

The CSR Orientation in the Romanian Banking Industry

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Abstract

The banking industry in Romania is currently aware of the CSR involvement consequences and its importance for the national development, as a way to give back the welfare to the community and to legitimate the financial market. This paper establishes the CSR major fields in the Romanian banking system, identifying the key-elements in the sustainable disclosure data. The main idea of this paper focus on the dominant CSR area in this sector, highlighting the People-oriented insight, as a significant measure of the public satisfaction. Building on the assumption that the employees are key actors in the CSR construction, the paper will outline the main features of the employee's volunteering. The research outcomes suggest a correlation between the bank's financial performance, the internationalization process and the CSR multiplication effects for the public perceptions, generating an emotional form of CSR, as a way to strengthen the bank's reputational value.

Key words: Romania, banking system, emotional CSR

J.E.L. classification: G21, M14

1. Introduction

The benchmark definitions of corporate social responsibility encompassing the ethical behavior, the corporate citizenship or corporate accountability are bearing on the multiple dimensions of the concept, involving a high potential of structuring the mainstream CSR policies. In an attempt to connect many common elements of CSR, Carroll has identified a multidimensional pyramid, divided in four categories of CSR: economic, legal, ethical and philanthropic (1979, p. 499). Starting from the premises of the CSR existence, Dahlsrud has assumed the volunteer framework of the CSR theoretical background, referring to four dimensions that mark the CSR evolution: the voluntariness dimension, the stakeholder dimension, the economic dimension, the social dimension and the environmental dimension (2008, p. 4).

Starting from the assumption that the „CSR is an undertaking of the economic world towards the well-being of the society and the environment” (Herman et al., 2012, p. 704), the current literature suggests the main tangible effects in terms of innovation, by improving both the customer satisfaction and the firm reputation. Central to this paper is the argument that the CSR orientation in the Romanian banking sector is People-focused, creating a bridge between the insider stakeholders and the outsider stakeholders through the employees. Each of the identified CSR fields corresponds to an emotional CSR based on the people general perceptions related to the corporate social responsibility activities, part of their specific criteria in the acquisition process.

Providing the stakeholder theory, Freeman (1984) has significantly contributed to the corporate social responsibility development, suggesting a link between different categories of stakeholders and the organisation, due to the stakeholder influence in the decision making process. Following this theory, Clarkson has emphasized the mentioned connection through a well structured definition of stakeholders, which are perceived as the „persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future” (1995, p. 106). The current literature attributes a set of features to the identified representative stakeholders, one of the most known groups being the internal and the external stakeholders.

This paper will demonstrate a clear orientation of the banks to the emotional CSR areas, which are mainly focused on people: education, culture and art, society, employee's volunteering, health or sport. A special attention is given to the CSR area focused on the employees, due to the possibility to influence the market from inside the bank. Thus, the responsible initiatives of the employees are integrated in the CSR strategy, as a key part of the CSR outcomes, strengthening in the same time the key position of the human resources for the banking sector. Relating to the employee's position in the Romanian post-communist period, Stoian and Zaharia argue that the employees with work experience in multinational enterprises lead to an exogenous CSR, while those with experience of the socialist system lead to a different type of corporate social responsibility, namely the endogenous CSR (2012, p. 380-401).

The employee's engagement with the values of the banks represents a clear barometer of a long-term stability on the financial market, highlighting the sustainability of the bank's CSR strategy. Additional aspects of the CSR recognition, acceptance and involvement of employees in responsible actions towards the community are registered under the volunteering umbrella. The paper is dedicated to the analysis of the best CSR practices conducted in the Romanian banking environment, describing the CSR programs implemented by the financial institutions, which underline the most consistent advantages of the banks that are prepared to a full integration in the CSR commitment.

