GREEN BANKING IN ROMANIA

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Abstract: *The paper investigates the green banking in Romania, a new approach of conducting the banking business through considering the corporate social responsibility and environmental aspects. Nowadays, it is difficult to face the globalization and competition in order to asssure the implementation of the green banking practices. The aim of the present study is to identify corporations that have sustainability concerns. To achieve this objective, we set some hypothesis and after this we showed that the corporations are more likely to be included in the list of top banks in the world. Our study is relevant for future research in this area, because of the importance of such aspects in corporations nowadays.The conclusions of our study is that green banking practices in Romania is in an incipient stage.*

Keywords: *green banking, corporate social responsibility, sustainability, Romania*
JEL Classification: G21, G39

Introduction

In our demarche we start with a brief literature review regarding the corporate economic, social, environmental responsibility aspects, followed by the description of the research methodology. After these, we presented the results and some discussions, accompanied by conclusions and future research.
Banking industry plays an important role in all economies. Green banking means a bank that has internal activities that are environmentaly friendly and social responsible, such as reducing the electricity use (for air conditioners, lights, computers, printers, atms), reducing the paper use (communication letters, statements, reports, documentations, letters) and external activities, such as those related to customers, society and other stakeholders. A green bank will encourage online transfer/ account opening / checking, reduce paper /energy consumption of clients, mobile banking, video conference, green house loans, eco friendly car loans, green credit for business that have eco friendly measures, green cards, green education loan, green transprt.
There are some benefits for green banks:

- they increase their image, the goodwill, reputation;
- attract capital, partners;
- gaining or retaining customers, partners;
- reduce costs;
- increase the environment friendly loans;
- increase competitiveness;
- environment friendly use of resources;

Obstacles in implementation are:
-insufficient knowledge of the relationship with performance;
-the perception concerning costs;
-the lack of time or other resources;
-the lack of know how;

-it is a slow process,
-the voluntary nature.

Michael Porter and Mark Kramer (2002), noted that "in the long run…social and economic goals are not inherently conflicting but integrally connected" (p. 5). They see a symbiosis between economic / social investments / returns, more exactly organizations must focus on that actions that bring benefits both for them and for society.
Regarding the regulation there are The Global Reporting Initiative (GRI) and sustainability guidelines on triple bottom line reporting (economic, ecological and social performance).

1. Literature Review

All over the globe various studies have been conducted which have found that there is a positive relationship existing between the firms profitability and its environmental initiatives (Hart and Ahuja, 1994; Hart and Ahuja, 1996, Klassen and McLaughlin, 1996; Russo and Fouts, 1997;). Chang and Fong (2010) examine through a survey the purchase of green products. There are some relevant studies on corporate economical, social, environmental responsibility and sustainability issues. Some authors like Ratanajongkol et al. (2006), Deegan and Gordon (1996) highlights that these indicators are undisclosed. The notion of corporate sustainability performance measurement has been discussed, among others, by Atkinson (2000) Beloff et all (2004), Schwarz et al. (2002), Szekely and Knirsch (2005), Tanzil and Beloff (2006). The social and environmental aspects can have an influence on economic performance and therefore should be a dialogue with stakeholders to be in constant interaction with the way they develop their activity.
There is a very fine line between corporate governance, corporate social responsibility and sustainability **(Table 1)**. All are extremely important for a company and should not be viewed separately. Responsibility for society is a strong differentiating factor for companies, with implications on sustainable development of society. The general criteria for sustainability are economic, social and environmental (ecological), each with more overtones. The notion of sustainability is about ensuring a balanced scale related to the social, environmental and economic aspects (Figge and Hahn, 2004).

