

# Corporate Social Responsibility in Commercial Banking - A Case Study from the Czech Republic

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## Abstract

The concept of corporate social responsibility is not new in the banking sector, but nowadays, it becomes highly topical since the crisis has significantly highlighted the need for integration of moral principles in the banking business. Knowledge of business practice indicates the fact that the acceptance of moral principles in business is not integrated into management decisions of companies. It also cannot be accepted that self-regulatory instruments of companies such as CSR will be effective. The existing experience with the implementation of CSR and ethical principles in the banking sector leads to the opinion that the social responsibility of banks and ethics in banking sector are perceived as an appropriate marketing tool for public communication and are not integrated into policies of individual commercial banks. Experience with the crisis demonstrated that there is a lack of moral principles of managers' decisions. The aim of this article is to introduce theoretical aspects of CSR in commercial banking and measure the level of CSR in selected Czech commercial banks. In the article, the CSR index was calculated for Česká spořitelna, Československá obchodní banka, Komerční banka and GE Money Bank. Results of our research confirmed that the CSR index of selected Czech commercial banks achieves only an average level. There is a significant lack of transparent information in the context of CSR areas.

*Keywords: Corporate Social Responsibility, CSR, commercial bank, CSR index.*

*JEL Classification: G21, Z13, M12, M14*

## 1. INTRODUCTION

Financial crisis focused a public attention on the financial industry (San-Jose, Retolaza a Gutierrez-Goiria, 2011), because of the failure of commercial banks which has been transformed into a real economy. Also, the quality of hundreds of millions of people's lives around the world decreased through an increase of unemployment and due to a reduction of global consumption. In this process, total lack of decency to customers and companies (Graafland and Van de Ven, 2011; Fassin and Gosselin, 2011) played an important role in the moral failure of the financial system (Chatterjee and Lefcovitch, 2009).

Belas (2010) states that banking system is determined by factors that significantly affect the business of commercial banks such as the credibility of the banking sector; money as the business object and atypical structure of the balance sheet of commercial banks. These factors are a main reason for strict regulation of the banking sector.

Mejstřík et al. (2008) presents a specific feature of banks within their safety net which includes state guarantees of banking business in the form of deposit insurance, function of central bank as a lender of last resort and doctrines such as "too big to fail".



If a submitted argument about specific position of banks in the socio-economic system will be accepted, the issue of commercial banking in wider economic and social context has to be imperatively examined. Also, it may be naturally required a higher level of social responsibility for their business and a higher level of application of moral principles in a banking business.

This article is focused on a presentation of basic theoretical aspects of CSR concept in a commercial banking business and measurement of a level of CSR index in selected Czech banks.

## **2. CORPORATE SOCIAL RESPONSIBILITY IN A COMMERCIAL BANKING**

Regard to the fact that CSR (Corporate Social Responsibility) is an abstract concept in a certain extent; no one could accurately define its borders yet. It does not exist any uniform definition. It is because the fact that companies does it voluntarily on its own beliefs or visions of profit. Socially responsible approach is not statutory. Individual forms of CSR concept is created always by a given company with its own stakeholders.

CSR concept includes economic, legal, ethical and philanthropic expectations that a society has in relation to a company (Classon and Dahlström, 2006). According to Rendtorff and Mattson (2012), companies are perceived as human communities that use social practices in order to achieve common goals. These objectives are realized through bond of trust and authentic relationships with customers. The most important ethical principles that promote “good life of customers” are: customer’s autonomy, dignity, honesty, customer’s vulnerability that represents basic presumption for decent access to customers.

Yeung (2011) defines key element of CSR in the banking sector such as: understanding of financial services complexity, risk management, strengthen ethics in the banking business, strategy implementation for financial crisis, protection of customers’ rights and channels settings for customer complaints.

Macdonald and Rundle-Thiele (2008) examined a relationship between CSR and customers’ satisfaction in the bank. According to the conclusion of their study, customers’ satisfaction is more affected by pro-client oriented events than CSR activities. And if the bank decides to develop CSR activities, focus of these activities has to be properly chosen.

Soana (2011) examined a correlation between social and financial performance of banks. This analysis showed that Italian banks haven’t shown any significant correlation between social and financial performance. According to this study, any negative correlation between social and financial performance has not been revealed. On the other hand, results of this study provide evidence that banks’ investment in CSR does not lead to economic benefits for the bank.

According to Graafland and Van de Ven (2011), focus on a social responsibility of the bank requires increased professionalism of those who are working in the financial sector; a stronger focus on compliance with Code of Ethics; verification of employees’ capabilities and other approaches such as transparency, focus on stakeholders’ interests and cooperation with social institutions.

Robin (2008) states that society would like to have an economic system that creates opportunities for the growth of economic welfare and a happy life of people. The mission of ethics is to minimize the abuse of companies' power in the bilateral exchange relations and to reduce a negative impact on a people's daily live. A fundamental issue of business ethics is how to make capitalism more ethical. According to Sigurthorsson (2012), risk of CSR consists in the fact that it tends to become an excuse for soft law and corporate self-regulation. Icelandic banks implement their CSR concept through a financial support of charitable activities and they did not pay attention to a formation of socially responsible practices but reduced CSR tools only for public communication. Corporate social responsible practices should focus more on processes that make socially responsible profit and not on its distribution. Fassin and Gosselin (2011) reported that large institutions such as Fortis, Arthur Andersen & Co. and AIG had a strong CSR and ethical culture but they have gone bankrupt anyway. These cases show a discrepancy between official pronouncements and procedures of senior management.

