

Corporate Social Responsibility of the Romanian Banking Sector During the COVID-19 Crisis: Customers' Perceptions and Financial Implications

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Abstract

The COVID-19 pandemic has substantially transformed the individuals' lives, affecting various industries and accelerating digitalization in almost all activity fields. The paper presents the way in which the banking sector has adjusted the financial services features in order to help the community during the health crisis, shaping the main opportunities offered by the new COVID-19 context for the Romanian banking sector. In the same time, the paper aims to analyze the clients' perceptions of the banks' CSR actions during COVID-19 crisis, suggesting the supportive role of the banks and the increased solidarity through digitalization. The customers' expectations were addressed in correlation with a SWOT analysis applied to the most representative credit institutions by total assets. The investigation was based on a semi-structured questionnaire focused on the assessment of the CSR efforts of the banks to overcome the COVID-19 pandemic, correlated with a SPSS analysis. According to the research findings, pandemic has redesigned the Romanian banking sector, being a primary starting point to rewrite the CSR strategies to improve the organizational resilience of banks. The main lines of investigation focused on how banks can cope with complex crisis by highlighting the features of the most resilient banks, expanding the use of digital banking and linking the banks' CSR approach to clients' demand for digital services after the outbreak of the COVID-19 crisis.

Keywords: Corporate social responsibility, pandemic, digitalization, customers, pandemic.

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1. Introduction

Banks play a significant role in everyday lives, influencing many industries and individuals through an extended impact on the economic activities and a high contribution for the well-being of the citizens. According to the data from the Romanian Association Banks, the involvement of the banks during the COVID-19 pandemic translates into large donations to fight against the health crisis, while their

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corporate social responsibility programs have adjusted in accordance with the client's needs in terms of both financial and sanitary security. The prior involvement of the banking sector into the corporate social responsibility approach allowed a more customized CSR strategy during the COVID-19 pandemic, emphasizing the strengths of the CSR programs to the benefit of the local community.

The present paper aims to analyze the client's perceptions regarding the CSR activities in the COVID-19 framework and the relationship between CSR and digitalization in the banking sector, suggesting the supportive role of the banks and the increased solidarity through digital tools. The research approach is based on a quantitative investigation focused on the assessment of attitudes towards digital banking services before the outbreak of the COVID-19 crisis and after the removal of restrictions imposed by the pandemic.

The paper also investigates the resilience of the banking sector in the COVID-19 context, developing a SWOT analysis applied to the most representative credit institutions by total assets. Even if the public pressure for corporate social responsibility in the banking sector is not severe, more and more banks have taken concrete steps in this field due to the financial constraints, challenging their CSR strategies to support both retail and corporate clients with innovative banking products. Digital banking became a key issue in the fight against COVID-19 effects, transforming it into an opportunity for the financial growth process.

2. Problem Statement

The COVID-19 pandemic has stressed the importance of sustainability for the future development of credit institutions, creating the premises of social responsibility in commercial banking as a way to achieve the financial performance through social and environmental approaches (Paulík et al., 2015). According to Marcu (2021), the banking sector is an important pillar of the Romanian economy, the bank's strategies influencing the recovery of the entire economy after the COVID-19 pandemic. The author presents digitalization as the most challenging process for the resilience of the banking industry, fostering an improved customer experience, flexibility and a working model focused on the employee's wellbeing. In a study focused on the Romanian client's perceptions on banks CSR initiatives, Marcu et al. (2022) revealed two direct lines of investigation of the banks CSR involvement during pandemic: opportunism and altruism. While the banks' employees appreciate the CSR involvement as a less opportunistic procedure, the people living in large urban areas are more skeptical and tend to consider it as a more opportunistic initiative than altruistic. The present research relies on trust, as a primary determinant for satisfaction, considering that for a provider of services (like banks) satisfaction represents a crucial feature (Rebai et al., 2016).

