

The Impact of Nationalisation on CSR Policy in Citadele Bank and CR Study of the Latvian Retail Banking Sector

Aleksandrs Judins

The Manchester Metropolitan University, Manchester, England

SIA Esmeralda Immobilien, Riga, Latvia

The present research paper is dedicated to the analysis of the impact of nationalisation on Corporate Social Responsibility (CSR) Policy in Citadele bank (formerly Parex) and Corporate Responsibility (CR) study of the Latvian banking sector. The goal is to analyse the notion of nationalisation, the history of Citadele bank, and to scrutinise CSR policy and its aspects. Research aim is to explore the impact of CSR activities implemented by Citadele on customers' views after the nationalisation of the bank. The research methodology involves the analysis of the existing theoretical literature and a quantitative research method-survey conducted by an international research agency. The article also explores CSR activities of commercial banks in Latvia by applying the comparative method of research.

Keywords: Corporate Social Responsibility (CSR), nationalisation, Banking industry, Parex, Citadele, Latvia, analysis, survey

Introduction

Almost all financial institutions and enterprises are implementing Corporate Social Responsibility (CSR) policy; however, not many people are aware of such activities.

The significance of the present research is that presently nationalisation in the banking sector is particularly relevant to the Baltic countries, which for a long time suffered problems related to the financing of government budgets, as they were not able to avoid the bankruptcy of several credit institutions.

The research concentrates on the Latvian commercial bank Citadele (formerly Parex), which underwent the bankruptcy procedure that was followed by nationalisation in the period from 2008 to 2009. It is based on the author's dissertation for the Award of MBA Degree from the Manchester Metropolitan University. Additionally, the author scrutinises CSR activities of commercial banks in Latvia.

The problem of the research is the influence of nationalisation process on CSR activities implemented by Citadele bank.

The common recognition of the research significance and the problem stated above provide the author with the opportunity of formulating three hypotheses. Firstly, it may be assumed that public is more aware of CSR activities and it has an effect on their views of the bank and subsequently their trust in the bank. This leads us to a second hypothesis, which allows for the presupposition that the nationalisation of Citadele bank brought into focus on the CSR activities of the bank, as customers who were affected by the economic crisis are looking

Aleksandrs Judins, MBA, The Manchester Metropolitan University; Managing Director at SIA Esmeralda Immobilien.

Correspondence concerning this article should be addressed to Aleksandrs Judins, Kokneses prosp. 4/1-3, LV-1014, Riga, Latvia. E-mail: a.judins@mail.ru.

for a bank that offers more than simple banking services and one that demonstrates genuine concern for, and commitment to its responsibilities to society, not just to its shareholders. The third hypothesis states that with the bank understanding and acknowledging these concerns, they are promoting CSR programmes, sponsoring good causes, being seen to operate in a more ethical and philanthropic manner, and promoting themselves as a safe, reliable and honest financial institution with customers' interest in heart. Additionally, the author of the paper presumes that presently all banks apply Corporate Responsibility (CR) activities regardless of the fact that CSR policy is not obligatory by law.

The subject of the present research is CSR policy aspects, the notion of nationalisation, the history of Citadele Bank and CSR activities of commercial banks in Latvia.

The object of the present research is Citadele Bank (formerly Parex Bank) that has been selected due to the author's personal involvement, as he has been an employee of the bank for a four-year period, starting from 1997 to 1999 and from 2005 to 2007 and 10 commercial banks operating in Latvia.

The goal of the research is to analyse the notion of nationalisation and the history of Citadele bank, and to scrutinise CSR policy and its aspects. The other aim is to explore the impact of CSR activities implemented by Citadele Bank on customers' views after the nationalisation of the bank. The third goal is to analyse CR activities of 10 commercial banks operating in Latvia.

The method of the research is the quantitative research method used for implementation of survey—online poll (CAWI—computer assisted web interviews), conducted in cooperation with an international research agency (GFK). The research involves the analysis of the theoretical literature and the comparative method.

Target group is Citadele Bank' clients—Latvian residents who currently use banking services of Citadele bank and are reachable via the Internet.

In total, 316 interviews were carried out with existing customers of Citadele bank, who were reachable via the Internet. The sample size is sufficient to analyse the results of this target group with 6.5% accuracy at a 95% probability, which is optimal for accurate measurement to use for purposes of a scientific research. It is essential that the information gathered in the survey represents viewpoints of economically active persons—Internet users, rather than views of all Citadele's customers about the impact of CSR of Citadele on the image of nationalised bank. Clearly defining the target group and the accuracy of the results obtained, the survey is representative for the above-mentioned target group.