According to Palomino and Martinez (2011), the effectiveness of ethics programs is different in banks. Some programs are primarily aimed at achieving a favorable image in relation to socio-economic institutions (government, media, society, customers) and they have not significant effect on the ethics of employees.

According to Gibbons (2011), many banks in United Kingdom do not act transparently. A scope of provided information is no sufficient, quality information absent for people who have financial difficulties etc. Tea, Paulišić, Krstinić-Nižić (2011) indicate that honesty, awareness, responsibility, creativity, objectivity and professionalism absent in the banking culture.

According to study of Pérez and Del Bosque (2012) which focused on Spanish banking institutions, banks tend to promote only those activities through CSR from which generally the greatest benefit have. In the banking sector, there are three basic groups: customers whom banks try to meet their financial needs; employees whom banks try to create a perfect working conditions to achieve their satisfaction and at last community (bank's surrounding) where banks contribute to a sustainable growth. In the area of CSR activities, Pérez and Del Bosque (2012) accuse banks of short-term improvement of bank's image and profit increase. According to authors, it is necessary to incorporate a social responsibility into organization's image and into a long-term strategy to reduce skepticism. Authors report that banking sector suffered large scratches on its image and credibility because of its integral participation in economic crisis. CSR concept is perceived as the most effective tool to improve reputation.

Watkins (2011) states that banking system is a typical capitalist activity which aims to a profit. Policy of *laissez-faire* believes that individuals and companies may seek to increase their financial wealth without any restrictions. Financial market presents unlimited opportunities for growth in financial wealth.

Based on results of empirical research, Chih, Chih and Chen (2010) indicate that larger companies are more oriented on CSR and the fact that financial performance and CSR are not together mutually related. Higher financial performance means that a company has a lot more available funds for CSR activities. There is a direct correlation between the overall health of the economy and a level of CSR in the company. If the economy is in a bad condition for example inflation is

high, productivity growth or consumer confidence has a low level, companies do not have a vision to achieve profit in the near future and therefore they do not behave as socially responsible as in the area of economic optimism. The relationship between competition and CSR level is not linear. This means that the competition that is too low or too intense has a negative effect on CSR in the company. In a highly competitive environment, companies are trying to save resources because of their low profit margins. Conversely in the area where the competition does not exist, the environment does not force companies to build competitive advantage because trading partners does not have a choice among many alternatives. According to authors, companies made more socially responsible activities to gain competitive advantage in the area of more intense competition on the market. A higher level of self-regulation in the financial sector has a significantly positive effect on CSR. Companies behave more socially responsible in countries where relationships between employees and employers are characterized by cooperation where the management schools and macroeconomic environment are better.

Goss and Roberts (2011) investigated the relationship between CSR and a cost of banks' loans. Actually, banks meet a supervisory role over companies. Within a credit approval process and subsequent verification, banks gain much more information about the company than other interested parties on the market. Therefore they are best placed to assess the level of socially responsible activities undertaken by the company. Authors found that companies that have problems with CSR pay for loans of 7-18 basis points more than social responsible companies. Companies' investments to CSR reduced their volatility and thereby increased their attractiveness as a potential borrower.

Lenders are more sensitive to CSR activities of debtor in the area of less secure environment. The research also showed that less creditworthy borrowers who engage voluntarily in CSR activities have higher credit spreads and shorter maturity of loans. In this case, banks consider CSR investments as an unnecessary dispersion of corporate resources which increases a risk of the company. Result of increased risk is translated to higher borrowing costs.

According to Chatterjee and Lefcovitch (2009) managers' dilemma lies in the fact that which of CSR concepts are more important for the company than corporate responsibility (profit maximization). Principal responsibility of managers is in relation to shareholders. Managers may be satisfied if a minimal and law required level of CSR is achieved. Banks are dominantly oriented to maximize profits and totally ruthless in their activities in relation to interest of depositors, investors and general public. Banks violate the law, regulatory rules and code of ethics in order to maximize their own profit. According to Fassina (2011) the more bankers spoke about the social responsibility, the more they focused on increasing of shareholder value and their own personal bonuses and the height of "golden parachutes".

According to Chatterjee and Lefcovitch (2009), the importance of ethical standards for a financial market consists in the fact that financial markets works with money of other owners and the risk can bring profit but also losses. Too high risk has to be minimized for two reasons. First, it must be maintained a confidence in an investment. Second, undertaken risk may not mean a dangerous investment.

In the context of financial crisis, discussion about a moral aspect of banking industry is still more intense. Banking sector is often considered to be an amoral area (Icke, B., T., Caliscan, Ayturk, Icke, M. A., 2011), which is primarily focused on a risk and revenues.

