

## CORPORATE SOCIAL RESPONSIBILITY IN THE ROMANIAN BANKING SECTOR

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### **Abstract**

*This paper explores the evolution and strategic role of Corporate Social Responsibility (CSR) within the Romanian banking sector from 2003 to 2016, focusing on two leading banks: BCR and BRD. As financial institutions in Romania navigated post-crisis recovery and EU regulatory alignment, CSR emerged as a key instrument for building trust, fostering stakeholder engagement, and aligning with broader social and environmental goals. The study outlines CSR development stages and theoretical frameworks, emphasizing the shift from symbolic to substantive engagement. Through a comparative case study of BCR and BRD, the paper reveals distinct CSR trajectories: BCR's activities peaked during 2008–2010 with community outreach, financial education, and NGO collaboration, while BRD maintained a consistent focus on cultural, educational, and environmental initiatives. CSR strategies varied in response to organizational priorities, stakeholder expectations, and macroeconomic pressures. The findings suggest that CSR in Romanian banking has transitioned from peripheral initiatives to integrated strategic priorities. This evolution reflects a broader trend toward sustainable finance and ethical banking practices, underscoring the relevance of CSR for risk management and long-term value creation. Ultimately, CSR is becoming not only a reputational asset but a structural component of responsible banking in emerging economies.*

**Keywords:** Corporate social responsibility, banking sector, emerging economies, Global Financial Crisis

### **1. Introduction**

Corporate social responsibility (CSR) has evolved into a crucial strategic component for companies operating in dynamic and highly scrutinized sectors, such as banking. Banks not only manage financial risks but also carry a social obligation to contribute to economic development, ensure ethical behavior, and maintain stakeholder trust. As the financial industry often grapples with reputational risks, CSR initiatives are increasingly leveraged to enhance transparency, credibility, and customer loyalty. Wang and Gao (2016) identified four stages in the development of corporate social responsibility (CSR): the incubation stage (1949–1979), the exploration stage (1980–1989), the adolescence stage (1990–1999), and the relative maturity stage (2000–2010). According to Garriga and Mele (2004), corporate social responsibility (CSR) can be understood through four theories: the instrumental theory (which focuses solely on the economic relationship between society and the corporation); the political theory (which considers the company's social power in a political context); the integrative theory (which synthesizes social needs within business); and the ethical theory (which perceives ethical responsibility from an ethical perspective).

The Romanian banking sector, particularly in the post-2008 global financial crisis era, experienced significant transformation. While foreign ownership dominates the industry, local regulatory frameworks and societal expectations pressure banks to adopt socially responsible practices. CSR in Romania was historically shaped by the transition from a centralized economy to a market-based system, with banking institutions gradually integrating CSR into their operational and communication strategies. Recent developments indicate a growing emphasis on environmental, social, and governance (ESG) factors, particularly as EU-level regulations push for sustainable finance and ethical business conduct. The relevance of CSR in the Romanian banking industry lies not only in aligning with European standards but also in addressing local challenges such as financial literacy, social inclusion, and community engagement. As this paper will argue, Romanian banks are increasingly acknowledging their role beyond financial intermediation,

adopting CSR as a tool for long-term value creation and stakeholder engagement. These developments merit a closer examination of both the strategic and practical dimensions of CSR in the banking context.

This research makes a valuable contribution to the theoretical development of CSR by contextualising its evolution in a post-communist, emerging market environment and highlighting the transition from symbolic to strategic CSR. By analysing how Romanian banks adopted CSR during the post-financial crisis recovery and EU integration processes, the study applies CSR maturity models to under-researched Eastern European settings. In practice, the paper provides valuable insights into how CSR can enhance economic practices within the banking sector, fostering trust, improving stakeholder relations, and promoting long-term financial resilience. It identifies specific CSR strategies, such as financial education, community partnerships, and employee volunteering, that banks can adopt to align with EU sustainability goals and gain a competitive advantage in highly regulated environments.

The paper is organized as follows: Section 2 provides a literature review on the corporate social responsibility within the banking sector. Section 3 illustrates the analysis of the Romanian banking sector in terms of corporate social responsibility over the period 2003-2016. Section 4 contains the conclusions.

## 2. Literature review

CSR constitutes an integral component of strategic management within the banking sector, as financial institutions endeavour to rebuild trust and enhance stakeholder relationships, particularly in the aftermath of the Global Financial Crisis, when high-income countries experienced no negative influence on market depth (Kaya, 2024). As Scholtens (2009) asserts, the concept of corporate social responsibility (CSR) in the banking sector differs from its application in other industries. This discrepancy is attributable to the unique role of the banking sector in financial intermediation and its systemic economic influence. Financial institutions are expected to generate profit, demonstrate transparency, support community development and contribute to environmental sustainability. Low & Li (2004) examined the correlation between CSR profiles of emerging-market banks and their capital quality, overall valuation, and risk exposure. The results of the study demonstrated that a strong CSR profile was indicative of higher capital quality, improved overall valuation, and reduced risk exposure. Căruntu (2024) also demonstrates that financial analysis is an important tool for investigating the future financial prospects of financial institutions. Empirical evidence demonstrates that the CSR activities of banking institutions in emerging countries predominantly concentrate on community development, financial literacy programs and environmental conservation. These practices have been shown to assist financial institutions in enhancing their public image and customer loyalty, which can result in tangible financial performance benefits.

