

**CORPORATE SOCIAL RESPONSIBILITY IN BANKS:  
AN INTERNATIONAL OVERVIEW**

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**Abstract.** This paper gives an international overview of corporate social responsibility in banks. The analysis is based on the assumption that the basic models of CSR do not exist in pure form and depend on the historical peculiarities of different countries, as well as the financial condition of individual banks and banking systems as a whole. The study identified the distinctive features of the social responsibility of banking business in different countries, and also formulated the conclusion that the American model of CSR is the most widespread in the world because of simplicity of its implementation in the short term.

**Keywords:** banks, corporate social responsibility, stakeholders, national peculiarities.

**Introduction.** It goes without saying that corporate social responsibility (CSR) has become of great importance in recent years, very often through public scandals and mismanagement. Therefore, demands from customers, employees, statutory bodies and the general public for detailed information about whether companies are meeting acceptable standards increased enormously.

The crisis made adjustments in the activity of most banks and impacted on their social performance, so there is an objective necessity to investigate national peculiarities of CSR concept in banks, including the changes which occurred under such circumstances.

**Literature review.** The issue of Corporate Social Responsibility had been addressed during recent several decades by the scholars from all over the world. It's specifics in banks as they are active players on the CSR field attracted particular interest of the researchers. So such authors as Melsa Ararat [7], Amirul Afif Muhamat [24], Zahidul Md. Islam [19], Ismail A. Adelopo [5] paid attention to some regional financial markets and their specifics of the CSR. On the other hand such scholars as Simona Mihai Yiannaki [34], Emrah Arbak [23], Allen Goss, Gordon S. Roberts [16], May Seitanidi, Andrew Crane [28] addressed their research to some particular issues concerning implementation and functioning of the CSR in banking. Ukrainian researchers had not paid attention to this problem at all. To our point of view it would be interesting to analyze development and specifics of the CSR in banks globally, within the groups of countries different in geographical position, culture, traditions and level of economic development.

**The main aim of the article** is to analyze CRS concept in banking sector of different countries.

**Key findings.** The financial systems play the basic role in the economies of developed countries. Banks work mostly with borrowed money and it is the specificity of their activities, so they are not self-regulating organizations – this sector is subject to control by the regulatory authorities to ensure stability.

These days, competition in the banking sector has a non-price nature: many banks offer similar conditions in the same markets. The necessity of searching for additional benefits is got mainly through the promotion of new products and brand development. It should be taken into account that to maintain the uniqueness in the market within the introduction of innovations is not possible in the long term – financial engineering does not stand still, and competitors can always offer something similar, if the product is successful. That is why the development of brand of the bank by creating a positive image in front of the main groups of stakeholders is an important aspect of the performance in a high-competitive environment. To achieve this target, tools of socially responsible business are often used and the choice is determined by financial possibilities of banks, the level of development of the whole system, the requirements of regulators, national peculiarities and differs in many countries. We have identified the main peculiarities of this concept in Anglo-Saxon (USA, UK, Australia), Asian (Japan, Malaysia, China), European countries (Germany, France, Italy), in the emerging markets (Ukraine, Russia).

*United States of America.* After the first wave of CSR behavior by the end of the 1970s American business began to treat philanthropy more pragmatic [21]. The government feared that banks no longer take care of the needs of their community. In 1977 Congress adopted «The Community Reinvestment Act» [31] which is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe operations.

The role of this document is also intended to attach to the social activities small federal banks which can't implement social projects throughout the country due to limitations in their resources.

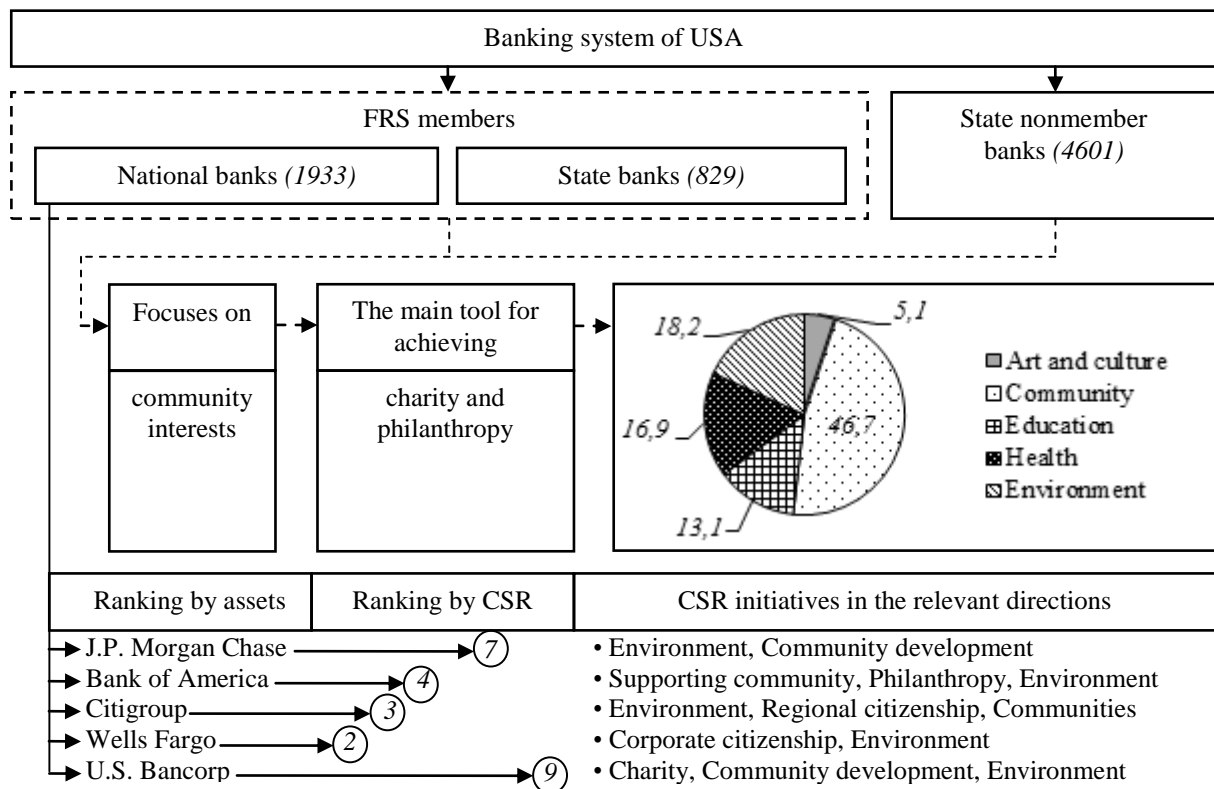


Figure 1. Philanthropic investments of banks in 2011 and their place in the whole CSR system of USA

Approach to CSR, which focuses on the interests of major stakeholders' groups, is not common in American banks. Most of them, including the large national banks are orientated on community interests (Figure 1). In this case charity and philanthropy are the major instruments for implementation of this policy, which is the main feature of the American model of CSR. There are numerous multiple mechanisms for participation of banks in social support of society through the corporate funds in USA [3].

To recognize the vital involvement of banks in their communities, American Bankers Association has instituted the Community Commitment Award to be presented each year at the Annual Convention. The award will honor creative, thoughtful community outreach programs that embody the ideals of CSR and achieve measurable results.

U.S. law does not provide for penalties for lack of a social component to the business strategy, but corporations, including banks, seek to implement the

principles of socially responsible business, because level of the information transparency in the USA is high, so the support of community through social programs has a positive effect on the reputation of the business.

