For instance, the liquidation of the shares, but also their economic independence from the reference banks, has made them become a particular form of corporate foundations. Nowadays, banking foundations pursue two main activities, originally linked to the activity of the parent banks, namely the collection of artworks and the investment in socially responsible practices through philanthropic donations.

The main activities conducted by banking foundations are characterised by two different paths: on the one hand, social responsibility was born in America in the 20th century, on the other, patronage of the arts has its roots back in the 15th century in Italy. Recently, in a more modern perspective, these two activities are considered under the comprehensive umbrella of socially responsible practices held by companies. Particularly, in the case of BFs, they can be considered philanthropic activities due to the nature of BFs as corporate foundations.

It is noteworthy to highlight the role that BFs play in the Italian socio-economic context. Firstly, BFs contribute to the promotion and conservation of Italian heritage through the collection activity and the investments in the arts and culture sector. The importance of this activity is enhanced by the role that cultural heritage has in Italy, which is characterised by a vast number of monuments, archaeological sites, and cultural organisations. Secondly, through philanthropic donations, BFs contribute to the economic and social development of the local community in which they operate. Therefore, BFs operate in support of public initiatives, to address societal, cultural, or environmental needs that are not adequately taken care of by the government's social welfare state (Toepler, 1999). This contribution tackles different segments, such as education and public health, aiming at boosting local development

in a comprehensive way. It is important to stress the close relationship between BFs and the community in which they have their headquarters.

The aim of the research is to investigate the determinants of BFs' socially responsible activities, namely the philanthropic donations and the size of the art collections. The *organisational* and *contextual* factors of BFs will be analysed. In particular, the *organisational* factors will be identified on the basis of previous research on corporate philanthropy and the *contextual* factors will be analysed by referring to the theory on cultural and social capital. Indeed, the contextual variables analysed for corporations are unsuitable for the analysis on banking foundations since they focus on the features of the fiscal environment and the industries in which companies operate. Due to their institutional goals and the strict relationship they hold with the local community, it is reasonable to investigate the characteristics of the local area by applying the theory of cultural and social capital. The purpose of the study is to shed light on the social activities of BFs in Italy, analysing their contribution both to regional development, as well as to the conservation of Italian artistic heritage. A robust regression model is employed to investigate the determinants of that contribution, collecting data on BFs from 2015 to 2021. Therefore, the research questions are:

RQ1: What are the factors influencing the philanthropic activities of banking foundations?

RQ2: What are the factors influencing the size of the art collection of banking foundations?

By analysing BFs' social activities, the research presents social and political relevance: on the one hand, it can help policymakers to design incentives to collect artworks and engage in philanthropic activities that align with the goals of the local stakeholders; on the other, it can assist BFs to design interventions that maximise their social impact on the region in which BFs operate.

Furthermore, this thesis is relevant from a scientific perspective and differs from previous studies on philanthropy for several reasons. Although BFs represent a special case of corporate foundations existing in Italy, it is nonetheless surprising that, to the best of my knowledge, no empirical research has been conducted on them, notwithstanding their important strategic role in the cultural and economic development of the country. This thesis is the first attempt to fill this lacuna, by providing an empirical study of the determinants of the main activities of BFs. Moreover, the thesis contributes to improving our knowledge of the resources at the disposal of BFs by collecting, for the first time, data on their artistic assets and philanthropic expenditure.

This thesis' contribution to the existing research on corporate philanthropy is twofold. Firstly, it builds a comprehensive model that includes the characteristics of the local community in which BFs operate; this is an aspect commonly overlooked by the literature on corporate philanthropy. Secondly, the research analyses more elements of philanthropic activities at once, considering both the collection of artworks and philanthropic donations, while the literature on corporate philanthropy usually analyses one element at a time. Finally, corporate foundations have been studied mainly in relationship with their parental companies. In contrast, this study focuses on the internal and external factors that influence the activities conducted only by BFs, without analysing the role of the referred banks.

The thesis is organised into 5 chapters. Chapter 2 includes a theoretical overview divided into subsection which focuses on different topics: Section 2.1 analyses banking foundations, from a legal and theoretical perspective; Section 2.2 introduces the concept of Corporate Social Responsibility; Section 2.3 analyses the characteristics of the context in which BFs operate; finally, section 2.4 provides an overview of the main hypothesis. Chapter 3 explains the methodology employed in the research, describing the data and variables used as well as the research strategy. Chapter 4 analyses the regression results, while Chapter 5 concludes the study by discussing the findings and the limitations of the research and giving some suggestions for future research.

2. Theoretical Framework

To the best of my knowledge, no previous empirical research has investigated the activity of BFs. The aim of this chapter is to build up a theoretical framework tailored to the characteristics of BFs, which makes it possible to analyse two main missions of BFs, i.e., collection of artworks and philanthropic donations, to identify their main determinants. The closest literature that can be applied to BFs is that investigating corporate social responsibility. Particularly, I will focus on the research conducted on corporate philanthropy, as banking foundations belong to the category of corporate foundations. Companies trying to generate beneficial effects for stakeholders and society at large can engage in socially responsible (SR) activities either internally or via the creation of non-profit organisations known as foundations (Lodi Rizzini & Noia, 2017). These foundations allow businesses to enhance their reputation, accomplish specific goals, and foster beneficial externalities. In this context, BFs represent the "social responsibility" aspect of Italian banks. Following the studies on corporate philanthropy, the *organisational* and *contextual* variables will be analysed (Cha & Rajadhyaksha, 2021; Gautier & Pache, 2015). Additionally, the *contextual* variables will be identified considering the strict relationship that BFs hold with the local community, which represents the main stakeholder. Indeed, BFs are responsible for the cultural and economic development of the local area in which they operate. The characteristics of the community will be investigated by considering different kinds of capital, such as cultural and social capital.

The theoretical framework is, therefore, structured as follows: firstly, the background and goals of banking foundations will be analysed, providing a detailed understanding of how and why these entities were established, how they operate and the role they play within the Italian socio-economical context. Secondly, the concept of SR will be introduced and compared with the activities carried out by banking foundations. Finally, the characteristics of the community will be investigated, considering cultural, human, and social capital.

2.1 Banking Foundations

Organisations can adopt socially responsible practices either internally or by establishing a separate foundation (Lodi Rizzini & Noia), which is commonly used in Italy, especially in the banking sector. Banking foundations (BFs) play a significant role in shaping a company's image and contributing to society through investments in socially responsible activities. This phenomenon is due to historical and economic factors unique to the Italian economy (Martin,

2006). As a result, it is crucial to examine the historical background of the BFs and their current role in the Italian economy.

According to Anheier (2022), foundations can be divided into operating, community, government-sponsored, government created and corporate foundations. Banking foundations are a particular case of the latter category. Their models of intervention will be addressed later on in this section. In Italy, foundations are defined as organisations that have a company or business family as their founder(s), possess their own distinct legal identity while maintaining a connection to the company, and receive primary financial support from the company (Lodi Rizzini & Noia, 2017).

2.1.1 History & Legislation

Banking Foundations are non-profit, private organisations, characterised by statutory and organisational autonomy, that pursue public benefit purposes and promote economic and cultural development (ACRI, 2023). They have their roots in the Savings Banks (*Casse di Risparmio*), which emerged in the early 19th century with a strong commitment to the local community and aimed to promote savings among the middle and working class (Bandera, 2013). Their establishment is linked to the political and economic events that characterised Italy during the 1990s. Particularly, the creation of a common market and the entry into the European Union triggered a necessary process to reform the country's economic and financial system through the privatisation of public enterprises and entities (Ponzanelli, 2005). The focus was on limiting state intervention in the market while encouraging private initiatives to facilitate the economic development of the euro countries, establishing an autonomous and efficient banking system was necessary (Bandera, 2013). Additionally, following the principle of horizontal subsidiarity at the art. 118 of the Constitution, private initiatives must be supported by the State in all its forms, namely regions, cities, provinces, and municipalities (Costituzione Italiana, n.d.). Within this framework, it was necessary to transform public credit institutions into private companies, transferring their social activities into separate organisations, i.e., banking foundations. Indeed, Saving Banks pursued two distinct activities: a) lending and b) investing in social utility projects for the benefit of the local community (Barbetta, 1999). With the Amato-Carli law in 1990, this hybrid form was abolished, and commercial banks and banking foundations emerged as separate entities (Arrigoni, 2021). The former retained its "corporate" function, while the latter assumed responsibility for social welfare and philanthropic activities (i.e., social responsibility). Despite the division, the close link between banks and their respective banking foundations persisted, as foundations

continued to hold significant ownership stakes in the banks (Barbetta, 1999), behaving as holding companies. Subsequent laws have diluted the influence of BFs by spreading their ownership among multiple shareholders (Bandera, 2013), making BFs economically independent from the Saving Banks. It is noteworthy considering that the release of banks' assets to foundations has transformed the latter into entities characterised by an outstanding potential in terms of philanthropic operations (Leardini & Rossi, 2010).

2.1.2 Legal Definition

The construction of a legal framework for BFs took several years. After the Amato-Carli law, BFs were recognized as hybrid organisations in which the organisational aspects were regulated by public law, while their activities were by private law (Arrigoni, 2021). The confusion regarding the legal nature of BFs was due to the fact that the Amato-Carli law was concerned mainly with the establishment of banks as new private entities, leaving out the regulation of BFs (Ponzanelli, 2005). The process of privatisation, necessary to recognise BFs as autonomous entities, has been encouraged by the diffusion of a growing number of non-profit organisations during the nineties, which fall in the third sector and deal with market failures (Ricciuti & Turrini, 2018). In this context, BFs were included in the regulatory framework of non-profit entities, thus confirming their private nature (Ponzanelli, 2005). According to the Author, their recognition as non-profit entities strengthened their role in the community, as they committed to implementing a series of public benefit initiatives for the area in which they have their headquarters.

It is important to stress that BFs represent a special case among foundations, not only because they are derived from the banking sector, but also because a detailed legal framework has been established to meticulously regulate their activities and internal organisation. Thus, while they are recognised as private entities, this peculiarity seems to undermine the freedom normally granted to private initiatives. The legislator's choice is probably linked to their economic importance: although there are only 88 foundations, they hold assets of 4.1 billion, which is more than any other specific group of foundations in Italy (Ricciuti & Turrini, 2018).

2.1.3 Activity and Scope of Banking Foundations

BFs pursue two main activities: the collection of artworks and the provision of philanthropic donations to the community in which they have their headquarters.

The first activity relates to the collection and preservation of works of art, an activity previously conducted by Saving Banks. Indeed, banks have been historically linked to art

activities since the Middle Ages, for religious motivations. Later on, arts were used to elevate the social status and reputation of bankers, as happened for the Medici family (Campa & Zijlmans, 2019a). Financial institutions continued to invest in cultural philanthropy during the 20th century to enhance their image in the eyes of key stakeholders (Lindenberg & Oosterlinck, 2010). Almost all banking foundations (94%) hold an art collection, made of artworks from different periods, and in most cases linked to the territory in which the BFs operate (Leardini & Rossi, 2010). In addition, BFs are responsible for the maintenance, recovery, and restoration of their collections, which can be carried out either autonomously or in cooperation with local entities (Leardini & Rossi, 2010). The collection of artworks is considered part of organisations' philanthropic activities, enhancing their socially responsible behaviour towards society (Lindenberg & Oosterlinck, 2010). In fact, organisations can both support emerging artists, contribute to the preservation and promotion of cultural heritage and contribute to the development of cultural capital.