Paulet (2011) states that a banking area is not situated in ethically free area. According to the author, financial crisis shows that aggressive capitalism has demonstrated its limits. Regulations system must be supplemented by a transparency and moral aspects. To create a sustainable strategy means to define capitalism by new way through efficiency criteria which focus not only on a financial performance but also on economic and social conditions that guarantee better distribution of welfare to people.

In this context, it is evident that research in the area of CSR activities of commercial banks represents a current theoretical issue that has to be solved by a theoretical sphere.

Our research has focused on a measurement of CSR index in selected Czech banks through a methodology based on a KOPR method.

### **3. THE CASE STUDY: THE LEVEL OF CSR IN SELECTED CZECH BANKS**

#### **3.1 The aim and methodology**

The aim of this research was to measure the level of CSR in selected Czech banks through CSR index and then data submit to the Cluster analysis.

Resulting framework for the measurement and evaluation of social responsibility in commercial banking of the Czech Republic has become the KOPR method which has been developed by the Association of Fair Business (Sdružení Korektní podnikání) (Plášková, 2009) but considerably modified by techniques of objective estimation.

In this assessment, basic pillars of a social responsibility (economic, social and environmental) are divided to eight areas comprising a total of 26 criteria which are subject to a scoring on a scale from 0 to 100. The scoring applies particularly to provide information about a given area and criteria, to an evidence of activity in a given area of CSR, to the level of involvement of banks compared to other banks and results that were managed to report by social responsible activities.

Notes to the scoring assessment:

0 to 10 points means that there is no information about the area, no evidence of socially responsible activities, and no data;

11 to 40 points means that there is missing information about a given area, some evidence pertaining to a relevant area, results show negative trend or do not meet objectives and lagging behind the other banks in a given area;

41 to 70 points means that there is the occurrence of sufficient knowledge of the area, convincing evidence regarding the relevant areas, results show insignificant but increasing trends, objectives are met, there is above average status in comparison with other banks;

71 to 100 points means there are very detailed information about a given area, very compelling

evidence of the relevant area; there have been achieved sustainable results and dominant position in a given area in comparison to other banks.

Analyzed sample represents four largest domestic banks by a number of clients - Česká spořitelna (ČS), Československá obchodní banka (ČSOB), Komerční banka (KB) a GE Money Bank (GE). The aim of this analysis is to determine the CSR index for each bank, i.e. the calculation of the average scoring for all criteria. The concept of social responsibility receives an appropriate quantitative form by creating a CSR index.

The scoring has been conducted on an analysis of available information through a method of objective estimation.

This analysis uses public available sources – annual reports for a year 2011 and 2012, reports on a corporate social responsibility in 2011 and current information from the website.

### 3.2 Results of CSR assessment in selected banks and discussion

Basic pillars of CSR as Economy, Environment and Social Responsibility were evaluated separately and divided into eight main areas such as Management of CSR, Direct economic effects on a community, Indirect economic effects on the community, Human Rights, Social Policy, Employment, Consumer Protection and Environmental Policy.

CSR index for selected banks has been calculated through equations (1) and (2) as follows:

$$CSR_{index} = (A_5 + B_3 + C_3 + D_3 + E_2 + F_5 + G_3 + H_2) / 8 \quad (1)$$

$$CSR_{index} = \left( \frac{\sum A}{5} + \frac{\sum B}{3} + \frac{\sum C}{3} + \frac{\sum D}{3} + \frac{\sum E}{2} + \frac{\sum F}{5} + \frac{\sum G}{3} + \frac{\sum H}{2} \right) / 8 \quad (2)$$

#### *Economy*

##### *Management of CSR (A)*

Tab. 1 - Evaluation criteria in the Management of CSR. Source: own.

Criterion	ČS	ČSOB	KB	GE
Appointment of CSR representatives (A1)	60 Information about CSR representatives but not too much information about appointment	70 Detailed information about the precise procedure for appointment	30 Some information but not so valid in comparison with ČS and ČSOB; no information about CSR representatives	0 No information

Determination of a scope of authority, strategies and objectives of CSR (A2)	80	Special document of strategy for 2011 – 2013, but not much information about strategy for next period	60	Well described strategy for 2013 but no information about strategy for next period	50	Not too much and valid information in comparison with ČS or ČSOB	10	No detailed long-term strategy
Documents and records about CSR (A3)	90	Very detailed information about CSR on website and in Corporate Social Responsibility Report	60	Good information about CSR on website and in special report but not so detailed in comparison with ČS	50	Some information on website and mention about CSR in Annual report	20	Not detailed information on website, small mention about CSR in Annual report
System of improvements (A4)	40	Mention about implementation of Kaizen and Six Sigma, but no information about achievements	0	No information	30	Just general mention about some improvements, no information about achievements	0	No information
Audits and evaluation system (A5)	0	No information	20	Monitoring according to a Standard corporate responsibility, but no information about any results	10	Monitoring taken from owner Société Générale, no information about results	20	Monitoring according to a Standard corporate responsibility, but no information about any results
$A=(A1+A2+A3+A4+A5)$ /5		54		42		34		10