Table 1. The General Sustainability Criteria

DIMENSSIONS	CRITERIA
ECONOMICAL	CORUPTION CORPORATE GOVERNANCE THE CUSTOMERS' RELATIONSHIP MANAGEMENT RELATIONSHIP WITH INVESTORS RISK AND CRISIS MANAGEMENT CORPORATE CITYZENSHIP
SOCIAL	DIALOG WITH STAKEHOLDERS INDICATORS OF PRACTICES IN EMPLOYEE FIELD HUMAN CAPITAL DEVELOPMENT SOCIAL REPORTING THE WORK FORCE QUALITY ENVIRONMENTAL POLITICS

DIMENSSIONS	CRITERIA
ECOLOGICAL	ECOEFICIENCY ENVIRONMENTAL REPORTING

Source: www.sustainability-index.com – Corporate Sustainability Assessment

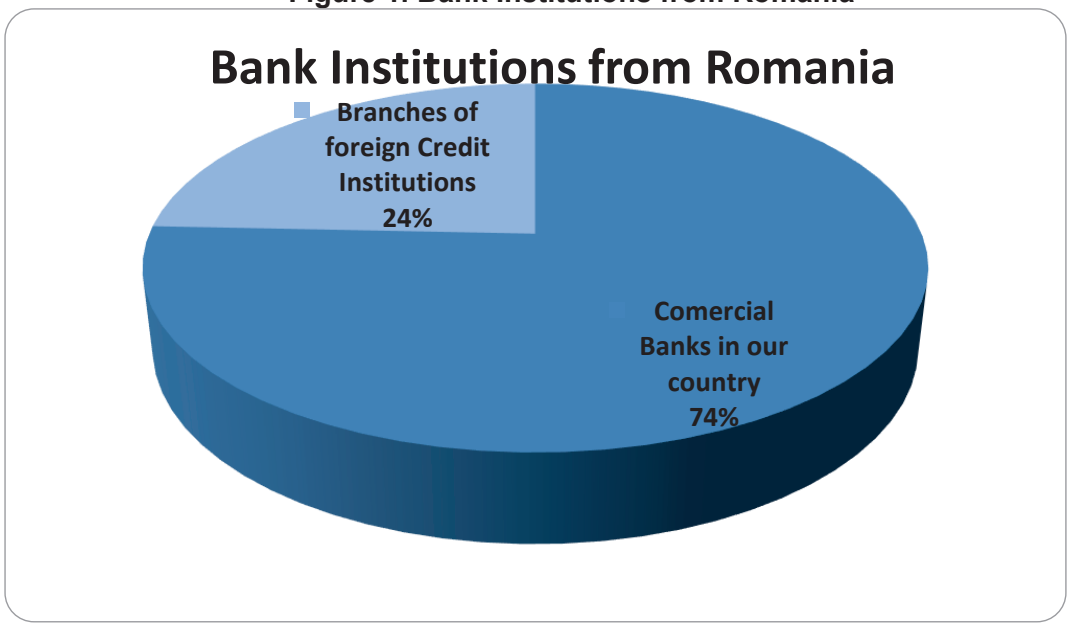
An organization whose activity is considering aspects of sustainable development will act in this sense on long term. Sustainability was first mentioned by the World Commission on Environment and Development (1987). Taking responsibility for its impact on society means, first, that an organization accounts for its actions. Social accountability (Brennan and Solomon 2008), a concept that describes the communication of the social and the environmental effects of the actions of an organization by its stakeholders, is an important element of social responsibility. Many companies publish externally audited Annual Reports covering sustainable development issues, reports which vary widely in format, style and methodology of evaluation, even within the same industry. Some authors propose distinctions between corporate social responsibility and corporate sustainability (Lo and Sheu, 2007, Lopez et all, 2007). Efforts to implement sustainability at the corporate level are further complicated by the fact that sustainability initiatives must be tailored to suit local circumstances (Searcy 2009, Steurer et al. 2005, vanMarrewijk 2003). The notion of corporate sustainability performance measurement has been discussed, among others, by Atkinson (2000) Beloff et al. (2004), Schwarz et al. (2002), Szekely and Knirsch (2005), Tanzil and Beloff (2006), Artiach, Lee, Nelson and Walker (2010). The social or environmental issues can have an influence on economic performance and therefore should be a dialogue with stakeholders to be in constant interaction with the way they develop their activity. A number of studies have focused specifically on the balanced scorecard approach to performance measurement (Hubbard 2009, Schaltegger and Wagner 2006, Dias-Sardinha and Reijnders, 2005; Figge et al. 2002). Corporate social responsibility and sustainability issues are more and more present in day by day activity of the organizations.