The second activity relates to the philanthropic donations that BFs do annually in different sectors. They represent private alternatives to address societal, cultural, or environmental needs that are not adequately taken care of by the government's social welfare state (Toepler, 1999). While in Italy, socially responsible practices have not yet been widely adopted, BFs play an increasingly important role in promoting innovation and allocating economic resources in the social sector (Lodi Rizzini & Noia, 2017).

Initially, foundations had a good amount of discretion in selecting their legislative aims, in terms of investments in economic and social development. However, with the legislative decree of 1999 (Decreto Legislativo 153, art. 2), they were required to choose and specify in their statute a single area of investment among a list of relevant sectors, which included scientific research, education, art, conservation and enhancement of cultural heritage and activities, environmental protection, health, and assistance for vulnerable social groups. This limitation ended with the 2002 financial law (Article 11 of Law No. 448 of December 28, 2001), which introduced a new classification and extended the possibility of investing in more than one sector, diversifying the strategy of the BFs. In particular, the law identifies 1) family and related values; education, instruction, and training 2) volunteering, philanthropy, and charity 3) scientific and technological research, and 4) art and cultural activities as the main sectors (*Gazzetta Ufficiale - LEGGE 28 Dicembre 2001, N. 448, 2002*). To give an idea of the monetary contribution of BFs, in 2021 ACRI (2021a) registered an investment of € 914 million in social activities, most of which were addressed to the areas of volunteering and art and cultural activities. It is relevant to highlight that the sector of Arts and Cultural activities

is one of the most important and it encounters a broad range of activities, including the organisation of cultural events, such as exhibitions, but also initiatives to support artistic and literary productions, such as theatre, music, and film distribution (Leardini & Rossi, 2010).

2.1.4 The Connection Between BFs' Activities

The two main activities, i.e., collecting and donations, are highly interconnected. Part of the funds that are allocated in the art and cultural activities sector is used to organise exhibitions of the BFs art collections. On top of that, BFs lend part of their collection also to local museums, aiming to share their collection with the local community (Leardini & Rossi, 2010). Therefore, the combination of collecting artworks and investing in the arts sector highlights BFs' commitment not only to preserving artworks but also to promoting them. Additionally, the systematic provision of interventions, aimed at conserving and sharing the collection with the local community and the stakeholders, suggests that BFs have implemented a detailed and tailored programme which replaces the sporadic collecting activity previously carried out by Saving Banks (Leardini & Rossi, 2010), and confirm the social nature of the investment in artworks. Another example is the recent initiative "Raccolte", organised in partnership with the ACRI association, which aims to create a digital museum, showcasing the art collections held by BFs. In this way, BFs manage to reach a wider and potentially national audience. The examples reported highlight that BFs act no more as simple financiers, but more as long-term planners for the development and promotion of culture.

The research analyses philanthropic donations as a whole category, without specialising just in the Arts and Culture sector. This choice is related to the purpose of the study, which aims to explain the role of BFs in the Italian economy, analysing the complete range of activities carried out by these entities, while determining whether there are common determinants that influence the social activities of BFs. Indeed, a study conducted by Leardini & Rossi (2010) reveals a heterogeneous picture regarding foundations' investment and collecting policies, reinforcing the idea that it is interesting to study the presence of common determinants and paths among BFs.

2.1.5 Models of Intervention

Considering philanthropic donations, BFs can apply two different management styles: an administrative approach and an entrepreneurial approach (Beyer, 1999). Foundations with an entrepreneurial profile can be classified as *operating* foundations, as they engage in projects and initiatives that are considered important for the local community (Bandera, 2013). The

entrepreneurial nature of foundations refers to their financial sustainability, as the capital invested by the founding company is not the main source of income (Lodi Rizzini & Noia, 2017). Hence, the activities and services provided depend on the foundation's ability to be financially self-sufficient and generate income. Foundations can apply an administrative approach too, according to which funds are provided for existing projects proposed by external parties. They are classified as *grant-making* foundations, as they provide services indirectly, through partnerships with associations, entities or third parties, according to the *grant-making* model (Lodi Rizzini & Noia, 2017). Whichever model is used, foundations generally follow a strategic intervention plan that sees them active in the community of reference, in terms of both direct implementations of interventions and support for local project initiatives (Bandera, 2013).

BFs adopt a mixed approach, based on the statutory wishes of individual banking foundations (Lodi Rizzini & Noia, 2017). This has led to the emergence of networks between foundations and important stakeholders in recent years (Bandera, 2013). This trend indicates that foundations are increasingly capable of monitoring the local and social environment and responding appropriately, resulting in positive outcomes for key stakeholders. This is achieved through the implementation of internal initiatives within the foundations, as well as partnerships with external organisations that are active in volunteering or philanthropy. As a result, banking foundations make a significant contribution to the development of the local economic and social landscape, while also playing a crucial role in shaping a positive public perception of the parent company (Pedrini & Minciullo, 2011). Both the investments in BFs' projects and the ones aimed to finance activities organised by third parties will be addressed as philanthropic donations in the thesis.

2.1.6 Internal Organisation of BFs

The internal organisation of BFs, from an administrative and operational perspective, has been influenced by their legal *iter* (Endrici, 2001). Over time, the creation of more complex bodies and the direct recruitment of specialised staff have replaced their initial simple structure characterised by secondment (Bandera, 2013). The three main committees are the Committee for Direction (CD), the Board of Directors (BD), and the Supervisory Board. The first one has been created *ad hoc* for BFs and is responsible for the establishment of the programs and objectives of the entity and the control of the results (Anello & Rizzini Bisinelli, 2002). Particularly, the CD is the representative of the community that benefits from the BFs' activities, and as such is responsible for presiding over the relationship between the

foundation and the local area (Leardini & Rossi, 2010). The Board of Directors decides and approves the BF's monetary allocations based on the programs determined by the CD, while the Supervisory Board ensures that BF's adhere to the law and their statute (Endrici, 2001). It is relevant to highlight that BF's have sufficient autonomy in dividing the tasks between the CD and the Board of Directors, as well as regarding the number of compositions of the two bodies (Anello & Rizzini Bisinelli, 2002). Usually, the board of directors includes representatives of the banks, as well as representatives from the local community (Bandera, 2013). This structure is intended to ensure that the foundations serve both the interests of the banks and the wider community. Indeed, the composition of the board represents an important factor when it comes to socially responsible practices, as it can influence the division of expenses among the sectors, as well as the approval of projects. Hence, it is not a coincidence that the board comprehends representatives of the community in which BF's operate, aiming to report the interests and the needs of the local stakeholders, e.g., non-territorial public entities, such as universities, local authorities, other foundations and associations, as well as citizens (Leardini & Rossi, 2010).

2.1.7 External Communication of BF's

The promotion of social utility and the contribution to the economic development of local communities have encouraged the creation of proper accountability in charge of BF's (Leardini & Rossi, 2010). Differently from the other foundations which are characterised by a lack of transparency (Ricciuti & Turrini, 2018), BF's release annually a reporting document on the activities carried out. Particularly, a financial statement highlighting the balance sheets of BF's, and a mission statement, focused on philanthropic activities and pluriannual projects are issued. BF's can decide to release them as a single or two separate documents. In this context, accountability plays a double role, addressing the external needs of the stakeholders and the internal ones of BF's. On the one hand, the statements represent a tool for BF's to control the achievement of their mission; on the other, through this document, stakeholders are aware of the activities of BF's (Leardini & Rossi, 2010). According to the Authors, transparency is one of the key elements to build a strong and long-lasting relationship between BF's and the community in which they operate. Indeed, public disclosure positively influences the public image of BF's, as it demonstrates their commitment towards the local stakeholders (Larson et al., 2008). Additionally, by showcasing the activities undertaken, BF's can attract potential partners, enhancing the creation of partnerships (Dhaliwal et al., 2011).

2.1.8 Community & Local Stakeholders

Alongside the characteristics of BFs, it is important to analyse the features of the context in which they operate. According to the law, BFs have the task of promoting the economic and cultural development of the community in which they operate (Ricciuti & Turrini, 2018), which can be considered both at the regional and municipal levels in terms of the interventions made. So, it is possible to say that the main stakeholders are the citizens of the area in which the BFs have their headquarters (Bandera, 2013). Alongside them, one must also consider the associations, foundations, and public entities with which the foundations collaborate (Leardini & Rossi, 2010). Indeed, following the principle of horizontal subsidiarity, banking foundations operate next to and together with the state, intervening in those areas characterised by market failure and not addressed by private organisations (White, 2012). These include research, education, culture, local development, and environmental activities, which overlap with the main areas of intervention established by the law. The attention to the stakeholders and the local community is linked to scientific and research motives. Firstly, following the theory of social responsibility, organisations undertake socially responsible activities to enhance the well-being of stakeholders as well as strengthen their relationship with them, by creating positive externalities (Leardini & Rossi, 2010). Secondly, many studies have investigated the relationship between the socially responsible practices of organisations and the context in which they operate, in terms of industry affiliation and key stakeholders, finding relevant connections (Gautier & Pauche, 2015). These reflections lead to the suggestion that BFs may tailor their activities to the characteristics of the area in which they have their headquarters. They play a key role in the enhancement of the welfare of the community, also considering the demand for specific projects and interest in determined areas.

2.2 Corporate Social Responsibility

In recent years, it has become increasingly clear that the private sector, through its actions, can influence society and create (positive) externalities for its stakeholders (Hohnen & Potts, 2007). In this context, the concept of Corporate Social Responsibility (CSR) has developed. Particularly, its roots can be traced back to the 20th century in America, when a first definition of CSR was provided by Bowen (1953) in his book “Social Responsibilities of the Businessman”, according to which, the businessman’s actions and decisions impacted employees and the society (Agudelo et al., 2019). Even though the literature does not provide a univocal definition of CSR, it is possible to identify some common elements. Analysing the

acronym, “corporate” refers to the involvement of private organisations, while “social” refers to society at large, considered as the main stakeholder; finally, “responsibility” emphasises that private organisations are responsible to improve the wealth of society (Singh & Misra, 2021). Companies are increasingly aware that their decisions have an impact on the communities in which they operate. At the same time, companies’ long-term success is also based on the creation and development of good relationships with a wide range of individuals (Hohnen & Potts, 2007). Stakeholders have high expectations regarding the actions of the private sector. The request for social engagement by consumers is more marked in specific sectors. For instance, the banking industry, by offering intangible services, could be more in need of socially responsible practices to appear appealing to its stakeholders (Gautier and Pauche, 2015). In this context, companies are no longer perceived exclusively from a financial perspective, but also from an ethical point of view. In other words, private organisations are called upon to reconcile their economic purpose with an ethical one, by implementing activities that enhance their responsibility towards society (Crowther & Aras, 2008). The separation between the operational side and the ethical one is neat in the case of BFs, as the historical and legal process in Italy has led to the formation of two distinct entities, with precise scopes: on the one hand, banks characterised by a financial purpose and on the other hand, banking foundations, which are responsible for the implementation of socially responsible practices.

2.2.1 Carroll's Pyramid

Carroll (1991) has developed a bottom-up model aiming to explain the relationship between private organisations and their stakeholders, according to which companies must satisfy the first level to move on to the next until they reach the top of the pyramid. The model includes four levels, which represent the set of responsibilities that organisations hold towards society.



Figure 1. Carroll Pyramid for CSR. Source: Carroll, 2016, p. 5.

