

# THE IMPACT OF THE CORPORATE SOCIAL RESPONSABILITY CONCEPT OF THE ROMANIAN BANKING SYSTEM

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## 1. Introduction

Social responsibility is defined as a way of meeting the needs and expectations of the society, but this definition has been enlarged by the World Business Council for Sustainable Development as being "The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."(Holme, Watts: 2000)

The European Council considers that this concept does not represent only the materialization of some legal requirements, but also the investment in human capital, environment and the relations with the stakeholders. (EU Green Paper, 2001)

Milton Friedman states that in a free society "there is one and only one social responsibility of business--to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud".(Friedman, 1970)

## 2. The projects of the BCR Bank

In the analysis of the concept of corporate social responsibility in the banking system I will analyse the materialization of the Corporate Social Responsibility (CSR) actions in the case of the Romanian Commercial Bank which published in 2009 a short report on CSR, according to the Global Reporting Initiative (GRI) standards. This report has

been appreciated as being the best short report in Romania from 2009. Dominic Bruynseels, the president of BCR talks about the concept of social responsibility from the Romanian Commercial Bank and he states that "we all live and work in our communities and we may choose whether we want or not if we should actively get involved in their lives. We, as a bank, are the major beneficiary of the community, through the businesses we conclude with the people. That is why it is vital, that we should give back a part of our success. Therefore, we demonstrate that we can bring value to the community through our business activities, but we may also add more value if our participation goes beyond this".

When we talk about social responsibility we have to mention the fact that the development level of the Romanian Commercial Bank is situated at a market share, calculated for net assets of 20,5%. On 30 June 2009 the net interest revenues were 1.711.199 lei, revenues from commissions of 293.461 lei, operational revenues of 2.210.239 lei, and operating revenues 205.579 lei. In this period BCR had 8700 employees.

The Romanian Commercial Bank received in October 2008 from START Internship Romania, the Excellence Diploma for Internship strategies.

In March 2009 BCR was awarded the prize for the best Private Bank in Romania by the magazine Euromoney. For the ongoing social responsibility projects, BCR has been awarded in the reporting period the following distinctions:

- The Excellence Prize for Social Initiatives awarded in the first prize award

edition Felicia – People for heart, mind and soul, for the project the Grand Encyclopaedia;

- Silver Award in the category "Social Responsibility and Dialogue with the co-interested groups" in the Romanian Public Relation Award 2009 for the project My Finances.

BCR has been involved in the following social responsibility projects:

- ✓ 2% for NGOs, in some subsidiaries of BCR ;

- ✓ the BCR employees have designed an implementation project for entrepreneurship which was entitled "Start Business";

- ✓ "Give for Christmas" took place in December 2009 and had two main goals: supporting a large number of unprivileged persons and stimulating the involvement of the BCR employees in the communities where they work and live by organising some charitable actions around the country;

- ✓ BCR has developed together with the Red Cross, in September 2009 the project the " Food Bank";

- ✓ personal Branding is an educational project where BCR wants to improve the quality of the local business environment

- ✓ BCR is the strategic partner of the organisation Save the Children Romania;

- ✓ along with these projects there are some other projects entitled " BCR orchard" and "BCR Hopes";

- ✓ projects for the improvement of the environment: the project Turceni which involved the participation of BERD for funding to rehabilitate 6 units from the Energetic Complex Turceni, and funding of the Energetic Complex Craiova;

- ✓ projects for the improvement of the water quality: participation in the public auction organised by the Water Company Aries SA(local operator) in order to expand and rehabilitate the water and sewerage systems from Turda, county Cluj;

- ✓ projects for the maintenance and modernization of the roads infrastructure: active participation in funding the National Railway and National Roads Company from Romania;

- ✓ projects for paper recycling which started from April 2009, and were implemented in three of the BCR headquarters, gathering more than 28 tons of paper.

The simple enunciation of these projects proves the fact that BCR is involved in sustainable fields and that the concept of sustainable developed can be found in the bank's policy.

The Romanian Commercial Bank has been contributing yearly, for 16 years, with almost 2 million Euro for the sustainable development of the society, supporting the projects which pointed out the Romanian national priorities and the developed visions of the bank.

If we discuss the projects which refer directly to the society, we can find out that the banking system has various contradictory opinions: some economic analysis place the CSR concept in the banking system only in the field of marketing and public relations. With the help of these projects, the banks are trying to get closer to their clients, as Dominic Bruynseels also mentioned, which also made a reference to the old saying "Love all, Serve all" and implemented it the BCR policy.