The present research consists of the introduction, five chapters, conclusions, recommendations, four figures, two tables, and a list of references that contains 59 entries.

CSR is an innovative term in Latvia. The results of the survey prove the present statement. In addition, in Latvia, only several studies are completed regarding the current topic.

According to the study, only 12% out of 316 respondents were fully aware of Citadele's CSR activities with 41% being unsure and 47% having no awareness.

Despite the fact that similar researches have been conducted in various countries, the present paper is one of the first studies related to CSR in the banking sphere in Latvia. Moreover, the present research provides valuable recommendations to the bank and a ground for further study on CSR policy.

The History of Success, Crisis and Rebirth of Parex Bank

Crystallisation of Parex

Parex cooperative was established in 1988 by two entrepreneurs in search of new business ideas—Valery

Kargin and Victor Krasovitsky who were engaged in the tourism business. With the collapse of the Union of Soviet Socialist Republics (USSR), new market niches started to appear. These niches were known before, nevertheless, in Soviet times they were considered as prohibited and persecuted. One of them was currency exchange. In the USSR period, many businesspersons who tried to make money in currency exchange were prosecuted and in the epoch of Khrushchev, some were even executed.

However, times changed, and the environment for entrepreneurship began to transform. It should be pointed out that Kargin and Krasovitsky were taking a colossal and almost incommensurable risk at the beginning of their activities, as at that time, there was still Komitet gosudarstvennoy bezopasnosti (KGB) activity in the country and people did not know whether the previous political situation would return.

From the history of the cooperative: “the name Parex was not created by us, it was there before us. Nobody questioned what it meant... Parex was a cooperative under the umbrella of the city committee as all other institutions were established by the city committee... Parex was sold for 5,000 soviet roubles and became ours” (Kargin, 2005).

Thus, currency exchange activity gradually began to acquire legal turnover, and on the 3rd of April, 1991, the president of Latvian Bank Pavel Saks issued a signed license Nr.1 for currency exchange. On a simple piece of paper, this laconic text was written: “Buying and selling of currency is permitted in specially equipped premises on 8 Valdemara Street and in the head office of Parex in the Central Station...”. The first currency operations were performed at the head office, which was located in the premises of Komsomol city committee, not in the Central Station. From a commercial point of view, the terminal with its constant jostling was more attractive, however, the chill of fear that hovered over us, made us cautious. Therefore, the first currency exchange point started to work in the city committee, and it was the correct decision: a large amount of money was exchanged there, and these people were not people from the street (Kargin, 2005).

Subsequently, the activity has improved and with rapid success went uphill: “We were very mobile. We sent money by planes; people brought us bags, trunks, suitcases, even plastic bags... Cash and non-cash roubles flowed to Riga, to Parex from other cities of the Union, to buy currency. Tens of millions per month, hundreds per year!” (Kargin, 2005).

Customers came to their Parex currency exchange point in Riga Central Station from as far afield as Siberia. Parex’s slogan at the time was: “We are closer than Switzerland” (Forbes Magazine, 2000; Kargin, 2005). The slogan started to be associated with Parex bank among Latvian and Russian citizens, and it represented the availability and the analogy of working by Swiss methods, including the security and confidentiality of client information.

Currency exchange business quickly became successful. “In 1992, Parex had 76 currency exchange points, and we were the leaders on the currency exchange market not only in Latvia, but also in the territory of all former USSR countries”. “...we were, in fact, small, but growing bank” (Forbes Magazine, 2000; Kargin, 2005).

Founding and Development of the Bank

On 30th of April 1992, the Bank of Latvia issued license Nr.32; and on 14th of May, the Company Registry registered Parex bank. In June 1996, the bank was accepted into the International Chamber of Commerce (ICC), becoming the first Latvian company to join its ranks.

In 1996, Parex opened their first cash machine that accepted Visa, Euro Card/Master Card. There were only 15 cash machines that accepted Euro Card/Master Card in Riga that year. A new cooperation started with

American Express.

In mid 1996, the bank was actively developing leasing and factoring services, which followed by establishing Parex Lizings Ltd. In that year, the leasing portfolio was worth approximately 28 million euro.