Carroll places firms' economic responsibilities at the base of the pyramid, since organisations' first objective is to make a positive profit, to sustain their activities (Carroll, 1991). This prerequisite becomes even more important in today's market, characterised by high levels of competition (Carroll, 2016). The second element refers to legal responsibility: organisations have to operate in line with the legal obligations they hold towards the government, the consumers and the stakeholders in general (Carroll, 1991). Laws are essential but not sufficient, as stakeholders expect organisations to conduct their activities ethically. Indeed, corporations need to be "responsive to the spirit of the law" (Carroll, 2016, p. 3), meaning those norms, customs, and traditions that, although absent in the law, are considered commonplace. Hence, the third level deals with ethical responsibility, according to which organisations must conduct their business in a fair and transparent manner, aligning their goals to the ethical norms and morals dictated by the community in which they operate. The top of the pyramid is occupied by philanthropic responsibilities, which refers to a set of voluntary activities that are required neither by the law nor expected by ethical norms, that companies undertake (Brin & Nehme, 2019). As such, they can be considered as a pure gift to society. Philanthropic responsibility can have many forms. According to a classification made by Gautier & Pache (2015), corporate philanthropy includes different activities: donations, volunteering and the establishment of corporate foundations. In this case, I am interested in considering corporate foundations, the group to which BFs belong, which are responsible to enhance or create a positive image of the company.

It is important to outline that the model presents some shortcomings. When Carroll designed the model, he had in mind a capitalistic market regime (Brin & Nehme, 2019). Hence, the pyramid cannot be applied to all countries, due to its underlying assumptions. For instance, in the case of developing countries, scholars have revisited the steps' order (Brin & Nehme, 2019). Therefore, it is always important to consider the external environment in which companies operate to have a full understanding of the context, as well as external influences.

2.2.2 Corporate Philanthropy - Empirical Review

Many studies investigated the determinants of corporate philanthropy. A recent review proposed by Gautier and Pache (2015), highlights that the main factors of corporate philanthropy has been analysed almost equally: the outcomes (31%), the management (33%), and the drivers (44%), with the latter being the most popular. The studies selected proposed different answers to the common question of why companies decide to engage in philanthropic activities, identifying different drivers, which deal with the features of the organisations or the context in which they play.

It is important to outline that a second part of the literature focuses on analysing the phenomenon of Corporate Art Collections (CAC), which refers to the collecting activity of artworks from companies. However, the research on CAC will not be analysed in depth and as a separate concept for two reasons. Firstly, BFs as corporate foundations represent an expression of corporate philanthropy; hence, their activities can be classified under the comprehensive umbrella of philanthropic activities. Secondly, to the best of my knowledge, the research made so far on CAC has investigated why companies invest in art collections using a qualitative method, based on surveys and interviews with members of the companies. Hence, only qualitative determinants have been considered, such as the investment preferences of the CEO. This affirmation is confirmed by a literature review summarised by Kottasz et al. (2007) in their paper. The only exception is the research conducted by Yoon & Shin (2014) since an OLS regression model is used to analyse the determinants of the size of the art collections of American companies. In this case, the variables considered overlap with the ones investigated in corporate philanthropy.

In the papers selected philanthropic activities are usually measured considering the amount spent by companies in philanthropic sectors. The *organisational* determinants refer to the internal characteristics of the organisations that influence philanthropic activities, while the *contextual* variables study the impact that the industry's features can have on social

expenditures. The goal of this chapter is to identify the determinants that can be applied to the case of BFs, starting from the literature on corporate philanthropy and making the necessary adjustments to the case under analysis. The *organisational* variables will be discussed below.

2.2.2.1 Profit Maximisation

Friedman considered socially responsible practices a waste of resources, unfairly sustained by the shareholders and used opportunistically by the executives to enhance their social status (Friedman, 1972). In contrast with Friedman's beliefs, financial performance has been studied as one of the determinants of socially responsible activities. By being engaged in socially responsible practices, companies can differentiate their offer from competitors, attracting more consumers and increasing their market share (Graafland & Schouten, 2012). Internally, the efficiency can increase too, as CSR could lead to a better alignment between firms' values and their employees (Story & Neves, 2015). However, the results are mixed, as some have found a positive relationship between philanthropic donations and companies' financial performance (Choi et al., 2023; Navickas & Kontautienė, 2011; Wang et al., 2008), while others found no relationship between the two indicators (Seifert et al., 2004; Seifert et al., 2003). The relationship between the size of corporate art collections and companies' financial performance has been studied too, as the rising prices of artworks from the 1950s until today can be considered one of the reasons why companies have started to buy works of art (Goetzmann, 1993). However, few empirical studies have been able to prove that the only reason why companies collect art is a financial return (Kottasz et al., 2007). In this thesis, financial performance is not considered as one of the determinants of philanthropic activities, as BFs are non-profit entities, hence their primary goal is not to maximise their profits. It would have been interesting to analyse the relationship between the investments in philanthropic activities of BFs and the financial performance of the respective parent banks. However, over time, banks have gone through operations of mergers and acquisitions, making it difficult to analyse the correspondence between BFs and individual banks.

2.2.2.2 Size of Organisations

A second element that has been extensively studied in relation to philanthropic activities is the companies' dimension (Gautier & Pache, 2015), which is considered one of the key factors able to determine their behaviour and choices. Companies' size can be considered as a proxy for many other characteristics, such as performance, competitive advantage and the ability to have economies of scale (Adams & Hardwick, 1998). Several empirical studies have

demonstrated a positive relationship between organisations' dimension and their involvement in philanthropic practices (Amato & Amato, 2007; Brammer & Millington, 2003; Seifert, 2003). Considering the compliance frameworks, larger organisations are more exposed to scrutiny from the government, the public, as well as the press (Adams & Hardwick, 1998). Being politically exposed means also to elevate the professionalism level, developing a more structured and specialised processes that facilitate and improve philanthropic practices (Brammer & Millington, 2006). In line with the stakeholder theory, larger organisations are expected to be more involved in social practices, as they deal with multiple stakeholders (Mahadeo et al., 2011). Additionally, it is reasonable to suggest that larger organisations are more profitable, hence have more resources to spend on extra activities.

Following the theory of corporate philanthropy, it can be hypothesised that as BFs become larger, they have to answer to multiple stakeholders and then, be involved in more social practices (Brammer & Millington, 2003). Indeed, they are responsible for the promotion of economic and cultural development of the community in which they operate (Ricciuti & Turrini, 2018). Besides citizens, the associations, foundations and public entities with which the foundations collaborate should be considered. It is reasonable to suggest that as BFs increase in size, they are more profitable, and they can invest more in philanthropic activities (Brammer & Millington, 2003). Additionally, bigger BFs may be more exposed to the judgement of the public and press, which raises expectations regarding the quality and the number of activities offered (Brammer & Millington, 2006). Hence, they may present structured and specialised processes that facilitate the organisation and implementation of socially responsible practices.

2.2.2.3 Characteristics of the Board

Considering the internal stakeholders, many studies have investigated the relationship between the composition of the boards and philanthropic practices (Brown et al., 2006; Marquis & Lee, 2013; Wang & Coffee, 1992; Williams, 2003), as well as the structure of ownership (Navarro, 1998; Barktus et al., 2002). Marquis & Lee (2013) and Brown et al. (2006) have found evidence that companies with larger boards are more likely to invest in philanthropic activities. However, the size of the board of BFs will not be considered in the present research, as it remains quite constant among BFs. Additionally, the ratio between 'insiders' i.e., members of the board that are also employed in the referred company, and the 'outsiders' is not considered, as all the members of the boards of BFs are external.

An interesting determinant is the composition of the board in terms of the percentage of women (Marquis & Lee, 2013; Wang & Coffee, 1992). Particularly, both papers demonstrated that there is a positive relationship between the proportion of women on the board and the investment in philanthropic activities. The underlying assumption is that female figures balance the financial purposes of men, giving more space and importance to discretionary activities that aim at social utility (Campa & Zijlmans, 2019). Previous research argues that women are more sensitive to philanthropic practices, and investments in the cultural sector, influencing the decisions of organisations (Campa & Zijlmans, 2019; Gianecchini, 2020). This phenomenon is often justified by arguing that female directors are more likely to have backgrounds outside of business than male members, such as in law, education and non-profits (Harrigan, 1981). Alternative explanations suggest that women's care about social responsibility and philanthropic practices goes beyond their academic background. According to Williams (2003), women consider charity donations as a tool for empowerment, making their presence noticed on the board. However, the literature is not unified on the matter, as other studies have not found evidence of a connection between the presence of female board members and investments in philanthropic activities (Gianecchini, 2020). In the case of BFs, both the presence of women on the Board of Directors and the CD are considered, as they play an active role in deciding philanthropic activities.

2.2.2.4 Companies' Image and Communication

The enhancement or creation of corporate image can influence philanthropic practices too. In this case, the corporate image refers to the perception that stakeholders have of a determined company (Keller, 1993). By investing in philanthropic activities, companies can build and enhance their reputation. In this context, social initiatives must be effectively communicated and received as sincere by stakeholders to positively influence the image of organisations (Campa & Zijlamn, 2019; Yoon et al., 2006). Hence, transparent, and direct communication is essential between companies and their stakeholders (Cahan et al., 2016). The Authors argue that socially responsible disclosure is an important element to inform stakeholders regarding the performance of social practices, affecting the firm value both directly and indirectly. By reducing information asymmetry, organisations can attract potential partners or institutional investors (Dhaliwal et al., 2011). Moreover, SR disclosure indirectly affects positions' perception of organisations' value, while enhancing its legitimacy (Larson et al., 2008). For instance, Fry et al. (1982) and Schwartz (1968) investigated the relationship between advertising expenses and philanthropic practices, considering the two elements as

complementary, while Leclair & Gordon (2000) found a positive relationship between investments in the arts and advertising expenses.

Particularly, considering art collections within philanthropic practices, Bargenda (2020) highlights how the construction of distinctive collections are tools through which banks can build their identity profile, thus signalling companies' core values. Yoon & Shin in their paper (2014) analyse the relationship between art collections and the organisation of exhibitions, considering the latter as an advertising tool. In this research, the advertising expenses of BFs are not considered due to a lack of information. Additionally, art collections of BFs are shared with the public on an annual basis, making the organisation of exhibitions irrelevant as a determinant. From a broader perspective, it is reasonable to consider the sum of public documents that companies release to communicate with stakeholders, such as financial and mission statements, as they represent powerful tools to decrease information asymmetry between companies and the stakeholders, as well as markets and society at large.

2.3 Contextual Factors

Considering the *contextual* factors, the characteristics of the context in which companies operate have generally been studied in relation to their socially responsible activities. Looking at the research conducted on corporate philanthropy, the type of industry in which companies operate, the creation of negative externalities and the fiscal environment have been investigated as possible determinants of engagement in philanthropic activities by companies (Gautier & Pache, 2015). Investments in SR activities are usually higher in firms that create negative social and environmental externalities, such as the ones that operate in the industries of tobacco, chemicals or oil & gas (Brammer & Millington, 2006), as they represent a powerful tool to enhance the reputation of companies. However, these variables cannot be investigated in the case of BFs, because they belong to the same industry, i.e., banking, and the latter does not create negative externalities, according to the classification of sectors proposed by Brammer & Millington (2005) in their paper. Additionally, the fiscal environment is not considered as only BFs in Italy are considered in the analysis, thus missing a comparison between countries.

