

CSR Communication in the Romanian Banking System

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Abstract

The CSR dimensions of the Romanian banking sector should be linked to the key role of the financial enterprises, as primary intermediaries on the global market. This position results from their ability to rapidly spread positive or negative economic circumstances on the other markets, influencing the financial sustainability of the entire world as a whole. Various differences have been noted in the Romanian banking system due to the importance attached to representative stakeholders and to the CSR communication tools. Starting from the relationship between stakeholders and the reputational value, this paper aims to establish a valuable approach to the existing connections between the main stakeholders and the CSR communication strategies in Romania. The focus is on the efforts to regain the trust in banks through developing the corporate identities in accordance with the CSR principles.

Key words: corporate social responsibility, banking sector, Romania

J.E.L. classification: G21, M14

1. Introduction

The concept of corporate social responsibility has known many definitions and the meaning has changed over time, being integrated in many approaches from “corporate social performance” (Wood, 1991, pp. 691-718) to “corporate citizenship” (Maignan, 2001, pp. 57-72) or “corporate responsibility” (Gainet, 2010, pp. 195-222), demonstrating an increased correlation with broader concepts as globalization and respect of human rights, global economic crises or environmental issues.

The evolution of the concept is also emphasized by the differences in CSR theorizing literature. The corporate social responsibility is subject to regular reassessments based on the significant historical stages. The term has suffered numerous variations over time, the most widely recognized concept being used by Carroll (1979, pp. 499), who was focused on the four pillars in developing the CSR concept: economic, legal, ethical and discretionary. This pyramid starts from the basic responsibility of a company, the profit, evolving to a higher form of responsibility, the philanthropic one, directly connected with the society welfare.

The multidimensional approach developed by Carroll is in direct opposition to the unidimensional approach pursued by Podnar and Golob (2007, pp. 326-340), although in the literature, the multidimensional model prevails. Another interpretation found the following categories in the CSR field: the instrumental theories, the political theories, the ethical theories and the integrative ones (Garriga and Melé, 2004, p. 51). The current theoretical framework presents some gaps in terms of shaping the CSR models according to the dynamics of the financial market and to the influence of banks on CSR, representing the starting point for this paper.

Although there are fewer studies that focus on the social responsibility in banks compared to the studies that are based on the non-financial companies, there are more powerful implications in terms of business ethics and reputation. The changes in the banking sector lead to the concept of “the socially responsible banking” (Scholtens, 2009, p. 159), both in the theory and in the practice of the banking industry. The importance of banks as primary intermediaries between savers and those who need financial resources is enhanced by their ability to influence the market and their

monitoring function. In this respect, every investment is carefully analyzed in terms of social, environmental or ethical issues, so as to create a positive image by completing the short-term financial objectives with the long term objectives, in the field of sustainability.

2. Methodology

This paper aims to analyze the CSR activity in the Romanian banking market, considering ten banks which belong to the European groups, taking into account significant indicators extracted from the literature, from the CSR reports and from their websites. The choice of banking institutions by market share and the total value of assets allows, through their size and the models of best practices offered, to shape a representative image of the Romanian banking system.

The banks included in the analysis were extracted from the Top 100 SEE - Southeast Europe's Biggest Companies 2015 and according to the data provided by the National Bank of Romania. The "best-in-class" approach, retaining the top ten banks in Romania by market share and the specific considered criteria, is also used in the Dow Jones Sustainability Index and FTSE4Good. The content analysis will be based on the stakeholder theory by identifying relevant stakeholders for each of the banking institutions submitted for the analysis.

In this research, it was used as a source of primary information the CSR reports available on the banks websites, and in their absence, the annual or the financial reports, completed by a careful study of websites and other specific documents. The paper will include a content analysis of the websites and also a content analysis of the CSR reports. In case that the specific CSR reports are not available, it will be used the environmental reports, annual reports, corporate governance codes or codes of ethics, in order to obtain the necessary information. If the banks do not report their activity by some indicators, it will be considered that they are not active.

3. Economic aspects of the financial enterprises in the Romanian banking sector

According to Table 1, the subsidiaries in Romania of foreign banks on which the analysis was focused are the following: BCR, BRD, Raiffeisen Bank, UniCredit Bank, ING Bank, Alpha Bank Romania, Bancpost, Piraeus Bank, Romanian Bank (Banca Românească SA), OTP Bank Romania. In order to select the banks, it was used two specific criteria: market share and value of total assets.