Parex stirringly supported CSR initiatives—on a regular basis throughout its activity, the bank financially supported the Latvian Children's Fund. Parex bank also supported arts, helped sponsor events, and devoted to international opera and Latvian ballet star Andris Liepa.

In 1999, Parex received an international BA2 evaluation on long-term foreign currency deposits. The rating on long-term deposits received a BB+ mark. Starting in 2000, Moody's Investor Service has confirmed Parex ratings. In the same year, Parex was awarded the best local bank and the best broker company by Euro Money magazine. According to the Institute of Economic Researches (LETA), 35.9% respondents acknowledged Parex Bank as the most reliable bank in Latvia: the bank took the second position, behind Latvijas Unibanka. At the same time, in the framework of the study, Parex took the leading position among the surveyed population with the highest income.

In 2001, the authoritative publishing the Banker placed Parex Bank in the list of the one hundred largest banks in Eastern Europe, where the bank ranked 51st according to the volume of its net worth. Experts gave Parex 28th place, according to the rates of growing net worth, and 19th place for the indicator of growth of assets.

In November 2001, the bank significantly improved its performance in terms of assets growth. Bank assets were 979.388 million euro. Judging on the volume of assets, Parex was the largest in Latvia. Already having a successfully operating branch in Lithuania, in the same year Parex Bank started to provide its services in the Estonia capital Tallinn.

In early 2003, for the third consecutive year, Parex Bank has taken the initiative on CSR subject by gifting two minibuses and sports equipment to the Latvian Children's Fund and Riga Haematology Centre within the framework of the "Heart to Heart" charity event.

According to the Association of Latvian Commercial Banks, in the year 2005, the volume of Parex Bank assets had increased by 13.6% during eight months and had reached approximately 2.260 billion euro. The authoritative edition Euro Money recognised Parex Bank as the best Latvian bank of 2005. In early 2005, Parex Bank received an exclusive right to produce and issue American Express cards in Latvia.

In February 2006, international rating agency Capital Intelligence affirmed the long-term foreign currency rating of Parex Bank at BBB-level and short-term foreign currency rating at A3 level. In addition, the bank received the rating of financial stability on BBB-level and the support rating of four. At the same time, Capital intelligence retained the possibility of increasing ratings of Parex Bank, assigning it a positive outlook.

Once seven people worked, and today's Parex employs three thousand people (Kargin, 2005).

In February of the year 2007, Parex bank received the record size of a loan of 385 million euro. This was the largest syndicated loan ever granted to Baltic financial institutions. Mizuho Corporate Bank Ltd., and Sumitomo Mitsui Banking Corporation Europe Limited became mandated leading arrangers of the loan.

In April 2007, Moody's financial agency affirmed an investment rating of Parex Bank of BAA3 (until February 25, 2007, Parex was rated as speculative—BA1). Eric Brivmanis, Vice president of the bank on financial affairs, pointed out that Parex Bank became the only financial institution among the Baltic States, the rating of which reached the level of investment grade after last revision by Moody's Investors Service agency. "The most honourable fact is that the rating is given to a bank, which does not have any external support: Parex is not supported by the State or 'The big Swedish Mother'".

The systematic line of the development of Parex was to open foreign branches. Branches of Parex Bank were actively operating in more than 15 countries, including Sweden, Japan, Bulgaria, and many former USSR republics. The activities of the bank were especially successful in the neighbouring Baltic countries, where the bank held the leading position since the 1990s.

The Origins of the Crisis

After a year of work, the press started to publish articles on Parex bank liquidity problems. Parex then turned to the Bank of Latvia, asking to provide loans secured by assets. It was the end of October of the year 2008 when the outflow of funds started. According to a rough estimate, local clients, including state, municipal agencies, as well as foreign investors removed about 342 million euro from the bank in just a few days. On November the 8th, at an emergency cabinet meeting, it was decided to nationalise the bank de facto. The controlling stake of 51% was sold for 2.85 million euro and was moved to the state bank Latvijas Hipoteku un Zemes banka (LHVB). Other 34% of assets, which remained in the possession of ex shareholders Valery Kargin and Victor Krasovitsky (formerly they owned 42.42% of shares each), along with personal assets were pledged to LHVB.

According to the opinion of former owners of the controlling stake, the day of the collapse was October 21, 2008. On the same day, the Swedish government announced the programme of state support of Swedish banks (including operating in the Baltics Skandinaviska Enskilda Banken (SEB) bank and Sweden bank, providing about 150 billion euro for such target). Latvian banks did not receive such support.