Therefore, in the case of BFs, the characteristics of the region in which they operate are investigated as *contextual* variables. This choice is supported by two main motivations. Firstly, local communities represent the main stakeholder of BFs, as they are responsible for the cultural and economic development of the local area in which they have their headquarters. Indeed, the non-profit sector presents a strong tie with the community in which

it is located, tailoring its activities to the characteristics of the local area, in terms of citizens and infrastructures (Gronbjerg & Paarbjerg, 2001). Secondly, the environment in which BFs operate could influence the efficiency of their philanthropic operations, in terms of the size of art collections and the yearly amount spent on philanthropic donations. This hypothesis is enforced by many researchers that investigated the efficiency of museums considering the environment in which they operate (De Witte & Geys, 2011; De Witte & Geys, 2013; Guccio et al., 2020). The authors De Witte and Geys in their papers (2011, 2013) introduce the concept of co-production, according to which the output of an organisation goes to some extent beyond the control of the organisation itself, hence depending on the environment in which the organisation operates. In other words, the features of the recipients influence the action of organisations. Following these studies, it is reasonable to hypothesise that the characteristics of the beneficiary of philanthropic activities, i.e., the local community, can influence the action of BFs (De Witte & Geys, 2011). Hence, the different kinds of capitals are used to identify the main characteristics of the local community, particularly considering cultural, social, and human capital.

2.3.1 Cultural Capital

Cultural capital is one of the elements to consider when analysing the community in which BFs operate. To address cultural capital, it is first necessary to introduce the concept of cultural goods, which consists of the sum of tangible and intangible assets that present a cultural significance (Cheng, 2006). Cultural capital is the process of accumulation of cultural goods, according to which people invest in cultural activities over time, building their own cultural knowledge (Bourdieu, 1986). Caves (2000), for instance, refers to the addictive nature of cultural consumption, based on the assumption that the current demand of consumers depends on their previous experience. In other words, people that have experienced a cultural activity, are more likely to continue consuming cultural goods, hence enhancing a continuous process of capital accumulation. The formation of preferences has been largely studied and explained mainly through three theories: habit formation, learning by consumption, and rational addiction (Castiglione & Infante, 2013). Considering a community, the creation of cultural capital can be influenced by a greater supply of cultural goods, in terms of theatre performances, festivals, concerts, exhibitions etc. encompassing all the elements peculiar to Throsby's (2008) model, as citizens would have more opportunities to participate in cultural activities and accumulate cultural capital. Indeed, the consumption of

cultural activities and the consequent creation of cultural capital result in a higher cultural sensitivity of citizens, which refers to the willingness to consume cultural goods.

Finocchiaro Castro et al. (2021) in their research, have developed a circular model which aims to explain the process of cultural addiction, according to which a higher cultural sensitivity leads to a greater interest in cultural goods, which boosts their consumption. According to the Authors, cultural supply influences private donations and investments in the arts, being considered a determinant. Indeed, organisations that offer cultural goods may be more willing to invest in areas characterised by a great demand and supply of cultural goods, in terms of cultural consumers and artistic beneficiaries, such as museums, theatres and cultural sites (Gianecchini, 2020; Stanziola, 2007), as it results in a higher cultural sensitivity. Due to the variety of factors considered, different measures can be applied to capture cultural capital, such as regional artistic supply, as Gianecchini (2020) did in her paper.

Cultural consumption can also be analysed by considering social status, which in this thesis will be identified as consumers' income (Katz-Gerro, 2004). Throsby (1994) considers income as one of the determinants of demand for cultural goods, as some cultural activities can be considered luxury experiences. Additionally, many studies on the consumption of cultural goods consider income as one of the determinants (Castiglione & Infante, 2013), finding a positive relationship between demand for cultural goods and income (Meleddu et al., 2013).

2.3.2 Human Capital & Education

Cultural capital is part of a border category defined as human capital, which refers to the sum of skills, culture, and education that an individual has (Throsby, 1999). Usually, a positive relationship between cultural demand and education is hypothesised, when analysing cultural consumption (Castiglione & Infante, 2013; Meleddu et al., 2013; Stanziola, 2007; Throsby, 1994). In fact, investments in art and culture could be higher in the regions characterised by a great level of schooling, as the demand could be higher in terms of cultural consumers (Stanziola, 2007). Moreover, the presence of universities and higher education institutes seem to have a positive impact on the development of socially responsible practices, as there could be some interlocks between the educational institutes and the board of directors of regional organisations (Glückler & Ries, 2012).

However, education can also be considered as negatively related to the philanthropic activities conducted by BFs for two reasons. Firstly, BFs other than cultural activities, invest in education and research sectors, as well as local development. Hence, it is reasonable to

suggest that the investments are higher in those areas characterised by a lower level of education. Indeed, it must be remembered that BFs tailor their activities to the characteristics of the population and that they are responsible for the cultural and economic development of the community (Leardini & Rossi, 2010). Secondly, if there is a lack of initial capital, it is more difficult to introduce people to the consumption of cultural capital. According to Finocchiaro Castro et al. (2021), investment in education and research can be used to introduce cultural consumption to people that approach it for the first time. Therefore, while responding to cultural demand through investment in cultural activities, they are also responsible for the cultural and economic development of the entire community. This implies an investment to increase the human capital of the population, which in turn will lead to an increase in income and cultural capital.

2.3.3 Size of The City & Income

The concept of capital can be analysed considering the characteristics of the urban area too. More generally, there is a reciprocal relationship between economic development and the arts. On one hand, urban areas that are richer and economically developed are more inclined to have a greater offer of cultural sites as well as a greater cultural demand. On the other, the establishment of cultural sites leads to an increase in the wealth of the area, as demonstrated by previous studies (Markusen & Gadwa, 2010; Dinda, 2008). Indeed, museums, galleries and cultural organisations can have a multiplier effect on the local community, from an economic perspective (Meleddu et al., 2013).

Additionally, communities' size has been investigated related to the formation of the non-profit sector (Gronbjerg & Paarlberg, 2001). Following the stakeholder theory, as BFs operate in larger cities, they may have to answer to a larger number of stakeholders. Thus, an increase in population should be justified by an increase in investment in philanthropic activities. In addition, more associations and non-profit entities with which to collaborate on projects could be concentrated in urban cities. According to Stanziola (2007), cultural funding is often concentrated in urban areas as they present the proper infrastructures and a high number of cultural organisations that could benefit from corporate donations. Organisations tend to concentrate in urban areas to take advantage of their positive externalities, such as the proximity to a greater number of consumers and resources (Stanziola, 2007). In Italy, usually, bigger cities are also the regional capital. Hence, this feature will be considered in the analysis.

2.3.4 Social Capital

Social capital relates to the development of a collective capital created by individuals through their interactions (Bourdieu, 1986). In other words, it refers to the membership of a group of people who share the same network (Martorana & Mazza, 2023). Particularly, according to the Authors, the interactions between individuals come from trust, gratitude and respect, which set the necessary conditions for the development of cooperation. Social capital is an important element to consider in a community, as it relates to economic growth, in terms of civic engagement and low criminality (Dinda, 2008). The concepts of cultural capital and social capital are intertwined when the creation of cultural capital leads also to the formation of relationships between individuals (Throsby, 1999). Indeed, social participation may favour the creation of new relationships and boost private donations in the arts and cultural sector. Hence, it is reasonable to presume that social capital can be a determinant of both the size of art collections and the number of philanthropic donations, as they include investments in the arts and cultural sector. Additionally, BFs, by organising cultural events and investing in education and research contribute to the increase of social capital. Indeed, many studies have demonstrated that social capital is connected to the development of human capital, which can be enhanced through education (Dinda, 2008). Moreover, by investing in the local community, BFs contribute to the creation of local identity, creating new networks with local partners, e.g., associations, non-profit entities and local realities, and increasing the status of membership of citizens (Martorana & Mazza, 2023). Social capital can be measured in different ways, for instance considering the rate of criminality (Fiorino et al., 2021). Martorana & Mazza (2023), in their research, study the connection between the cultural expenditure and social capital, measured as voting participation.

2.4 Hypotheses To Be Tested

Based on the theoretical framework discussed so far, the following hypotheses have been formulated.

H1: There is a positive relationship between BFs' size and philanthropic practices (i.e., donations and art collections). Following the theory on corporate philanthropy, it can be expected that as BFs become larger, they have to answer to multiple stakeholders and have more resources.

H2: There is a positive relationship between the proportion of female directors and philanthropic practices (i.e., donations and art collections). Previous research on corporate

philanthropy argues that women are more sensitive to philanthropic practices, and investments in the cultural sector. Both the presence of women on the Board of Directors and in the CD are considered for BFs.

H3: BFs that issue a separate mission statement on their philanthropic activities, invest more in socially responsible practices (i.e., donations and the size of art collections). Social initiatives, to affect organisations, must be effectively communicated. In the case of BFs, the redaction of a separate mission statement is considered to investigate the public exposure of BFs. By issuing an *ad hoc* document, BFs simplify stakeholders' access to information regarding their commitment towards the local community. Hence, the statement could signal the willingness to invest in socially responsible practices more than those BFs which do not issue a separate mission statement.

H4: The artistic wealth of the region positively influences the size of art collections and philanthropic donations. BFs might be more inclined to invest in cultural activities in an area characterised by higher demand for cultural consumption, as they would have more opportunities to receive a positive response from a culturally sensible public.

H5: The level of regional education influences the size of art collections and the number of philanthropic donations. Education can have an ambiguous effect on the philanthropic activities of BFs. On the one hand, cultural capital is positively related to the level of education. On the other hand, as the level of education decreases, BFs can decide to invest more in philanthropic activities.

H6: There is a positive relationship between philanthropic practices (i.e., size of art collections and donations) and the size of the city as well as whether BFs operate in the regional capital. Following the stakeholder theory, by operating in larger cities, BFs may have to answer to a larger number of stakeholders. Additionally, BFs have more opportunities to work with third parties to realise philanthropic activities.

H7: Philanthropic practices (i.e., the size of art collections and philanthropic donations) are positively related to regional wealth. There is a reciprocal relationship between economic development and the arts. Additionally, regional income is considered one of the determinants of cultural consumption.

H8: Social capital influences the size of the art collections and the amount of philanthropic donations. Social participation may favour the creation of new relationships and boost private donations in the arts and cultural sector. Hence, it is reasonable to presume that social capital can be a determinant of both the size of art collections and the number of philanthropic donations, as they include investments in the arts and cultural sector.

3. Method

The following chapter aims to describe the research methodology. Firstly, the process of data collection is introduced. Afterwards, the dependent and independent variables are investigated: the aim is to explain their choice and how they are measured. Finally, the model is introduced, and the method employed is explained. The aim is to justify the method used and introduce the steps of econometric analysis.

3.1 Dataset & Data Collection

The sample was generated following two guidelines. On the one hand, I selected BFs that both invest in philanthropic donations and hold an art collection. On the other hand, no restrictions were set in terms of dimension, geographical position, amount of donations or size of the art collection. Indeed, the aim was to work with a varied sample that comprehended BFs with different characteristics, to have analysis results that could be considered valid for all banking foundations.