The prevailing CSR practices within the banking sector encompass ethical lending methodologies, responsible investment strategies, financial education initiatives, and social inclusion strategies. In the contemporary financial landscape, the notion of 'sustainable banking' gained significant prominence. This concept entails the alignment of financial activities with environmental and social objectives (Jeucken, 2010). Meanwhile, Pérez and Rodríguez del Bosque (2014) bring evidence that CSR influences customer trust and satisfaction, both of which are crucial in a sector where service differentiation is minimal.

In the context of emerging markets, such as Romania, the implementation of CSR is influenced by regulatory changes and the increasing presence of multinational banking groups. Cornett et al. (2016) revealed that banks with superior CSR performance tend to demonstrate enhanced risk management and superior long-term financial performance. Nevertheless, challenges persist in the standardisation of CSR reporting and the assurance of authentic commitment, as opposed to the superficial adoption of CSR as a symbolic gesture. The adoption of CSR by

emerging market banks is driven by regulatory frameworks, stakeholder pressure, and the pursuit of competitive advantage (Amran, and Haniffa, 2011). In contrast to the practice in developed countries, where CSR is often driven by established norms, in emerging economies, banks frequently use CSR as a means of enhancing their legitimacy and responding to socio-economic pressures (Adegbite et al., 2013).

Recent research undertaken on an international level lends further support to these findings. Idowu and Vertigans (2016) emphasised the distinctive ethical and governance challenges encountered in the adoption of CSR in post-socialist countries. Lui & Zainuldin's (2022) study of Malaysian banks revealed that local banks disclose more CSR information than foreign entrants.

### **3. Case study in Romania over the period 2003-2016**

The case study will present a detailed analysis of the key CSR activities of two of Romania's foremost banking institutions, namely Banca Comercială Română (BCR) and Banca Română pentru Dezvoltare (BRD), during the period 2003-2016.

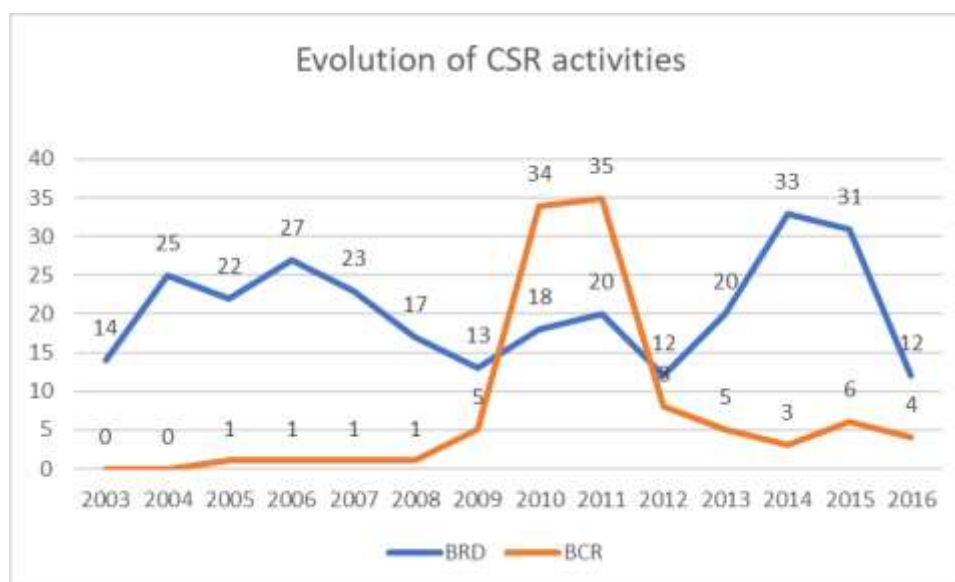
BCR, a member of the Erste Group, initiated its inaugural CSR actions in 2005, and the number of such actions increased substantially until 2010, when they reached their peak. This was due to the CSR report published in November 2009. In May 2011, the first extended CSR report was published, which complied with the GRI (Global Reporting Initiative) standards. Between the years 2000 and 2016, BCR executed 107 CSR actions, directed towards the community, employees, customers, and education. Similarly, the bank organized Open House events that facilitated constructive dialogue between employees and offered training programs for managerial positions, the retail and corporate sectors, and awareness of BCR's anti-corruption procedures. In terms of the recognition of employee achievements, the BCR Star Awards were presented. Furthermore, BCR employees were encouraged to participate in volunteer activities, for which they were granted one day of paid leave per year. The number of volunteer employees increased from 103 in 2008 to 1,000 in 2010, and these individuals participated in a variety of projects, including the donation of books to schools lacking libraries, Livada BCR, and contributions to the Food Bank. Programs aimed at developing education have also been set up. Several awards were established, including the Business Award, the YouthBank Social Impact Award, the Fabulous World of Money Award, and the Access to Education Award. In light of these developments, BCR took the initiative to provide its customers with the necessary financial education, with the objective of fostering their confidence in the banking system once more. In order to encourage the expression of opinions, BCR instigated the creation of the Customer Satisfaction Survey in 2005. This credit institution established partnerships with non-governmental organizations (NGOs), resulting in the creation of financial products tailored to the specific needs of NGOs. Additionally, a series of seminars was organized, where representatives of these organizations articulated the challenges and requirements they encounter. The redistribution of 2% of income tax to NGOs resulted in the collection of funds amounting to €19,885. To assist those adversely affected by the floods that occurred in June 2010, BCR established a novel loan rescheduling system for this purpose. A series of events was organized by the bank for the benefit of corporate customers, with a particular emphasis on the provision of financial solutions for SMEs.