The trend in the social responsibility in the banking system from Romania seems to be a positive one, because the concept of social responsibility is a relatively new one in Romania and becomes a way of developing a company and a special concept in the banking sector where image and reputation is everything. Placing the concept of social responsibility in the banking system means the comeback of the banks to the customers, to the stakeholders; without these the development of this system would be impossible. The world banking system has understood that not only

corporations rules the world and that the emergence of this world economic crisis is due to a great extent to the carelessness towards customers and the desire to make profit without giving back anything to the society. Maybe this way of understanding the phenomenon of corporate social responsibility and to act in this way will represent a solution to overcome the world crisis.

Kanter sustains that the society accepts and favours more the companies which implement the concept of social responsibility in its actions. Kanter mentions that "super corporations create partnerships among sectors, combining their capacities for the common good. They have the potential to solve the social and environmental problems and as a derived product to give back the trust of the people in business. I hope this is the 21<sup>st</sup> century mode for the future of capitalism"(Kanter, 2003).

### **3.Erste Foundation and its role in CSR**

This study on the BCR report regarding social responsibility has been chosen because of the fact that the Romanian Commercial Bank is part of the international financial group Erste, where the major shareholder is the foundation with the same name. Erste Bank took over the Romanian market, a market which registered the most ascending dynamic trend as compared to Austria, the Czech Republic, Slovakia, Hungary, Croatia, Serbia and Ukraine. After the BCR takeover, the number of Erste Bank customers reached 15,6 million, and the market share for the banking services for population in Central and Eastern Europe was of almost 15% which represented a significant percentage at that period for Central and Eastern Europe. On 12 October 2006, the BCR takeover by Erste Group has been concluded. The Austrian Bank has paid 3,75 billion Euro for 61,88% of the shares of the bank. Andreas Treichl, the

current general manager of Erste Bank has declared on 12 October 2006: " We will start to implement a new ambitious business plan. In no more than a year our clients will feel the affiliation of BCR to Erste Bank with respect to the products and services offered at European quality standards"

The structure of the shareholders on 31 December 2009 from Erste Group was of 10,1% Criteria Caixa Caixa Corp S.A., employees 3,3%, private investors 6,6%, Erste Foundation 26,1%, institutional investors 47,1 represented by placement funds, insurance companies, retirement companies, banks, etc. If we analyse the structure of the shareholders, we can notice that the Erste Foundation has the majority of shares. From this point of view we have to make a reference to the statement of Milton Friedman, the winner of the Nobel Prize for Economics (1976) who stated that " the central idea is that the manager is the agent of the persons holding the corporation or the charitable institutions and that its main responsibility is towards them".(Friedman, 1970). To act for any other purpose means to abandon their responsibility and a real "theft" from the pockets of the shareholders. Peter Drucker talks about this ironically:"If you have an employee in an executive position who wants to get involved in CSR, fire him, as fast as you can"(Drucker, 1946).

The fact that the major shareholder of the banking group Erste is the foundation with the same name whose main purpose is the social responsibility towards society violates Friedman's assumption according to which the single responsibility of the managers is to act in the interest of the shareholders and of some economic analysis who saw corporate social responsibility as a market or public relation form. The Erste Foundation was founded in 203 and is the most important foundation in Central and Eastern Europe. Its projects are focused on three fields of activity: the

development of the society, culture and European consolidation. The purpose of this foundation is to continue the actions of the Erste bank group which had started 190 years ago in Austria.

The Erste Foundation has organised in the period 2008-2009 a competition for social projects for countries from Central and Southern Europe. The focus was on 8 countries: Romania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, Serbia and Slovenia.

Boris Marte, Member of the Board of Directors of the Erste Foundation, presents the importance of such a competition among the states from Central and Eastern Europe: " The countries from Central and Eastern Europe have been confronted with major socio-economic crisis and violent conflicts, and that is why there is a lack of respect and appreciation for the social integration activities. That is why we would like to bring these aspects to the

attention of the public opinion, pointing out these social actors which come to help the people, helping thus the entire society".

#### 4. Conclusions

The Romanian banking system has to take over the entire social responsibility concept and unfortunately for the old way of making business in Romania, this concept has to become fundamental element in the re-launching and development of the Romanian economy and society. The Romanian banks have to understand that the current situation represented by the economic crisis is not a moment to give up the concept of social responsibility but the moment when only with the help of such a mentality of sustainable development of the institution and society at large, we can overcome the current crisis.

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