

# **THE SOCIAL RESPONSIBILITY IN THE ROMANIAN BANKING ORGANIZATIONS**

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**Abstract:** The purpose of the article is to study the visible actions of social responsibility (SR) in the romanian banking organizations. The research aimed to highlight the most active and non active banking organizations in Romania, regarding the implementation of SR. The main domains they are interested in include social and volunteering activities and various developping projects for education, culture and environment. The transparency of information provided for the stakeholders is very low, with an almost invisible level of reporting on CSR activities. This article was financed by CNCSIS – UE FISCSU, IDEI contract, no. 826/19.01.2009

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## **1. INTRODUCTION**

This paper presents the visibility of the main SR actions and programs regarding the area of interest of the banking organizations in Romania and the transparency of the undertaken activities. The study deals with an analysis of those companies who have decided to get involved and a brief analysis of those who have not yet done the necessary steps to give something in exchange to the community in which they operate. To understand the range of actions taken by organizations in banking, we must first explain the concept of social responsibility and the circumstances that led to the development and its promotion.

The bases of the corporate social responsibility (CSR) concept was established in an indirect way, in 1953, by Howard Rothman Bowen. In his book, " Social Responsibilities of the businessman ", he tried to raise the number of business that offer desirable values to the society. Time coincided with the declaration of the legality of charitable contributions of businesses in the U.S. Supreme Court in New Jersey. The development of CSR continued under the same horizon in the 60s of the last century, with a serie of additions of various researchers: Davis (1960), Frederik (1060), McGuire (1963), Davis and Bolstrom (1966). In the '70s and '80s social responsbaility expands its boundaries, encompassing the role of business in the society and influencing the needs of stakeholders in the social performance of the company.

The transit to the moral aspect of CSR has a starting point in Friedman's change of paradigm in 1984, suggesting that managers should adjust their policies to meet more players, not just the expectations of the shareholders. Thus, Donaldson, Davis (1991), Donaldson and Preston (1995) focused on moral and ethical aspects of the shareholders theory. The CSR role in obtaining a competitive advantage (Hart, 1995), institutionalist theory approach (Burlea Schiopoiu, 2006), the establishingment of a consensus between

business and its ecological environment (Jennings and Zandbergen, 1995) and the theory about socially responsible consumers (Baron, 2001) are the next steps which led to the concept development in CSR literature.

Social needs and market pressures have assigned new direction for companies, giving them a behavior that goes beyond their basic function, that of creating value and profit, within a new set of values and principles. Thus, in 2001, the European Commission presented in the Green Paper the definition of CSR as the way in which companies integrate voluntarily the social and environmental actions in their daily activities and relationships with the stakeholders.

Worldwide, many organizations have become increasingly concerned about a number of benefits that can be provided for those interested in their work: charity for the humanitarian causes, human rights promotion, conformation to a code of ethics, cultural differences, respect for employees, environmental actions, support for sustainable development etc.

The complexity of CSR is reflected most inconclusive in the economic and cultural differences, encompassing however a common goal: responsiveness to the needs of the society. Thus, if the U.S. social responsibility practices refer specifically to philanthropy and voluntary action, in Europe the focus is set on the tools that require sustainable consumption and production, communication and transparency, better risk management, compliance with social needs, environmental and a good assessment of practices.

Next we conducted a close inspection of the banking organizations in Romania, based on a comparison of CSR policies involved (Burlea Schiopoiu et al., 2009). We examined the banking organizations that are most involved in CSR actions and the transparency reflected in their work, contrasting with the ones that have no social practices. Social, educational and environmental actions, voluntary involvement of employee, a policy shift towards sustainable development are only a few assumptions that started the phenomenon of romanian social responsibility.

## **2. SOCIAL RESPONSIBILITY IN BANKING ORGANIZATIONS IN ROMANIA**

In Romania, involving in the actions of RS is still at an early stage, fragile, inadequate and often lacks credibility. Few companies that have set the tone not long ago, seek to shape their social work using the example of the major foreign corporations by adjusting the Romanian reality, but still have gaps in terms of transparency of the results and the publication of social responsibility reports.

The difficult economic context appears as a new barrier to the development of a socially responsible business environment, inhibiting and making possible new initiatives and more ethical behavior, noteworthy as an example, in a marketing tool.

However, the first steps were taken towards the new business approach for active involvement in the community life. The main Romanian sectors with CSR initiatives are information and communications, financial intermediation, health and social care and mining and manufacturing. Therefore, the banking field has an important place in encountering the various needs of the society.

