

## SOCIAL RESPONSIBILITY POLICY OF RUSSIAN CREDIT ORGANIZATIONS IN A RECESSION

<sup>1</sup>Vashchekina I.V., <sup>2</sup>Vashchekin A.N.

<sup>1</sup>*Plekhanov Russian University of Economics, Moscow, e-mail: vashchekina@mail.ru;*

<sup>2</sup>*Russian State University of Justice, Moscow, e-mail: vashchekin@mail.ru*

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The stabilizing effect of the banking system is not unlimited and can only smooth out, and that to a certain extent, the negative effects aimed at undermining its long-term action, made by the participants of the system, government regulators, or foreign partners. The Russian model of CSR was evolving over the last 20 years, and in view of contradictory tendencies that define multi-vector development of political and social relations in Russia, different character of the crisis, is not yet fully developed. And even against the backdrop of the ongoing crisis Russian banks do not tend to curtail their social programs, adhering to the existing CSR strategies.

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The banking system plays a major role in any economy, and in rapidly changing environment becomes a core stabilizing mechanism not only of financial, credit, business, and social development also. It provides the financial stability of the country, and at a sufficiently efficient organization can reduce the social consequences of the economic crisis and even fend off the threat of attack. The effectiveness of the implementation of main banking system functions is largely determined by external conditions – the political situation in the country, the level of legal relations, the evolution of world commodity and financial markets, the possibility of targeted challenges from foreign partners. The ability to respond to the dynamics of the environment, rebuild priority in the allocation of assets and highlight key points in the range of credit services, adapt management structure to the new conditions, as well as the willingness of banks to solve jointly common problems taking into account sectional interests, improve the efficiency of both the whole banking system, and the elements comprising it.

### **Methodology and information sources**

A wide toolkit was used within the framework of theoretical research and practical developments carried out in the work. The main methods of investigation were systematic, statistical and functional analysis, theoretical studies within the boundaries defined by the area of research, logical methods, due to the specific goals and objectives. When in the theoretical part of the work official sources of information were used, such as the publication of the Central Bank of the Russian Federation. Information is also gathered from RosBusinessConsulting, Expert, World Bank analytical reviews, Standard & Poor's rating agency analyzes.

### **Factors determining the current state of the banking system**

Any component of the banking system (single credit institution or their union) is closely linked to economic and social development of the state. The successful and safe operation of a single commercial bank will reflect positively on clients both the juridical persons (ie different enterprises, organizations, companies and, more generally – branches and sectors) and the private individuals who invest money on deposit and other accounts in banks. Although the size of these accounts is relatively small compared to the scale of investments of legal entities, their large amount at a decent quality of service and high reliability provides a favorable social background, which excludes panic in the event of one-off incidents in the banking system – Information stuffing, corruption scandals, exchange rate fluctuations, changes in the key rate, etc [1].

The positive impact of stable functioning of the banking system is expressed thus in the formation of an optimistic behavior patterns of the population when planning personal budgets and improving the quality of people's lives. In turn, it allow to industrial enterprises, commercial structures and public organizations to determine the vector of long-term development, to maneuver freely available funds, to invest relying on favorable market forecasts dominating in the public consciousness. Such a pattern is due primarily to the fact that the very appearance of the banks and the evolution of the banking system in any country is a result of requests to meet existing society. Banks originally were created to optimize the economic relations in society, and continue to carry out this task, though not put it as a priority, as do some other social institutions. Factors that influenced the occurrence of banking and its development are considered in Fig. 1.