2. Methodology

In order to provide a complex case study on the Romanian banking environment, the sample of this paper includes ten banks from the Romanian market with a strong presence at international level, too. The financial institutions analyzed are considered the main drivers of corporate social responsibility process in Romania, suggesting in the same time the current global trend in terms of CSR impact, due to the direct link with the global financial system through the relationship between the parent-bank and its subsidiary. The qualitative research is based on the coordinated data provided by the National Bank of Romania in the Annual Report 2015, the Top 100 SEE - Southeast Europe's Biggest Companies 2016 and the official websites of the banks. Considering the „best-in-class” approach, there were extracted several significant indicators: the total assets and the net profit or loss, the level of internationalization by the global spread, the total number of the national agencies and the involvement in the CSR field. The analysis is structured according to the Elkington CSR framework based on the three main CSR dimensions, Profit - People - Planet (1997). The paper will focus on a comparative analysis of the CSR areas developed by the Romanian banks, creating a division of the most represented actions in the „triple bottom line” context. The synthesis of the CSR dimensions in the Romanian banking sector will suggest the originality of the concept in our country, relying both on the theoretical and the practical background, according to the bank's website analysis.

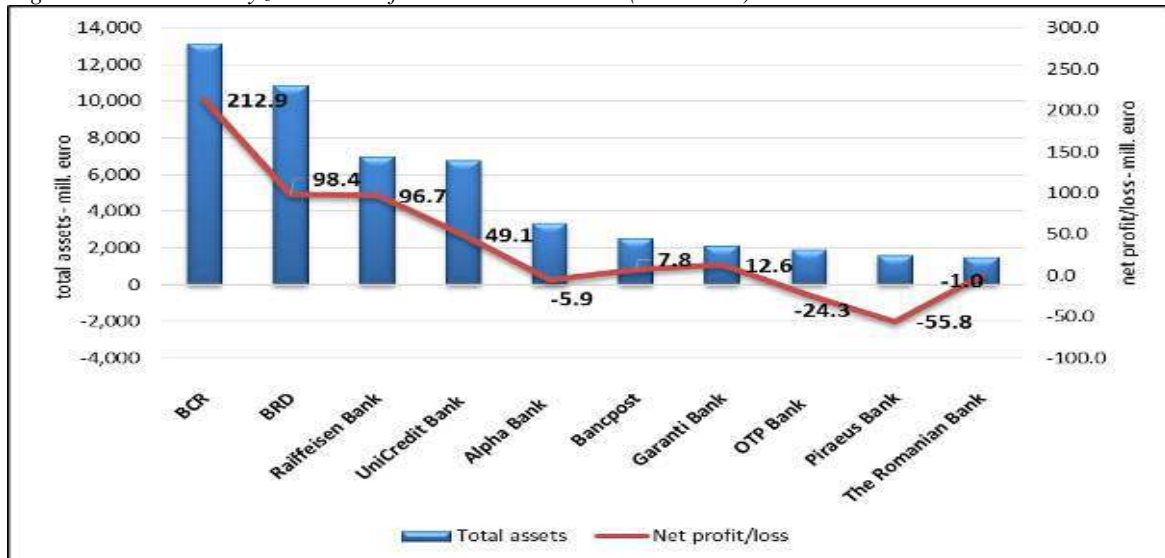
3. The economic perspective of the banking sector in Romania

The selected financial institutions in accordance with the mentioned criteria are: BCR - Banca Comercială Română (The Romanian Commercial Bank), BRD - Groupe Société Générale, Raiffeisen Bank, UniCredit Bank, Alpha Bank, Bancpost, Garanti Bank, OTP Bank, Piraeus Bank and Banca Românească (The Romanian Bank). The sample is composed by ten credit institutions with majority foreign capital which are Romanian legal entities. In order to extend the study for a future research at the international level, it is important to clearly identify the countries of origin for the corresponding groups included in the analysis. In this sense, it can be noticed the dominance of the Greek financial groups: Alpha Bank (Alpha Bank Romania), Eurobank (Bancpost), Piraeus Bank (Piraeus Bank) and National Bank of Greece (The Romanian Bank).

