

Corporate Social Responsibility in the Czech Banking Sector

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Abstract: The aim of the paper is to map and analyze CSR reporting in the 10 largest commercial banks in the Czech Republic. The focus will be to forms of reporting and areas of reporting. The three basic reporting options for publishing are the annual report, the individual CSR report and the www pages. Additional criteria will be analysed in all three reporting options. The analysis showed that only the three largest banks use all three media for reporting. The next section analyzes the reporting areas of CSR, where economic, social, environmental, philanthropic and ethical areas are monitored and evaluated. All banks report at least one of the routes or selected areas, except for Fio bank and Air bank, which do not have this obligation due the act on Accounting that sets the rules to report the non-financial information.

Keywords: bank; corporate social responsibility; reporting

JEL Classification: M14; M21; M41

1. Introduction

The influence of business entities on society and the role they play in it are important issues that need to be addressed in our own interest. At the same time, it is also necessary for business entities themselves to be aware of their role and all the attributes that companies bring, while the attributes that allow them to exist and ensure their successful development cannot be neglected. Corporate Social Responsibility (CSR) is an unintended obligation of an organization to take into account in its business the needs of its employees, suppliers, customers, government agencies and any other entities that are directly or indirectly affected by the organization's activities. Due to this broad concept, corporate social responsibility must be seen as a comprehensive issue that affects the wider environment. This environment can generally be divided into economic, social and environmental areas.

The concept of corporate social responsibility has become more and more popular in recent years and is very topical, especially in the phase when the company is "maturing". With the arrival of large national and multinational organizations on the market, the individual strategies of the principle of corporate social responsibility are expanding and gradually implemented in practice.

The modern era of CSR, or social responsibility as it was often called, is most appropriately marked by the publication by Howard R. Bowen of his landmark book Social

Responsibilities of the Businessman in 1953. Bowen's work (Bowen, 1953) proceeded from the belief that the several hundred largest businesses in the United States were vital centers of power and decision making and that the actions of these firms touched the lives of citizens in many ways. The key question that Bowen asked that continues to be asked today was "what responsibilities to society may businessmen reasonably be expected to assume?" Bowen for the first time tried to define the term CSR as to act as desired in the light of the goals and values of our society.

The year 1979 can be considered a turning point, as Archie B. Carroll defined four basic areas of CSR, which until then had been considered contradictory. It is about:

- economic responsibilities,
- legal liabilities,
- ethical responsibilities,
- discretionary responsibilities (Carroll, 1979).

Since then, the theory and practice of CSR have expanded exponentially, but it has still not been possible to come up with a definition that fully expresses the broad scope of CSR and becomes universally acceptable. For better poses, some definitions are given below.

The World Business Council for Sustainable Development (1999) defines Corporate Social Responsibility as the "continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".

The European Commission defines CSR as "the responsibility of enterprises for their impact on society and, therefore, it should be company led. Companies can become socially responsible by integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations and following the law. Public authorities play a supporting role through voluntary policy measures and, where necessary, complementary regulation." (European Commission, n.d.)

"This is a concept where the company voluntarily assumes co-responsibility for well-being and sustainable development of modern society, while expecting competitiveness and profitability, which are not two conflicting objectives ". (Kunz, 2012)

According to Petříková et al. (2008), CSR "includes all activities that are far beyond the maximum legitimate requirements, as well as activities through which the organization seeks to understand and meet the expectations of all stakeholders in society".

Corporate social responsibility (CSR) is "a self-regulating business model that helps a company be socially accountable to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental." (Fernando, 2022)

KPMG, one of the biggest auditing company in the Czech Republic, defined Corporate social responsibility as "it forms an important part of our corporate culture, our values, and our business strategy". (KPMG, 2020)

CSR is currently still evolving and experiencing a steady increase in interest (Kunz, 2012). According to Zdražilová (2010), the growth of interest is caused, among other things, by a greater focus of public attention on the negative effects of the world economy.

The current lack of a uniform definition of CSR is due to the voluntariness on which the concept of CSR is based (Kunz, 2012; Petříková et al., 2008).

Dahlsrud (2008) contributed to the definition of CSR by analyzing the available definitions and identifying the five areas of CSR that are most common in the definitions:

- environmental,
- social,
- economic area,
- stakeholders,
- voluntariness.

In this analysis, Dahlsrud (2008) found that all five areas appear in 80% of the definition of CSR, three of these areas even appear in 97% of cases.