Table 1 The analyzed banks by total assets and market share, 2014

No.	Bank	Group	Total assets (mil. lei) 2014	Market share
1	BCR	Erste Group Bank AG	59 037,1	16,2%
2	BRD	Société Générale	45 180,0	12,4%
3	Raiffeisen Bank	Raiffeisen Bank International AG	28 734,6	7,9%
4	UniCredit Bank	UniCredit	28 698,4	7,9%
5	ING Bank	ING	18 738,5	5,1%
6	Alpha Bank Romania	Alpha Bank	16 955,1	4,6%
7	Bancpost	Eurobank	11 535,2	3,1%
8	Piraeus Bank	Piraeus Bank	8 998,2	2,5%
9	Romanian Bank	National Bank of Greece	6 773,6	1,9%
10	OTP Bank Romania	OTP Group	4 740,8	1,3%

Source: National Bank of Romania – Annual Report 2014, www.bnr.ro

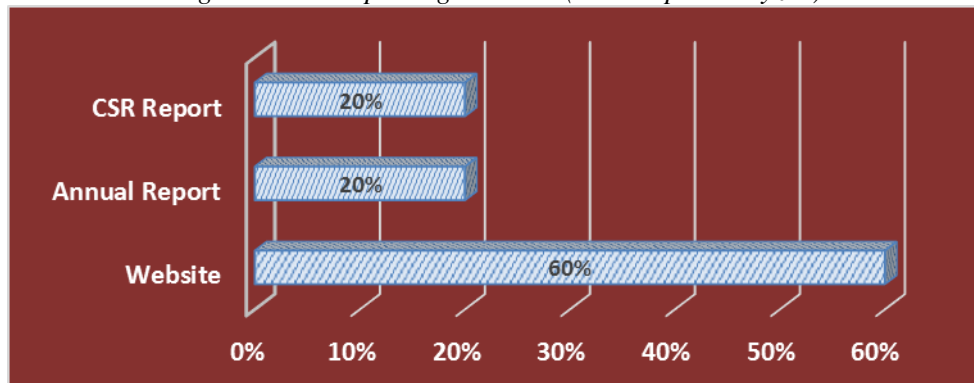
According to the annual and financial reports or to the press releases submitted by the proposed banks and considering only the sample, the top 5 ranking by the amount of net profits for the year 2015 are the following banks: BCR (963.4 million LEI), BRD (467.2 million LEI), Raiffesien Bank (443.4 million LEI), ING (333 million LEI) and Unicredit (269.5 million LEI).

4. The CSR reporting in banks

In Romania, the banking sector has a modest orientation for the non-financial reporting results, although the relevance of CSR actions has gained a great spread in recent years. The development of CSR principles and the international frameworks in the CSR field (ISO 26000 Standard, OCDE Guidelines, Global Reporting Initiative, etc.) have transposed into Romanian market through voluntary arrangements (soft law), preceding the European context which adopted at the end of the year 2014 the Directive 2014/95/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. Until the implementation of this Directive in the Romanian legislation, a number of companies (especially multinational corporations) had already adopted CSR reporting practices, especially through the websites.

Regarding the sample of banks included in the Figure 1, there is a disproportionate and lack of transparency in the CSR disclosure. Only two banks from the sample has followed GRI Guidelines 2014 (OTP Bank and Raiffeisen Bank - GRI version G3.1), while only Raiffeisen Bank publication has followed the GRI Reporting Framework for the year 2015 (Annual Corporate Responsibility Report 2014), the GRI4 version. Global Reporting Initiative is an international framework for reporting the CSR results, commonly used by different organizations around the world.

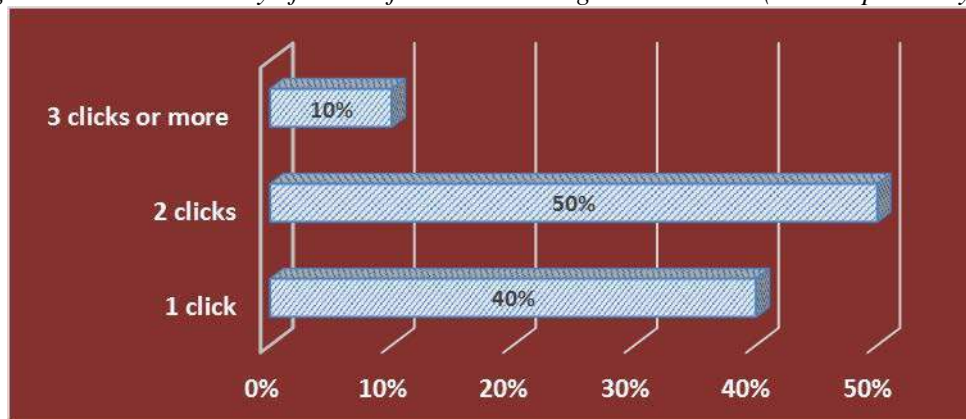
Figure 1 CSR reporting in banks (the sample analyzed)