Subsequently, the state began to actively allocate funds in the accounts of the bank, and by March of 2009, the volume of allocated funds totalled 1,191.395 million euro.

The Notion of Nationalisation in the Sphere of Banking

Nationalisation in the Sphere of Banking

“Nationalisation means transferring the ownership or control of one or more banks from the shareholders to the government and can vary from full or partial nationalisation and be either temporary or permanent” (Elliott, 2009).

Why Banks Are Nationalised?

The decision to nationalise a once private business or industry is taken by governments for a variety of reasons: to rescue a failing bank or to bring poorly managed organisations under state control, as the case in Soviet Russia, for social and political reasons.

Since 2007, the world has experienced a period of severe financial stress, not seen since the time of the Great Depression. Many countries were significantly affected by these adverse shocks, causing systemic banking crises in a number of countries, despite extraordinary policy interventions (Laeven & Valencia, 2010). Governments around the world were faced with unpalatable policy decisions on how to limit the damage caused by the systemic banking crisis to their respective economies. In the case of several banking giants and as a measure of last resort, the decision was taken to nationalise and thus brought the assets, organisation, and running of the banks under state control while assuming debt.

Bank Nationalisation: Latvian Experience

In the case of Latvia's Citadele bank (formerly Parex) that were scrutinised, nationalisation was a decision determined by the government's intention to save Latvia's financial system. Parex was the systemic,

second-biggest Latvian bank, serving individuals as well as businesses and governmental authorities. The Latvian authorities stated that it was the crisis, accompanied by mistrust from the financial markets and difficulties in obtaining financial resources, that was the main reason for Parex receiving government support. On 8th November 2008, the Latvian government took control of Parex through an initial 51% share package, which was later increased to 85% control of the bank's capital (Kolyako, 2008).

The overall dissatisfaction of the Latvian population with Parex's bailout was due to several reasons. Firstly, the financial problems encountered by Parex created panic among the bank's clients who feared losing their deposited money (Kolyako, 2008). Secondly, the process of nationalisation was carried out in secrecy, and Latvians were informed of what was going on and why nationalisation had taken place only *post factum* (occurring after the fact) (Greenhalgh, 2010). Thirdly, and most importantly, Parex's bailout was done at the expense of Latvia's budget, including the pension fund of about 1.4 billion euro, which for the special purpose of the bank's nationalisation was simply merged with the main state budget.

These and many other ungainly facts of Parex's bailout have contributed to the significant damaging of the bank's image and resulted in almost irrecoverable customer dissatisfaction and disloyalty.

Nevertheless, the Latvian authorities in charge of Parex's restructuring into Parex as an asset management company that will handle non-performing loans, real estate and other bad assets, and Citadele with healthy assets as a retail bank for the sale of both, have somehow managed to save the bank's reputation (BBN, 2010). Last year, Citadele (2012a) was positioned as a "a full-service financial group for both private individuals and companies offering the complete portfolio of banking, financial and private capital management services in its home market Latvia and through its international presence." As its mission, Citadele (2012b) wishes "to inspire economic growth for people and enterprises, and to enhance good changes in Latvian and the whole Baltic region's society", by re-inventing banking "by making Citadele a simple, reliable, honest and socially responsible bank". Applying professionalism, pro-activity and team work, Citadele (2012b) should become "the most valuable local financial group in the Baltics", for shareholders, clients and employees.

The Notion of CSR Policy in the Sphere of Banking

The Notion of CSR Policy

Presently the vast majority of businesses, banks and other institutions are applying CSR policy in their practice. Beyond profit maximisation, businesses have responsibilities for society, as large corporations are able to control and affect the quality of life of their employees, shareholders, and customers. The above mentioned power entails social responsibility. Already in 1916, Clark (1916) stated that "If men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether these have been recognized by law or not". The European Commission in 2001 notes that "Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders" (European Commission, 2001).