The health crisis challenged the banking sector, accelerating the digital transformation of services for diverse typologies of clients, regardless their educational background, age or digital skills. The COVID-19 pandemic was seen by some authors as a “a reshuffle of the financial sector” (Caracciolo et al., 2020), comparing in a positive way their efforts to fight against the impact of COVID-19 pandemic in contrast to other financial crisis, where the banking sector was perceived more like a part of the problem. The COVID-19 pandemic offered the opportunity to develop CSR programs adjusted to the customers and generated by the specific context caused by the widespread of the coronavirus. Baicu et al. (2020) identified several digital measures implemented by the Romanian banks during the COVID-19 crisis: online payment solutions addressed to different categories of clients, stimulation measures encouraging the digitalization process of SMEs, tailored financial education programs for consumers and development of digital banking services (online banking, mobile banking and self-banking).

During a crisis, the general public often expects companies to engage in socially responsible actions and this can be also applied to the banks. The health crisis was an external shock with multiple effects on both economic and social fields, putting the credit institutions in delicate positions towards their customers and causing a reconstruction of the banking sector through digital banking. However, the COVID-19 pandemic has just accelerated digital payments, since they gained popularity even prior this shock. “Banks are at a peak of digitalizing their system and operations and this period of crises could, paradoxically, be a great opportunity for them to accelerate all these changes” (Marcu & Zbucea, 2021, p. 60). The same authors outline the Romanian banks’ investment in digital tools as a way to protect the employees and to limit the human contact in the banks’ branches. On the one hand, digital banking was seen as a supportive measure for both employees and clients during the COVID-19 restrictions. On the other hand, teleworking and the increased spread of digital solutions had significant effects on sustainability through reduced paper waste. The present paper explores a gap in the literature by analysing how increasing the organizational resilience of the credit institutions during the COVID-19 pandemic has redesigned the Romanian banking sector through digital banking. The “new normal” of the Romanian banking sector will be depicted from the client’s perspective, taking into account the “triple bottom line” (Elkington, 1997) approach of the CSR concept.

3. Research Questions

The present research paper investigates how the banking sector was irreversible transformed by the COVID-19 pandemic, through digitalization. As far, the specialized literature focuses on a fragmentary analysis of digital banking during pandemic, without a clear connection with the theoretical construct of corporate

social responsibility and a few mentions related to organizational resilience. The article offers a new insight in the resilience mechanism of the banks, considering the corporate social responsibility concept in a more holistic view. This innovative approach starts from the main research hypothesis that digital banking is deeply linked with the corporate social responsibility theory, being perceived by clients as a positive CSR measure during the COVID-19 pandemic. This study will explore the three pillars of sustainability provided by the TBL approach emphasizing the following research objectives:

- Profit – the role of digital banking to the organizational resilience of the banks;
- People – the clients’ perceptions on digital banking;
- Planet – the impact of digital banking on the environment.

4. Research Methods

First, we developed a systematic literature review in order to synthesize and evaluate how the COVID-19 pandemic has affected the banking sector. We have analyzed around 125 articles searched by the following keywords: digital banking, corporate social responsibility, COVID-19 pandemic, clients and resilience. Second, the content analysis on CSR website sections/ sustainability/annual reports was used to highlight the CSR patterns of the most representative banks during the health crisis. Content analysis represents a research method used to systematically process large amounts of data that provides meaning to a set of informational texts (Stemler, 2000). The documents/sections were read carefully to identify the CSR actions undertaken by banks to respond to the COVID-19 crisis, in an attempt focused on mixing the observation with the interpretation of data. The collected data have a high qualitative nature and were processed for developing a SWOT analysis aiming to visually represent the main strengths and weaknesses, alongside with the opportunities and threats of the Romanian banking sector in the COVID-19 framework. The best ten performers by total assets were extracted from the SEE TOP 100 banks, which has an initial pool that exceeds 260 banks that were registered in the Southeast Europe at December 31, 2021. According to this source, there were included in the sample the following banks: Banca Transilvania SA, Banca Comerciala Romana SA, BRD – Groupe Societe Generale SA, Raiffeisen Bank SA, ING Bank N.V. Amsterdam – Branch Bucharest, CEC Bank SA, UniCredit Bank SA, Alpha Bank Romania SA, OTP Bank Romania SA and Banca de Export-Import a Romaniei – Eximbank SA (Table 1).