As a subsidiary of Societe Generale, BRD was a notable exemplar of corporate social responsibility (CSR) over the period 2003-2016 in the following domains: culture, education, sports, community, environment, and responsible financing. However, the majority of its social responsibility actions were undertaken in the cultural sphere, primarily through partnerships with various institutions, including the National Opera in Bucharest, the French Cultural Centers in Romania, the Romanian Opera, the National Museum of Contemporary Art, and the Bucharest Conservatory. At the community level, the bank has established partnerships with a range of non-governmental organizations (NGOs), including the Association for the Support of Physically Disabled Children in Romania, the Samusocial Association, the Valentina Association, the Princess

Margareta Foundation, and UNICEF, among others. In order to achieve more significant results, BRD created the "Superheroes for Super Opportunities" programme, through which employees could make donations. Consequently, in 2012, the project assisted 2,700 young people and children, and by 2015, the number of employee donors increased to 1,000. The period between 2005 and 2008 was identified by an increase in CSR activities; however, the subsequent period following the crisis witnessed a considerable decrease in the number of such activities. However, the organization subsequently experienced a renaissance, reaching an all-time high in 2014 when it undertook 33 actions centered primarily on two key domains: culture and education. The initial CSR actions undertaken by BRD occurred within the domain of sport, as evidenced by its role as a partner of the Tour of Romania cycling race since 1998 and of the Romanian Rugby Federation and the Romanian Tennis Federation since 2000. Furthermore, the credit institution was involved in supporting environmental policy through the following means: The concept of Green IT encompasses a range of practices and policies aimed at promoting sustainability in the IT sector. These practices include optimizing consumption, encouraging green financing, waste treatment, and increasing the energy efficiency of buildings. Similarly, BRD has implemented the Equator Principles with a view to analysing the social and environmental risks of its projects.

The subsequent graph illustrates the progression of CSR activities undertaken by the two banking institutions.

**Figure 1:** Evolution of CSR actions over the period 2003 and 2016 (BRD vs BCR)



#### 4. Conclusion

This study shows that CSR in the Romanian banking sector has evolved from sporadic, symbolic gestures into a structured and strategic component of institutional identity, analyzing the period 2003 and 2016. By comparing two leading banks – BCR and BRD – the research highlights distinct CSR trajectories shaped by institutional priorities, stakeholder engagement strategies, and macroeconomic pressures.

In the aftermath of the global financial crisis of 2008–2010, BCR placed a high priority on financial education, employee involvement, and the establishment of trust in the community. Conversely, BRD placed significant emphasis on the establishment of long-term partnerships in the domains of culture, education, and environmental responsibility, thereby demonstrating a stronger alignment with the social and environmental priorities of the EU. The examination of these approaches indicates that CSR in Romanian banking is not monolithic, but rather reflects each bank's distinct positioning within both local and international frameworks.

It is important to note that the analysis emphasizes the growing role of CSR as a risk mitigation tool, a mechanism for regulatory alignment, and a source of competitive differentiation in a sector with limited product diversity. Contrary to its previous status as a marginal component of core banking functions, CSR has evolved to intersect with governance, compliance, and long-term financial performance.

Nevertheless, this evolution is not without its challenges. The integration of CSR within the Romanian banking sector continues to encounter challenges pertaining to transparency, standardisation of reporting, and the discord between authentic impact and reputational strategy. It is recommended that future research investigate how recent ESG regulations, digital transformation, and stakeholder activism are reshaping CSR priorities in Eastern European financial institutions.

In conclusion, it can be stated that CSR is an essential component in redefining the legitimacy, resilience, and societal role of banks in Romania's transitional economy. The continued development of this initiative is contingent upon financial institutions successfully navigating the delicate balance between addressing local social requirements and adhering to global sustainability standards, while concurrently maintaining commitments that are both credible and measurable.

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