Within the Management of CSR, Česká spořitelna dominates over other banks where its CSR strategy is intertwined through entire Corporate Social Responsibility Report and provides the most information about socially responsible activities of the bank. Within the criteria “Appointment of CSR representatives”, ČSOB has slightly better rating and its Policy of Sustainable Development presents a process by which complaints related to CSR leads to the General Director who is responsible for the social responsibility of the bank. Firstly, groups of experts verify a feedback from the external and internal environment. This group makes a decision to adopt the project and provide results to Management Team for Sustainable Development. This management team reports directly to the CEO and Board of Directors. Česká spořitelna as well as Komerční banka uses ombudsman to create an impression of CSR leaders. In the Česká spořitelna CEO Pavel Kysilka is responsible for a social responsibility. He was awarded several times already as the best banker of the year in nomination of Fincentum’s Bank of the Year. GE

Money Bank operates by a weaker impression compared to other rated banks. GE Money Bank does not have any detailed long-term strategy and does not specify any CSR leaders despite all its CSR activities it has.

*Direct economic effects on a community (B)*

Investment to CSR of the bank is directly related to an economic performance. Therefore it is desirable to achieve satisfying financial results for the development of CSR and philanthropic activities. One part of direct economic impacts represents also approaches to employees' and suppliers' selection. These areas should definitely belong to the strategic reconsideration about CSR and a sustainable development of commercial banks.

Tab. 2 - Evaluation criteria in the area of direct economic effects on a community. Source:

Criterion	ČS		ČSOB		KB		GE	
Direct economic results (B1)	80	The best economic results in period 2010 – 2012 in comparison with other banks	70	The second best economic results in period 2010 – 2012 in comparison with other banks	60	Third place in economic results in period 2010 – 2012 in comparison with other banks	40	The worth economic results in period 2010 – 2012 in comparison with other banks
Approaches to employees' selection (B2)	60	Sophisticated approach to the selection of employees, but no information about specific achievements	60	Sophisticated approach to the selection of employees, but no information about specific achievements	70	Sophisticated approach to the selection of employees, but no information about specific achievements; winner of Sodexo Employer of the decade	40	Unspecified procedure of selection and no information about specific achievements
Approaches to suppliers' selection (B3)	60	Only ČS has a published standardized procedure for suppliers' selection; but there are not any results	20	Only mention about cooperation with ecologically minded supplier	40	Governed by the principles of Ethical Sourcing Policy of Société Générale; this document is not published	10	For each business partner provides only one document about the integrity. There is no more information.
$B=(B1+B2+B3)/3$	67		50		57		30	

Despite the financial crisis, banks in the Czech environment are relatively successful. It is reflecting on results such as a net profit in recent years and also a high level of the capital adequacy which proves the stability of the Czech banking sector. The most successful bank was Česká



spořitelna that achieved an average annual profit of CZK 14,1 billion in recent years. Second most successful bank was ČSOB with its CZK 13,3 billion then Komerční banka with CZK 12,2 billion and GE Money Bank with CZK 4,2 billion. A criterion „Direct economic results“ includes also values of ROA, ROE and the capital adequacy. The aim of the scoring was primarily a comparison of economic results within observed group of four selected banks. There is noteworthy to mention interesting results of GE Money Bank which achieved the best average result of ROA (2,6 %) within a comparison to other banks in evaluated years. In terms of capital adequacy GE Money Bank has even reached value of over 20 % where banks have to maintain a minimum capital requirement of 8 % accordance with Basel II. Excessive values of this indicator can lead to solve an economic efficiency of the bank.

*Indirect economic effects on a community (C)*

Indirect economic effects on a community represent investments in public welfare and public services development. The aim of these philanthropic activities is to support public projects and services on a voluntary basis without any profit's expectation.

Tab. 3 - Evaluation criteria in the area of indirect economic effects on the community. Source: own.

Criterion	ČS	ČSOB	KB	GE
Effect of investment on a public benefit (C1)	80 The largest number of philanthropic projects, regularly ranked in the TOP Responsible Company, has own foundation, regular structured reports of investment are missing	70 Many philanthropic projects regularly ranked in the TOP Responsible Company, regular structured reports of investment are missing	70 Many philanthropic projects, has own foundation, regular structured reports of investment are missing	50 Some mentions about philanthropic projects in annual report, regular structured reports of investment are missing
Effect on the development of employment (C2)	40 Support of entrepreneurs (innovative programs INOVACE, INOSTART), no many information about them, no results	60 Support of social business (sheltered workshops), regular information on website, structures reports of investment are missing	50 Partner of the project Business project of the year, structures reports of investment and results are missing	0 No information

Effect on a dissemination of education and promotion of education (C3)	70	Support the initiative of the Dept Advisory, partner of TV series, published education book about financial issue, structures reports of investment are missing	80	Has own foundation program of education, many projects supporting financial literacy, partner of the competition Financial literacy oriented to students, structures reports of investment are missing	20	Support the initiative of the Dept Advisory, no more information	60	Project supporting financial literacy of children (Understand money), regular information on website, structures reports of investment are missing
$C=(C1+C2+C3)/3$	63		70		47		37	

Česká spořitelna has the largest number of philanthropic projects and support of non-profit organizations and foundations. For its socially beneficial function, Česká spořitelna established Foundation of Česká spořitelna where total investments in projects (in 2012) was 16,5 million. Together with ČSOB, Česká spořitelna regularly ranked in the TOP Responsible Company within the category The Largest Corporate Donor. Česká spořitelna provided donations in the amount of CZK 164,1 million in the years 2009 to 2011 what represents the greatest amount between selected banks. According to a methodology of a nomination of TOP Responsible Company, ČSOB has provided an amount of CZK 112,8 million. However when we take a look on amounts of gains, we can realized that mentioned donations represent only relatively small proportion of banks' profits over the examined period (0,43 % for Česká spořitelna; 0,28 % for ČSOB). Komerční banka states that its contribution to community services were CZK 7,7 million through its Foundation in 2012. Within a corporate philanthropy, regular structured reports of investment and providing of funds are missing in annual reports and public available information.