***United Kingdom.*** The sustainability issues in the UK banking sector have been shaped and influenced by relevant stakeholders such as government, competitors and consumers. The competitive structure of the UK banking industry prompted the major banks to strengthen their competitive edge by building up a strong brand and reputation in corporate responsibility.

There has been a number of CSR initiatives in the past ten years. These comprise: The UK Government, British Bankers Association and Association of British Insurers, FORGE guidelines published in 2002; The UK Responsible Lending Initiative of 2005/06; A review of European Banking Sector Best Practices in CSR published by the European Bankers Federation in 2008; The GRI Index Financial Sector Specific Guidelines issued in January 2010 and other.

The British Banking Association has been campaigning for the EU to adopt co-regulatory options which would encourage self-regulation in the financial services sector. Self-regulation can either take the form of codes and guidance which set standards that are not enforced by the industry itself (but may, for example, be enforced by a regulator which has set more general principles underlying the code) and codes which are also monitored and enforced by the industry. The BBA adds that the implementation of the EU's Financial Services Action Plan (FSAP) measures will create a heavy burden of change on financial institutions and may impact on the ability of these institutions to access international financial markets in an environment that represents a level playing field thus affecting competitiveness. There is a risk that the UK's competitive and efficient banking market could be held back by an increasing burden of the UK and European legislation and regulation [11].

Indeed the sector can decide to take the initiative to actively embrace and engage in CSR or lose control of the agenda and be inundated and rendered

powerless by increasing regulation. From the gamut of initiatives developed for and by the sector, it appears that the sector is making an effort to assume the position of self-regulation to ward off the possibility of an overly-rigid regulatory regime. This has informed the extent of involvement in CSR-related activities and the alignment of this involvement to the business/market strategy (Figure 2).

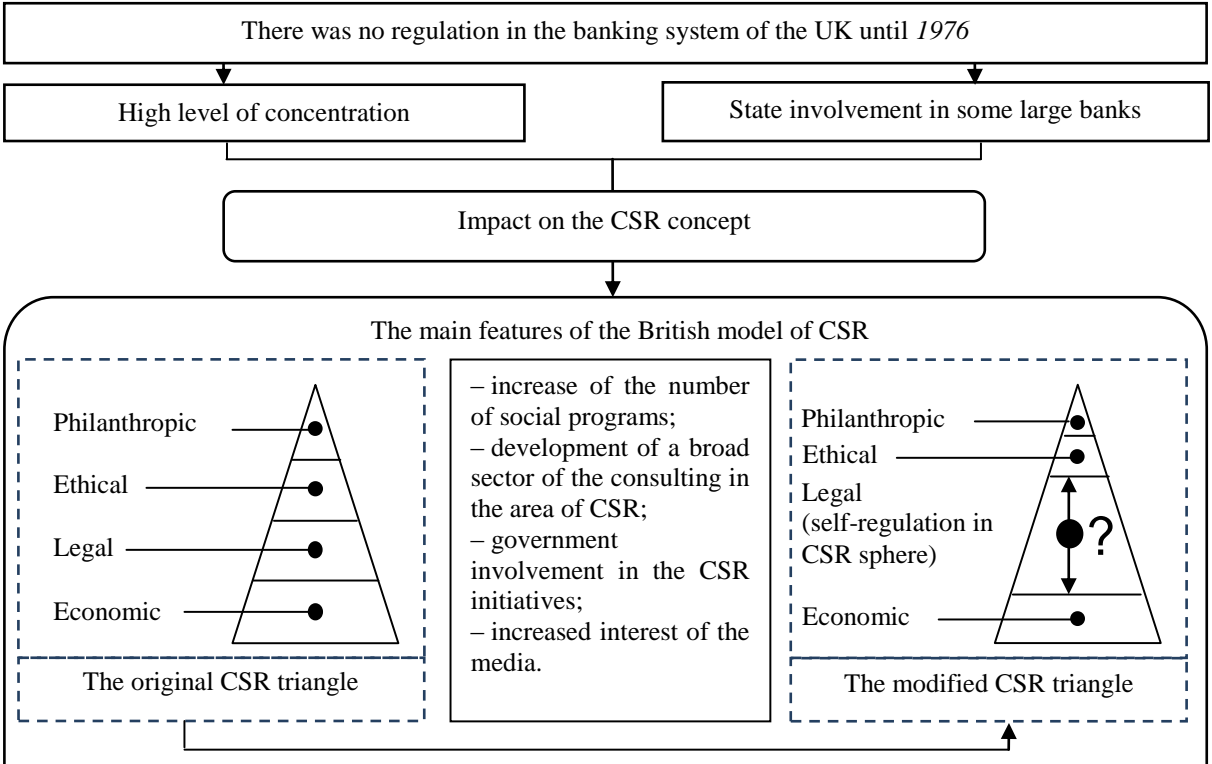


Figure 2. The main features of CSR concept in the banking sector of the UK

Guidance on CSR management and reporting for the Financial Services Sector' was published in the UK in 2002 by the FORGE group comprising of eight financial services firms (Abbey National, AVIVA, Barclays, Lloyds TSB, Legal & General, Royal & SunAlliance, Royal Bank of Scotland, and Zurich).

Alongside the traditional CSR concerns of human rights, environmental issues, and employee relationships, the guidance identifies a number of issues within the «marketplace» where CSR is relevant, specifically: Access to products and services; Advertising and pricing; Business ethics; Customer

service; Privacy; Terms of trade; Supplier relationships; Value of products and services [22].

Thus, the guidance goes on to recommend indicators be defined to enable the measurement of both the changes to management processes and CSR outcomes as well as to «determine if there is a business case to develop new products» or adapt existing ones. The guidance also specifically suggests that providers should work with educational establishments to increase understanding of financial products and services.

*Australia.* Banking in Australia has had many restrictions and regulations, especially in the past. Up until 1980s it was very difficult for foreign banks to set themselves up in Australia. As a result, Australia has a very limited number of banks. Moreover, four banks are key-players in the financial market of this country (Figure 3). Social responsibility of the regulatory bodies of the banking sector is to ensure market stability. To achieve this, Reserve Bank of Australia provides «four pillars» policy to maintain the separation of the four largest banks in Australia by rejecting any merger or acquisition between them [14].

Development of the complicated CSR management systems by leading Australian banks (Commonwealth, Westpac, National Australia Bank, Australia and New Zealand Banking Group) is one of the main ways of competitiveness achievement in the world markets while their size is limited by the regulator.