Although having a slow start, some banking organizations have embraced the vision of the overseas mother-banks, regarding the social responsibility practices. The last period, manifested by a liquidity crisis on the market, became a challenge for the Romanian banking system. The boom in the 2006-2007, which brought huge profits for the Romanian banking organizations, and has attracted a top development in our country, by

extending the network of agents and attracting investors from abroad, has been stopped by the present financial crisis. Some of the weaker banking organizations have been absorbed by the strongest ones; the most representative example is HVB, Banca di Roma and Banca Ion Tiriac, which merged and became UniCredit Romania. Movements in the procurement plan and ownership changes have been numerous - Egnatia Bank was acquired in 2006 by group Marfin, becoming Marfin Bank. Mindbank Bank became ATE Bank, MISR Romanian Cairo became Blom Bank Egypt, and Bank Leumi Gurupi Eurom was purchased and became Bank Leumi etc. Also, profits fell sharply in 2009 compared to the previous years, many agencies were closed and there has been significant layoff among the staff.

Thus, the question is: how were the social responsibility initiatives of banking organizations in Romania affected because of all these tumults that have shaken the banking sector? And to what extent can the Romanian banking organizations be the basic promoters of CSR regarding the current economic context? To answer these questions we must first take a flashback to how things stood in the past.

If worldwide and namely, in Europe, social responsibility actions were felt with a light effect in this sector, currently the CSR activity has thawed considerably. Even in Romania, the banking organizations with foreign capital- Greek, Dutch, French, Hungarian, Italian, Lebanese, Israeli etc.- have outlined several elements of CSR policy under the influence of the parent groups they belong to.

However, of the 31 banking organizations that are currently present on the Romanian market, only 19 have proceeded to social responsibility. The remaining 12 of them do not have an interest in this respect, despite international models of the groups they belong to or their profitability.

Investigating the major CSR projects of the banking organizations in Romania that choose to participate in the life of the community, the emphasis is mostly on sponsorships and environmental protection at the expense of other important areas such as human rights, discrimination, domestic violence or health. Considering their areas of interest, banking organizations prefer and support the following: environmental, education, culture and social (Table 1).

**Table 1** The visibility of the SR actions in the Romanian banking organizations, regarding the interested domains

Banks in Romania	Education	Culture	Environment	Social	Human rights	Sport
1	2	3	4	5	6	7
OTP BANK ROMANIA	x	x	x	x	x	X
BCR	x	x	x	x		X
UniCredit Romania	x	x	x	x		X
BRD	x	x		x		X
Banca Transilvania	x	x	x			X
INTESA SANPAOLO BANK	x	x	x			X

Tabel 1 (continuation)

1	2	3	4	5	6	7
ING BANK ROMANIA	x		x	x		
ALPHA BANK Romania	x	x	x			X
BANC POST	x	x	x			
Citibank Romania	x		x	x		
GarantiBank		x	x	x		
Emporiki Bank		x	x			
Leumi Bank				x		
LIBRA BANK				x		
ProCredit Bank			x			
Raiffeisen Bank				x		
EXIMBANK			x			
Banca Italo Romena	x					
Banca Comerciala CARPATICA	x					
Banca Romaneasca						
CEC BANK						
FIRENZE ROMANIA						
Marfin Bank						
Credit Europe Bank						
ATE Bank						
BLOM Bank Egypt						
Piræus Bank Romania						
Porsche Bank Romania						
Romanian International Bank						
MKB ROMEXTERRA Bank						
Volksbank Romania						
TOTAL	12	10	13	10	1	7

According to Table 1, our analysis will be structured according to the degree of involvement in the SR projects of the banking organizations, in two directions:

1. Banking organizations involved in CSR projects
2. Banking organizations not involved in CSR projects

**Most socially responsible banking organizations in Romania: Transilvania Bank, Unicredit, BCR, BRD Group Société Générale**

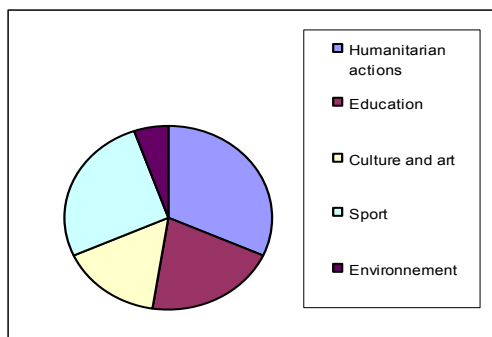
In a highly competitive environment, some banking organizations have considered appropriate involvement in various social projects, thereby obtaining an image and an enviable reputation among both customers and their stakeholders. The increased recognition for their business and the gratitude from their stakeholders are an undeniable competitive advantage.