Table 1. The banks from the sample – 2021

Bank Name	Total Assets 2021	Net profit/loss 2021
	in millions of euro	
Banca Transilvania SA	25415	362.3
Banca Comerciala Romana SA	18105	280.0
BRD – Groupe Societe Generale SA	13619	260.0
Raiffeisen Bank SA	12022	160.2
ING Bank N.V. Amsterdam – Branch Bucharest	11965	212.8
CEC Bank SA	10286	74.5
UniCredit Bank SA	10197	129.9
Alpha Bank Romania SA	3825	21.5
OTP Bank Romania SA	3752	-1.9
Banca de Export-Import a Romaniei – Eximbank SA	2988	6.6

Source: authors' processing, <https://top100.seenews.com/rankings/top-100-banks/>

The qualitative analysis was completed by a quantitative investigation focused on the assessment of clients' attitudes towards digital banking services before the outbreak of the COVID-19 crisis and after the removal of restrictions imposed by the pandemic. The questionnaire was developed using Google Forms, being distributed online to the general public. After two weeks from its distribution, 291 valid responses have been collected and were processed through the IBM SPSS Statistics software. One of the main lines of investigation was to verify the client's perception related to digital banking services and the customer behavior in the COVID-19 context.

The structure of the sample is described in the Table 2 and serves the research objectives, testing the correlation between the use of digital banking and (1) residence of the respondents, and (2) educational background. On the one hand, the paper will explore the relationship between respondent's residence and the access to the financial services (mobile banking, internet banking or visits to the bank's branches). On the other hand, we will investigate the relationship between education and difficulty in adapting to digital banking, outlining in the same time the variety of services accessed through digital banking. According to gender dimension, most of the respondents were men (57.73%), while 42.27% were women. Consumers attitudes will be also related to the gender criteria, testing the statistically significant differences considering trust in digital banking and satisfaction.

Table 2. The structure of the sample

	Segments		Segments
Residency	74,23% urban areas 25,77% rural areas	Education	36,08% high school diploma 48,45% bachelor degree 10,65% master degree 4,82% PhD. diploma

Source: authors' processing

The structure of the questionnaire was divided into ten major items described in the Table 3. The first two items have a two-sided structure, being focused on the familiarity and frequency in using digital banking before the outbreak of the COVID-19 pandemic and after it. The next three items are directed to the impact of the pandemic to the client's behavior (the main motives that made clients use digital banking and how clients felt the adaptation to digital banking), alongside with the perception of clients about corporate social responsibility in banks and digital banking as a form of social care during the COVID-19 pandemic. Considering the structure of the questionnaire, the next section is dedicated to the dissociation between advantages and risks in digital banking, analysing in the same time the relationship between trust and satisfaction. The last part investigates the attitudes of the clients through seven statements evaluated by using a 5-point Likert scale. The most part of the questionnaire consists in multiple choice/checklist questions, Likert scale questions and a single open-ended question related to the banks' CSR measures perceived by the clients during pandemic.

Table 3. Items included in the survey

Items	Description
Familiarity	the use of digital banking services
Frequency	frequency of using different payment methods
Motives	motives that made clients use digital banking
CSR	the respondent's perception on social responsibility measures undertaken by banks during the COVID-19 pandemic
Adaptation	how clients felt the adaptation to digital banking
Advantages	the main advantages of digital banking
Risks	the main risks of digital banking
Trust	the client's trust in digital banking
Satisfaction	the perceived satisfaction regarding digital banking
Attitudes	ease of use, safety, intentions to intensify the use of digital services, recommendations, etc.