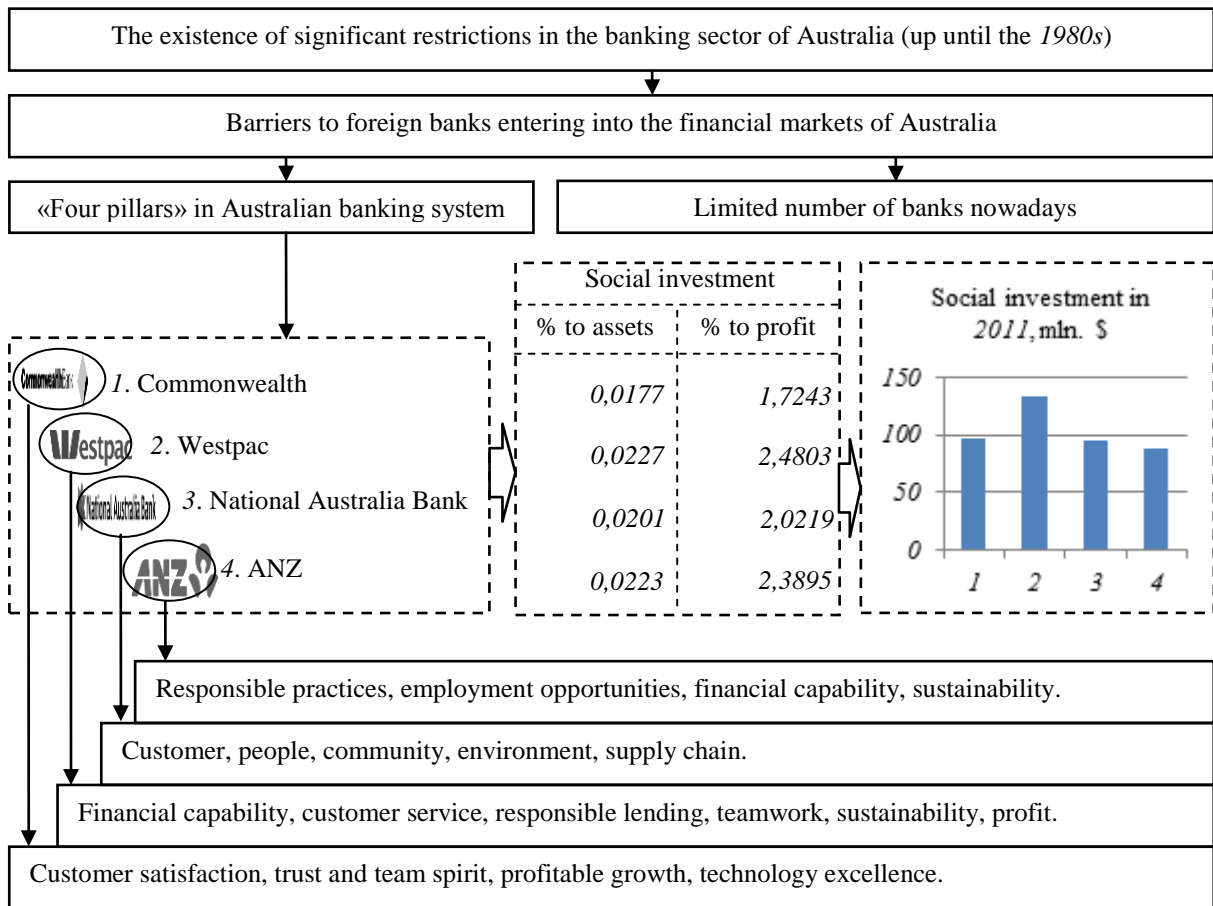


Figure 3. Vision of CSR in the reports of some Australian banks and their initiatives in this sphere in 2011

That's why Australia's banks have been recognized internationally and domestically for their corporate responsibility leadership, as reflected in the high ratings against corporate responsibility performance of a number of indices, including the Dow Jones Sustainability Index, FTSE4Good Index, Governance Metrics International Global Governance Ratings, Reputex SRI Index and the St James Ethics Centre Corporate Responsibility Index [10].

For example, Roy Morgan Research shows that customer satisfaction for banks is now at record levels (the data series starts from 1996). In January 2012, customer satisfaction was 79,6 % (Figure 4), significantly higher than for January 2011 (75,4 %).



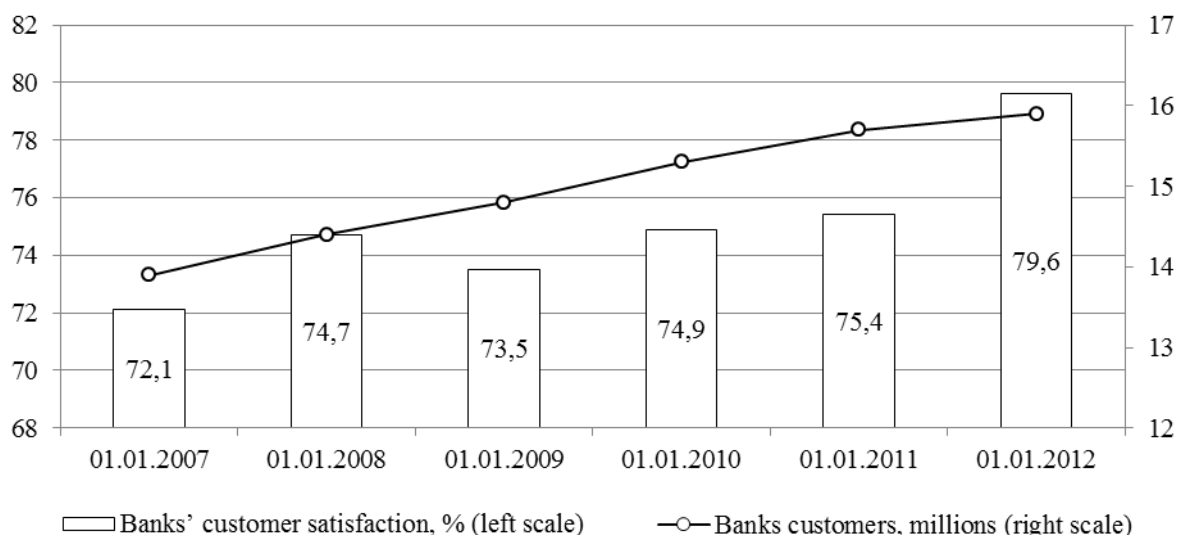


Figure 4. Dynamics of the banks' customer satisfaction level in Australia during 2007-2011

On the other hand, the concept of CSR in the Australian banks belongs to the American type and is influenced by the business model. For this reason quality of risk management yet is not considered by leading banks as the preventive tool which mainly provides stability of activity and protection of clients' interests.

In addition to individual financial inclusion initiatives, the Australian Bankers' Association and some member banks are working closely with the Government's Financial Wellbeing Taskforce and Department of Families, Community Services and Indigenous Affairs.

**Japan.** CSR is currently a fashion in Japanese business society. More Japanese companies have set up division of CSR and published CSR report since 2003. However, it is not first time that corporate social responsibility, or social responsibility for corporate executives, is noticed in Japanese business society. When the Japanese society began to industrialize, some Japanese companies, or business people recognized that they were social institution.

CSR in Japanese banks is viewed as a relationship between company and society (figure 5).

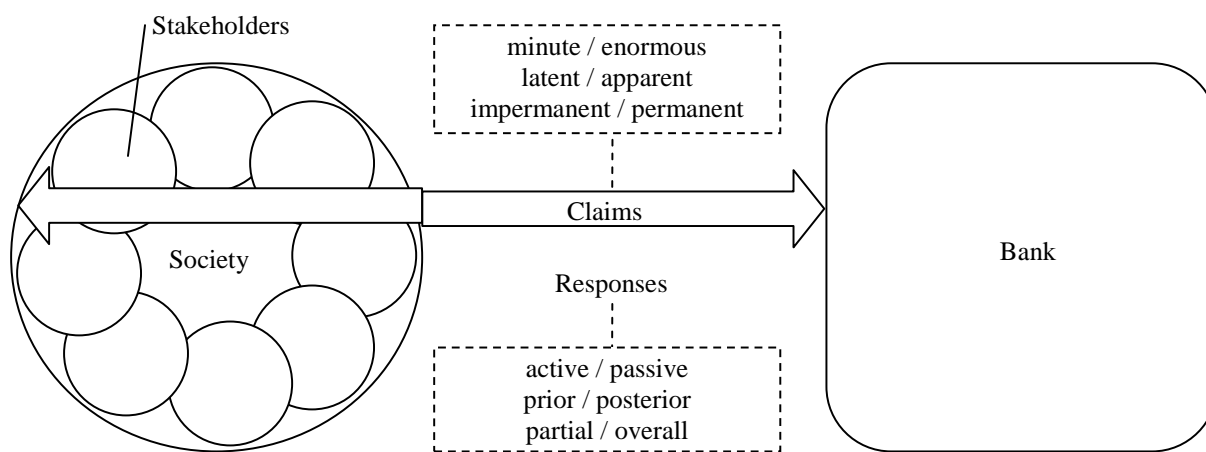


Figure 5. Model of CSR applied in Japanese banks

The Japanese law-state provides little effective legal foundations for the structural imposition of corporate social responsibility behaviors in general, or the cultivation of sensitivity to the human rights consequences of corporate behavior more specifically.