In this respect, there are some that can be considered outstanding citizens of the Romanian community and leading examples for all the others: BRD Groupe Société Générale, the Romanian Commercial Bank (BCR) , Transilvania Bank, UniCredit Tiriac Bank, Raiffeisen, ING, OTP Bank, etc..

### **BRD Group Société Générale**

The activity of BRD Group Société Générale follows closely the international strategy of the Group Société Générale, which has been involved for over 20 years in social responsibility projects (the group has invested over 100 million in CSR projects in various fields in the past six years). Thus, CSR activity history ranks among promoters BRD integration of social responsibility management processes for companies in Romania. In 1998 it was a turning point in their CSR policy, by establishing a department dedicated to sponsorship. In the past eight years, CSR project investment budget amounted to over 8 million euros.

Following the Romanian community needs and the reference model group, BRD has been intensely involved in five main areas: arts and culture, education, sports, humanitarian and environmental protection.



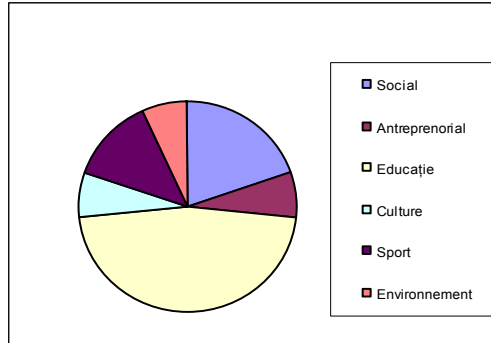
**Figure no. 1 The involvement of BRD in CSR projects - areas of interest**

BRD ensure the transparency of its undertaken projects so that stakeholders can easily be informed about the policy, the annual accomplishments and their impact on society. Among the awards and recognitions that have been granted, the most important were:

- Prize for Public Participation and civic behavior (the Civil Society Gala)-May 2007
- Patron of the Cultural Award (Ministry of Culture)- March 2007
- Best supporting activities in education (BBW)-March 2007
- Award for involvement in cultural activities (BBW)-March 2007
- Top Corporate Philantropist (Donors Forum of Romania)- November 2006
- Togetherness Award (BBW)-March 2001

### Romanian Commercial Bank (BCR)

Member of the Erste Financial Group since 2006, BCR follows its international business model BCR seeks that through the implemented projects, engaging more than by simple donations, to become a model citizen of the community. The areas of interest in which BCR is carrying out the CSR projects are education, entrepreneurship, social causes, culture, environment and sport.

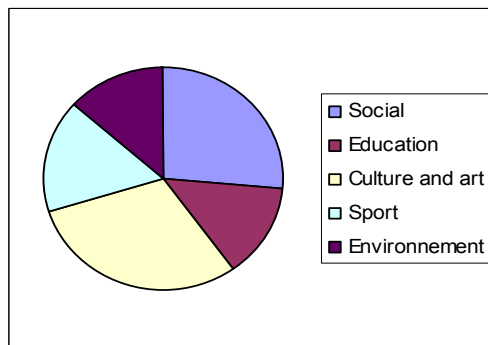


**Figure no. 2 The involvement of BCR in CSR projects - areas of interest**

Because of the transparency of its CSR activity in the last year, BCR is the only bank in Romania that earned the award for best short CSR report. The banking organization follows a volunteer policy and sustainable development, involving its employees in numerous community service projects.

### UniCredit Tiriac Bank

UniCredit Tiriac Bank is part of UniCredit Group which holds a leading position in Europe. With a considerable financial power, which allowed a significant expansion in recent years, the banking organization is involved in numerous CSR projects which had an upward trend. Conducting a sustainable development policy, similar to the one of the group, UniCredit Tiriac Bank has achieved many CSR programs in the following areas: social, education, art and culture, sports and environment.



**Figure no. 3 The involvement of UniCredit Tiriac Bank in CSR projects - areas of interest**

### Transilvania Bank (BT)

BT is one of the most generous companies in Romania in terms of CSR projects. Thus, in November 2008, during the TOP Corporate Awards Third edition, organized by the Forum Annual Donors in Romania, ranked the third largest budget invested in CSR projects (760,000 euros).

As one of the few Romanian-owned bank, Banca Transilvania is involved in the Romanian community, supporting many projects in areas such as culture, education, medicine, environment, sports and social causes.

Social responsibility initiatives are based primarily on donations and sponsorships, volunteering and activities carried out through three corporate foundations: "Transylvania", "Cluj has Soul" and "Charity BT".

The transparency on CSR projects is poor, except for the tow of their most important ones: "Cluj has soul" (May 19, 2008) and "You choose. Banca Transilvania makes the commitment".