Source: authors' processing

5. Findings

5.1 The organizational resilience of the banking sector through the Profit dimension

The COVID-19 pandemic has represented a severe external shock for the banking sector, but the credit institutions have proven strong resilience during the period. At 31 December 2021, the total net assets in the balance sheet for the Romanian banking sector was lei 639,754.5 million, up 14.2% from the previous year. The number of banks functioning in the Romanian environment remained the same during the year 2021, with some changes in terms of shareholding structure or size. The Romanian banking sector registered a good condition in the framework of the COVID-19 crisis, with adequate prudential indicators in accordance with the regulatory requirements and an all-time low non-performing loan ratio at the end of 2021, above the double of the requirements. According to the Figure 1, the Romanian banking sector remained profitable during the analyzed period, suggesting the resilience of the credit institutions to the pandemic: approx. 76% of the credit institutions with positive financial results in the last analyzed year (2021), against approx. 59% at the end of 2020.

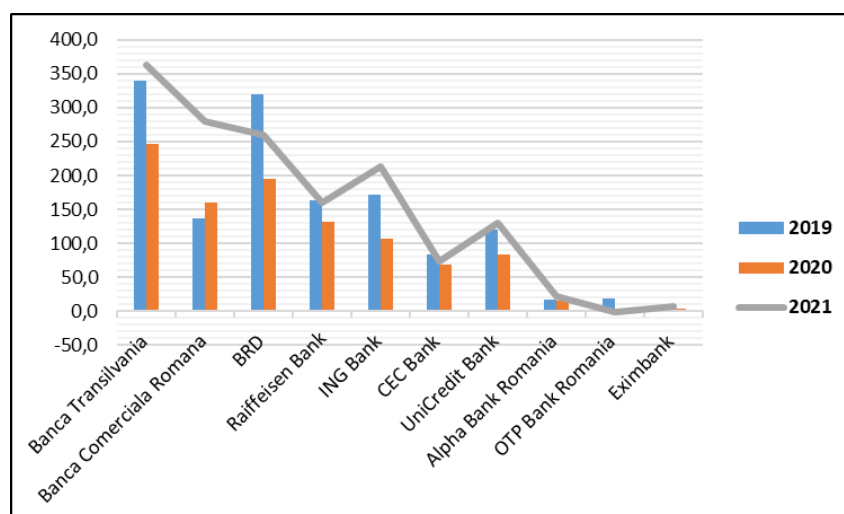


Figure 1. The Romanian credit institutions - Net profit/loss (EUR mill.)

Source: authors' processing from <https://top100.seenews.com/rankings/top-100-banks/>

The resilience of the banking sector during the COVID-19 pandemic can be explained by the beginning of a crucial middle level of digital transformation, as suggested by the Future Banking report entitled Digital banking scorecard 2022. According to it, 70% of the banks included in the top ten have offered digital loans

for individual clients, while 8 out of the top ten banks in Romania have provided remote current account opening dedicated to their retail clients. The economic resilience of the Romanian banking sector was sustained by a significant increase in digital transactions, as a form of customer care during the pandemic, but also by the reduced costs with paper consumption and transport. In this context, innovation in banking has attracted positive financial results, emphasizing the Profit component of the “triple bottom line” approach (Elkington, 1997) of CSR.

5.2 The People oriented approach: clients’ perceptions on digital banking

The analysis of the clients’ responses to the research questionnaire revealed that the use of digital banking amplified during the COVID-19 pandemic, from 79.04% of the respondents before the COVID-19 pandemic outbreak to approx. 95.19% at the time of completing the questionnaire (Figure 2). According to the data collected from the clients, the most important reasons for using digital banking were: superior performance compared to traditional banking services (60.41%), social influence (24.65%), financial advantages (6.94%) and trust/credibility of digital banking services (8.00%). The development of digital banking was perceived by most respondents as a corporate social responsibility measure (92.09%) and feel a level of satisfaction above the average (78.69%).