The history of corporate social responsibility in Japan can be traced back in the Edo period, which main idea was honesty in operation, and contribution to the society. Corporate social responsibility became essential due to the negative image of corporations during the rapidly economy growth in the after the Occupational period. Japanese corporate social responsibility always revolve around Environmental protection, sustainable development and corporate philanthropy since the Japanese traditional philosophy in business is to from a harmonized society with the emphasis in the relations between merchant and customer, Japan and the world, and human being and nature. Japanese corporate social responsibility toward customer focuses heavily on providing excellent service and product to the consumer, and such produce has to be high quality and safe to the consumer. Japanese corporations respect human right, in which harmony is created between labor and employer in order to achieve economic efficiency. However, in the competitive market, labor's human rights were sometimes overlooked, and that social norm was created to override such abuse.

On the other hand, Japanese transnational corporations tend to have different measures of human right for labor outside of Japan.

Among the various types of CSR activities in Japanese banks, CSR activities which closely relate to «safety» and «customer care» positively affect consumer purchasing decision and brand image. Followed by the safety and customer care, «environment», «corporate governance», «local community involvement», «employee relations», «business success», «supplier relations» and «shareholder relation» are ordered respectively in terms of the magnitude of impact to consumer attitude.

Some leading banks in Japan recently tackle «the Strategic CSR»: the CSR which can contribute to both social and business benefits. For the bank, the strategic CSR is a part of business activity and its activities embed on ordinal business process and value chain. The strategic CSR is not only fundamental CSR activities such as compliances, corporate governance and social contribution activities, but also business related activities which address social issue and improvement of social welfare on top of business concept. Another aspect of the strategic CSR is value creation activities, not risk control activities.

Japanese banks usually use specific model of CSR, that usually is called Asian, but it would be more correct to call it Japanese because it has specific features typical for this country.

**Malaysia.** The focus on corporate social responsibility has been actively in the limelight within Malaysia for the past ten years, and as such has become a mainstay in many corporations' public relations as what demonstrate in the bank's campaign strategy. With rising stakeholders' awareness regarding CSR, it is very important for the banking industry to begin profiling their efforts at CSR as part of their overall corporate and business strategies. In Malaysia CSR has been an important principle for most big corporation. In fact, a large number of companies are already engaged in CSR initiatives in a substantial ways.

Generally the CSR initiatives in Malaysian financial institutions are almost similar in the form of donations, contributions, environment

conservation, and training of employees, practice good corporate governance and charity to quote a few. The only difference is in the form of implementation, the format and the way it is represented in the CSR reports of the (Table 1).

**Table 1. Biggest Malaysian banks and their involvement in CSR**

Bank	Community	Marketplace	Environment	Employee	Social
Maybank	X	X	X	X	X
Public Bank	X	X	X	X	
CIMB Bank	X	X	X	X	
RHB Bank	X	X	X		
AmBank	X	X	X		
Hong Leong	X	X	X	X	X

Most companies and even banks in Malaysia are family run concerns and their brand of CSR focuses more heavily on philanthropy and charity rather than bottom-up sustainability initiatives. Whilst there is nothing wrong with this, it makes for a much skewed CSR portfolio of mitigation rather than pro-active, corrective action and adaption in the way of doing business in changing times.

In summary, Malaysian banks (and other companies) do possess the power and ability to behave and perform much better, and consumers in Malaysia, including loan or payment defaulters, deserve to be treated in a professional and civic manner. However, in Malaysia, CSR and corporate governance are only at the infancy stages when compared to other Asian countries such as Singapore, Thailand and South Korea. While there is awareness, the adoption, practice and reporting of CSR and CG is very slow or low.

**China.** Corporate social responsibility (in Chinese banks is typically broken down into community outreach, environmental health and safety (EHS), and environmental protection. Education is also an important focus.

«Community Outreach» refers to the actions that banks take to improve the standard of living for those living in the communities in which they operate. Examples include rebuilding local schools, providing computer education classes to local schoolchildren, or hosting information sessions for farmers to help them maximize their crop yield.

«Environmental Health and Safety» refers to the efforts that companies make to ensure their employees work in a safe, comfortable, and properly regulated workplace. While the backbone of EHS is ensuring that all company locations are in compliance with local labor laws and regulations, many companies go far beyond this in setting their own, more stringent standards, and rigorously extend these standards down to their suppliers and subcontractors.

«Environmental Protection» activities include all efforts that banks take to ensure that their impact on the environment is minimal.

Education improving – from the primary level through college-can be an excellent way to give back to local communities. It can also be a good way for companies to improve the skills of current employees, expand the talent pool, and strengthen future recruiting efforts.

CSR in banks of China is determined by the Guidelines on Corporate Social Responsibility for Banking Financial Institutions in China published on the 12th of January 2009 by the China Banking Association (CBA).

CSR is defined in the Guidelines as the economic, legal, ethical and charitable responsibility that Financial Institutions assume in their dealing with shareholders, employees, consumers, business partners, government and the wider community. The Guidelines are divided into three key areas:

- Economic responsibility: subject to compliance with the law, build up a fair, safe and stable competitive industry and consistently create economic value through best professional operation for State, shareholders, employees, clients and the general public;

- Social responsibility: actively protect the public interest of consumers, employees and the community as guided by the corporate vision; advocate

charitable responsibility, actively participate in public welfare activities, cultivate social harmony and promote social development;

– Environmental responsibility: support State industrial policies and environmental protection policies, conserve energy, protect and improve the natural ecological environment and support sustainable development of the society.

As in other countries so in China banks are the most active players on the market that apply CSR strategies in their activity. For example in 2011 China Development Bank was awarded «Best Responsible Company».

One of the main concerns of CSR in China is environmental issues. Although banks do not provide direct pollution they could play an active role in the environment protection issues by the influence on their clients and partners. Environmental issues associated with the industry could influence the commercial banks when environmental risks have been converted into economic risks; but the commercial banks can also benefit from the business opportunities created by environmental issues.

As stakeholders-both in China and around the world-continue to place an increasing emphasis on responsible corporate citizenship, EHS, and the environment, companies in China are likely to maintain and expand their CSR efforts for the foreseeable future. Indeed, banks are already going beyond legal compliance and occasional charitable giving to engage with their surrounding communities to develop programs that help improve educational opportunities, the local environment, and working conditions, as well as other areas that need of assistance.