I selected BFs that hold an art collection through “R’accolte”, (<https://raccolte.acri.it/it/>), a digital project organised and financed by ACRI, which aims to inventory the art collections of banking foundations, counting 47 BFs. To confirm the sample, I manually checked the balance sheets of BFs that were left out, searching for art assets, through ACRI’s website (<https://www.acri.it/fondazioni/bilanci/>). Founded in 1912, ACRI is the organisation that collectively represents BFs and savings banks (*Casse di Risparmio*). Specifically, the website offers the balance sheets of the 88 Italian banking foundations from 2001 until 2021, divided by the foundation name. Thanks to the double-check procedure, 20 more BFs were selected, bringing the total to 67. Of the 20 that were excluded, 15 did not have complete availability of data, while the remaining 5 did not hold an art collection. Due to time constraints, the dataset covers the period between 2021 and 2015. For the BFs of the final sample, I have manually collected information on the size of their art collection and philanthropic donations through their balance sheets and direct websites. Specifically, I divided the philanthropic donations into the following sectors, according to the most relevant ones and the sectors identified by law: 1) Education, Instruction and Training; 2) Scientific and Technological Research; 3) Art and Cultural activities; 4) Volunteering, Philanthropy and Charity; 5) Public Health preventive and rehabilitative medicine; 6) Environment; 7) Local development; 8) Others (e.g., care for the elderly, religion, family, civil rights, civil protection, sports, earthquake). Additional information on their organisational characteristics was gathered, namely the number of employees, the percentage of women both on the Board

of Directors (BD) and Committee for Direction (CD), and whether they prepare separate mission statements. Data were collected through a cross-check procedure considering their balance sheets, available at the ACRI's website, and their direct online pages. This method resulted to be time-consuming because the information had to be searched and collected manually from files of 50-200 pages, resulting in more than 8,000 iterations.

Other variables that were considered, concerned the characteristics of the region and the cities in which the BFs operate. In particular, the artistic supply of the region, the level of education, regional wealth, the size of the city where the BFs are based and whether they operate in a regional capital were collected. Data were retrieved from the ISTAT website, the National Institute of Statistics in Italy. Due to an arbitrary choice, they do not perfectly reflect the same time frame. In particular, data on regional wealth and education were collected from one year before concerning the dependent variables to overcome problems of inverse causality. Moreover, the variables were lagged to stabilise the data and overcome possible outliers. Additionally, data on voting participation and the political orientation of Italian regions were collected from the Historical Archive of the Italian Ministry of Interior.

3.2 Dependent Variables

Once the sample and the method were defined, I moved on to determine the dependent variables, namely the philanthropic activities and the size of art collections of the 67 BFs.

The dimension of the art collection is measured using the monetary value of artworks, i.e., the value recorded on the assets side of the balance sheet of the BFs. Alternatively, another method would have been to consider the number of artworks in each collection, which is considered to be more conservative, as the price can vary due to economic conditions (Yoon & Shin, 2014). However, according to the accounting principles issued by the Organismo Italiano di Contabilità (OIC), immovable property, and thus also the value of the artworks, is accounted for in the balance sheet at its acquisition cost, which includes possible accessory costs, such as restoration ones (Organismo Italiano di Contabilità, 2017). In other words, the value of the collection is registered conservatively, meeting the principle of prudence (Ministero dell'Economia e delle Finanze, 2011). Indeed, the monetary value of artworks is registered at the initial purchase cost; thus, it is fixed. Hence, external economic conditions do not influence the value accounted for in the balance sheet. One of the downsides of this principle is that, in case of a revaluation of the collection, the surplus is not registered in the balance sheet. Moreover, this method permits accounting for the objective value of the artworks (Kaufman, 2002). The value of art collections was manually retrieved

through BF's balance sheets, a document that presents general information on banking foundations, asset management, and budgeting schemes, and in the majority of cases also the mission statement. Specifically, the value in euros of the art collection is registered in the asset section of the balance sheet under the heading "*beni mobili d'arte*" i.e., movable art assets.

When it comes to philanthropic activities, they are measured using the monetary value, in euros, of the donations that BFs make each year, following the research conducted on corporate philanthropy. Specifically, both donations made for the realisation of own projects and those of third parties were included. In addition, the deliberated value was recorded, and not the disbursed value, to construct a homogeneous sample, as not all the BFs present this distinction. The monetary measurement misses representing the economic, legal, and ethical dimensions encountered in Carrol's model, considering only the philanthropic one. However, for the scope of this research, it can be considered exhaustive. Indeed, due to their complexity, Carrol's dimensions (2016) do not lend themselves easily to empirical testing (Gjøølberg, 2009). Moreover, in the case of BFs, the legal dimension overlaps with the ethical one, as foundations pursue a social purpose. By collecting the social expenditure in monetary value, social responsibility is measured in terms of income. Indeed, when considering CSR in terms of the outcomes created, the measures risk being approximate, and not including all the initiatives proposed by companies. Some examples are the usage of benchmarks or sustainability indexes (Székely & Knirsch, 2005).

Before running the two regressions, the Pearson product-moment correlation coefficient was calculated between the two dependent variables, to test whether the variables were linked by any kind of relationship. The coefficient resulted in < 1 , confirming that the dependent variables are unrelated, hence it was possible to develop two distinct models (see Appendix, Table A4). Even though collecting artworks and philanthropic donations are both considered philanthropic activities, it is necessary to build two distinct models for two main reasons. Firstly, BFs adopt different strategies for the two activities: donations must be made annually by the BFs, with very few exceptions, while art collections are not regulated by law. Secondly, from a financial statement standpoint, they are two different items, which cannot be added together. Whereas artworks are assets, philanthropic donations are considered costs.

3.3 Explanatory Variables

The following section is dedicated to explaining the independent variables that have been selected as potential determinants. The choice of the variables is based on the literature

investigated in the theoretical framework. The aim is to build a quantitative model starting from the available literature on corporate philanthropy, making the necessary adjustments to the case under analysis.

Following the review proposed by Gautier & Pache (2015), the main determinants are summarised in Table 3 below.

Organisational Variables	Literature
Profit maximisation	Seifert et al. (2004); Seifert et. al., 2003)
Companies' size	Amato & Amato (2007); Brammer & Millington (2003); Seifert (2003)
Advertising expenses	Schwartz (1968); Fry et al. (1982); Leclair & Gordon (2000)
Ownership structure	Navarro (1988); Barktus et al. (2002)
Board members	Marquis & Lee (2013); Williams (2003); Wang & Coffee (1992); Brown et al. (2006)
Contextual Variables	
Industry structure	Johnson (1966); Burt (1983)
Type of industry	Fry et al. (1982); Burt (1983); Brammer & Millington (2006)
Negative externalities	Brammer & Millington (2006)
Fiscal facilities	Steinberg (1990); Johnson (1966)

Table 3. *Main independent variables in the empirical literature on corporate philanthropy*

The *organisational determinants* refer to the characteristics of the companies that have been shown to have a greater influence on the volume and structure of corporate donations. In the case of BFs, the size of the organisations and the structure of the board will be considered, as the other variables do not match the legal status of foundations. Considering the *contextual variables*, the literature on corporations investigates the characteristics of the industries, structuring the variables based on the main stakeholders, i.e., consumers. When it comes to BFs, the main stakeholders are the local communities in which they operate. While the literature lacks to address them (Gautier & Pauche, 2015), they represent key features when it comes to BFs, hence the characteristics of the Italian regions will be considered.

The size of the BFs, the percentage of women in the CD and in the Board of Directors, the redaction of a separated mission statement are considered *organisational variables*. As previously discussed, the size of BFs could influence philanthropic activities as bigger firms, by being more profitable, have more resources to spend on extra activities. Due to the variety of factors considered, different measures have been used to assess companies' size, such as total assets (Brammer & Millington, 2006), income (Schwartz, 1968), sales revenues (Williams & Barrett, 2000), and the number of employees (Arulampalam & Stoneman, 1995). In this research, the data on the number of staff members is used to measure BFs size: as it represents the most suitable variable since the measure of total assets cannot be employed, as a part of them accrues to the art collections. Moreover, sales revenues and income highlight the aspect of financial profitability, which is not considered one of the main goals of foundations.

The composition of the board could affect the decisions on philanthropic donations too, as a higher presence of women could result in greater donations (Marquis & Lee, 2013). Hence, the percentages of women on the Board of Directors and on the Committee for Direction (CD) are considered. While studies on corporations consider only the percentage of women on the Board of Directors, in this case, both the presence of women on the Board of Directors and on the Committee for Direction are considered, as they play an active role in deciding regarding the philanthropic activities undertaken by BFs. While the CD is responsible for the establishment of the programs (Anello & Rizzini Bisinelli, 2002), hence presiding over the relationship between the foundation and the local area (Leardini & Rossi, 2010), the Board of Directors (BD) decides and approves the BFs' monetary allocations based on the programs determined by the CD. Additionally, it is important to emphasise that BFs have sufficient autonomy in dividing the tasks between the CD and the Board of Directors, hence it is reasonable to consider both.

The result is a panel of data retrieved from the balance sheets of BFs and their websites. Moreover, data from one year earlier is collected for both the percentage of women in the CD and in the Board of Directors and the number of employees, under the assumption that the state of the organisation of BFs can influence socially responsible practices (i.e., donations and the size of art collections).

As for the *contextual variables*, the artistic supply of the regions, the size of the cities in which the BFs operate and whether it is the regional capital, the level of wealth and education of the regions, and the voting participation were considered. These variables allow to profile the local communities.

The educational level is considered on a regional scale and computes the number of people that hold an upper secondary school, post-secondary school, or a tertiary certificate, while regional wealth is measured using the average annual household income. Moreover, due to the limited availability of data, the artistic offer of Italian regions is measured as the total number of museums and galleries, archaeological parks, and monumental complexes in 2015, following the approach applied by Gianecchini (2020). Finally, the size of the cities in which the BFs operate is measured as the number of inhabitants in 2020, for all the years considered. The assumption, in this case, is that population remains constant over the period considered.

Voting participation is used to measure the social capital of regions, following the approach adopted by Fiorino et al. (2021) in their research. This variable aims to capture the social interaction of the community, to determine whether it influences cultural participation (Martorana & Mazza, 2023), and hence the value of art collections and donations of BFs. Voting participation refers to two regional elections regarding the period under investigation and is the ratio between the number of voters and the voting population, which in Italy is made of citizens who are 18 and older.

In the Appendix, Table A1 summarises the variables considered, how they are measured and the sources of information.

3.4 Control Variable

Next to the dependent variables, a control variable was added to the model. The limited selection of these kinds of variables is justified by the fact that the characteristics of the regions in which BFs have their headquarters, in terms of income and education, are captured by the independent variables. Nonetheless, the political orientation of the regions is considered, aiming to reduce the creation of biased results. The nature of philanthropic donations could indeed be influenced by the regulatory environment of the region in which BFs operate, in terms of incentives or constraints determined by the local government. Additionally, the political orientation of the local government could influence the donations of BFs, giving greater importance to some areas than to others.

The control variable is a dummy variable that assumes a value equal to 0 if the regional government is centre-right and 1 if it is centre-left. As in the case of voting participation, it refers to two regional elections that took place in the period under investigation. Data on the government of Italian regions were retrieved from the Historical Archive of the Italian Ministry of Interior.

3.5 Descriptive Statistics

The final dataset counts 10,810 observations. Before examining the empirical strategy, it is important to analyse the characteristics of the sample, as well as the descriptive statistics of the dependent variables, namely the philanthropic donations and the size of the art collections.

Figure 2 shows the distribution of BFs on the national territory and their dimensions. Overall, the map highlights a high number of small BFs, which accounts for 75% of the total number. The phenomenon aligns with the fact that the Italian economic fabric is characterised by small companies (SMEs), which account for 99.9% of corporations, according to the OECD.

