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

Marian Mocan^a, Simona Rus^a, Anca Draghici^a, Larisa Ivascu^{a*}, Attila Turi^a

^a*Politehnica University of Timisoara, 14 Remus str., Timisoara 300191, Romania*

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.

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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

* Larisa Ivascu. Tel.: +40-256-404308;
E-mail address: larisa.ivascu@upt.ro

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 Melè, 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

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