**Germany.** Germany has a diverse and broadly ramified landscape of CSR initiatives, networks and competitions. While some of these are government activities, the majority have been organized by the private sector and civil society themselves. Successful corporate social responsibility requires committed enterprises which integrate CSR into their business strategies, a dynamic civil society that calls for and rewards CSR, and active public policies

that formulate societal aims and establish a positive environment for CSR. Corporate social responsibility is voluntary but not arbitrary. When all societal groups shoulder their responsibility it will be possible to meet global challenges together to the mutual advantage of economic, social and environmental goals. This triad is the key concept behind CSR [25].

In comparison to the retail sector, German banks have only slowly accepted that their corporate social responsible behavior has to relate to their core business practices. Many banks still consider sponsoring of cultural activities and donations as part of their social responsibility rather than responsible investment and lending practices. A study commissioned by the German Federation of Consumer Organisations on CSR in banking revealed that [33]:

- German banks do not want that their CSR activities are assessed: Only 10 out of 50 banks were willing to take part in the analysis.

- While many banks have CSR programmes, only few of them consider responsible lending as being part of responsible banking practices.

- In average German banks spend 0,1 percent of their annual profits on projects supporting responsible lending.

- The extent to which banks cooperate with NGOs varies. But it seems fair to say that cooperation/ dialogue is limited.

Talking about CSR and banking in Germany a huge attention is paid to the education issues. So in recommendations Report of the National CSR Forum to the German Government it is mentioned that the education system should be encouraged to incorporate the subject of socially responsible investment into its instruction in general and into initial and continuing training in the banking sector in particular. Socially responsible investment should therefore be a topic covered in secondary school and university and in vocational training and qualification programmes for banking-related occupations [27].

In socially responsible investment terms Germany is a contradiction. The country is considered by many as one of the pioneers of post war

environmentalism and social reform. Yet German financial institutions are amongst the European laggards in adopting environmentally and socially informed approaches to investment [26]. Although Germany has Europe's largest economy its SRI market is tiny compared to SRI in Europe overall, and SRI in many other individual EU states. It is also miniscule compared to the US market, even allowing for likely exaggeration in the estimated size of US social investments. According to the Sustainable Investment Forum's most recent research, the SRI market in Germany was worth nearly €13 billion in August 2010; 53 compared to the total volume of investment assets in Germany of €1706,1 billion the share of SRI was thus only about 0,8 percent.

It worth to mention a booming in Germany type of making banking business- ethical banking. Financial institutions such as GLS Bank, Umwelt Bank and EthikBank are luring customers with a social and ecologically-sound approach, insuring that their money won't be used to fund nuclear energy, genetic engineering, child labour or arms companies [15].

The most important trigger to increase CSR activities of banks in Germany is the investment sector that more and more demands from companies to set in place CSR strategies. Furthermore, the public debate about the origins of the financial crises has put pressure on banks to reconsider their investment and lending practices. Thus, neither fiscal stimulus nor legislative changes but private and public pressure have led to an increase in CSR activities. In general one needs to say, however, that consumer issues are not yet core elements of companies' CSR practices.

**France.** In fact, the term «social» in the expression «corporate social responsibility» poses a lexical and conceptual problem in French. The word «social» as used in the expression in English is commonly translated into French using the same word, whereas in fact «social» in French has a more restricted meaning, as it is limited for the most part to the social dimension of sustainable



development. Thus the three dimensions inherent to this notion, «economic efficiency», «social equity», and «control of resources», are not naturally covered by the term «social» in French. Hence, this problem of language can lead to confusion as to the very meaning of «social responsibility». Some analysts even believe that this word is the reason for a strong and threefold resistance to CSR in the French-speaking world: trade unions reject the idea that unilateral private sector standards should govern the social aspects of a company; employers are afraid of having new obligations forced on them, in an area that they believe to be already very restrictive; the State does not accept that principles that have been historically laid down to govern corporate social relations, and which combine legal intervention and collective bargaining under full public scrutiny, should now be challenged [13]. Thus the term «societal» would perhaps be more appropriate here, expressing as it does a systemic vision incorporating all three aspects of social responsibility: economic, social, and environmental.

Basic standards that regulate corporate social responsibility in French banks clearly stated in the National Strategy for Sustainable Development of France, which was adopted by the Government in 2003. In addition, France has become the first country that required from banks and other companies listed on the stock exchange reports on CSR starting from 2001.

The reports must include information on: the situation with workforce, mobility of staff, working time, social relations, health and safety, education, income distribution and the number of personnel involved. Banks must also demonstrate their relationship with the communities where the company operates. Moreover, it is necessary to describe the corporate social responsibility of its contractors. In addition, banks must report on the conservation of energy and reduce environmental impact.

Public policy encourages responsible investment in France. There are legislative framework for public procurement and the award for the best

companies, including «eco-label», which is a sign of an environmentally responsible company.

Financial companies in France could be classified by four main types [18], according to their attitude to the CSR (table 2).

**Table 2. Classification of financial companies in France according to their attitude to the CSR**

Company type	Characteristics
Strategists	They have integrated CSR and environmental responsibility into their global strategy as result of both strong pressures and strategic opportunities. Big international banks belong to this group, such as BNP Paribas, Cr�dit Agricole etc.
Committed	Experience only low levels of outside pressure as their sector of activity is less exposed. The attitude of these companies to environmental and social issues id based more on an extension of the historical values that underline the company’s original goals. Many French savings banks could be classified to this type.
Concerned	They are feeling the pressure of sustainable development more and more strongly and therefore feel obliged to integrate the notion gradually, but their approach remains partial, more often than not targeting specific areas that for them represent key market issues. The majority of French companies belong to this category.
Entrants	All companies that consider CSR, though not putting them under any pressure, is nevertheless implicitly becoming the new standard to be adhered to. There are more and more companies that fall into this category and that are now trying to put in place what we might call adaptation strategies. These usually consist of a series of actions that are not properly coordinated with the company's global strategy. Small local banks could be characterized by this type.

The main challenge for CSR in France is to make corporate social responsibility part of the mainstream of small and medium-sized businesses, giving it to understand what this benefit, but also to make the concept of CSR understandable to all stakeholders. In order to face these challenges, in 2007

after presidential elections, the new government introduces an important institutional development with the appointment of a high-ranking Minister, number two in the hierarchy after the Prime Minister with special responsibility for ecology, sustainable development, and planning.

*Italy.* As everywhere, when it comes to expectations on business, culture counts. Italy's somewhat fragmented civil society groups are not, some Italian experts say, as co-ordinated as they might be in encouraging CSR take up by companies. Corporate governance is also seen to be seriously lagging behind international standards. Political interventions in Italian business are viewed as a serious concern by potential foreign investors in the country. Conflicts of interest in Italian business and politics are seen as rife by outsiders and Italians alike.

Italian banks claim a lot of the credit for encouraging corporate responsibility in modern Italy. The oldest bank in the world, Monte Paschi di Siena, was set up in the 15th century on social principles. In more modern times, until recently over half of the social reports issued by Italian companies came from the financial sector.

Financial organizations such as Unicredit and Intesa San Paolo lead the way in Italy, but will come against new CSR challenges as they expand abroad in the future [9].

According to the 2012 CSR forum of the Italian Banking Association the financial sector remains a key player in the field of corporate social responsibility, despite the difficulties caused by the crisis. According to the latest findings by the Italian Banking Association (ABI), 80% of the industry continues to formalize its commitment to CSR. More generally, the interest in corporate social responsibility is not in jeopardy; indeed, there is still a commitment to integrate CSR practices into business activities.