In order to obtain the CSR performance of the banking institutions in Romania, the sample will be evaluated according to the principle of Elkington, with a special emphasis on the three dimensions of CSR. Taking into account the level of internationalization of the banks from the sample, it was noticed the dominant position of the Groupe Société Générale, due to the presence in

66 countries around the world. In Romania, BRD – Groupe Société Générale has over 805 agencies, resulting a large offer of financial programs that creates the basis for the second position in the banking sector ranking. Raiffeisen Bank International AG and UniCredit have also high levels of internationalization, organizing their financial services in the globalized economy through an extensive banking network in the European regional market.

Figure no. 1. The analyzed banks – financial results 2015 (mill. euro)



Source: Top 100 SEE - Southeast Europe's Biggest Companies 2016

According to the data included in the Top 100 SEE - Southeast Europe's Biggest Companies 2016 developed by Business Intelligence for Southeast Europe, four of the analyzed banks reported a loss in 2015: Alpha Bank, OTP Bank, Piraeus Bank and The Romanian Bank. Thus, the Figure 1 strengthens the financial results of the top banks according to the total assets, being noticed the negative trend in terms of profit for the banks from the bottom of the ranking. The current financial evolution of the banks from the sample suggests the dominant position of four banks, which are in the same time the most representative banks on the market and the biggest winners relative to the figures mentioned in their official reports: BCR - The Romanian Commercial Bank, BRD – Groupe Société Générale, Raiffeisen Bank and UniCredit Bank.

Starting from the assumption that the corporate social responsibility principles are mainly established at the headquarter level, being adjusted in accordance with the national culture, the central issue is focused on the variations supported by the CSR strategies in the Romanian financial market. According to the previous mentions, there is a clear correlation between the financial performance of the analyzed banks and their level of internationalization, as the main factor of developing the CSR strategic vision from the parent-bank to its subsidiaries. On the other hand, there is a direct connection between the financial power of a bank and the awareness of the CSR communication through more image-orientated reporting tools, like the official websites and the CSR reports.

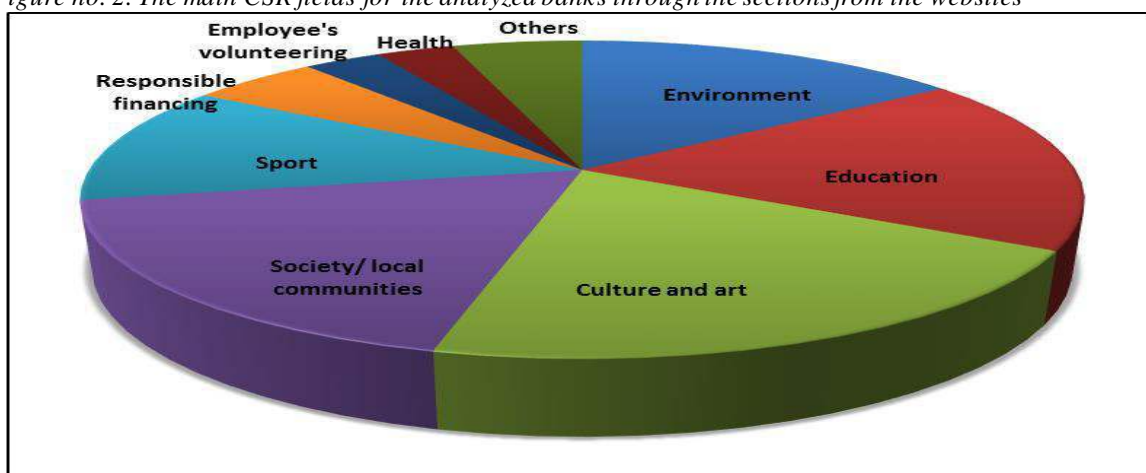
4. Understanding the CSR orientation in Romania: the banking analysis

This section is focused on the CSR areas of interest for the Romanian banking system and the main efforts towards the CSR homogenization, illustrated in the Figure 2. According to this figure, the most CSR actions are directed towards culture and art, followed by the educational CSR projects and the activities focused on the local community. All these fields can be best translated in the bank's option to disclose the CSR data through their websites in accordance with the public needs, in order to generate a positive impact on the customer behavior. The People-oriented CSR actions are closely followed by the environmental concern, which is also a „safe” CSR field in the public perception, outlining a strong corporate citizenship and a real involvement in the resource

management in order to less impact the context of the future generations.