So, we can see the companies give importance to this issue and elaborate reports in this regard, like guidelines, because of their voluntary nature. Organizations take into account the most representative ones, the Global Reporting Initiative (GRI, 2006). It contains indicators grouped in economical, environmental, performance, social (labour practices, human rights, society, and product responsibility) indicators (GRI, 2006).

2. The methodology of the study

We choosed the banking companies which develop their activity in our country (Figure 1). We identified and analyzed in content their reports. **The criteria which were taken into account in the sample selection were to choose an industry sector and we turned our attention on banking sector. The argument for our choice is to ensure the homogeneity of the sample selected. We used the tool provided by the National Bank of Romania (www.bnr.ro).** We considered the last reports which were published on their websites. The purpose of this paper is to see the situation regarding sustainability. For this we use a qualitative research, a content analysis of these reports an**d also a quantitative** research. The objective of the study is to analyze the green banking practices in Romania and to provide some suggestions in this regards.

Figure 1. Bank Institutions from Romania



Source: The authors' own projection, based on the empirical research

4.Results and Discussions

In Romania, the implementation of the corporate social responsibility practices by the private sector has been strengthened after European Union accession and was driven mainly by the involvement of the multinational companies that have transferred the practices from the headquarters to local organizations. In our country initiatives related to sustainable development are in its early stages. This behavior was evaluated initially in Romania, based on image considerations, not in terms of sustainable development and stakeholders' needs. In the last years we have seen an increase in implementation of the responsible practices, which are associated with long-term success. There are given incentives to companies investing in environmental protection, renewable energy sources, to help create "green jobs". A broader legislation was implemented also to ensure health and safety at work and to ensure the employees professional development, to reduce discrimination and promote equal opportunities, access to employment and social inclusion of people with disabilities. In 2011, when drafting the National Strategy for Promotion of Corporate Social Responsibility, the public authorities have recognised the importance of the increasing awareness and support the development of social responsibility in Romania, identifying and setting targets in line with the European Union. The results of the research highlights the corporate sustainability practices and can be a basis for further research in this respect, which can be continued with some in depth questionnaire interview to explain how were selected, how are implemented, how they evolved etc. The main conclusion of this study is that the information disclosed are very diverse. This study can also be developed by future research, which can take into account other industry sectors, which can be compared, to show the similarities and the differences which occurs. In our demarche, we looked up on the reports of the companies from our sample. There are different names and also their length varies **(Table 2).** This variety denotes the lack of agreement on disclosure of this information.

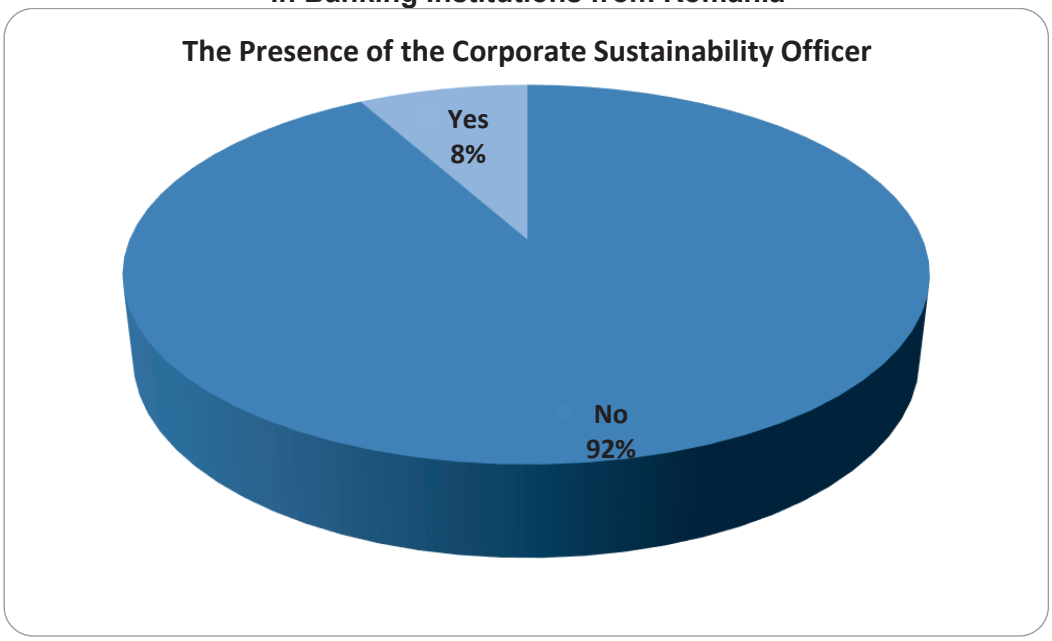
Table 2. Types and length of reports from the sample