Source: author

The permissive legal framework in Romania has encouraged the banks to publish partial CSR information, choosing from different ways of reporting such as: websites, annual reports or separate CSR reports. As shown in Figure 1, the information about the CSR actions can be found for 60% of the banks only through their websites, while 20% of banks have included CSR data in their annual reports and only 20% of the sample have separate CSR reports (Raiffeisen Bank and OTP Bank), updated for the year 2014.

Figure 2 The accessibility of CSR information through the websites (the sample analyzed)



Source: author

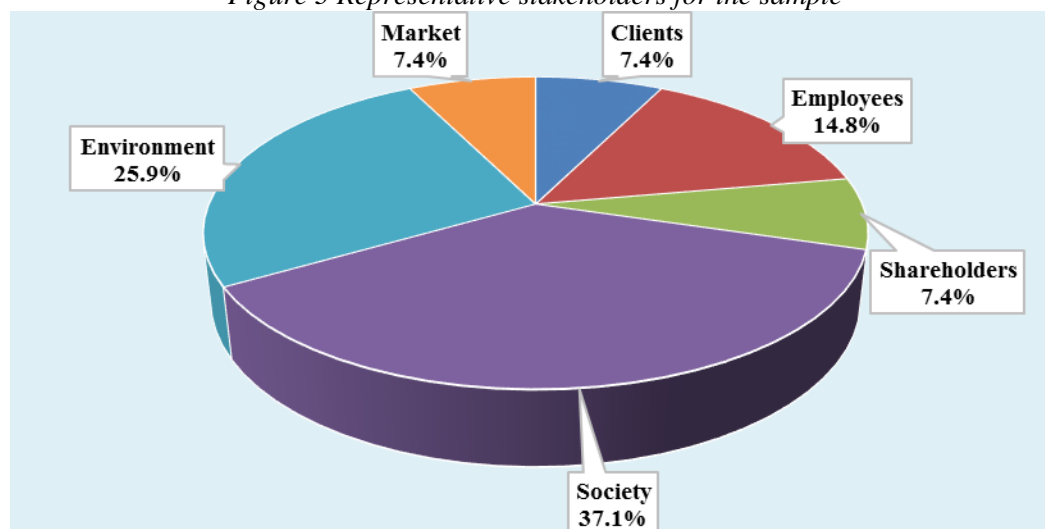
The access to the CSR sections within the websites is easy (only one click, on the Home page) for 40% of the sample, while for 50% of the banks analyzed the access is more difficult (two clicks) and for 10% of the banks, there is three clicks or more (Figure 2). In this regard, Piraeus Bank Romania has not a separate section dedicated to CSR activities in the website, the information being available in the Annual Report 2014, the Business Segment Activity section.

Although the presence of CSR data was found for all the banks included in the analysis, there is a different level of transparency of this information, each bank including CSR specific elements directly on the official website or through specific reports. There were observed distinct degrees of disclosure, from some information/statements about CSR implemented projects on the website or in the annual report, in compliance with the Global Reporting Initiative. However, there were situations in which the available data have not been updated, such as the case of BCR (Corporate Social Responsibility Report 2009-2010) or Romanian Bank (CSR detailed information included in the Annual Report 2009).

5. Representative stakeholders for the Romanian banking environment

All the banking institutions have considered the stakeholder theory in the way of reporting the CSR information on their websites or in their specific reports. The bank sector need to adopt a clear strategy of maintaining a good balance between the social and economic aspects of their services, in order to meet the customer needs (Rugimbana et al., 2008, p. 72). In the new economy, the companies must simultaneously meet the needs of their stakeholders and those of their shareholders, so as the strategic directions pursued in the CSR development to meet the financial objectives targeted. The CSR options of financial corporations must be properly sized to the expectations of stakeholders and permanently adjusted to their response.