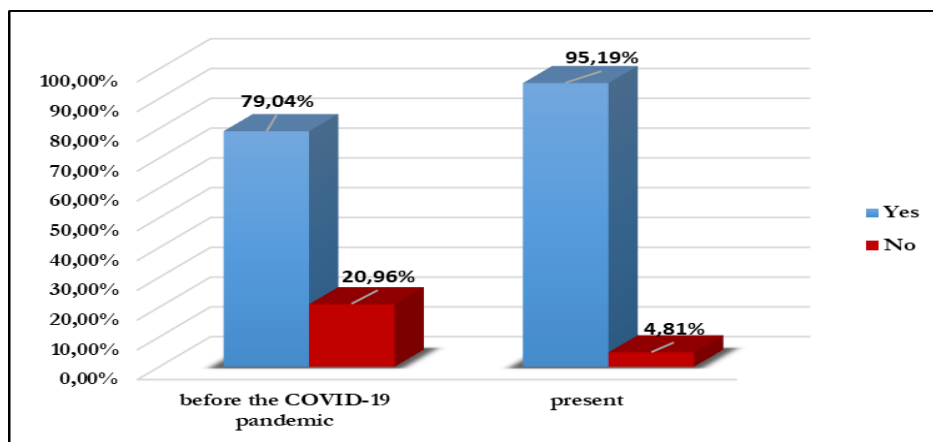


Figure 2. The use of digital banking

Source: authors' processing

Even if digital banking was a trend before the pandemic (68.39% of the respondents using digital banking before the COVID-19 pandemic), the restrictions during the health crisis have increased the option for digital solutions to 86.95% (Figure 3). The most significant change was in the mobile banking segment (+21.99 pp). Approx. 60.82% of the sample considered themselves familiar or very familiar with

digital banking prior the COVID-19 pandemic outbreak, while only 13.74% of them appreciate as difficult or very difficult the transition to digital banking.

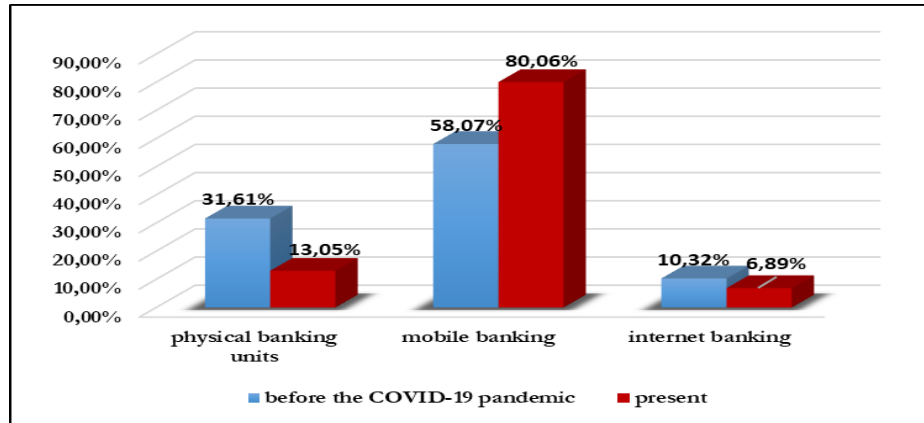


Figure 3. The first option of accessing the banking services

Source: authors' processing

According to the Figure 4, the frequency of using cash daily is reduced in the present (81 respondents) compared to the moment before the COVID-19 pandemic (119 respondents), while digital banking experienced a movement in the opposite direction: 67 respondents (present) and 45 respondents (before the COVID-19 pandemic). A significant difference is also registered for contactless credit/debit card in daily transactions: 96 respondents (present) and 69 respondents (before the COVID-19 pandemic). The most important advantages of digital banking were 24/7 accessibility (52.59%), speed transfer (24.93%) and permanent control of their accounts (11.76%). The main concerns are related to the cyber-attacks (48.43%) and the security level of money/investments (26.13%).