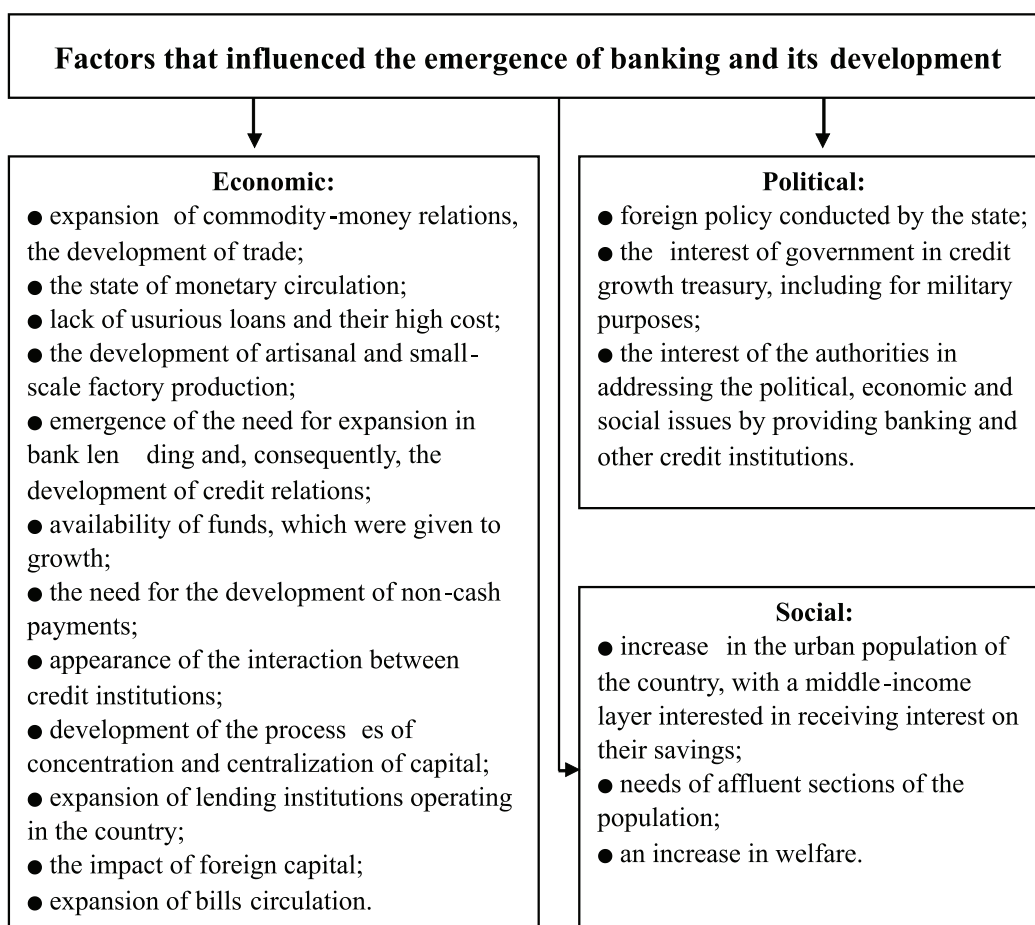


Fig. 1. Factors determining the development of the banking activity

The emergence of the need for development of cashless payments, the appearance of banks emission functions, expanding the sphere of circulation of bills, the occurrence of the processes of interaction between credit institutions – these factors contributed most to the emergence of a system banking activity.

The evolution of the economic, social and political conditions of bank system led to the transformation of a number of external factors of the system to internal. These factors are shown in Fig. 2.

Note that the stabilizing effect of the banking system is not unlimited and can only smooth out, and that to a certain extent, the negative effects aimed at undermining its long-term action, made by the participants of the system, government regulators, or foreign partners. Anxious waits in society are able to build up, not showing for a long time, and then as a result of the cumulative impact of several factors lead to serious social upheavals. These factors in our country can be attributed the high inflation rates, undue

political expectations, the destabilizing actions both of the individual components of the banking system and its leadership [2].

In Russia there is a clear trend towards liquidation (bankruptcy) of commercial banks by the Central Bank. According to the Department of Banking Supervision of the Bank of Russia, the total number of credit institutions with revoked (canceled) license to conduct banking transactions (including credit institutions about which was made a recording their liquidation in the State Register) for the period from 1 January 2014 until 1 August 2016 reached 2000 organizations. There is an impression that to the Central Bank and the players of the financial market (or leading financial institutions) is more profitable to liquidate the bank, by paying the sum insured depositors set by the Deposit Insurance Agency, than to carry out the rehabilitation of the bank. In addition, due to the Central Bank refinancing large banks have the opportunity to acquire a network of failed bank and its customers.