Besides these more philanthropic CSR projects, there are also a few strategic lines in the responsible financing field. Thus, only two banks from the sample create a real link between the financial sector and its sustainable outcomes through the responsible financing concerns: BCR - The Romanian Commercial Bank and BRD – Groupe Société Générale. At this point, it must be mentioned the existing position of these financial institutions in the top banks by financial results, strengthening the main hypothesis of the paper, that there is a correspondence between the CSR involvement and the financial performance.

Figure no. 2. The main CSR fields for the analyzed banks through the sections from the websites



Source: author calculations

Most of the CSR efforts are directed towards cultural activities and supporting arts, which are more oriented to the philanthropic vision and are based primarily on the sponsorship programs. Some of the planned CSR projects are in strong cooperation with the NGOs and promote the partnerships between the financial institutions and the cultural associations from the local environment. The second position in terms of CSR orientation is placed by both the educational activities and society. Thus, a special attention is given to the education, in which a particular place belongs to the financial literacy and the leadership programs. Considering these features, 70% of the analyzed banks are addressing the education topic in their CSR strategies, which is perceived as the best means of achieving the economic progress.

The projects in the educational field acquire various forms: financial education (responsible use of financial resources, educating young people for an independent financial future) and entrepreneurship (incubators), projects that support young people's employability (education for practical skills), projects that facilitate the access to the education (the BRD project „Each child in the kindergarten” for children from Hetea and Araci villages), reduction of illiteracy and supporting young talents (grants for children with very good results at school) and other similar projects.

On the other hand, the community concerns represent a challenge for the Romanian market, due to the importance of the customers' perceptions and their influence on the image of the banks. According to the legitimate power, the community can inspire the CSR actions through their needs, but also has a key role strengthening the values and the organizational culture. The banking sector is also engaged in the environmental protection, such CSR actions being identified for 15% of the total sample. Thus, the environmental responsibility is not neglected by the banking sector, following the overall direction drawn by the European directives for a sustainable development and a clean environment for the future generations. The main reason for including the environmental concerns in the CSR strategies is the impact on the customers' perceptions, this field being considered a more „safe” area, with positive effects on the image.

On the opposite side, looking beyond the philanthropic activities, there is the responsibility towards the customers or the responsibility towards the employees, taking the form of responsible financing, human rights and employee's commitment with the bank. In this regard, the responsibility towards the clients is primarily manifested through the responsible product portfolio.

These products incorporate environmental or social benefits, depending on the actual needs of the customers, such as dedicated financial products for the customers from the disadvantaged groups, but also those for the SMEs or for large corporate clients. In Romania, the banking institutions still ignore such an approach, focusing mainly on the actions that increase awareness among the customers about more sensitive CSR initiatives.

5. The emotional CSR in the Romanian financial system

The corporate social responsibility concept in Romania is People-oriented, creating an emotional structure between the individual and the financial corporation, as a global entity. The banking sector is considered very sensitive to the people's reactions, considering the modern customer sophistication in the acquisition process of the financial services, more founded on trust and a long-time cooperation. This relationship is related to the customer-bank identification, transparent CSR communication to the public, legitimate power of the community and the organizational culture integration in the employee's perception. For this section, it was used the voluntary documents provided by the analyzed banks, in their official form. The content analysis of the CSR reports was completed by the analysis of the websites and other relevant documents, such as: the annual reports, the corporate governance statements and the codes of conduct.