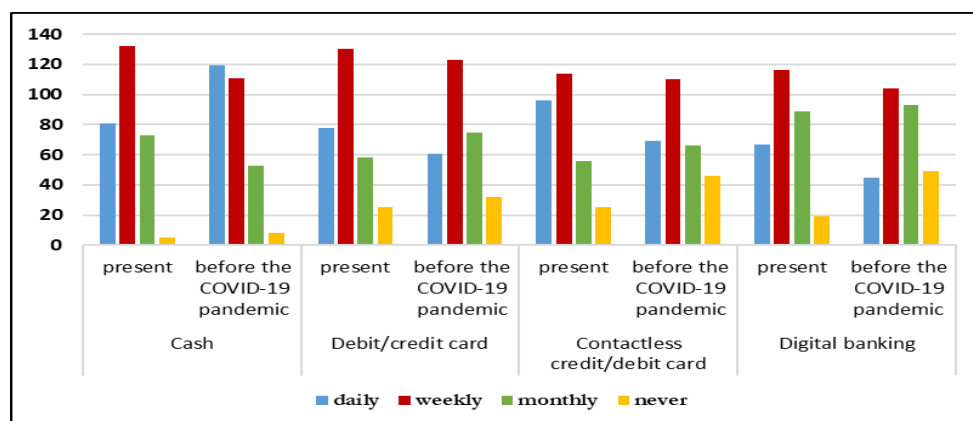


Figure 4. The frequency of using different methods of payments

Source: authors' processing

The most accessed financial services through digital banking are: bill payments (64,21% of the sample), currency exchange transactions (52.92%) and fund transfers (42,61%). Related to the gender criteria, there were not statistically significant differences considering trust in digital banking and the satisfaction level. Table 4 shows that the relationship between education and difficulty in adapting to digital transition is 0.562, at a $p = 0.000$ significant level. This result indicates a strong, positive relationship between the mentioned variables. On the other hand, the relationship between residence and difficulty in adapting to digital transition indicates a slight positive relationship between these two variables ($r = 0.281$, $p = 0.00$ significant level). While the internet and mobile access has increased in Romania, the financial education remains a negative issue that can be amplified in the COVID-19 context. The accelerated rate of digitalization was not sustained by a similar increase in terms of financial education and this phenomenon can lead to the emergence of disadvantaged clients (most of them with poor educational background).

Table 4. Difficulty in adapting to digital transition

		Residence	Education
Difficulty	Pearson Correlation	,281**	,562**
	Sig. (2-tailed)	,000	,000
	N	291	291

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Source: authors' processing

5.3 Planet – the impact of digital banking on the environment

In the COVID 19 pandemic framework, managing responsibility towards clients was the key issue to obtain a balanced and realistic approach of CSR. According to the SWOT analysis applied to the most representative credit institutions by total assets (Figure 5), the efforts to protect the health of the staff and the productivity of their work were rapidly transformed into strengths by the banking sector, resulting an efficient adjustment of the employees to the new conditions generated by the health crisis. The user - friendly digitalization process has transformed it into an opportunity of attracting new customers and increasing their loyalty through supportive measures implemented during pandemic. However, digital banking can create vulnerabilities in the relationship between banks and customers, through the emergence of the financial exclusion phenomenon due to the lack of access to

digital devices or digital skills. In this context, poor level of financial education can cause the avoidance of more sophisticated financial-banking products.