The analysis of CSR is still in an embryonic stage and critical issues regarding frameworks, measurement, and empirical methods which have not yet been resolved (Academy of Management, 2003). Therefore, CSR still has various definitions. The World Business Council for Sustainable Development (WBCSD, 2001) defines CSR 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". This statement emphasises the power of impact that businesses may have on society. Sparkes (2003) highlights

that in economic terms, CSR is a “constraint upon business activity which must be integrated into management decision making in order to maximise long term profits”. The present definition is supported by Decker (2004), who highlights in her paper that “this definition of CSR presents the view that pursuing a CSR agenda is not incompatible with profit maximisation and does have a place in a market economy and in achieving the commercial objectives of business activity” (Decker, 2004). This means that CSR policy can be seen, not only as a responsibility, but also as an instrument, which can accumulate profit to the company that is applying the policy. As emphasised by World Bank (Khan, Halabi, & Samy, 2009), CSR is the commitment of business organizations to contribute to sustainable economic development through working with employees, their families, the local community and society at large with the main purpose to improve the overall quality of life, in ways that are good both for business and society. Connolly’s (Ralston, 2010) definition of CSR illustrates why socially responsible policies implemented by financial organisations are truly important for society: CSR is the alignment of business operations with social values. CSR consists of integrating the interests of stakeholders that are affected by a company’s conduct into the company’s business policies and actions. CSR focuses on social, environmental, and financial success of a company—the so-called triple bottom line—with the goal being to positively impact society while achieving business success (Ralston, 2010, p. 398).

Concluding from the statements above and the scrutinised literature on CSR, which can be divided into two categories (see Figure 1).

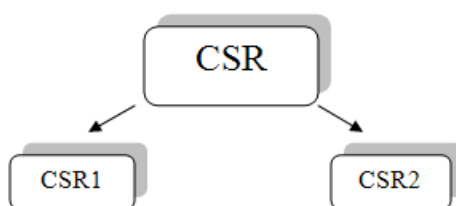


Figure 1. CSR categories.

CSR1 is oriented towards the social, environmental, and society concerns. CSR2 focuses on business, shareholders and profit. There are common areas of both forms of CSR; however, one will usually override the interests of the other. CSR1 can sometimes be detrimental to the running of a business, imposing new working methods and policies not aimed at maximising profit. CSR2 is seen as favouring the financial interests of business first and showing insincere support to other issues. All CSR policies are currently designed and implemented by the business along guidelines they themselves choose. They can choose to apply any CSR policy aspect, which suites their business. A problem arises, as CSR is not an obligatory policy, therefore, it is open to abuse. Only directors with specific and personal interests in social and environmental issues can hope to achieve true CSR within the framework of their business. Legislation or officially recognised certification through external organisations is perhaps the only viable way of establishing constants in CSR policy where business and consumer interests are equally represented.

Some authors, who scrutinise CSR, state that “it needs to be thoroughly considered and treated as any other investment” (Castka, C. Bamber, D. Bamber, & Sharp, 2004). McWilliams and Siegel (2001) earlier highlighted that the core return on investment in CSR was finding the optimum level that balanced the need for maximising “profit for CSR” while satisfying the “demand for CSR” from multiple stakeholders. Castka et al. (2004) offered their resolution of that balance as Figure 2.



Figure 2. Key CSR equilibrium (Castka et al. 2004, p. 222).

Here a parallel can be drawn—“Profit from CSR” is “CSR2” (oriented towards the social, environmental and society concerns) and “Demand for CSR” is “CSR1” (focuses on business, shareholders, and profit). The figure above is strongly supported, as it is significant to find the balance between CSR1 and CSR2 for CSR policy to work in general. Judging from the Figure 2, the balance should be equal (50 to 50).

For further study, it is recommended to move on to the CSR further on implementation in the banking industry, as CSR application is specifically scrutinised in that sphere.

Aspects of CSR

There are four aspects of CSR, which include economic, legal, ethical, and philanthropic responsibilities (see Figure 3).

