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Corporate social responsibility in banks in turbulent times and particularities in Central and Eastern European countries

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This brief empirically analyzes how corporate social responsibility contributes to creating value in banks in turbulent times, offering a comparative analysis of Central and Eastern European countries. It examines the role of corporate social responsibility in the relationship between banks and shareholders, depositors, and customers. The results emphasize the effectiveness and limits of using corporate social responsibility to create value in relationships with stakeholders during the 2008 financial crisis. The effects of different types of corporate socially responsible actions—social, environmental, or community-focused—are analyzed separately for banks with high social performance.

The tremendous increase of the public opinion awareness regarding the corporate social citizenship prompts to an analysis of the incentives for companies to implement corporate social responsibility (CSR) projects and of the limits of value creation through corporate social investments.

With the banks being considered by many as responsible for the financial crisis in 2008, but in the same time some of the most active actors in the field of corporate social responsibility, we found a unique opportunity to study banks' incentives to implement corporate social responsibility projects during the crisis.

The brief, based on Curmei and Curmei-Semenescu (2022) emphasizes how corporate socially responsible initiatives in banks can influence the relationship of the banking institutions with their stakeholders, namely shareholders, depositors and clients. Moreover, it analyses the sensitivity of each class of stakeholders to each type of CSR project.

The study contributes to the literature dedicated to CSR in banks threefold. First, it focuses on the financial crisis period, which has not been well examined or even deliberately ignored because of the high volatility associated with it (see Cornett, Erhemjamts, and Tehranian, 2016), but which is very important in practice. Second, it points out how different types of CSR actions—social, environmental, and community-oriented—can be used by banks to create value in relationships with shareholders, creditors, and depositors and how effective they are. Third, it covers a less debated topic, namely, particular aspects of the use and effectiveness of CSR policies in banks in Central and Eastern European (CEE) countries.

The study emphasizes some limits in using CSR as a value-creating instrument in the bank's relationship with shareholders and depositors, but clear positive effects on the bank-client relationship. The study is organized on two layers. It first differentiates between banks actively involved in CSR and banks with low implication and demonstrates that though the shareholders' interest captured by the price-earnings ratio (PER) is not sensitive to the involvement of banks in CSR, the clients' and depositors' trust is positively and significantly influenced by banks' CSR projects. In CEE countries, however, CSR in banks does not significantly influence the relationship with stakeholders.

Second, the analysis on a sample of banks actively involved in CSR emphasizes how the type of CSR actions influences bank-stakeholder relationship. The investors' trust seems to be positively influenced by the global CSR score, with the social CSR projects exerting positive influence on the investor-bank relationship and the environmental ones positively affecting investors' trust in crisis periods. The clients' trust is positively influenced by the global CSR index, but also by environmental, social and community-oriented projects, with a moderating effect exerted by the crisis period. The results are consistent with the findings of Chen and Gavious (2015) and Glossner (2019). The depositors do not exhibit a sensitivity to the extent of banks' involvement in CSR projects, except for the crisis periods, when the social performance and especially social and environmental projects have a negative influence on the bank-depositor relationship. The most important result is the positive effect of the banks' social performance on the relationship with clients. All types of CSR projects exert a strong positive influence on the bank-client relationship, in line with Rivera, Bigne, and Curras-Perez (2016) and Cowan and Guzman (2020). The moderating effect of the crisis is significantly less intense than the general positive influence discussed above.

In CEE countries, the empirical analysis demonstrates that investors are not sensitive to CSR actions of the banks, excepting the community and social CSR programmes that have a positive influence on shareholders' trust in turbulent times. The clients' trust is positively affected by the extent of banks' CSR programmes especially the environmental and social ones, with a moderating effect in turbulent periods, while depositors seem more confident with banks that invest in community-oriented projects, but not sensitive to the other types of CSR projects or to the extent of the overall CSR involvement of the bank.

These results are important for academics, for CSR policymakers and strategic marketing planners in banks because they provide them with a statistical overview on how CSR can be used to improve banks' relation with shareholders, depositors and clients in turbulent times and what type of CSR policies have the best results in addressing each category of stakeholders. With the increasing awareness regarding corporate social responsibility and the prolonged uncertainty periods that the world economy encounters, the banks can use these results to establish their corporate social responsibility strategy so they can get the best outcomes possible in terms of value creation in the relationship with stakeholders.

Implications

The study demonstrates the need of incorporating CSR strategy into the relationship marketing policy of the company. The CSR policymakers in banks should consider how the extent of implication in corporate socially responsible projects and the type of project chosen influence the banks' relationship with stakeholders and prioritize projects that are in line with the relational marketing strategy of the company. Also, the geographical region and the economic conditions are to be considered in the design of the CSR strategy of banking institutions.

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