The majority of BFs are concentrated in northern (51%) and central (37%) Italy, while the south hosts the remaining 12%. The trend aligns with the findings of the research conducted by Fondazione Sodalitas and Fondazione Bracco (2019) on foundations in Italy, which highlights a situation of imbalance in the territory, with a concentration in the north and centre.

Particularly, two trends can be identified in the central-northern regions. On one hand, some regions present a high concentration of small BFs, this is the case of Emilia-Romagna, Marche and Umbria, while others, such as Tuscany and Piedmont, host a lower concentration, but larger BFs.

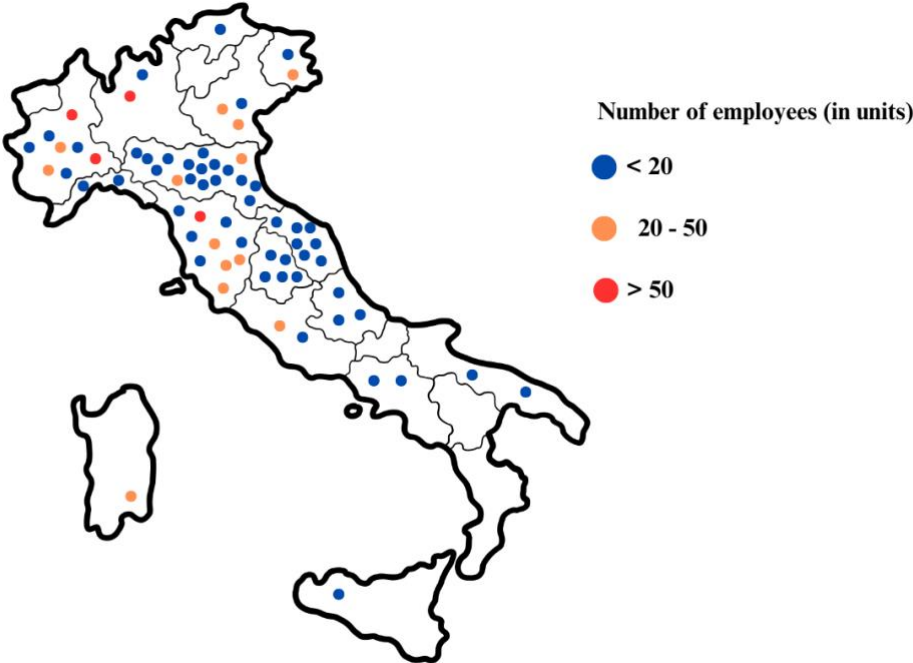


Figure 2. Distribution and dimension of banking foundations

Regarding the dependent variables, the smallest art collection has a value of € 2,500, belonging to the Fondazione Cassa di Risparmio di Città di Castello, while the largest is held by Fondazione Cassa di Risparmio di Firenze and it is worth of € 36,466,257. Overall, the BFs are responsible for collecting artworks for a total value that exceeds € 300 million in 2021, highlighting their significant contribution to collecting and protecting Italy's cultural heritage (*Table 1*).

Variable	Obs.	Mean	Std. dev.	Min.	Max.	Total*
COLLART	469	4190678	6873838	2,500	36,466,257	311,973,444,50

Table 1. Value of Art Collections of BFs

*Total value of art collections in 2021

The number of donations from banking foundations over the 7 years far exceeds the value of art collections, reaching a total of 5 bln, with a minimum donation of 0 which can be attributed to Fondazione Cassa di Risparmio e Banca del Monte di Lugo, which, due to budget deficit, stopped donations in 2015 and resumed them in 2017. The maximum amount of more than 180 mln per year belongs to the Cariplo Foundation, which together with Compagnia di San Paolo, counted for the BFs with the highest annual donations. They are both located in Northern Italy.

Variable	Obs.	Mean	Std. dev.	Min.	Max.	Total
TOT	469	11,892,967	28,586,209	0	183,674,923	5,577,801,884.62

Table 2. Philanthropic donations of BFs

When looking at the sectors, the division “Art and Cultural activities” records the highest number of donations over the period under consideration, exceeding even the aggregate category 'Others' (*Figure 3*), as BFs invest consistently more in the arts sector throughout the period considered (*Figure 4*). This phenomenon suggests that BFs have a special interest in the sector in question, dedicating a higher annual budget to it than the other sectors. This focus can be justified by the fact that Italy is a special case when it comes to the

arts and culture sector. Indeed, it is characterised by a large cultural heritage, made of cultural sites and mobile works of art. Italy holds the highest number of cultural sites, listed on the World Heritage list (UNESCO, n.d.). Moreover, according to the ISTAT, Italy counts 4158 museums, galleries, or collections as of 2015 (ISTAT, 2015). Additionally, the country has been given more space to private initiatives in the arts and culture sector recently (Valentino, 2009), although it has a historical state-driven strategy (Zimmer & Toepler, 1999).

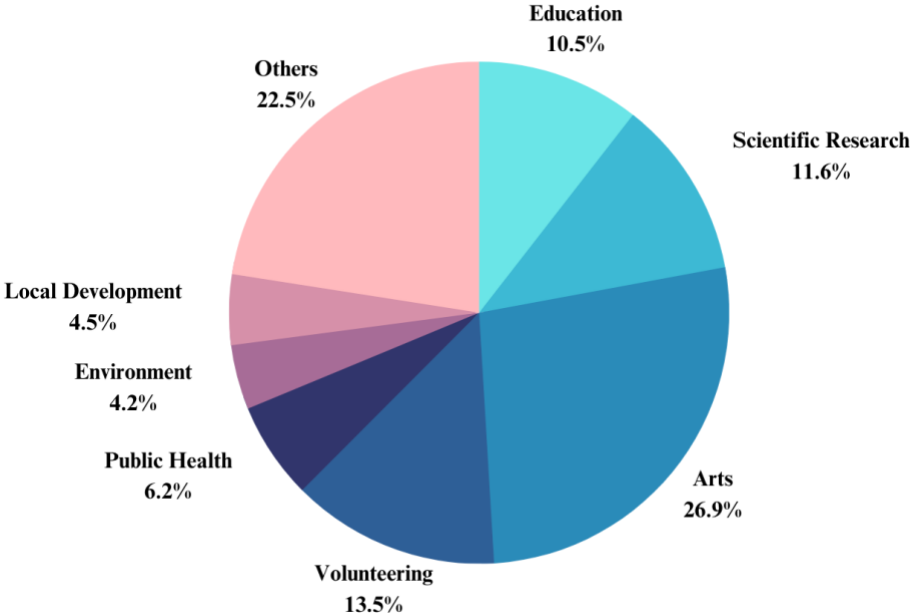


Figure 3. Distribution of philanthropic donations. Source: Own elaboration with data from the dataset.

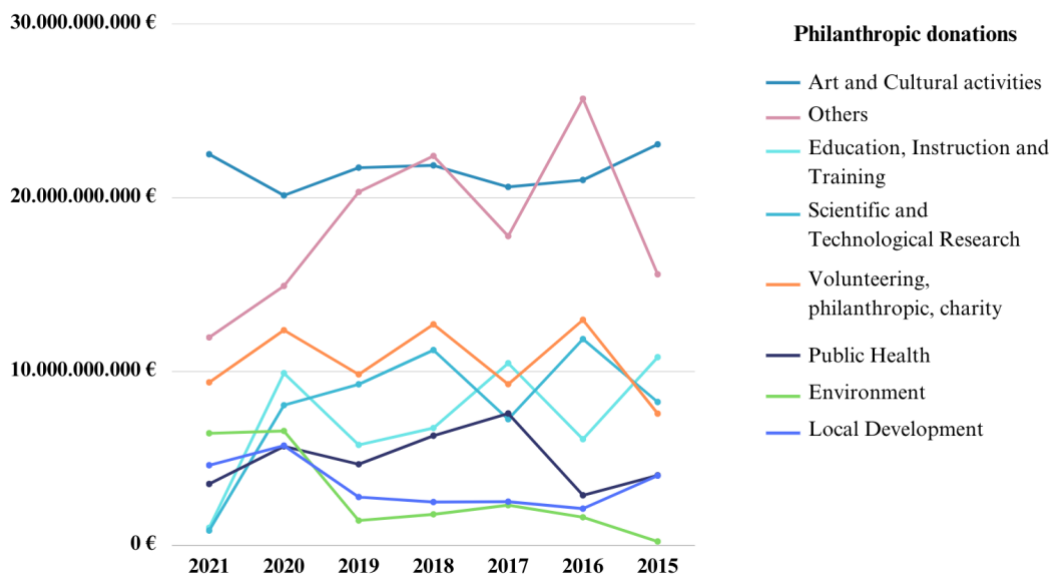


Figure 4. Philanthropic donations throughout the years. Source: Own elaboration with data from the dataset.

3.6 The Model

The data were collected in an Excel sheet, coded in Excel, and subjected to multiple regression analysis in Stata, a program that is used for statistical studies. To answer the research questions, a quantitative approach is applied. In Particular, I adopted a robust regression model. A regression model is a quantitative tool that aims to describe in the best way possible the relationship between the dependent and the independent variables, by minimising the sum of errors between the observed data and the predicted values (Stolzenberg, 2011).

Particularly, two distinct regression models are employed, the first one considering the value of art collections and the second having the monetary value of philanthropic donations as a dependent variable. They both present the same independent variables, as in line with the literature review, the collection of artworks and philanthropic activities are considered under the comprehensive umbrella of philanthropic practices.

The regressions are explained as follows:

Model 1

$$\ln\text{COLLART}_{it} = a_0 + a_1 \ln\text{staff}_{it} + a_2 \text{womenbc}_{it} + a_3 \text{womencd}_{it} + a_4 \text{missionstatement}_{it} + a_5 \text{artisticsupply}_{it} + a_6 \ln\text{education}_{it} + a_7 \ln\text{citysize}_{it} + a_8 \ln\text{wealth}_{it} + a_9 \ln\text{vote}_{it} + a_{10} \text{capital}_{it} + a_{11} \text{politics}_{it} + e_{it}$$

Model 2

$$\ln\text{DON}_{it} = b_0 + b_1 \ln\text{staff}_{it} + b_2 \text{womenbc}_{it} + b_3 \text{womencd}_{it} + b_4 \text{missionstatement}_{it} + b_5 \text{artisticsupply}_{it} + b_6 \ln\text{education}_{it} + b_7 \ln\text{citysize}_{it} + b_8 \ln\text{wealth}_{it} + b_9 \ln\text{vote}_{it} + b_{10} \text{capital}_{it} + b_{11} \text{politics}_{it} + e_{it}$$

in which $\ln\text{COLLART}_{it}$ represents the natural logarithm of the value of the art collections, of the banking foundation i , with $i = 1, 2, \dots, 67$, while $\ln\text{DON}_{it}$ refers to the natural logarithm of donations that i BFs support. The terms a_0 and b_0 are the constant terms, which are equal to the predicted value of the art collection and the donations respectively, when the other variables are equal to zero, while coefficients a and b measure the direction and the magnitude by which the independent variables which are predicted to influence the value of the art collection and the donations. The control variable *politics* is transformed into a dummy variable that assumes a value equal to 1 if the region sympathises with the centre-right, and 0 for the centre-left. The terms *lnstaff*, *womenbcd* and *womenbc* are continuous variables that indicate the dimension of BFs and the percentage of women on the Board of Directors and on the CD respectively, while *missionstatement* is a dummy variable that assumes a value equal to 1 if BFs release a separate mission statement and 0 otherwise. The remaining terms are *contextual variables*. Particularly, they refer to the regional artistic wealth *artisticoffer*, the natural logarithms of the level of regional schooling *lneducation*, the size of the city *lncitysize*, and the regional wealth *lnwealth*. The transformation into logarithms of these variables is consistent with the assumption of normality. Finally, the term *vote* refers to voting participation at a regional level, while *capital* is a dummy variable that assumes a value equal to 1 if BFs operate in the regional capital and 0 otherwise.