Moravcikova et al. (2015) presented that CSR is a trend that appeals to change of business orientation from short-term to long-term goals and from maximum to optimum profit. CSR reports, respectively triple-bottom-line reports have become tool of communication for Corporate Social Responsibility.

Accounting researchers have become increasingly interested in CSR, which has received notable attention in accounting and finance. Traditionally, CSR integrates social activities and business activities. Moser and Martin (2012) point out that the firms engage in socially responsible activities when they conduct business activities.

Despite the large number of definitions and their differences in interpretation, the authors agree that a company is part of society and cannot operate in complete isolation from the outside world. Definitions are usually interpreted in general terms, so any company can follow them, regardless of its size, legal form and subject of business.

1.1. Method of Reporting

Companies to which Act No. 563/1991 Coll., on Accounting imposes the obligation to provide non-financial information, must publish this information together with the (consolidated) annual report or in a separate CSR report. At the same time, they are obliged by this law to state the given content in their reports. All institutions are free to choose how they publish information on the CSR activities of stakeholders, whether companies do so voluntarily or required by law. These non-financial instruments are an annual report, a separate report on CSR or a website.

1.2. Reporting in the Banking Industry

All of the world's largest banks, and over four fifths of smaller N100 banks, report on corporate responsibility (CR). This suggests that CR reporting is well established as a standard business practice in the Banking sector. Banks are more likely to present CR information in their annual financial report than companies in any other sector. Almost all

(93 percent) of the largest banks do so, which is almost 30 percentage points above the global average (65 percent). (KPMG, 2015)

Pérez and Rodríguez del Bosque (2014) identify significantly consistent patterns in the CSR expectations of savings banks and commercial banks customers. The customers of both types of banking companies have similar high expectations concerning the CSR oriented to customers, shareholders and supervising boards, employees, the community and legal and ethical CSR. Also customers of both types of banking companies can be consistently classified as customer oriented, legally (customer)-oriented and CSR-oriented customers depending on their CSR expectations.

2. Methodology

Information on commercial banks operating in the Czech Republic was used in the analysis. The list of all financial institutions operating in the Czech Republic was taken from the official website of the Czech National Bank. In the spring of 2022, there were more than 50 banking institutions in the Czech Republic. The 10 largest commercial banks were selected for closer analysis. The criterion for the selection and ranking of banks became the amount of the balance sheet total, which was the insurance company from the annual reports of individual institutions from 2020.

According to the balance sheet total, these are the largest banks that can to some extent affect the economy or the social and environmental environment in our territory, so it is interesting to monitor their Corporate Social Activity.

The article will deal with individual areas of CSR and their activities, which are carried out by selected banks and which are published to the general public. Information on the bank's CSR activities was obtained from three basic sources. Annual reports, separate CSR reports or from the official website were used. The data for 2020 became the subject of research, because the annual reports and separate reports on social responsibility for 2021 were not published by all banking institutions at the time of writing.

3. Results

The following tables summarize the results of the reporting methods on non-financial information and on the examined CSR areas.

3.1. Reporting Methods

Table 1 provides the results of an analysis that focuses on how individual banks report. Annual reports were monitored for all banks, whether they prepare a separate CSR report or provide information on their websites.

Only 3 out of 10 banks provide CSR information in all ways. It is also the 3 largest banking institution on the Czech financial market.

- 7 out of 10 banks publish information on CSR activities in the annual report.
- 3 out of 10 banks prepare a separate CSR report.
- 7 out of 10 banks address the topic of CSR or sustainability on their websites.

Table 1. Analysis of the method of reporting on CSR activities

Name of the commercial bank	Annual report	The CSR report	www pages
Československá obchodní banka, a. s.	YES	YES	YES
Česká spořitelna, a. s.	YES	YES	YES
Komerční banka, a. s.	YES	YES	YES
UniCredit Bank Czech Republic and Slovakia, a. s.	YES	NO	YES
Raiffeisenbank, a. s.	YES	NO	YES
MONETA Money Bank, a. s.	YES	NO	NO
Fio banka, a. s.	NO	NO	NO
PPF banka, a. s.	YES	NO	YES
ING Bank, N. V.	NO	NO	YES
Air Bank, a. s.	NO	NO	NO

Annual report

Companies are required to prepare an annual report if their financial statements are subject to audit. The information that the annual report must contain is given in Section 21 of Act No. 563/1991 Coll., on Accounting. It follows from the law on all surveyed banking institutions to compile and publish an annual report with mandatory content.