#### *The social responsibility*

##### *Human rights (D)*

Ethical principles adopted in individual banks and their communications towards key stakeholders are the most intertwined in criteria of the third pillar of social responsibility. Human rights in an organizational environment are mainly linked to an employment legal relationships and working conditions. In this context the key document represents a code of ethics which is used by all of selected banks except one. Banks largely base their businesses on ethical principles because bank-client relationship is the alpha and omega of their economic performance.

A highly discussed topic in the Czech Republic and abroad is related to equal opportunities where the issue of employment conditions for men and women is most commonly stated. However in the Czech banking sector, this question may not be considered as a problematic one

because most of the employees in banks are women. The question is to what extent are women occupied in managerial positions. However banks expressed themselves with a very friendly attitude on this theme in their materials.

Tab. 4 - Evaluation criteria in the area of the Human rights. Source: own.

Criterion	ČS		ČSOB		KB		GE	
Code of Ethics (D1)	100	Internal Code of Ethics	100	Internal Code of Ethics	100	Internal Code of Ethics	50	Taken Code of Ethics published by the Czech Banking Association
Anti-discrimination and equal opportunities (D2)	60	Mention about responsible approach to equal opportunities, established the anti-discrimination clause, no more information	40	Mention about responsible approach to equal opportunities, Program for mothers and fathers, no more information	40	Mention about responsible approach to equal opportunities, Program Talent Management, no more information	30	Mention about responsible approach to equal opportunities, no more information
Evidence of incidents and complaints on the area of Human rights (D3)	50	Support of institute of Ombudsman, established the company position of Manager for ethics	10	Only mention about it but no more information	40	Support of institute of Ombudsman (more information about it than in GE), no more information	30	Support of institute of Ombudsman, no more information (less information about it than in KB)
$D=(D1+D2+D3)/3$	70		50		60		37	

Within the criterion of Code of Ethics, only existence of this key document in the bank has been evaluated not document's quality or compliance. A compliance of the Code of Ethics should represent an essential precondition for socially responsible behavior of banks but information about compliance or non-compliance with ethical standards are not available and banks can also rely on subjective opinions and individual cases of dissatisfied clients or employees. GE Money Banks is committed to the Code of Ethics issued by the Czech Banking Association without publishing any internal code of ethics.

#### *Social policy (E)*

The social policy is largely intertwined with already evaluated criteria. Banks are often involved to a public life of a community by the means of their employees and their volunteer activities. Banks count on a benefit of such charitable projects and activities, especially in relation to a posi-



tive perception of banks in public eyes. An adoption of anti-corruption policies and procedures are an integral part of socially responsible principles in an organization. A corruption has relatively strong fundamentals in a historical context of the Czech Republic. Therefore companies are exposed to a social pressure to adopt standardized and systematic anti-corrupt practices.

Tab. 5 - Evaluation criteria in the area of the Social policy. Source: own.

Criterion	ČS	ČSOB	KB	GE
Effect of activities and participation in public life of a community (E1)	70 Volunteer program Managers for good things (cooperation with non-profit organizations), no more information about results	60 Volunteer program Helping Together (cooperation with non-profit organizations) – less information in comparison with ČS, no more information about results	40 Annual blood donation, financial support of amateur sports, no more information	70 Founded a separate organization GE Volunteers, Project GE Health, no more information about results
Anti-corruption policies and procedures (E2)	10 Only mention about it	60 Adoption of policy KBC Group against Corruption and Bribery, no information about results	70 Application of Anti-corruption policy (available at its website), no information about results	0 No information
$E=(E1+E2)/2$	40	60	55	35

Employees of all banks can use one or two days in a year on a charitable activities besides a statutory number of vacation days. In all monitored banks a very high level of employees' involvement has been showed. The possibility to voluntarily participate in more than 130 non-profit organizations has used by a total of 1,805 employees of Česká spořitelna (that is about 8 % more than in 2010). In addition within a program „Managers for good things“, Česká spořitelna offer its employees in a leadership position sharing expertise with some non-profit organization for a period of one week. Over 500 employees in 48 non-profit organizations have participated in a volunteer program of ČSOB called „Helping Together“. Employees of Komerční banka participate in blood donation every year. Several award-winning independent organization GE Volunteers is a very good advantage and basement for a good scoring of GE Money Bank. In 2012, GE Money Bank managed to get involved 658 volunteers in 124 volunteer events. Volunteers from GE Volunteers are recruited from among employees but also their family members and friends. In the project GE Health, GE Money Bank is also trying to inform the public about an importance of

healthy eating and organizes seminars about stress management, disease prevention and tobacco issue. Top of a project is a GE week for health organization.