A strong emphasis in the People-oriented CSR is related to the employees, which are considered key agents in the clients' attachment to the organizational values, through a CSR transfer process from the inside to the external stakeholders. Even if the CSR communicated data suggest only a poor focus on the employee's volunteering, being clearly mentioned in the BRD website sections, these practices can be identified in most of the banks from the sample, as it is specified in the CSR reports or in the annual reporting documents. The responsible time sharing of the BRD employees through a multicentric social needs is connected to the NGOs - bank cooperation (Habitat for Humanity and Ovidius RO Foundations, UNICEF or ARC) and the employees initiatives to develop various fundraising tools.

The BCR strategic vision also relates to this perspective, considering the employee as a key ambassador in the community. The annual report 2015 of Piraeus Bank points out that the internal volunteers have significantly contributed to the social causes, supporting the fundraising campaigns and the blood donations. But the employee engagement is best structured in the CSR reports of Raiffeisen Bank and OTP Bank, which are the only banks that have followed the Global Reporting Initiative standards in the CSR disclosure. While Raiffeisen Bank strengthen the employee volunteering framework, the CSR vision of OTP Bank supports on the ethical concerns of the banking environment, with a special emphasis on the responsible behaviour of employees towards the external stakeholders.

Both Raiffeisen Bank and OTP Bank have directed their CSR actions to four major stakeholders: employees, the clients, the community and the environment. The remuneration policy remain one of the main CSR concerns, being motivated by the bank's position to enhance transparency and equality in the working conditions. Basically, the two banks provide the same benefits to the staff, including: medical services, life insurance, particular benefits for special cases, discounts for some health services or accomodation facilities. The training programs are also an essential part of the CSR strategy, being at the top positions in the initiatives conducted by the analyzed banking institutions. Thus, the professional development of the employees is in direct link with the remuneration policy through a well-balanced performance assessment, being a constant concern of the banks.

Even if the community, in a broader view, involves multiple forms of identification with the bank through the clients, the employees, the society, the suppliers or the shareholders, this network of perspectives highlights the opportunity to cumulate the community needs in the CSR field in order to create a basis for a strategic connection between the internal and the external stakeholders. Moreover, a particular attention is given to the employee's engagement with the bank's CSR culture, due to its possibility to influence the public perception through a hidden marketing interface. In this respect, the employees are considered useful resources in building or regaining the image on the market, contributing to the emotional structure of the corporate social responsibility concept through both their internal and the external links on the Romanian financial market.

6. Conclusions

The paper confirms the existing link between the bank's financial performance, the internationalization process and the CSR multiplication effects for the public perceptions, strengthening the legitimacy approach in the corporate social responsibility process. The public reactions towards the CSR projects significantly influence the acquisition decisions, generating an emotional form of CSR, as a key element in the bank's reputational development. It was noticed the emphasis on the People-oriented CSR actions, which are seen as the barometer for the public satisfaction measurement and the way to give back the welfare to the community.

The results of this paper highlight the focus on the „safe” CSR actions, directed towards culture and art, education and community. All these fields suggest the fundamental concern of the banking sector to generate a positive impact on the customer behavior, outlining a strong corporate citizenship image. Starting from the assumption that the emotional CSR can be best attached to the banking sector, due to its main features that support the sector sensitivity to the people's reactions and the customer sophistication in the decisional-making process, the paper demonstrates some particular characteristics of the analyzed sector.

Thus, even if the employees are the major resource for the banking sector, the actions oriented towards the employees as remuneration policy, benefits or training opportunities are less considered as part of the corporate social responsibility. On the other hand, the employee's volunteering is considered an opportunity to connect the internal and the external stakeholders through the responsible time sharing of the employees for social causes. The cooperation with NGOs and the employee's identification with the bank are also strategic points in the CSR development framework. At the moment, the Romanian banking system demonstrates a greater concern for the employee's engagement with the bank, as a useful tool to build an improved CSR from the inside to the outside.

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