Figure 3 Representative stakeholders for the sample



Source: author

For the analyzed banks, it was identified the following categories of stakeholders: customers, employees, shareholders, society, environment and market. As shown in Figure 3, CSR actions directed to the society prevailed, all the banks including community initiatives in their CSR strategies. Most often, these actions take the form of philanthropy by supporting projects like sports events or sponsorship programs in order to increase the access to education, being also a form of financial support to health issues.

Three of the analyzed banks have only communicate their CSR results that matches with the community involvement strategy, namely BCR, ING and Bancpost. Under the various BCR projects (“Education for the development of practical skills”, “Supporting and promoting leaders and models”, “Civic Leadership”) are developed a series of initiatives that aim to contribute to the sustainable development of a society: Summer job in BCR, START! Business, YouthBank, Social

Impact Award, National Olympics, The bakery for good deeds, etc. ING Bank Romania has built its CSR strategy based on three main directions: financial education and entrepreneurship, education for children from disadvantaged groups and urban development. Regarding Bancpost, the data confirm the link established between CSR activities and the communities in which the bank operates, by financing hospitals and educational institutions, but also the events that support local companies and their products (fairs, forums, trade exhibitions).

A significant share in the CSR activity of the analyzed banks was for the environmental projects, which are found in seven financial corporations. In this case, there are three banks that have considered only the society and the environment as representative stakeholders: Alpha Bank, Piraeus Bank and Romanian Bank. They have limited their social responsibility initiatives according to the specific needs of these two categories of stakeholders. In the environmental field, there have been identified the following particular actions: the implementation of an environmental protection policy within the bank, ensuring an efficient use of resources, a precise environmental risk assessment in the funding process or environmental and volunteering projects.

An interesting point regarding the CSR communication of Alpha Bank, Piraeus Bank and Romanian Bank in the environmental field is the lack of transparency and the limited information. Thus, the Alpha Bank website contains just a synthesis of the main supported projects, Piraeus Bank presents a single paragraph about CSR in the Annual Report 2014, while the Romanian Bank position is ambiguous, by highlighting in the CSR section the compliance with the environmental legislation and the integration of the environmental standards in the operational activity. In this regard, the actions reported by the Romanian Bank can be classified according to Carroll's pyramid in the legal dimension.

Only four banks from the sample focuses on more than two stakeholders (environment and society): BRD, Raiffeisen Bank, UniCredit Bank and OTP Bank. The next category of representative stakeholders for the banking sector are the employees, who were included in the communication strategies of CSR activities in all the four banks. It can be noticed similar actions focused on employees in the banks analyzed, from investment in human capital development, remuneration policy, compensation and benefits, training and performance assessment. Except BRD, which has brief mentions on the website about employees, the other three banks have detailed sections on this topic in their CSR reports (Raiffeisen Bank and OTP Bank) or in the annual report (UniCredit Bank). The shareholders, the customers and the market have a low interest for the analyzed sample, by sections ranging from a few lines to a number of pages. The emphasize is on establishing lasting relationships with clients through the direct dialogue, rewarding the shareholders with a sustainable profit and offering them the correct information, but also maintaining a permanent dialogue with other stakeholders on the market in order to improve the business environment.

6. Conclusions

In response to the stakeholder pressure, the banks that activate in Romania have used the voluntary reporting as a useful tool in order to legitimize their activity. Starting from the initial analysis, it was noticed that a specific feature of the banking sector is the focus on two categories of stakeholders: the community and the environment. Although the human resources has a particular importance for the sectors that provide services, such as banks, the responsibility towards the employees is rather vague in the Romanian CSR, being integrated in the annual reports and in the CSR reports and less disseminated within the websites. The current trend confirms the main direction of corporate social responsibility in Romania, which is dominated by an intense marketing activity in order to obtain material benefits from their image on the market.

The Romanian banking environment tend to focus on CSR communication through the website on the community and the environment. Instead, they use the reports in order to highlight the results for the shareholders and the employees. Thus, the society has the most influence in building the corporate image, while the environment can significantly contribute to improving the position of the banks on the market by compensating the negative practices with the positive environmental initiatives. These features emphasize the CSR approach in Romania, which can be seen as a marketing tool that can help strengthen the corporate reputational image of the banks.

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