3.7 Empirical Strategy

Following the literature on corporate philanthropy, I initially performed an ordinary least square (OLS) regression. The assumptions related to regression analysis, i.e., normality, independence of residuals, linearity, multicollinearity, homoscedasticity, and presence of outliers were tested, and the model was adjusted to respect them. Particularly, the Durbin-Watson Statistics test highlighted that the residuals are independent as its value is near 2 (see Appendix, Table A2), while the Variance Inflation factor (VIF) demonstrated that there is no correlation between 1) the independent variables and 2) the independent variables and the dependent variable (see Appendix, Table A3), as the value of the variables is below 5. Tables

A5 and A6 in Appendix report the results of the White test, conducted on both models to test the presence of heteroskedasticity. While Model 2 presents a p-value that is greater than the significance level of 5%, respecting the assumption of homoscedasticity, Model 1 has a p-value slightly above 1%, weakly confirming that there is not enough evidence to reject the null hypothesis of constant variance. Hence, to correct the model, the regression was run again using robust standard errors and as Table A7 shows, the independent variables do not present particular differences both in the standard errors and in significance level.

Furthermore, the panel presented some outliers and high leverage points. This is not surprising as usually, extreme values are more marked when dealing with a relatively small sample (Andersen, 2008), as in the case under analysis. Indeed, the BFs represent a specific case of foundations limited to Italy. While I managed to remove the outliers using the Winsorization method, high leverage points persisted. Indeed, I used Cook's distance method to individuate and delete them from the panel. However, as soon as they were deleted, they were replaced by new high-leverage points.

To confirm the presence of extreme values, a regression with fixed effects was run. This regression model permits to analyse the panel data more precisely and efficiently, controlling for unobserved effects that are constant over time. The fixed effects regression model confirms the presence of high leverage points. Therefore, a robust regression model was employed. When data presents multiple outliers or high leverage points, the robust regression model is more appropriate, as the least squares approach may provide inaccurate results (Welc et al., 2018). Additionally, robust regression addresses the problem of heteroscedasticity.

Looking at the literature on corporate philanthropy, regression analysis is not the only method employed. Indeed, historically, surveys were conducted on corporate executives to assess the philanthropic practices of the companies (Fry et al., 1982). While these studies provide useful insights, their method presents some limitations that make it unsuitable for this research. First, by law, banking foundations pursue exclusively the purposes of social utility and the promotion of economic development (Bandera, 2013). In other words, their decisions on social expenditures do not depend only on corporate executives. Therefore, the method of surveys would not be aligned with the case proposed. Secondly, when using data from executives' surveys, it has been difficult to distinguish between what firms claim and what they pursue in practice, due to the subjective nature of surveys as well as the emotional nature of philanthropic issues (Amato & Amato, 2007). Regarding the collection of data, studies usually employ aggregated data (Gautier & Pauche, 2015), retrieved from databases

developed by agencies third party to the companies (Amato & Amato, 2007; Fry et al., 1982). This collection method presents some shortcomings when developing an analysis, as the quality of data and the collection criteria are not usually clarified. Moreover, data cannot be customised, reducing the flexibility of the research: for instance, companies can be classified in clusters defined *a priori*, based on criteria that may not coincide with the purpose of the research.

In contrast, robust regression allows us to objectively study the relationship between the dependent variables and the independent ones and its strength while addressing the skewness of data. Indeed, this method aims to provide results that are not biased by outliers or high leverage points (Andersen, 2008).

Finally, the aim is to follow the existing research field of corporate social expenditures, which mostly uses simple or multiple linear regressions (Gautier & Pauche, 2015). Indeed, as BFs represent the introduction of an innovative subject, it is interesting to place the findings on a continuum concerning the research carried out so far on corporations, by using the same method. In this way, findings on companies and those on BFs can be compared congruently. To overcome the limitations associated with data collection, data are retrieved from public and certified sources released directly from banking foundations in the form of annual financial statements (*bilanci annuali*) or mission statements (*bilanci di missione*).

4. Results

In this section, the results of the empirical analysis are reported based on the regressions run in Stata. Firstly, the results of the regressions are analysed and compared with the initial hypothesis to test whether there is some correspondence. Secondly, a robustness check is conducted to verify the validity of the model. Finally, a personal reflection of the results, developed in relationship with the literature is presented.

4.1 Regression Analysis

Two different regressions were made based on the two models developed. For both of them, multiple tests were conducted with different combinations of the independent variables to determine whether the fit of the model could be improved as well as the results related to the variables. Particularly, several combinations of the contextual and organisational factors were tested to determine if their combined effects would be more significant than those of the individual variables. The results of the analysis are shown in Table 4.

	Model 1	Model 2
Number of employees	0.767*** (0.0908)	1.093*** (0.0636)
Women in BD	0.0185 (0.456)	-0.420 (0.320)
Women in CD	-0.781 (0.534)	-0.198 (0.374)
Mission statement	-0.170 (0.158)	0.391*** (0.111)
Reg. artistic offer	0.00466*** (0.000940)	0.00223*** (0.000659)
Reg. education	-1.023*** (0.155)	-0.135 (0.110)
Reg. wealth	2.893** (0.966)	-0.757 (0.677)
Size of the city	0.455*** (0.0788)	0.249*** (0.0561)
Reg. capital	0.206 (0.204)	0.342* (0.143)
Social capital	0.479 (0.346)	0.810** (0.245)
Political orientation	-0.250 (0.168)	-0.118 (0.118)
_cons	-16.43 (10.25)	17.68* (7.183)
R- squared	0,48	0,74
Adj R – squared	0,46	0,73

Standard errors in parentheses

* p<0.05, ** p<0.01, *** p<0.001

Table 4. Robust regression Model 1 and Model 2

4.1.1 Model 1: The Value of Art Collections

The first column of Table 4 shows the results for the regression run using the value of art collections as the dependent variable. The model is able to explain 48% of the variance of the dependent variable, which can be considered to be an acceptable result. Indeed, other variables that are not considered in the analysis may influence the size of the art collection,

such as the collection strategy of BFs and the supply of artworks in the market. However, those aspects do not represent the main focus of the study proposed. Nonetheless, the results of the analysis reveal interesting insights into the variables that influence the value of art collections. The p-value of the treatment variable is lower than the significance level of 1%, confirming that the analysis is significant (see Appendix, Table A8). Additionally, it is important to highlight that various tests were run to improve the goodness of fit and check whether the organisational and contextual variables were more influential when combined, which did not result to be the case, and also the significance of the regression worsened.

The regression highlights relevant and positive relationships related both to organisational and contextual variables. Particularly, the size of art collections holds a positive and significant relationship with the number of employees, in line with H1. Additionally, the presence of women in positions of power does not influence the dependent variable. This result can be justified by the fact that BFs have continued the collection activity previously employed by the savings banks. Hence, the value of the core collection could in part be attributed to an activity prior to those of the BFs. Furthermore, as stated earlier, it must be considered that the choice to buy or sell works of art may be influenced by market dynamics, which are not part of the analysis.

Regional wealth, the artistic offer and the size of the city are considered determinants for the size of the art collections, holding a positive and significant relationship with the latter, with the first one presenting a significance at the 95% level, while the other two variables at the 99% level. Considering the regional artistic offer, BFs that operate in a region characterised by great artistic wealth, hold large collections, confirming H4. BFs are more willing to collect and promote artworks in an environment characterised by a higher demand for cultural activities and organisations, which in this case, is measured considering the cultural centres in the regions. Additionally, the size of the city and the regional wealth can be considered as two other measures of cultural demand, confirming H6 and H7. Indeed, regional wealth holds a reciprocal relationship with cultural demands, according to which cultural sites increase the wealth of the area, while regions characterised by a greater wealth present a higher interest in the arts and cultural activities. Hence, the value of the art collections of BFs is influenced by the cultural sensitivity of the community and its interest towards cultural activities. The fact that the size of the city is one of the determining factors of the value of art collections can be traced back to the fact that cultural organisations tend to concentrate in urban areas, characterised by greater cultural demand. Hence, once again BFs that hold larger collections seem to answer to a greater demand for cultural initiatives. Finally,

the size of art collections holds a negative and significant relationship at the 99% level with the level of regional education, confirming H5. This result could be justified by the fact that investments in the arts are used to build cultural capital in regions characterised by an absence of it.

4.1.2 Model 2: Philanthropic Donations

The second column of Table 4 shows the results for the regression run using the value of philanthropic donations as the dependent variable. Analysing the goodness of the fit, the R² showcases that the model is able to explain 74% of the variation of the dependent variable, which is considered a good result considering that the data analysed come from a panel database (Petchko, 2018; see Table 5). Indeed, it is important to highlight that multiple regressions were run with different combinations of independent variables, as well as introducing interactions between the contextual variables and the organisational ones. However, in the other models, the goodness of fit of the model did not change significantly, while fewer variables showed significance. Additionally, the p-value of the treatment variable is lower than the significance level of 1%, confirming that the analysis is significant (see Appendix, Table A8).

Considering the organisational variables, the number of employees, which measures the size of BFs, shows significance, highlighting that as the value of the donations increases, the dimension of the BFs rises. This result is aligned with H1, according to which the size of BFs influences their philanthropic donations. Additionally, the regression shows a positive and weakly significant relationship between the redaction of a separate mission statement and the donations, confirming H2. In other words, the analysis highlights that BFs that invest more in philanthropic activities are more likely to redact a separate mission statement that highlights their commitment to the community. Therefore, in this dimension, the mission statement may be used not only as an informative document, required by law but also as a tool to strengthen the relationship between BFs and their stakeholders, enhancing the image and reputation of the organisations in the area in which they operate. The weakness of the relationship can be justified by the fact that BFs could employ other methods to publicise philanthropic donations, that could more easily reach the local community, such as local newspapers, and that are perceived as less technical.

Considering the contextual variables, the artistic wealth of the region is significant at the 1% level, holding a positive relationship with the amount spent in donations and confirming H4. The presence of a significant relationship between the two variables can be

explained by the fact that donations in the arts and culture sector account for the highest percentage of total donations, as shown in the theoretical framework and method, and that they are significantly related to total donations, showing a positive Pearson test of 0.99. Indeed, the regression highlights that the amount of philanthropic donations increases in relationship with the regional artistic supply. In other words, the BFs that invest more in donations are the ones that operate in a region characterised by a greater supply of culture, in terms of museums, galleries, archaeological and monumental contexts, as they could be characterised by an audience more sensitive to culture. This finding is aligned with the significant and positive relationship that the donations have with the size of the city. Indeed, the regression also partially confirms H6, according to which cultural organisations and cities concentrate in central urban areas, as they can serve a greater number of consumers while connecting to a greater number of potential resources, namely corporate donors.

Finally, philanthropic donations hold a positive and significant level with the social capital, confirming partially H8. BFs, by organising cultural events and investing in education and research contribute to the increase of social capital.

5. Concluding Comments

In this section of the thesis, the results are analysed in light of the theories discussed in the theoretical framework. Additionally, the limitations of the research will be investigated and suggestions for future research will be made.