Italian banks are primarily characterized by a high level of activity in the reporting arena (figure 6): banks accounting for 77,7% of the industry's total assets publish sustainability reports (in 2005 they represented nearly 72% and in

2009 75,3%). Banks that report according to the Global Reporting Initiative guidelines account for 74,8% of the industry’s total assets. There is also a consolidated practice of appending corporate social responsibility reports and distributing them along with the annual financial statements (71,1% of the industry’s total assets). If sustainability thus becomes an integral part of a company’s business, communication of organizations’ activities become “integrated.” Integrated communication means a new way of illustrating a company’s overall results, its impact on the markets and its stakeholders and connections between profitability and sustainability, within a framework of increasing transparency. Banks accounting for 74,6% of the industry’s total assets distribute their reports over the Internet.

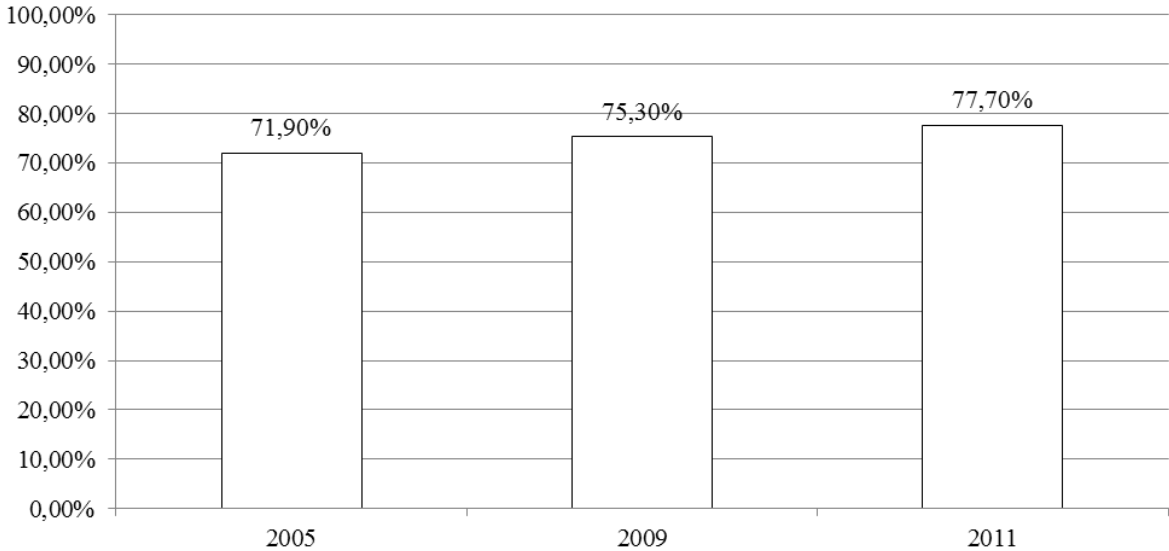


Figure 6. Reporting of Italian banks to stakeholders in terms of % of total industry assets (2005-2011)

Nearly 80% of banks in the industry have codes of ethics. In further detail, for 78% of the industry such codes specify the rights, duties and responsibilities of banks towards their stakeholders, 77,6% rules of behavior, 75,4% mechanisms of implementation and oversight and 77,2% indication of the bodies responsible for oversight to be contacted in the event of violations.

Banks with a focus on the environment and promoting environmentally friendly behavior within the company and beyond. Banks accounting for over 74% of the industry's total assets offer financial products for climate change: 74,6% offer loans in support of procurement from renewable sources and energy efficiency, while 73,1% provide loans at subsidized rates to foster the reduction of CO<sub>2</sub>. Ethical and environmental certification has been obtained by 61,7% of the industry [4].

*Ukraine.* The first years of independence of Ukraine was a period when banks increased their profitability and financial rates as well, using high level of inflationary pressure and weak competitiveness in financial markets. The precondition of introduction of corporate social responsibility concept in home banks was international capital flows: new players in Ukrainian markets started their activity in the range of expansion policy of big financial groups, which at that time had considerable experience of functioning in financial sector that was based on implementation of major principles of socially responsible business.

As of today, there is no sole definition for «corporate social responsibility» in scientific literature of the country. Legislative and regulatory legal acts of Ukraine do not govern this issue, however, the leading scientists are unanimous considering that CSR doesn't confine itself to only social programs of the bank, but foresees the constant interaction with major subjects and contractors based on principles of harmonious coexistence and constant dialogue.

Identification of CSR as an integral system of interrelations between different subjects mainly exists only theoretically. Thus, most Ukrainian banks (figure 7) identify CSR with charity and sponsorship or information transparency. Understanding of this concept by banks with foreign capital differs on principle: 45% of them declare that CSR is not only social policy and civil activity, but also constant harmonious coexistence with different subjects. Special attention should be paid to the document of Platinum Bank called «Business with human face». Its main idea is continuous, constant interaction

with coworkers, the state, clients and society. Despite this, the most widespread this approach to interpretation of CSR is in European banks – 63%, which is much more than that in Ukraine.

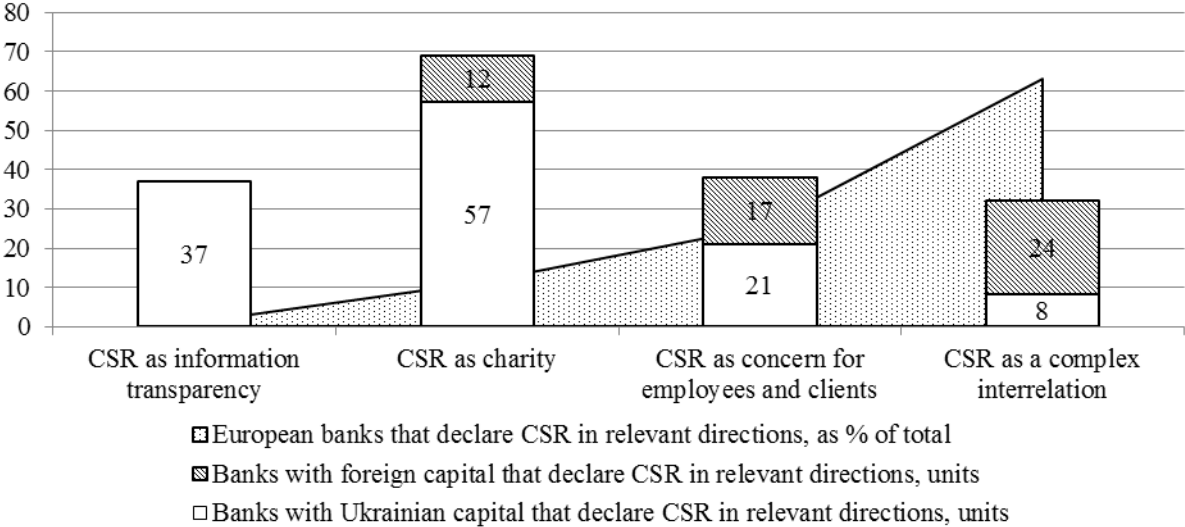


Figure 7. Average number of Ukrainian and European banks depending on the interpretation of the essence of CSR

In the practice of Ukrainian banks the American model of CSR has become the most diffused. Its main means of implementing are sponsorship and charity. The main problem, however, is the fact that unlike the European model, social investments are made according to the short-term abilities and demands of the bank. If the financial indexes grow worse, such programs are cut and their introduction is aimed at the positive opinion in society as to the short-term prospect because of unsteady character depending on the state of the bank.

