Impact of Corporate Social Responsibility Practices on The Banking Industry in Romania

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Abstract

The purpose of this paper is to explore how the corporate social responsibility (CSR) contributes to value creation in the banking industry, and during periods of financial instability. Understanding the key elements of CSR contributes to the fulfillment of the principles of this concept and to the increase of market share, profit and advancement in bank rankings. The present research will be based on the current situation in Romania, being developed a model of CSR applied in Romanian banks. Being in a time of economic instability, the banking industry must make efforts to maintain equilibrium in the financial market. This research can help bank managers to understand what activities to do in the benefit of customers and the community, in order to move towards a sustainable directive. At the end of the research, the findings are presented and the imperatives of the topic discussed.

Keywords: CSR, banking industry, framework og CSR, performance;

1. Introduction

The concept of corporate social responsibility (CSR) is not a new concept in the banking industry, but in the current economic situation it has become the best solution for integrating moral principles in banking activity. CSR has been defined as the voluntary integration of social and environmental concerns into the organization's decision-making process (Soana, 2011). This concept is increasingly used in the banking industry, being perceived as a tool to develop a positive image and attract new customers. Attracting new customers certainly involves a number of...
factors. In Romania, the banking industry has undergone changes focused mainly on credit, so they tried to find different ways to maintain equilibrium in the financial market.

The experience of implementing CSR and ethical principles in the banking industry leads to the idea that social responsibility and ethics in banking sector are seen as marketing tools for communicating with stakeholders and not an integrated part of them (Burianová and Paulík, 2014).

This paper focuses on evaluating the integrated CSR activities that contribute to the development of client and community benefits, and also development on financial market. In the initial part, the paper presents the literature review on CSR. The research continues by presenting situations from different countries. In the last section there is systematized the evolution of the banking industry in Romania and a model of CSR applied in Romanian banks, and finally conclusions and future research directions.

2. Literature review

2.1. Corporate social responsibility

The concept of corporate social responsibility is an abstract one. In the literature there is no uniformity in the proposed definition, so there are a number of approaches. In the view of Classon et al., CSR concept includes economic, legal, ethical and philanthropic expectations that a society has in relation to an organization. In another vision, companies are perceived as human communities using social practices in order to achieve common goals (Rendtorff and Mattsson, 2012). In the current conditions in which the focus is on sustainable development and cooperation with society, every institution has a number of concerns relating to the environment and society (Bowen, 1953).

The initial definitions of the concept showed that CSR refers to problems: economic, political, social and ethical (Bowen, 1953). European Commission defines CSR (2001), in the Green Paper as "a concept according to which companies voluntarily decide to contribute to the attainment of a better society and a cleaner environment". In 2004, there is proposed a classification of the numerous theories by groups: instrumental, political, integrative and ethical (Garriga and Melé, 2004). Since 2010, this concept begins to take a social aspect, so there are presented in the study of Maon et al. (2010) the differences between voluntary practices and moral obligations. Talking about the social implications, the European Commission in 2011 (European Commission, 2011) argues that all organizations must integrate in their activities social, environmental, ethical and human rights concerns. All these concerns need to be assessed in the strategies for development. Development strategies are developed in close liaison with stakeholders. Today, in 2014, the majority of studies (Burianová and Paulík, 2014; Costa and Menichini, 2013; Menichini, and Rosati, 2014) argue that CSR involves activities on the environment and society.

2.2. Corporate social responsibility - practice and studies

Researching the literature, the authors have analyzed various studies published in recent years in the banking industry, situations from various countries. Based on the importance of this concept in the world, it will be presented the case of Romania and the importance of social responsibility in the banking industry.

In a study published in 2011 the correlation between social and financial performance of banks was evaluated. This study was conducted in banks from Italy, highlighting that there is not a significant link between social implications and business of banks. There negative elements of this study are not presented. The study shows that investments in CSR of the banks do not contribute to economic benefits for banks and that these activities bring a balance in the image created in the financial market (Costa and Menichini, 2013; European Commission, 2001).

Lipunga in 2012, presents research results on the same direction. The study is conducted on commercial banks in Malawi. Yeshmin (2012) explores CSR concerns in private commercial banks. Annual review of the 30 banks in 2009-2010, includes information on their CSR practices. In this study, 36.67% of the banks show CSR related activities. In the same year, 2012, in Bangladesh, it was presented the study on CSR practices for the period 2010-2011. The study reveals that 100% of banks reported the implications on CSR practices (Masud and Hossain, 2011).

The study published in 2013 highlights the growing interest of the banking industry for CSR. In the study conducted in Nigeria (Akinpelu, et al., 2013) CSR practices in banks are included in activity reports, as important
elements in developing a favorable image. The study shows that most banks engage in social activities and less on the environment. The findings show that CSR approach contributes to a favorable image in the economic environment (Rendtorff and Mattsson, 2012).