Table 2 lists the banking institutions that publish CSR information in the annual report. The table also provides data on the number of pages, graphic processing, the scope of the CSR part and the regularity of the published CSR information in the annual report. The annual reports are each year prepared in the more precise and detailed way. It is possible to see it in the range of the annual report and also in the graphic design.

Table 2. Analysis of annual reports

Name of the commercial bank	Range	Range in 2017	Graphic design	Scope of the section on CSR	Regularity of publishing CSR activities
Československá obchodní banka, a. s.	349 p.	323 p.	YES	11 p.	annually since 2005
Česká spořitelna, a. s.	355 p.	267 p.	YES	2 p.	annually since 2007
Komerční banka, a. s.	330 p.	286 p.	YES	1 p.	annually since 2004
UniCredit Bank Czech Republic and Slovakia, a. s.	254 p.	204 p.	YES	1 p.	annually since 2013
Raiffeisenbank, a. s.	372 p.	268 p.	YES	3 p.	annually since 2013
MONETA Money Bank, a. s.	394 p.	308 p.	YES	20 p.	annually since 2016
PPF banka, a. s.	234 p.	193 p.	NO	0 p.	annually since 2013

- The range of annual reports ranges from 194 to 394 pages.
- All annual reports are excellently graphically processed and visually appealing.
- The number of pages of the CSR part ranges from 0 to 20 pages.

All commercial banks mentioning CSR in the annual report do so annually, even before the turning point of 2017.

CSR report

The analysis showed that only 3 banks prepare a separate report on CSR. At the same time, these are the three main players in the Czech banking market. The content of these reports is an introductory word, basic information about the bank, CSR strategies and an analysis of individual areas. Table 3 provides information on the number of pages, graphics

and clarity of the report. Last but not least, it deals with the publication interval, including the implementation of the first report. As with the annual reports, CSR reports evolve over time and the reports contain more information and are more graphically processed.

Table 3. Analysis of individual CSR reports

Name of the commercial bank	Range	Range in 2017	Graphic design	Regularity of publishing CSR activities
Československá obchodní banka, a. s.	109 p.	63 p.	YES	annually since 2006
Česká spořitelna, a. s.	31 p.	26 p.	YES	for the first time in 2007, with annual regularity since 2017
Komerční banka, a. s.	81 p.	25 p.	YES	annually since 2017

- The range of reports ranges from 31 to 109 pages.
- All reports are graphically modified and clear.
- Out of 3 reports has been issued regularly since 2006, the others since 2017.

www pages

The Internet has been used by a large number and a wide range of users in the last few years. He has become a carrier of information that is quickly and easily accessible from different parts of the world. All analyzed banks have their own websites, but only seven of them deal with the CSR topic on their websites. Table 4 contains the amount of information on the CSR topic on banks' websites and the difficulty of finding this information.

Table 4. Analysis of www pages

Name of the commercial bank	Difficulty in finding CSR information	Content
Československá obchodní banka, a. s.	NO	sufficient
Česká spořitelna, a. s.	NO	sufficient
Komerční banka, a. s.	NO	sufficient
UniCredit Bank Czech Republic and Slovakia, a. s.	NO	sufficient
Raiffeisenbank, a. s.	YES	sufficient
PPF banka, a. s.	YES	insufficient
ING Bank, N. V.	NO	sufficient

The concept of sufficient information is a detailed description of CSR areas supplemented by monetary amounts, photos, graphs and other graphic elements. The concept of insufficient information expresses a very strict description of areas, which does not have all three basic pillars of CSR.

Table 4 shows that:

- The term had to be searched for 2 out of 7 banks.
- 6 out of 7 banks have a large amount of information on the CSR topic on their websites.

3.2. Areas of Reporting

The following table 5 shows the results of the performed analysis dealing with the areas of CSR. The table lists the areas that banking institutions mention in the analyzed sources. The analysis did not focus only on the basic areas of CSR, but was extended to the philanthropic and ethical areas, which are also often mentioned in the sources as is stated in the introduction.