<p style="text-align: center;">STRENGTHS</p> <ul style="list-style-type: none"> ➤ the rapid adjustment of the staff to the new conditions generated by the COVID-19 pandemic (the efficiency of the telework programs, online training) ➤ prudential indicators at very good levels ➤ efficient online communication ➤ user - friendly digitalization process ➤ initiatives that support customers with financial problems during the pandemic ➤ CSR strategies developed before the outbreak of the pandemic 	<p style="text-align: center;">WEAKNESSES</p> <ul style="list-style-type: none"> ➤ the emergence of the financial exclusion phenomenon due to digital banking ➤ postponing of certain CSR programs (in the financial education field) ➤ strong negative effects of the pandemic on the emotional state of employees/clients ➤ reduced working hours with the public in the physical banking units ➤ poor cooperation initiatives with software developers
<p style="text-align: center;">OPPORTUNITIES</p> <ul style="list-style-type: none"> ➤ reducing costs with paper consumptions, energy, fuel due to the digitalization process ➤ government support for companies involved in sustainability projects ➤ increase of the customers loyalty and development of a strong relationship with them ➤ expansion of digital services and attracting new customers ➤ high popularity of using mobile devices 	<p style="text-align: center;">THREATS</p> <ul style="list-style-type: none"> ➤ restrictive legislative initiatives ➤ the low level of financial intermediation in Romania ➤ the cyber-hacking ➤ lack of access to digital services for certain disadvantaged clients ➤ the competition from the Fintech companies ➤ a large part of the population does not have IT skills

Figure 5. The SWOT analysis of the Romanian banking sector in the COVID-19 context

Source: authors' processing

The irreversible effect of COVID-19 pandemic on the Romanian banking sector is suggested by the client's intention to increase their digital banking activities in the next period (68,04% of the respondents). On the other hand, digital banking creates the premises for long-time benefits for the credit institutions, translated into significant competitive advantages in the near future. In other words, the active participation of the banks in the environmental CSR activities can help them reduce the resource costs, the energy consumption and waste, avoiding the risk of natural environmental changes. The credit institutions make continually efforts to reduce the use of key resources (paper, energy, water, etc.) These measures include the

recycling process and re-use of materials like paper, e-waste, or even excess heat from data centers.

6. Conclusions

The main research findings reveal the client's perception regarding digital banking, as supportive tool provided by credit institution during the pandemic period. The paper is focused on the Romanian banking sector, the outputs being only applicable to this specific sector. A large percentage of the sample (92.09%) consider digital banking a CSR measure, increasing solidarity for all segments of clients in crisis times. However, banks communicate with modesty digital achievements in their sustainability reports, attaching them more to the resilience strategies. The "new normal" of the Romanian banking sector was depicted both from clients and organizational perspective, focusing on the "triple bottom line" approach (Elkington, 1997) related to the theoretical construct of corporate social responsibility. The managerial implications of the present study offer a realistic insight into the digital transformation challenge, that can be understood as an opportunity generated by the COVID-19 pandemic and a starting point to rewrite the CSR strategies ready to improve the organizational resilience of the banking sector. The Profit – People – Planet dimensions are not excluding each other, as suggested by the SWOT analysis of the most representative banks from the Romanian market.

The Romanian banking sector remained profitable after the COVID-19 pandemic outbreak, its strong resilience being based on a healthy relationship with the clients. This can reinforce the loyalty value in the services sector, but also creates the premises for long-time benefits through reduced use of key-resources. The results of the questionnaire revealed a significant increase in digital services usage during the pandemic, most of the respondents appreciating their superior performance compared to traditional banking services. In a time when clients become more sophisticated, the price is no more a primary factor in the purchase decision. However, digital banking can create vulnerabilities in the relationship between banks and customers, due to the financial exclusion phenomenon. The educational background and the residence can cause the emergence of disadvantaged clients, reluctant to more sophisticated financial-banking products. The research paper has practical implications in the CSR filed, confirming the importance of redesigning the CSR strategies in accordance with the financial education needs of the community.

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