According to Lenka and Jiri in 2014, the implications of banks in CSR activities are important because the financial crisis has highlighted the need to integrate these concepts into the banking industry. From the study made the following conclusions were obtained:

- Social responsibility and banking ethics are perceived by the bank management as a tool for communicating with the public, not needed to be inserted in the bank policy,
- Most banking institutions develop such activities, being a concept addressed in a complete and complex way,
- The results from the banks involvement in social activities are quantifiable for the society.

3. Corporate social responsibility in Romanian banking industry

3.1. The practices of Romanian banks

In this section, the authors present the implications in CSR of eight banks listed in the first 8 places in the top 10 of Romania (Yeshmin, 2012). Identification data are presented for each banking institution and the national implications of CSR. The study was conducted based on information published by each bank separately. In Romania it is found that there is an interdependent and complex relationship between profitability and CSR implications.

Table 1. Evaluation of CSR practices of banks in Romania

| Headquarters  | General Features | CSR Implications                                      |
|--------------|------------------|-------------------------------------------------------|
| Romania      | Present in 22 European countries | In the social domain (e.g. Migrations, Gift Matching, donations) |
|              | Present on 50 markets              | Arts and culture (publications)                        |
|              | 10,000 branches                  | Environmental protection (Cicloteque, campaigns)       |
|              | >150,000 employees                | In education (student scholarships)                    |
|              | In Romania: more than 240 branches, >3000 employees |                                                      |
| Europa       | Present in 17 European countries  | Education (scholarships)                              |
|              | Present on 50 markets             | Culture (literary debut, art)                          |
|              | 7900 branches                    | Environment (planting trees)                          |
|              | In Romania: more than 188 branches, >3000 employees | Social (elderly help), Sports (cycling)                |
| United Kingdom| Present in 50 countries            | Reducing the environmental impact                      |
|              | Present on 60 markets             | Active involvement of employees                        |
|              | > 230,000 employees               | Financial education                                   |
|              | In Romania: Over 31 branches, > 1176 employees | Investments in community                             |
| Romania      | Present just in Romania           | Financial Education                                   |
|              | In Romania 710 centers, > 8700 employees | Entrepreneurship                                      |
|              |                                   | Social, Sport (sponsorship)                           |
| Austria      | Presence in 17 markets            | Romanian Arts and Culture                              |
|              | Holds 3100 units                  | Financial and non-financial education                  |
|              | > 60,000 employees                | Environmental protection                              |
|              | In Romania: 539 centers> 6000 employees | Promoting sport, Supporting the disadvantaged         |
| Greece       | Presence in 15 markets            | Social and supporting the elderly                      |
|              | > 50,000 employees                | Volunteer, Cultural education                         |
From the data systematization presented in Table 1, it is observed that CSR practices in banks in Romania are divided into four categories: environment, education, social, art and culture. After applying this practice, the banking industry says that the activities in Romania have registered following progress:

- Improved products related to the needs of society,
- Attracting new candidates and maintaining the existing ones,
- Increase the motivation of employees, which leads to greater creativity and innovation,
- Better promoting of the bank in competitions conducted under different campaigns,
- A good relationship with the stakeholders (the public),
- Increased customer loyalty by developing balanced banks as involvement in society practices,
- Social integration and banking reputation.

Given these benefits, the banks claim that the CSR practices improved their image and have developed a balanced image in society, but have not registered an expected level of sales for the products held.

### 3.2. Developing a CSR model for the banking industry

Based on the categories of practice in the banking industry in Romania, stakeholder interests, local management and the benefits from involvement in such activities, the authors present a CSR model for the banking industry in Romania, Figure 1.

![CSR Model](image)

Fig. 1. CSR model of Romanian banking industry

Note that the right side of the proposed model includes four categories of CSR practices undertaken in Romania in the banking industry. Following the completion of such practices, the bank obtained a number of benefits for its own system and in the society. This CSR practice began to be used in Romania in recent years, perhaps imposed by the current situation of financial instability.

### 4. Conclusions

The paper presents the situation of CSR practices in Romania and globally. Note that in Romania, the activities undertaken are increasingly reliant on the environment and society. Through these activities it is desired to increase the performance of the banking system because this system was directly affected by the current economic crisis.
In the current economic situation in Romania, CSR is considered an actual instrument even in the banking industry. There are a number of benefits provided for the banking institutions performing CSR, including: economic efficiency, improved company reputation, employee loyalty, communication between the banking industry and society, attracting new opportunities and increase organizational commitment.

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