However, some Romanian banking organizations are still under preparation to follow sound CSR policies promoted by the powerful financial groups that govern them. Emporiki Bank, for example, presents on the front page of their official website an advertisement on the international campaign initiated by the Credit Agricole Group, which includes: "Back to common sense. It's Time for green banking ", but so far there is no concrete involved in any project of social responsibility in Romania.

Blom Bank Egypt in Romania, member of the Blom Group which is the leading Lebanese banking group, despite its profitable business (Blom Bank Egypt obtained a four times higher profit in 2008 than in 2007) to this time has not followed the footsteps of CSR policies promoted by intensive group involved in numerous projects in various areas of interest: sports, environment, education, culture, health, and honored with awards for actions taken.

Piraeus Bank has also a strong international support, as a member of the Piraeus Bank Group, one of the most dynamic and active financial organizations in Greece. The Group has a very transparent activity in terms of its social responsibility actions on the environment, but not yet reflected on Piraeus Bank Romania, whose profits rose substantially in the last few years. And examples can continue.

Therefore, why is there that some banking organizations in Romania are not more involved in the community? What are the real barriers that prevent initiatives? These questions remain rhetorical for the time being, with the hope that in future we will see a substantial involvement in various activities required by the Romanian community.

### **3. THE TRANSPARENCY OF SOCIAL RESPONSIBILITY PRACTICES IN THE ROMANIAN BANKING ORGANIZATIONS**

A key issue that arises is the lack of transparency of CSR practices. Of the 31 banking organizations that are present in Romania, only 17 of them have a special section dedicated to CSR activities on the official site, and only a few of them show a summary of projects undertaken in recent years. Thus, the banking organizations that have an explanatory work on their policy for a community are: OTP Bank, BCR, BRD, Banca Transilvania, Garanti Bank, ING Bank, Raiffeisen Bank, Intesa Sanpaolo and UniCredit Romania.

The lack of CSR reports is another weakness in social responsibility. Studies have shown that CSR has to report a strong positive impact on how value brand or companies are perceived. Nevertheless, the BCR was the only banking institution which has received such distinction. Last year, in the Good CSR 2009 international reporting program conducted by Braun & Partners Network, BCR was handed the award for best short corporate social responsibility report, with type C as international indicators. "The publication of social reports of companies is a duty to the community, to employees and shareholders. The credibility of CSR is directly related to transparency and frequency of

communication and the tools and channels used to transmit the message. It must focus on the goals of the company[...]" (Michael Rarau, Marketing Director, BT).

There are so many awards to encourage the social practices of various companies to show their commitment to community work, but unfortunately for many organizations the CSR practices stand for a new form of brand promotion: "You must remove the advertising tone, because these reports are not a marketing tool. Their use for advertising purposes decreases it's value, giving them less public attention." (Adela Pascu, Secretary General, BRD).

In an interview in Notice 2008 Olympics, President of the Supervisory Board of UniCredit Tiriac Bank explains the vision of the banking organization which includes the importance of transparency: "With regard to specific CSR programs, some involve marketing. For all companies and for UniCredit in particular, reputational risk is extremely important. Meanwhile, there are programs that have an imaging component. There are simply gestures that we do because we must give something back to society. There are projects that we do not promote."

#### **4. CONCLUSIONS**

CSR action is a voluntary approach of the banking organizations in Romania that encounters a set of expectations of stakeholders in social, ethical and environmental actions, as a complement to measure the income, the profits and the tax liabilities. Viewed from a pragmatic perspective, corporate social responsibility is the way the 21st century captures a market share, with an image that inspires and attracts admiration of stakeholders, giving security, credibility and respect.

Making the links between business and community, CSR is a controversial topic that sparks many comments about the sincerity of intentions manifested through projects initiated by banking organizations. However, we must not forget that although the ultimate goal of any financial institution is obtaining profit, some of them have showed the superiority of the market by a constant attitude of the Romanian community support. Therefore, it is quite an obvious correlation between bank profitability and social responsibility campaigns.

Meeting many social needs, the powerful banking organizations in Romania involve intensive in development projects regarding education and culture, support of humanitarian actions and campaigns of environmental compliance.

However, based on the examples and methodology offered by major financial groups which govern most of the Romanian banking organizations, the social project transparency in the sector is very low, with a level of reporting of CSR activities almost invisible. The number of banking organizations that have adopted a strategy of social responsibility is close to half of the total.

The lack of interest in CSR project involvement is due to the lack of an appropriate legislation, the difficult economic context, or the lack of education or national support. But the Romanian society, vulnerable and full of social needs, is still waiting for a community approach from as many banking organizations as possible.

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