5.1 Discussion of the Results

The research presents relevant insights regarding the determinants of the philanthropic practices carried out by BFs, which need to be contextualised according to the literature investigated in the theoretical framework. In fact, this section aims to answer the two research questions, namely to identify the determinants of two prominent socially responsible activities carried out by BFs. The findings indicate that they are influenced by both *organisational* and *contextual* variables.

Starting from the *organisational* variables, the research highlights that bigger BFs invest more in philanthropic activities (i.e., philanthropic donations and art collections), confirming the results of a study conducted by Hackston & Milne (1996). In this case, the size can be considered as a proxy to study BFs' political exposure and reputation (Adams & Hardwick, 1998; Roberts, 1992), keeping in mind that larger organisations often deal with a variety of stakeholders (Brammer & Millington, 2003). By being more exposed to the opinion of the general public, larger organisations are required to present a higher professionalism level, which results in the development of specialised and effective processes, which facilitate the implementation of projects, partnerships and in general socially responsible practices (Brammer & Millington, 2006). Additionally, by dealing with multiple stakeholders, bigger BFs are expected to be involved in more social practices, thus having a greater impact on the local community (Mahadeo et al., 2011).

Additionally, philanthropic donations of BFs are related to the preparation of the mission statement. In other words, BFs that present the mission statement as a separate document from the balance sheet, invest more in philanthropic activities. The document is published on their website and usually, a separate section is dedicated to it, making the research easier and more appealing to the stakeholders, who can check the activities performed by BFs annually and the goals met. This finding can be traced back to the study of Campa & Zijlmans (2019a) who demonstrated that the communication of social activities to key stakeholders is as important as their implementation. By informing the local community, BFs can enhance their reputation and strengthen their relationship with local stakeholders; however, for this to happen, it is necessary that the social practices are perceived as sincere

(Yoon et al., 2006). Hence, it is crucial for BFs that their activities are tailored to the needs of the community. By reducing information asymmetry, BFs can attract more partners (Dhaliwal et al., 2011), facilitating the creation of new projects and increasing their investments in philanthropic donations. Moreover, by highlighting in a transparent way their commitment towards the community, they can enhance their legitimacy (Larson et al., 2008). It is important to outline that the size of art collections does not hold a significant relationship with the redaction of a mission statement. Indeed, BFs may use other information tools to communicate with the local stakeholders regarding the organisation of exhibitions, that are more tailored to the activities related to the sharing of the art collection. Indeed, the mission statement usually offers a small section to the initiatives related to the art collection.

The participation of women in positions of power does not seem to influence the socially responsible activities of BFs, confirming the results of Gianecchini (2020) in her research. Regarding the collection of artworks, the result can be explained considering that BFs have inherited the art collections from the respective Saving Banks, after the Amato-Carli law in 1990. Hence, by considering the entire value of the collection, the initiatives of the boards of BFs in terms of selling and buying strategies could not have been captured by the research. However, the same results apply in the case of philanthropic donations, suggesting that the composition of the board does not play a role in determining the socially responsible activities of BFs. Indeed, local proximity may play a more important role than gender in board decisions. It is important to remember that both boards are formed to represent the needs of the community in which the BFs are located (Leardini & Rossi, 2010).

As far as *contextual* variables are concerned, the research highlights that BFs invest more in socially responsible activities (i.e., the collecting activity and the philanthropic donations) when a solid regional supply of artistic and cultural sites are present. This result can be traced back to the hypothesis that organisations are more likely to invest in areas characterised by a greater cultural sensitivity (Stanziola, 2007; Finocchiaro Castro et al., 2021). Indeed, in this case, the supply of art and heritage is considered as a proxy to measure the involvement of the local stakeholders in cultural activities and their grade of cultural responsiveness. According to the model introduced by Finocchiaro Castro et al. (2021) in their paper, a higher cultural sensitivity leads to a greater interest in cultural goods, which boosts their consumption. In other words, BFs are more willing to invest and organise cultural activities for a culturally sensible public. Indeed, according to the theory of cultural addiction (Caves, 2000), people who possess cultural capital are more willing to enhance it over time, by participating in cultural activities. This result is further enforced by the positive

relationship between the size of the city in which BFs have their headquarters and their investment in art collections and philanthropic donations. Indeed, according to Stanziola (2007), cultural findings are often concentrated in urban areas, as they present a higher number of cultural organisations that can benefit from donations. The same reasoning can be applied to donations in general, as usually, urban areas present a greater amount of organisations that BFs can help achieve their goals or with which they can build partnerships.

Additionally, in the case of art collections, the research highlighted that BFs that operate in wealthy regions hold a greater number of artworks. This result can be explained by considering the reciprocal relationship between the economic development of the region and the arts. Indeed, according to Stanziola (2007), areas that are more developed from an economic perspective are characterised by a greater offer of cultural sites and a greater cultural demand. Moreover, the organisation of cultural events, such as the art exhibitions organised by BFs, contribute to increasing the wealth of the area (Markusen & Gadwa, 2010). BFs that hold larger collections operate in communities characterised by a low level of regional education. Indeed, BFs are responsible for the cultural and economic development of the local communities in which they have their headquarters. Hence, holding a greater art collection and sharing it with the public represents an initiative to enhance the level of education in communities that lack it, encouraging the creation of new cultural capital. Finally, the analysis conducted highlights that philanthropic donations are higher in communities characterised by a greater social capital. BFs could indeed decide to invest in areas where the community is active in the participation to events and activities, hence characterised by an established identity.

5.2 Limitations & Future Research

The following paragraph highlights the limitations of the present studies while making suggestions for future research. In particular, limitations regarding the dataset, the choice of variables, the phenomenon of inverse causality and the scope of the research are discussed.

As far as the dataset is concerned, the data are collected considering a limited timeframe of 7 years due to time constraints. Hence, future research could investigate the phenomenon of BFs considering a broader range of years.

Looking at the variables, Model 1 misses to consider the factors related to the art market trends, which would have been useful to determine the size of BFs' art collections. Indeed, price changes and market volatility could influence BFs choices of purchase or sale of artworks. However, these variables were not easily retrievable and measurable.

Furthermore, it is important to mention that BFs present different collection strategies, both in terms of purchases and sales decisions and of the historical period of reference. Usually, BFs collect artworks from a historical period that is particularly relevant to the community in which they have their headquarters. In other words, BFs do not follow precise guidelines regarding their collection strategy. Additionally, there is a lack of data as the R'accolte site only hosts a part of the collections of the BFs. It is also important to note that the analysis of the collection strategies of BFs goes beyond the scope of this research, which aims to provide an overview of the activities carried out by BFs in Italy, analysing what are the determinants that influence their philanthropic choices. Nevertheless, future research should further investigate BFs' collection strategies, to demonstrate whether they share common paths and rules.

A third limitation concerns the possibility of inverse causality regarding the contextual variables. Indeed, it was hypothesised that community characteristics could be determinants in the strategic choices related to philanthropic activities conducted by BFs. However, it cannot be excluded that the features of the area in which the BFs operate are a result of their intervention. In other words, by investing in the community over the years, banking foundations may have been able to change the characteristics of the local areas, for instance by increasing wealth, social capital, or by stimulating the supply of cultural activities. In the research, to decrease the possibility of inverse causality, some of the data from the independent variables were collected with a time lag of one year compared to the dependent variables. However, it is not possible to exclude this hypothesis *a priori*. It would indeed be necessary to study the change of the regions where the BFs are based in terms of wealth, education, and artistic supply over a large timeframe. One example would be to conduct a DiD analysis, studying the change of the Italian regions before and after the creation of the banking foundations. More generally, future research could focus on the effects that philanthropic engagement has on both BFs and their community, in line with previous studies on CSR.

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Appendix

Table A1: Overview of Variables, Measurement and Sources

Dependent Variables	Measurement	Source
Size of art collection	Monetary value of art collection	BFs balance sheets, ACRI website
Philanthropic donations	Monetary amount spent by BFs	BFs balance sheet, ACRI website; mission statement in direct BFs websites
Control Variable		
Political orientation	Dummy variable	Historical Archive of the Italian Ministry of Interior
Independent Variables		
BFs' size	Number of employees (in terms of staff members, bodies excluded)	BFs balance sheets, ACRI website
Women in Board of Directors	% of women in the board	BFs balance sheets, ACRI website; mission statement in direct BFs websites
Women in CD	% of women in the board	BFs balance sheets, ACRI website; mission statement in direct BFs websites
Redaction separate mission statement	Dummy variable	BFs direct websites
Regional artistic supply	Number of museums and galleries, archaeological parks, and monumental complexes	ISTAT
Regional level of education	Number of people that hold an upper secondary school, post-secondary school or a tertiary certificate	ISTAT

Size of the city	Number of people living in the city	ISTAT
Regional wealth	Average annual household income	ISTAT
Regional vote participation	Number of people voting	Historical Archive of the Italian Ministry of Interior
Regional capital	Dummy variable	ISTAT

Table A2: Durbin-Watson test

	Model 1	Model 2
Durbin-Watson	2.0	1.7

Table A3: VIF Test

	VIF Model 1	VIF Model 2
Number of employees	2.04	2.04
Women in CD	1.33	1.33
Women in BD	1.29	1.29
Mission statement	1.24	1.24
Reg. artistic offer	3.87	3.86
Reg. education	2.24	2.31
Reg. wealth	2.10	2.10
Size of the city	2.44	2.57
Reg. capital	1.86	1.89
Social capital	1.23	1.23
Political orientation	1.29	1.28
Mean VIF	1.90	1.92

Table A4: Pearson Test Between Dependent Variables

	COLLART	DON
COLLART	1.000	
DON	0,248	1.000

Table A5: Model 1 White test

	SS	df	MS	F	Sign.
Model	181.2935	2	90.64675	4.52	0.0114
Residual	8901.179	444	20.04770		
Total	9082.4725	446	20.36428		

Table A6: Model 2 White test

	SS	df	MS	F	Sign.
Model	10.2232	2	5.111649	1.60	0.2035
Residual	1410.64	441	3.198747		
Total	9082.4725	443	3.20738		

Table A7: Regression Model 1 with Standard Errors and Robust Standard Errors

	Model 1	Rob. Std. errs. Model 1
Number of employees	0.257* (0.103)	0.257 (0.149)
Women in BD	0.248 (0.470)	0.248 (0.431)
Women in CD	0.0858 (0.665)	0.0858 (0.553)
Mission statement	0.470* (0.191)	0.470* (0.215)
Reg. artistic offer	0.00362*** (0.00113)	0.00362*** (0.00102)
Reg. education	-0.758*** (0.189)	-0.758*** (0.169)
Reg. wealth	3.552*** (0.995)	3.552*** (1.000)
Size of the city	0.343*** (0.0831)	0.343*** (0.0741)
Reg. capital	0.506* (0.248)	0.506 (0.263)
Social capital	0.0681 (0.423)	0.0681 (0.410)
Political orientation	-0.194 (0.203)	-0.194 (0.226)
_cons	-24.50* (10.65)	-24.50* (10.67)
Number of observations	447	447

Standard errors in parentheses

* p<0.05, ** p<0.01, *** p<0.001

Table A8: Model 1 & Model 2 Robust Regression Summary

	Model 1	Model 2
Mean dependent var.	13.981	14.780
SD dependent var.	1.893	1.767
R-squared	0.485	0.735
F – test	37.314	109.082
Prob > F	0.000	0.000