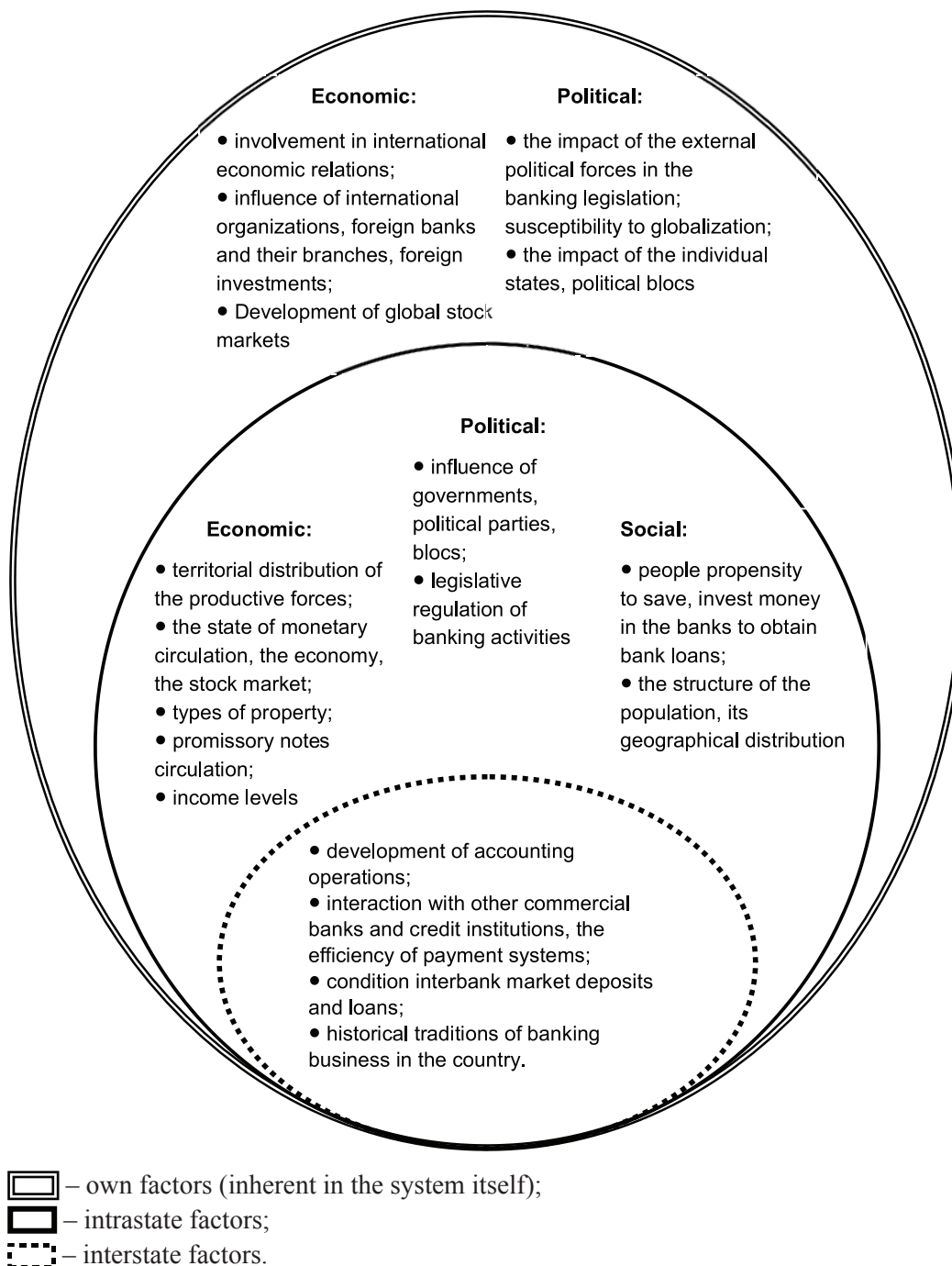


Fig. 2. Factors determining the current state of the banking system

Within a few years, the number of depositors who have lost a large part of their savings due to the elimination of their banks “from above” has steadily increased quantitatively but not manifest themselves qualitatively. However, during the summer and autumn of 2014 against the background of foreign policy

crisis, the sharp decline in world oil prices and the resulting devaluation of the ruble, a significant portion of customers of even feeling confident banks rushed to withdraw their funds without waiting for the end of the term.

First of all, it concerned the ruble accounts, funds from which were directed by the public

to purchase foreign currency or durable goods manufactured abroad. Typically, such purchases were made without real need, but only as a form of saving money. Thus, as a result of the above policy Central Bank deposits ceased to be realized by the bulk of the population not only as a reliable means of accumulation and augmentation, and even saving money. As a result, one of the measures designed to repay, along with other panic in the community, was the increase above the sum insured immediately doubled (1 400 thousand Rubles). From the budget of the Deposit Insurance Agency an additional one trillion rubles has been allocated. These resources were not thrown into the currency market. This decision was taken not to supply the leaders of the banking system and on the initiative of the legislative bodies of the country, with the assistance of its enforcement of the Accounting Chamber.

Thus, the lack of awareness of the social role of the regulator of the banking system, has generated significant additional expenditures of the state budget. The loss of reputation of the banking system – loss of confidence in a significant part of the population, a return to the popular in the 90s keeping cash at home – is incalculable.

#### **Corporate social responsibility in the Russian banking system**

However, even against this backdrop Russian banks retain the ability to carry out socially responsible policy. Social responsibility should be realized by any corporation and produce such conduct business in which the company is transforming the economic, environmental and social risks into opportunities. Of course, the financial institutions have in this respect their specificity. Any large modern company uses raised capital, the source of which are financial institutions, which are thus always indirectly affect the social and environmental impacts, and should be aware of their responsibilities, which often manifests itself in a particular practice.