Information transparency is one of the major indicators of readiness of banks for interaction with the subjects involved. According to the results of 2011, the highest positions in the transparency rating were taken by the banks with foreign capital and big banks with Ukrainian capital (figure 8). Such a situation proves that foreign banks functioning in Ukraine are more responsible concerning the disclosure of information about their activity [32].

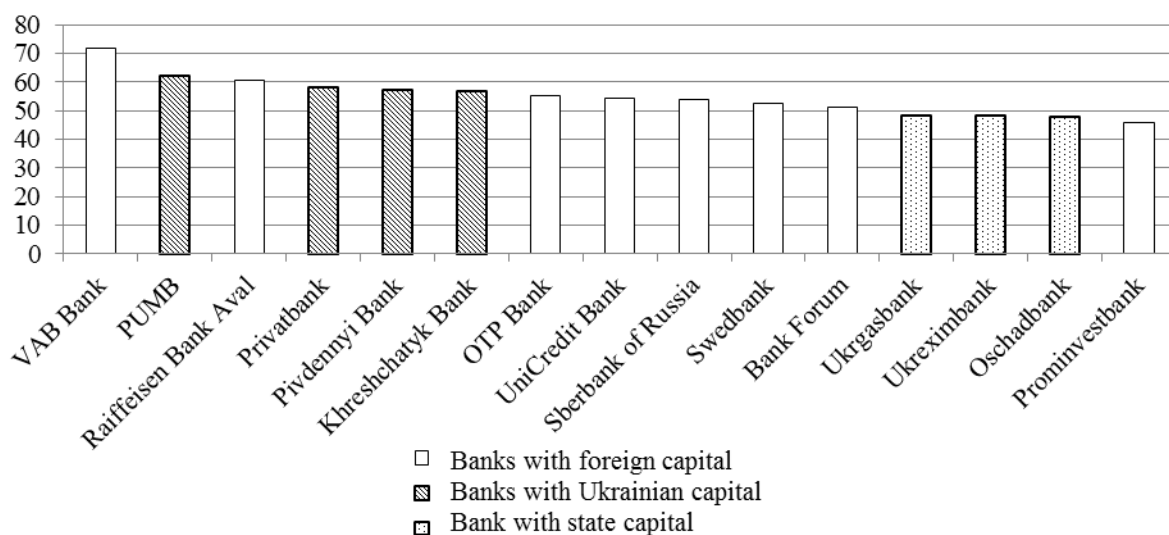


Figure 8. The rating of Ukrainian banks leading in terms of transparency in 2011, %

The level of CSR of every bank is reflected in special reports, one of which was the first to be published by Nadra Bank in 2007. These days such a system of reporting is not unified as a result of absence of regulating this issue by the state, and its publication depends on abilities and desires of the bank itself and is made for commercial purposes. But if no social measures are held within a year, banks do not publish such reports. Due to this one of the peculiarities of American model of CSR becomes apparent: social investments are not a part of the general strategy of activity of the bank, and their values are flexible both to increase and decrease. Herewith the effect of introduction of CSR concept is partially or fully lost: there might be no growth of confidence to the financial agent and no stability of the banking system in a long-term prospect as a result. Implementation of social policy is often aimed at short-term goals, like involving of new clients due to a good image.

Despite considerable problems of introduction of CSR concept by Ukrainian banks (limited encouragement, no system and social strategy, low competence of managers in the realm, unresolved status of the issue by the state) this process has already begun, and intensification of non-price competition in the bank sector will favour its further extension [29].

**Russia.** Practice of introduction of corporative social responsibility standards in Russian banks is related to peculiarities of development of the real economy sector in the country: large deposits of natural resources and gas and oil in particular, were preconditions of development of energy companies and their appearance in the international market, which demanded an accomplishment of policy in accordance with international social standards. Thus, the CSR conception in banks of Russia got its extension not due to foreign corporations in financial sector, but as a result of necessity of national enterprises and banks extension and implementation of activity beyond the country borders [6].

This is confirmed by the rating of Russian enterprises according to the CSR level, which is annually made up by «Political and Economical Communications Agency» (figure 9) and reflects the information about the TOP-70 socially responsible companies. It should be noticed that according to the results of 2011 nine representatives of the bank sector were included, only two of which were agents with foreign capital; the shareholders of the rest of the banks are private residents of the Russian Federation or the state.

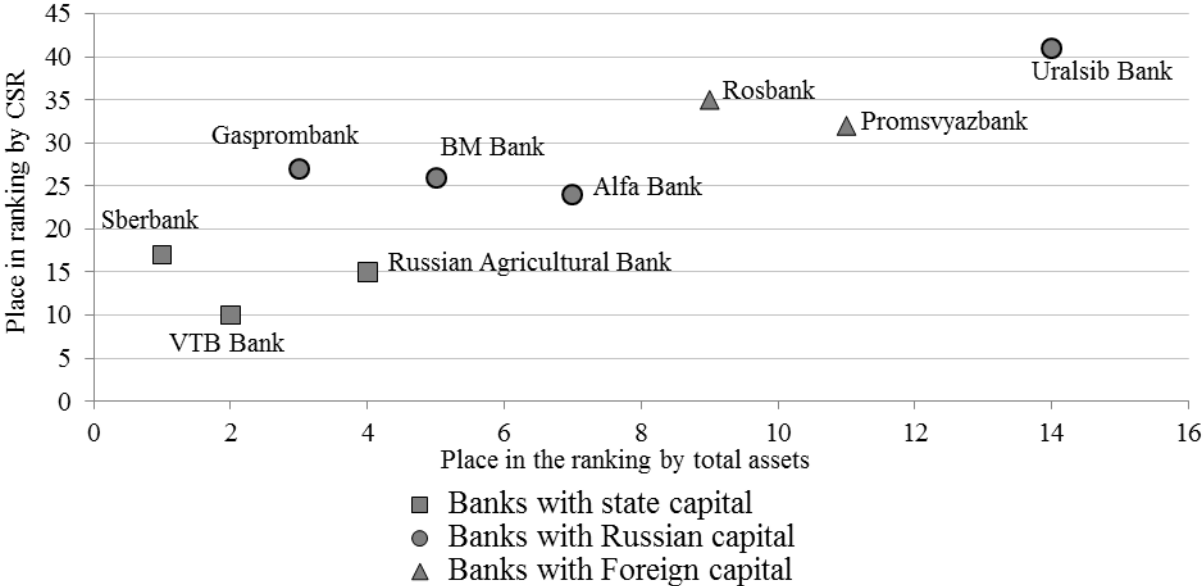


Figure 9. Position of some Russian banks in the ranking of CSR and the amount of their assets as of 01.01.2012



There is also dependence between the size of the business and the CSR level: the highest positions are taken by corporations with the biggest value of assets, which are presented not only in every region of Russia, but also abroad. Thereby, the financial service market of Ukraine is open for VTB Bank, Sberbank of Russia, BM Bank, Alfa Bank; this indicates their aggressive policy in the realm and constant improvement of social standards in order to go to new markets.

Predominance of agents with big values of assets in this rating is explained by the fact that most banks on such a huge territory of the country are regional, and the values of their activity do not let bear costs on financing of social projects of a state level, which automatically leads to exclusion of such agents out of the list of the most socially responsible ones. This makes difference in understanding of the CSR concept: in Russia and Ukraine it is identified with charity and social activity, in developed countries – with a continual process of social dialogue that results in profits for not only interacting subjects, but also the bank itself despite the size of its business.