#### *Employment (F)*

A hallmark of a good employer represents a very important aspect of their business for banks. Properly motivated and satisfied employee is particularly very much appreciated in the banking business. Motivation and development programs are widely used by all selected banks. Differences can be founded only in a particular specialization of individual programs. Also noteworthy is the support for departing employees so called outplacement.

Tab. 6 - Evaluation criteria in the area of the Employment. Source: own.

Criterion	ČS		ČSOB		KB		GE	
Motivation programs and benefits (F1)	40	Wide range of benefits	30	Wide range of benefits – worse described in comparison with ČS and KB	40	Wide range of benefits	30	Wide range of benefits – worse described in comparison with ČS and KB
System of employee education and development (F2)	50	Language lessons, mentoring, coaching, development centum for managers, participation in trainee program Group Junior Achievement for graduates	50	Many educational courses, which are detailed described on website	40	Project Talent management, M'Academy (development of managerial skills) without detailed description	40	Leadership programs, GE Money University without detailed description
System for dealing with complaints of employees (F3)	80	Sophisticated system for dealing with employee complaints and feedback	0	No information	30	Regular employee satisfaction survey (more information in comparison with GE), without any results and specification how to measure satisfaction	20	Regular employee satisfaction survey (more information in comparison with GE), without any results and specification how to measure satisfaction
Staff turnover (F4)	0	No information	0	No information	0	No information	0	No information

Support for departing employees (F5)	40	Active consultation service to find a new job, seminar and interviews with departing employees, no information about results	40	Active consultation service to find a new job, seminar and interviews with departing employees, no information about results	0	No information	0	No information
$F=(F1+F2+F3+F4+F5)/5$		42		24		22		18

In terms of motivation programs and employees' benefits it can be stated that employees of banks have very good position in domestic conditions. In addition to traditional benefits (such as luncheon voucher, a supplementary pension, a life insurance, contributions to a recreation, favorable conditions for a purchase of bank's products etc.) banks offer aforementioned days off for volunteer activities and event programs. Banks do not publish a specific wording of these motivation programs anywhere therefore a rating of all monitored banks is so low in this criterion. Also an average rate of staff turnover is not stated in banks' materials.

#### *Consumer protection (G)*

In this context, the most important criterion is a monitoring and measuring customers' satisfaction. As has been mentioned several times before, customers' satisfaction has a greatest impact on banks' business, but results of this criterion devoid of any exact data because banks are monitoring and measuring customers' satisfaction only for internal needs.

Tab 7 - Evaluation criteria in the area of the Consumer protection. Source: own.

Criterion	ČS		ČSOB		KB		GE	
Compliance with laws in marketing communication (G1)	50	It is assumed that bank cannot afford to have an illegal advertising due to a size of bank and possible legal sanctions	50	It is assumed that bank cannot afford to have an illegal advertising due to a size of bank and possible legal sanctions	50	It is assumed that bank cannot afford to have an illegal advertising due to a size of bank and possible legal sanctions	50	It is assumed that bank cannot afford to have an illegal advertising due to a size of bank and possible legal sanctions

Monitoring and measuring of customer's satisfaction (G2)	50	Monitoring of customer's satisfaction for internal purposes, published only areas of survey and total result (93 %)	30	Monitoring of customer's satisfaction for internal purposes – published only areas of survey	10	Monitoring of customer's satisfaction for internal purposes – without any other information	10	Monitoring of customer's satisfaction for internal purposes –without any other information
Customer Complaints (G3)	60	Bank informs about 80 % success rate to resolve a complaint to a next day	30	Only general information about possibilities to file a complaint	80	An elaborate system of submission of complaints with three instances	30	Only general information about possibilities to file a complaint
$G=(G1+G2+G3)/3$		53		37		47		30

A complete absence of data was recorded in the criterion of marketing communication and compliance with it. If banks are trying to present themselves in a term of a social ethics, they should appropriately informed about it general public and banks' stakeholders. It is assumed that banks cannot afford to have an illegal advertising due to a size of banks and possible legal sanctions therefore all selected banks received fifty points in first criterion. At zero evaluation results would distort the scoring throughout the area, as well as at hundred point evaluation.

Customers' satisfaction is mostly monitored and measured internally but again without any publicly available results. For example, Česká spořitelna informs that results are based very well which is based on employees' satisfaction survey and which are compared to an European average and they manage to improve internal processes and services. In its annual report, bank presents only a result of measuring a satisfaction of corporate clients with 93 % satisfaction. To increase the objectivity of CSR reporting, it would be very beneficial comprehensive publication of results of satisfaction measuring and forms of a measurement. According to a PwC study in 2010, exactly the same bank (Česká spořitelna) achieved the best score among surveyed banks with a result of 4,06 points on a scale from 0 to 5. Komerční banka was on a second place with 3,99, ČSOB with 3,97 and GE Money Bank with 3,95. A study was conducted with the use of mystery shopping. Rating was related to an exposure of a brand and its value on a customer (Brand), communication with customers (Communication), surrounding acting on a customer (Environment), methods of products' offering (Offering) and approach to dealing with a customer (Culture).