Russian banks alone or together with their partners (non-profit organizations) undertake projects to support microenterprises, are working to attract customers with disabilities and to take them to work, sponsor educational programs, activities in the nonprofit sector and volunteer initiatives. Many banks have set high standards for project finance, avoiding lending institutions conducting a weak social policy and not in compliance with their projects in environmental standards (for example, support the initiative for mandatory disclosure of

corporate information on greenhouse gas emissions). If earlier the company just bought gifts to orphanages, but now many people think about the support of educational programs for orphans. Social investments of financial institutions are above all investments in human resources, which will grow in economic terms.

Modern banks are usually already developed a clear strategy in the area of corporate social responsibility (CSR), aimed at combating the financial literacy of the population, support for people with low incomes, the development of special products for them, the implementation of financial advice for illiterate clients. Banks usually have a wide range of banking products for different categories of customers. If the customer did not come across before to banking activities, it is attached to the most simple products, enabling it to gradually grow to a higher level.

Another aspect of social responsibility is the ratio of the bank's own employees. During the training and implementation of training programs the employees are acquainted with the internal policies and procedures of the bank, which concern not only businesses, but also of the corporate culture, internal rules of conduct. Thus, CSR creates a new approach to personnel policy in terms of staff retention by offering employees a wide range of opportunities for career and personal growth.

In the concept of long-term socio-economic development of the Russian Federation for the period up to 2020 as the first targets of importance are called "high standards of human well-being" and "social well-being and harmony". Achieving this strategic objective, particularly in terms of foreign policy today, is only possible through the transition to an innovative, socially oriented type of development based on modernization. The new institutions and infrastructure innovations and investments involve the definition rules of alignment effective mechanisms of cooperation between the state, business and society to ensure the interests and coordination of all sectors in the development and achievement priorities of social and economic development.

Any enterprise that functions in a certain area, integrated into the economy of the region, using the country's resources – physical, natural, human and information – in the course of business, is built into the existing structure of the commercial and industrial, as well as social ties. Interacting with other businesses, government agencies and public organizations, it is included in a complex process of self-organization, characterized by comprehensiveness,



the nonlinear nature of development and feedback [3]. Awareness of the owners and management of the company to support the importance of these relations in all their diversity, expressed, as a rule, in building with the environment – society – relations strategy that provides for the enterprise business the most favorable, political, environmental and humanitarian background. The degree of involvement of enterprises in the country (region) in collaboration with civil society organizations is an indicator as the level of economic development, and the degree of maturity of society. All of the above said is true for financial institutions in the first place – for banks, as any large company uses capital raised, the source of which are financial institutions. Banks thus are always involved indirectly in the course of their activity.

With regard to the banking work, in different countries and in different societies inconsistency between its positive impact on the socio-economic situation and its negative perception on the part of society are often noticeably apparent. Although well organized system of payments, to afford a reliable income on deposits and the availability of credit to provide for the needs of the population in the consumption of a variety of goods in the minds of many individuals and entire social groups, banks appear a kind of parasitic organizations (such as the duality of perception is observed in respect of the stock markets and insurance companies). Therefore, the leadership of any bank faces challenges not only direct investments in the social sector in the region, in whose territory it operates, but also the problem of increasing the confidence of individuals to its services and products.

Many banks have successfully decided this problem by an elaborate program of work with clients. At the initial stage of communication with the client, especially with inexperienced in financial terms, a bank employee, producing an initial consultation, offers a choice of a limited number of the most simple banking products. Later, as you become a client of positive experience of using simple services, it is proposed to increase the degree of interaction with the bank. In course of the consultants pass

to discuss the provision of investment services or complex structured deposits [4]. At the same time responsible bank can afford to have a noticeable impact on the partners (to a greater extent, of course, on borrowers than savers), encouraging them to conduct a responsible social policy, for example, issuing loans for projects that provide environmental responsibility, respect for the natural resource, providing the solution of common social problems, which ultimately allows for interaction of a whole group of enterprises with local authorities, government agencies and public organizations.

### Conclusion

Erupted in the autumn of 2014 the currency crisis has spawned a prolonged recession in the Russian economy. Following the fall in world oil prices the Russian ruble rapidly, more than doubling depreciated. Unstable exchange rates in the absence of effective measures of the Government and the Central Bank creates a further decline of the ruble. The forecast for the further development of the Russian economy is disappointing.

However, even against the backdrop of the ongoing crisis big banks do not tend to curtail their social programs, adhering to the existing CSR strategies. To a large extent this contributes to the fact that CSR programs are mainly expressed in rubles (only international initiatives require the cost of foreign currency, as they make up a small part). Apparently, Russian banks are fully aware of the importance of collaboration with civil society organizations for the mitigation of the economic impact caused by the crisis the poorest segments of society.

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