Russian banks adopt in their practice mostly the American model of CSR; they realize their social activity through help to children, public health and environmental protection. Despite the growth of the general number of projects, their average value within the post-crisis period has considerably decreased (figure 10), which emphasizes one of the main peculiarities of the model of CSR given: financing of the social sphere is accomplished on the assumption of how effective the bank worked within a certain time period [20].

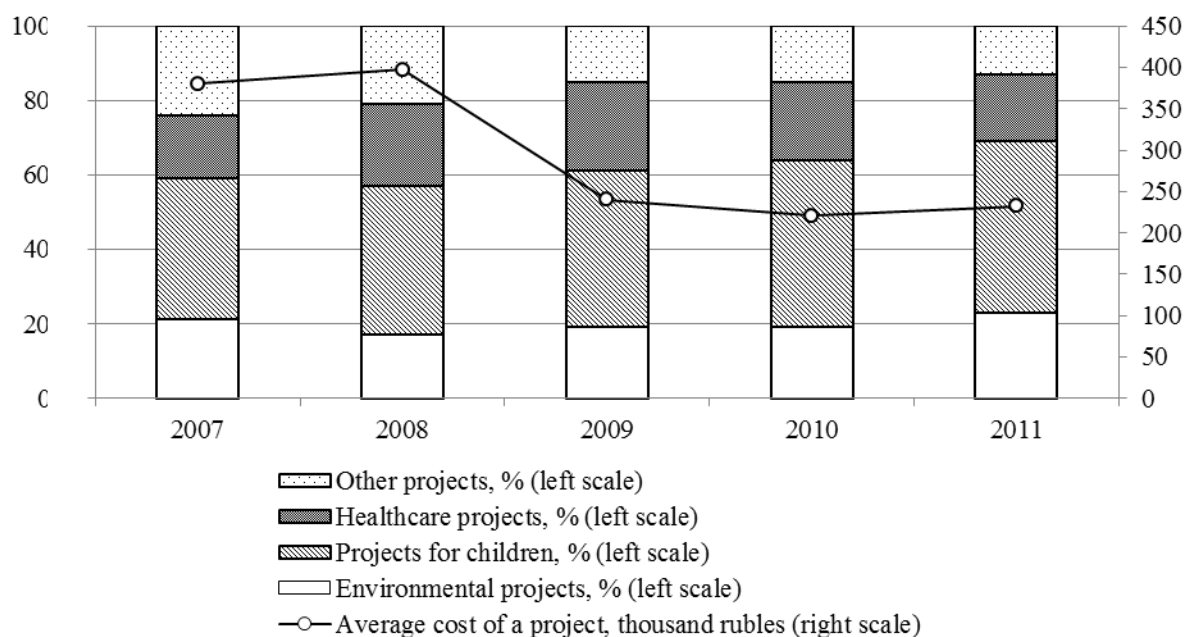


Figure 10. Dynamics of various projects proportion in the structure of social investments of the Russian banks during 2007-2011

Despite deterioration of economical indexes after the crisis, social activity of Russian banks, the majoritarian holding of shares of which belongs to the state, has not decreased, moreover, it reached the level of high quality: since 2008 such financial credit institutions as VTB and Sberbank of Russia annually announce reports in the CSR sphere, in which not only social projects are highlighted, but also relations with coworkers, clients, investors, society and the state are paid much attention to. Hence, the main body to introduce CSR in the banking system of Russia is the state itself not through direct regulation of this issue, but by means of implementation of fundamental principles of this concept in the state commercial banks.

Taking into account predominance of the American model for today, it should be mentioned that the annual financial and/or non-financial (including social) report contains declaration of the development of CSR sphere policy made by all players of the bank market of Russia, who make up TOP-10 biggest ones concerning assets since 2012. This policy defines priorities, directions and principles of activity aimed at simultaneous development with financial strategy.

Thus, under condition of successful implementation of such an approach, the display of the elements of the European CSR model in the biggest banks is possible; small and medium companies that present the bank market of Russia will quite possibly keep to the policy of point financing of social projects, which is based on the American model.

**Conclusions.** Corporate Social Responsibility was first noticed in the Anglo-Saxon world in 1950s with the idea of contributing societal welfare and environmental responsibility. As this management tool was very successful the message has spread around the world and is now a global business concept. Thus, the idea of corporate social responsibility is not new for these countries. Moreover, American, British, Australian banks take advantages of the implementation of CSR management systems also when they extend performance into international markets. In many cases, they have an opportunity to be competitive with national corporations in the recipient countries. To maintain its advantage mainly domestic banks adopt the concept of CSR, which is proclaimed by corporations-expansionists. That is why the American model of CSR is widespread throughout the world, and post-crisis trends contribute to increasing its popularity.

CSR does not figure yet as a key source of competitive advantage on Asian markets. In the future, though, Asian consumers are bound to give more importance to the CSR issues in their purchasing behavior. This likely growing assertiveness to CSR can play in favor of Western (Multi-National corporations) MNCs eager to penetrate Asian markets. They have developed sophisticated CSR management skills that they already put in use in Asia. This represents a major challenge for Asian banks on their own markets. The fear of being dictated social and economic norms from outside is present in the recent initiatives in China but also in Indonesia, Singapore, Japan, and India not to let Western MNCS and institutions control the fields of CSR and sustainable development. But, Asian countries have a more ambitious agenda. They are likely to become more assertive in the development of their own norms with the

perception that CSR norms can become a key source of competitive advantage. The message is clear that Asian countries want to become «rule makers» instead of «rule takers» as it has been the case so far.

In comparison to the retail sector, German banks have only slowly accepted that their corporate social responsible behavior has to relate to their core business practices. Many banks still consider sponsoring of cultural activities and donations as part of their social responsibility rather than responsible investment and lending practices. The most important trigger to increase CSR activities of banks in Germany is the investment sector that more and more demands from companies to set in place CSR strategies.

The term «social» in the expression «corporate social responsibility» poses a lexical and conceptual problem in French. The term «societal» would perhaps be more appropriate here, expressing as it does a systemic vision incorporating all three aspects of social responsibility. Banks in France according to their commitment to the CSR could be divided into four groups: Strategists, Committed, Concerned, Entrants from more committed to less engaged. The main challenge for CSR in France is to make corporate social responsibility part of the mainstream of small and medium-sized businesses, giving it to understand what this benefit, but also to make the concept of CSR understandable to all stakeholders.

As everywhere, when it comes to expectations on business, culture counts. Italy's somewhat fragmented civil society groups are not, some Italian experts say, as coordinated as they might be in encouraging CSR take up by companies. Italian banks claim a lot of the credit for encouraging corporate responsibility in modern Italy. Until recently over half of the social reports issued by Italian companies came from the financial sector. Financial organizations such as Unicredit and Intesa San Paolo lead the way in Italy, but will come against new CSR challenges as they expand abroad in the future.

Banking systems in Ukraine and Russia are still on the path of becoming, furthermore, existing problems of crisis periods do not allow to focus on social

programs. Implementation of the CSR projects was seen as an additional way to achieve an advantage in the competition with foreign banks, which actively penetrated the emerging markets in order to make a profit using the difference in interest rates. The collapse of the markets has led to a temporary «freeze» the active operations of many banks. This has caused the outflow of foreign capital. Many banks have cut social budgets, but to save the image a number of their CSR programs were increased. These days, the practice of CSR in the Ukrainian and Russian financial sector appears increasingly as a fashion trend, but still is not seen as a real opportunity to achieve the priorities in the long run.

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