Last rated social criterion relates to complaints and their manner of administration from clients towards a bank. Komerční banka has an elaborate system of submission of complaints with three instances. After first two instances which represent reporting of complaints with a phone or e-mail and transferring of complaint to a department of Complaint management, clients can use ombudsman's services. In this context supporting document of the Ombudsman institution is called the Ombudsman Charter which is focused on clients' complaints and is available on the website of a bank. In 2012, 119 clients contacted an Ombudsman and the Ombudsman was directly resolved 21 cases. Česká spořitelna informs about 80 % success rate to resolve a complaint to a next day.

According to the annual report, team of the Ombudsman resolves complaints for an average of 11 days with a satisfaction of 75 % with a solution. It is also objectively stated that subjects of complaints are often failures of individual workers. GE Money Bank and ČSOB provide only general information about possibilities to file a complaint.

### Environment

#### Environmental policy (H)

An environmental policy and issues related to an environmental protection are considered as an important part of CSR concept by commercial banks. Banks as well as companies from other sectors of the economy have to adopt environmental policies and principles for a functioning of socially responsible organizations in regard to a sustainable growth and pressures from public. An environmental policy does not play an important role due to an economic performance of commercial banks but banks still give quite a lot of financial resources in an environmental matter especially in a form of financing of environmentally focused projects.

Tab. 8 - Evaluation criteria in the area of the Environmental policy. Source: own.

Criterion	ČS		ČSOB		KB		GE	
Voluntary instruments (H1)	80	Presentation of environmental projects and results	60	Presentation of environmental projects but without detailed results	70	Commitment to take 100% of green energy	30	Not much information about environmental projects
Environmental impacts of an activity (H2)	80	A lot of information about investment to ecology, own Energy team	60	Committed to complying with international rules of the World Banks called Equator Principles, no detailed figures	60	Committed to complying with international rules of the World Banks called Equator Principles, no detailed figures	50	Environmental projects but not too much information
$H=(H1+H2)/2$	80		60		65		40	

In terms of an environmental policy, banks generally agree to reduce a consumption of energy and resources in their programs and try to prove it by concrete results. For example, Česká spořitelna recorded a decline in a consumption of printed papers by 13 % in relation to commitments to reduce consumption. ČSOB highlights as reducing energy consumption so reducing fuel consumption related with business trips and it is very proud of a headquarter building which was several times awarded for its friendly approach to an environment. Komerční banka also states that it has been committed to take 100% of green energy, i.e. energy which is produced from renewable sources. In both environmental criteria GE Money Banks is lagging because informs very little about environmental policies in its resources.

Significantly more important resource related with environmental policy and protection lies in an approach to finance environmental projects of banks. Česká spořitelna has the best prereq-



uisites to support these projects particularly by the means of its special Energy team ČS. Team members assist potential investors with a preparation and implementation of energy projects in the field of energy savings and energy production from renewable sources. There were financed projects for nearly CZK 5 billion in 2011. ČSOB and Komerční banka are committed to complying with international rules of the World Banks called Equator Principles. According to these rules, banking sector identify and manage social and environmental risks in a project financing. Banks have also promoted and offered products associated with a government suspended project called Green Savings but with exception of GE Money Bank which this possibility has not stated. Available information is missing data about specific numbers and amounts invested in environmental projects. Only Česká spořitelna provides numbers and amounts of investment projects about production of energy from renewable sources.

#### *Summary of Results*

Scoring of individual areas represents an average of all evaluated criteria in the given area. It was evaluated 8 areas containing 26 criteria in total.

Tab. 9 - Summary of results according to evaluated areas. Source: own.

Areas	ČS points	ČSOB points	KB points	GE points	Average points	Standard deviation
Management CSR	54	42	34	8	35	19.490
Direct economic impacts on a community	67	50	57	30	51	15.649
Indirect economic impacts on a community	63	70	47	37	54	14.998
Human rights	70	50	60	37	54	14.100
Social policy	40	60	55	35	48	11.900
Employment	42	24	22	18	27	10.630
Consumer protection	53	37	47	30	42	10.240
Environmental policy	80	60	65	40	61	16.520
Standard deviation - banks	13.897	14.650	14.320	11.010	-	-
CSR index = $(A+B+C+D+E+F+G+H)/8$	<b>59</b>	<b>49</b>	<b>48</b>	<b>29</b>	<b>46</b>	-

Based on results in a summary table it can be noted that a value of CSR index of selected bank is ranged at an average level. The best results achieved Česká spořitelna (average value of achieved points per evaluated area was 59) and the worst rating was given to GE Money Bank (an average value was only 29 points). A table shows that CSR index values of GE Money Bank are more homogeneous than of other banks that a value of standard deviation has confirmed.