Table 5. Reporting areas of CSR

Name of the commercial bank	Economic	Social	Environmental	Philanthropic	Ethics
Československá obchodní banka, a. s.	YES	YES	YES	YES	YES
Česká spořitelna, a. s.	YES	YES	YES	YES	YES
Komerční banka, a. s.	YES	YES	YES	YES	YES
UniCredit Bank Czech Republic and Slovakia, a. s.	YES	YES	YES	YES	YES
Raiffeisenbank, a. s.	YES	YES	YES	YES	YES
MONETA Money Bank, a. s.	YES	YES	YES	YES	YES
Fio banka, a. s.	NO	NO	NO	NO	NO
PPF banka, a. s.	YES	YES	NO	YES	NO
ING Bank, N. V.	YES	YES	YES	YES	YES
Air Bank, a. s.	NO	NO	NO	NO	NO

- 2 out of 10 banks do not mention economic and social activities.
- 3 out of 10 banks do not report activities falling into the environmental area.
- According to the analyzed sources, 2 out of 10 banks do not participate in the support of other people.
- 7 out of 10 banks respect the ethical and moral approach.

Tables show that Fio bank and Air Bank do not disclose any CSR information. At Fio bank, this is due to the fact that it is a company that does not have a non-financial reporting obligation imposed by Act No. 563/1991 Coll. At the same time, it does not meet all the conditions required by this law and has not decided to provide non-financial information voluntarily based on its decision. Air Bank is also not obliged to prepare and publish non-financial information under the Accounting Act, as this is done for the entire group by the parent investment company PPF. Last but not least, PPF bank does not publish CSR information in full and deals only with selected areas, as, like Air Bank, it falls under the PPF investment group.

4. Discussion

Banks tend to include CSR disclosures in the management commentary. They present CSR information in a diverse manner, focusing mainly on community involvement. The quality of CSR disclosures in 2011 was higher as compared with 2005. None of the banks in the sample produced integrated reports. (Krasodomska, 2015)

The analysis focusing on the development in publishing of CSR reports was also done in the 4 Asian countries. Over the seven years, bank CSR disclosure improved in all four analysed countries. Australian banks were found to have the best scores and Indian banks demonstrated maximum improvement. The next ones were from China and Japan. Despite

the absence of legislative requirements or standards for CSR, this paper finds that CSR reporting continued to improve in quality and quantity in the region on a purely voluntary basis. (Jain et al., 2015). If we compare not only the number of pages, but also the processing and content of reports in the Czech Republic, there is a significant shift in the more detailed and precise processing of CSR information and activities.

Similar results were also gained in the presenting of information on the websites. (Hladíková, 2022) Three-quarters of the banks communicate on CSR issues on their corporate website – either located in the section “About Us” or under a separate “CSR” heading which is directly accessible on the front homepage. Company reports published on the website are the most important vehicle for CSR communication. Their publication increased from six for the publication year 2000 to a peak of 63 reports for the year 2011. The reports’ titles are most commonly linked to the concepts of “responsibility” or “sustainability” and refer to ten main stakeholders and topics. In a comparison between continents there is a difference in the use of titles: European banks prefer the title “Sustainability Report”, while Asian and American banks in particular prefer the title “CSR Report”. (Hetze & Winistörfer, 2016)

Matuszak and Róžańska (2020) presented that the results indicate that accessibility to CSR information is relatively good. The placement of CSR information on websites varies among banks. Moreover, community involvement was the most disclosed dimension on the banks’ websites. There was a lack of disclosure on items regarding the environment. Furthermore, the findings of this paper showed that significant determinants for explaining online CSR disclosure level were size and being listed.

MacGregor Pelikánová (2019) focused on CSR information in annual reports in the EU. She focused on the Czech case study. The 10 largest Czech companies are subjects of the legal duty to prepare and e-file with the Commercial Register their annual reports with CSR information, but this legal duty is set up in a rather general and vague manner. In our research in the banking industry it wasn’t the same.

A similar analysis was performed in the Czech automotive sector, that has lower level of reporting in the selected areas. (Svobodová & Bednarska-Olejniczak, 2021)

Evaluation of cluster initiatives that can be used also in CSR is presented in Bureš et al. (2012) CSR activities may be one of the reasons why individuals choose the bank institution. Selection of bank account is also solved in Hedvičáková (2017).

5. Conclusions

The concept of corporate social responsibility has become more and more popular in recent years and is very topical, especially in the phase when the company is "maturing". With the arrival of large national and multinational organizations on the market, the individual strategies of the principle of corporate social responsibility are expanding and gradually implemented in practice.

All steps of CSR implementation in the company are intertwined with proper communication of CSR activities back to stakeholders. The analysis of the social responsibility of selected banking institutions showed that they report on their CSR activities mainly on their websites, in their annual reports, and only 3 commercial banks from 10 largest

in the Czech Republic have their own CSR report. The main principles, attitude and values of social responsibility are published on the website, and the available CSR reports provide information in greater detail. Commercial banks, which are required to report non-financial information, do so in their reports.

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