No	Type of report	Maximum length (pages)	Minimum length (pages)	Mean length (pages)
1	**Citizenship Report**	**86**	**86**	**86**
2	**Corporate Social Responsibility Report**	**180**	**38**	**109**
3	**Sustainability Report**	**92**	**92**	**92**
4	**Summary**	**7**	**5**	**6**

(Source: the authors, based on the empirical study)

Like we can easyly observe from the graphic **(Figure 1),** there are 28 bank institutions in our country (comercial banks), which represent a percent of 74% from total and 9 branches of foreign credit institutions, which represent a percent of 24% from total.

Figure 2. The Presence of the Corporate Sustainability Officer in Banking Institutions from Romania



Source: The authors' own projection, based on the empirical research

Regarding the presence of the Corporate Sustainability Officer, like we can easyly observe from the graphic below **(Figure 2),** there are only 3 bank institutions in our country (2 comercial banks and one branch of foreign credit institutions in our country), which have such a position, more exactly Piraeus Bank, BRD Groupe Societe Generale and

ING Group, which represent a percent of 8% from total and 34 banks that do not have such a position, which represent a percent of 92% from total. Regarding the presence of the corporate sustainability position in different departments, such as comunication department corporate governance and human resources department, and so on, there are only 5 bank institutions in our country (4 comercial banks and one branch of foreign credit institutions in our country), which have such a position, more exactly BRD Groupe Societe Generale, BCR Erste Group, Intesa Sao Paolo, Piraeus Bank, and ING Group, which represent a percent of 14% from total and 32 banks that do not have such a position, which represent a percent of 86% from total.

Third, we showed that the corporations with positions of chief officers of corporate sustainability officer are more likely to be included in the list of top banks in the world. These bank rankings are compiled from the consolidated balance sheet information available at this date. http://www.accuity.com/useful-links/bank-rankings/

Measures that we found in the sustainability reports:

- employees should be properly trained in terms of green banking loans;
- it should exist a lower interest rate for green fund portfolio for the environmentally friendly projects;
- use of papers on both sides or electronic files ;
- use of online/video/audio communications;
- use natural light;
- use energy saving.

Specific Findings:

- there are banks that have formulated policy for green banking (such as BRD, Raiffeisen, OTP, Unicredit);
- there are banks that have formed a Green Banking Unit (such as Piraeus Bank,).

5. Conclusions

Through the present study we found that the results obtained, which ilustrate the existing situation, are not so ecouraging. The reasons could be: the lack of transparency, the lack of regulation, the lack of infrastructure, the unavailability of natural resources, the low interest or consciousity regarding sustainability, the reticency of stakeholders to use of green products, some managers still consider that these initiatives reduce profit. The companies that are part of our sample are not transparent and does not accord to much importance to sustainability issues. The approached subject is vast and therefore there are some limitations, since it can not be covered in its exhaustivity. This leaves open questions that can be improved and disseminated in future research, such as in depht interviews.

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