Česká spořitelna achieved the highest scoring in all three pillars. The poorest result of selected banks was reached by GE Money Bank. It should be noted that GE Money Bank is not as big as other three banks in term of number of clients, employees and an amount of profit. ČSOB

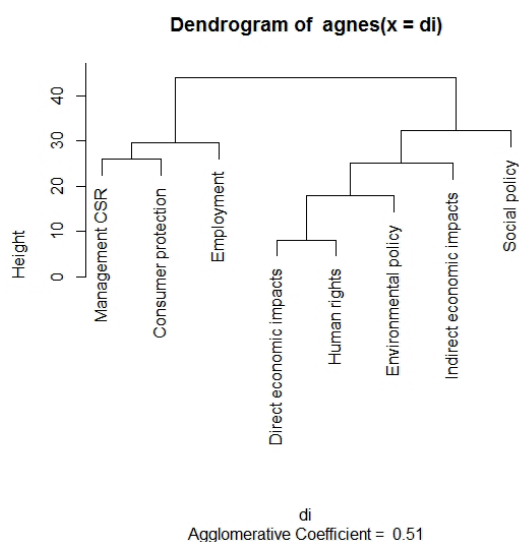


and Komerční banka achieved very similar results in all evaluated areas and their level of social responsibility can be rated as a solid one.

Differences in individual areas of CSR have been quantified by a standard deviation. The biggest differences in a scoring were observed in an area of the CSR Management and the Environmental policy. The employment area and the Consumer Protection were the most homogeneous across all surveyed banks.

The data were subjected to Cluster analysis. Purpose was to determine the similarity of the evaluated areas. For Cluster analysis we used the program R (R Core Team, 2013).

We used hierarchical clustering and for distance measurement was chosen Euclidean distance. The output of a hierarchical clustering is a dendrogram of similarity. The dendrogram shows the distance of each score selected areas and allows to identify clusters with the biggest similarity.



*Fig. 1 - Dendrogram of similarity. Source: own.*

Cluster analysis identified two main clusters (groups), which are characterized by considerable similarity of responses. The first group includes the area of CSR Management, Consumer protection and Employment. The second group consists of the area of Direct economic impacts, Human rights, Environmental policy, Indirect economic impacts and Social policy. Agglomerative coefficient reached 0,51, which indicates that objects are very similar.

The results were subjected to Analysis of Heatmap, which shows similarities within the different areas across selected banks.

Based on this analysis, we can say, for example, that the structure of Employment area is very similar in all of the selected banks (most between ČSOB and KB). Another example might be the structure of Direct economic impacts, which is similar in ČSOB and GE Money Bank. Conversely, the biggest difference can be seen in Social policy area of ČS in compared to other banks.

In the Heatmap clusters are shown across banks and simultaneously across groups of answers.

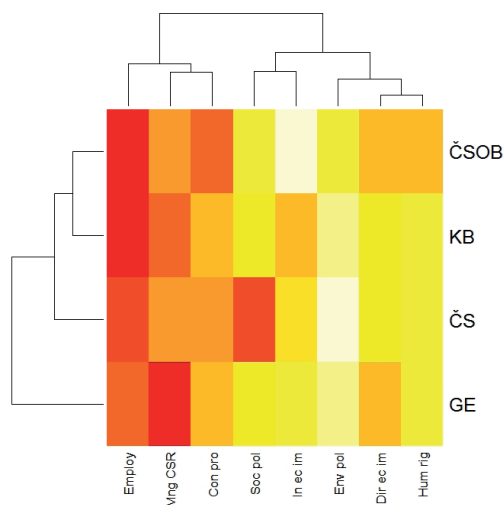


Fig. 2 - Heatmap clusters. Source: own.

## 4. CONCLUSION

Concepts of corporate social responsibility and their ethical behavior in business area are no new but they are becoming extremely topical because crisis significantly highlighted the need for integration of moral principles in a banking business.

Knowledge of business practices indicate to a fact that the acceptance of moral principles in business is not integrated into a management decisions of companies and it cannot be expected that self-regulatory ethical instruments of companies (such as CSR) will be effective.

The experience with CSR application and ethical principles in the banking sector tend to accept the opinion that the social responsibility of banks and banking ethics are seen by a bank management as a suitable marketing tools for communication with a general public and are not integrated into policies of commercial banks. Even experience with crisis demonstrated the fact that there is an absence of moral principles in decision making of bank managers.

Set aim of this article was met. CSR index level in selected Czech banks was ranged in the interval from 29 to 59 points. In this research, best results in the CSR area achieved Česká spořitelna with an average rating of 59 points than ČSOB with 49 points, than Komerční banka with 48 points and last but not least GE Money Bank with 29 points.

Cluster analysis identified two main clusters (groups), which are characterized by considerable similarity of responses. The first group includes the area of CSR Management, Consumer protection and Employment. The second group consists of the area of Direct economic impacts, Human rights, Environmental policy, Indirect economic impacts and Social policy. Agglomerative coefficient reached 0,51, which indicates that objects are very similar.

From a broader perspective it can be stated that banks want to present themselves in the best possible way which suppresses any ability of reflection and ability to publish negative impacts of their activities. An evidence of this behavior is the fact that banks do not provide any information about results of employees' and customers' satisfaction research and related information about staff turnover rate. Publication of negative results of banks' activities may paradoxically lead to more objectivity in reporting of CSR activities. Furthermore, banks could also indicate possible areas for improvement and commit themselves to the axes.

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