The 18th Economic International Conference
Challenges and Opportunities for a Sustainable Development
Stefan cel Mare University of Suceava, 2022

HOW CUSTOMERS PERCEIVE BANKS CSR INITIATIVES

Mihaela Roxana MARCU, National University of Political Studies and Public Administration, Bucharest, Faculty of Management

Alexandra ZBUCHEA, National University of Political Studies and Public Administration, Bucharest, Faculty of Management

Claudia OPRESCU, National University of Political Studies and Public Administration, Bucharest, Faculty of Management, clau

MOTIVATION

During the COVID-19 pandemic, companies were motivated by utilitarianism and deontological factors to get involved in philanthropic CSR actions in the toughest moments of the pandemic.

Corporate social responsibility programs allow a business to utilize their strengths to benefit the local community.

The impact of the banking system extends beyond the economic aspect because banks demonstrate a high degree of social responsibility to the community according to a study made by Romanian Association Banks.

The aim of the paper

This paper aims to analyze the perception of the involvement of Romanian banks in corporate social responsibility during the pandemic.

The findings could guide banks from Romania to better communicate their CSR projects and impact in community. Despite the difficulties brought by the pandemic, it is natural for banks to take a step forward and think about the way they will define their CSR strategy in the future. All together, our findings could help the banking system learn to be even more empathetic and understanding towards clients and to be present in the community.

Banks play an important role in our everyday lives and, like other big businesses, influence many areas of society.

THEORETICAL BACKGROUND

During the pandemic crisis banks in Romania Banks in Romania have donated over 23.5 million lei in the fight against the Covid-19 pandemic, the contributions being intended for the purchase of medical equipment and devices to support the local health system and the affected population, according to centralized data from banks, on the report of the Romanian Association Banks.

Regarding the impact of CSR projects on the perception of clients, we can mention the following aspects:

- ✓ CSR activity helps establish a good relationship with the stakeholders;
- ✓ Increased customer loyalty due to the involvement of banks as active citizens in the community;
- ✓ Strengthening the bank's reputation and social integration;
- ✓ Community involvement projects can become a differentiating factor from competition

Trust is built by the value of bank interactions, not their transactions

THEORETICAL BACKGROUND

Banks need to establish a more personal relationship with the customers. Yet, while recent communication tends to switch from functional approach to a more emotional, it is not yet changing customers perceptions.

Compared to the previous generations, when it comes to shopping, Gen Z puts more emphasis on brand values, social implication and sustainability

Although banks intensified CSR activities during the pandemic, it has not been noticed by clients, and they should pay attention to this item.

METHODOLOGY

During the COVID-19 pandemic, we designed a quantitative investigation aiming to understand how bank customers evaluate the banking sector's involvement in CSR. Two dimensions have been considered: general evaluation of the CSR activity of banks, CSR involvement during the pandemic.

The quantitative study that has been conducted to collect data presents the first image of this issue.

The study blends information shared by bank employees and people outside the banking system, being an exploratory research aiming at both the larger public and bank’s employees.

The questionnaire was distributed online

Respondents profile

	Segments
	62.5% women 37.5% men
age	15.4% - less than 25 years old 51.5% - between 25 and 34 years old 25.7% - between 35 and 49 years old 7.4% - 50+ years old
	68.4% - cities with more than 500.000 inhabitants 15.4% - cities between 50.000 and 500.000 inhabitants 16.2% - less than 50.000 inhabitants
education	7.4% - at least doctoral degree 42.6% - MA degree 42.6% - university graduates 7.4% - high-school diploma
	78.7% - full-time employees 1.5% - part-time employees 6.6% - entrepreneurs 3.7% - freelancers 8.1% - students 1.5% - retired
income	7.5% - less than 200 Euros 10% - between 200 and 500 Euros 49.2% - between 500 and 1000 Euros 24.2% - between 1000 and 1500 Euros 12.1% - more than 1500 Euros

136 valid responses have been collected. The structure of the sample is not balanced, reflecting the opinion of highly educated young women, full-time employees, living in Bucharest, with average and above the average incomes.

RESULTS

As expected, respondents working in the finance & banking sector consider themselves more familiar with the banking industry, are evaluating banks as very important for economic development, and are rather involved in CSR and philanthropy compared to the general public. They also tend to consider less than the general public that banks are involved in CSR for selfish reasons.

In other words, not only that the professionals in banking consider themselves more informed about banks' activities, they tend to consider to a wider degree than the "lay" public that banks are very important for economic development, that they are in general involved in responsible and philanthropic activities for selfish reasons, rather than for profits.

The lay public also considers to a wide degree that banks should have gotten involved more during the pandemics, registering a significant difference from the opinion of the banks' employees.

RESULTS

The study reveals that the activity of banks during the pandemic, evaluated positive to some extent, does not significantly impact the level of trust in one's bank. Nevertheless, people living in large cities declare a statistically significant evaluation. The smaller the city, the more inclined to trust the banking system observing its involvement.

There is also a significant correlation between the increase in trust in the banking system and the one in the respondent's bank. The higher the increase in trust in banks, the more she/he is loyal to hers/his bank in connection to CSR involvement during the COVID-19 pandemic

Conclusions

- A CSR strategy in the bankig system means long-term prosperity for the people and digitalisation for smart businesses, plus impact for sustainable development.
- Employees in the banking system consider that banks significantly increased their involvement during the pandemics, while the lay public is rather skeptical regarding this aspect.
- CSR actions implemented by banks during the pandemic show the visible impact that their work creates in the community.
- Our results reveal that the CSR activity of the banks is not visible, and the one from the pandemic was even less visible. Although the CSR activity of banks has intensified during the COVID-19 pandemic, it has not been noticed by the public and banks should pay attention to this issue

Limitations and implications

The paper uses a sample from a single country; it has a limitation due to its restrictive generalisability.

The implication of this research for bank management is to improve CSR communication because it can be an opportunity to build stronger relationships with customers, partners, or employees by acknowledging the hardship they may be experiencing.

References

1. Asociația Română a Băncilor & PricewaterhouseCoopers, *Impactul economic şi social al sistemului bancar în România*, 2018
2. Asociatia Romana a Băncilor #DreptulLaBanking: *Băncile din România au donat peste 23,5 milioane lei în lupta împotriva pandemiei COVID-19 – only in Romanian*, 2020
3. Miguel Ampudia, Spyros Palligkinis, *Trust and the household-bank relationship*, 2018
4. McKinsey & Company, *Explore Our Featured Insights*
5. Marcu, M. R., Zbuchea, A. *Have banks been supportive during the COVID-19 pandemic?*, 2021