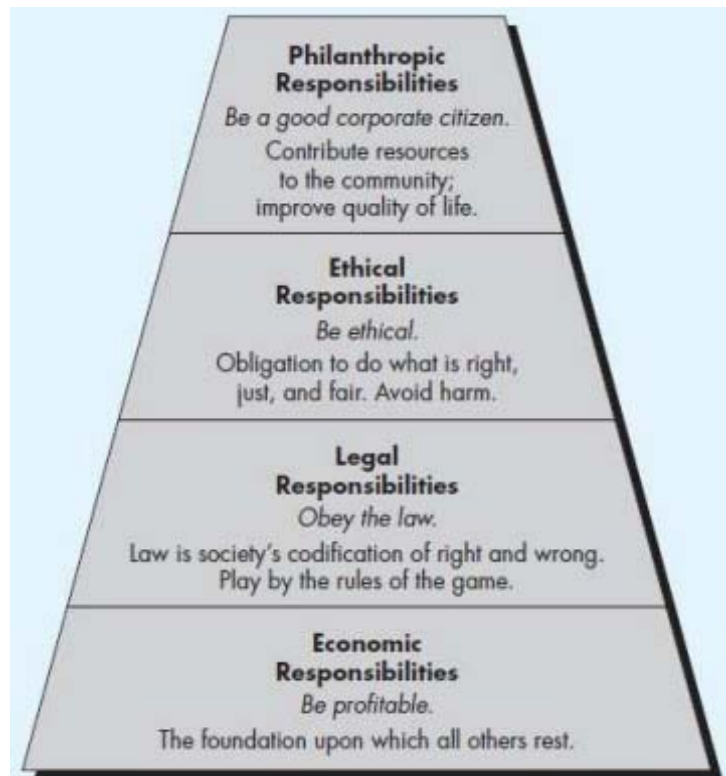


Figure 3. Exam four-layer pyramid of CSR (Carroll & Buchholtz, 2009, p. 45).

According to the Figure 3, a socially responsible bank should strive to:

- make a profit;
- obey the law;
- be ethical;
- be a good corporate citizen (Carroll & Buchholtz, 2009, p. 45).

CSR in Latvia

Despite the fact that CSR is not compulsory by Latvian legislation, it is practised by major Latvian banks. The research concentrates on the Latvian commercial bank—Citadele (formerly known as Parex), which underwent the bankruptcy procedure that was followed by nationalisation between 2008 and 2009.

By the end of the twentieth century, Latvia was in transition to a market economy and civil society. The application of CSR policy in Latvia dated back to 1974, when successful textile firm Rigas Audums was providing their employees with better wages and working conditions. According to Maessen, Van Seters, & Van Rijckevorsdel (2007), their views were akin to modern concepts of stakeholder primacy in CSR. Thus, it could be concluded that some concepts of CSR policy may have been used even in earlier years. However, at that time there was no such definition as CSR. This also implies that CSR development in Latvia was parallel to other countries. Petersons (2009) stated that in the overall context of CSR, the costs and benefits were directly associated with internal business activities, generally in line with long established values. The side effects, or externalities in the language economists, were largely ignored.

Currently banking supervision and the legislative framework is well advanced and it is one of the strictest in Central and Eastern Europe. The principal basis of Latvian credit institutions is determined by the “Law on Credit Institutions” adopted in 1995. In 2003 there were 22 commercial banks united under the Association of Latvian Commercial Banks (Zubkova, Kauzens, Tillers, & Prusis, 2003). According to Brige (2006), Latvia has set up a universal banking sector. All banks are mostly operating as commercial banks, offering a wide range of traditional banking services (including Parex and now Citadele) such as account maintenance and settlement, lending and financial leasing, asset management, etc.

Citadele implements its social responsibility campaigns through the movement “You Are. You Can” launched in the spring of 2012 as a support programme for the participation of the Latvian team in the London Paralympic Games. Part of Citadele’s marketing investments, as well as all the donations made by its employees, clients and other supporters are used for the implementation of programmes of the Latvian Paralympic Committee, as well as other social responsibility programmes aimed at inspiration and involvement of disabled people in society, as well as their support through positive and encouraging information (Citadele 2013a). The majority of Citadele’s employees are active members of the movement “You Are. You Can”.

Latvia is currently preparing for the introduction of the Euro. Citadele Bank has been preparing for the transition to Euro actively since 2012 in order to ensure that the introduction of the new official currency is simple and convenient for their customers (Citadele, 2013b). The bank offers ordering encashment service and preliminary Euro delivery service of Citadele bank and provides detailed information on introducing the Euro in Latvia, which may be helpful for residents and non-residents.

CSR in the Banking Industry

Banks, like other businesses, apply CSR policy to their practices. In the banking industry, CSR is known as Community Service Banking, which was introduced by the banks in 1973 with a view to assist the identified target group belonging to the weaker and downtrodden sections of the society both under its Banking and Non-banking activities. The banks were among the first to accept, as part of its corporate philosophy, that human and financial resources at their command should be mobilized in discharging the social role (Narwal, 2007). As it is mentioned before, during 40 years of application, CSR still does not have a unified, standard definition.

In the present days, banking services are necessary for participating in modern economic life. Even to receive a salary or pension, a person needs a bank account. Nevertheless, banks are businesses that provide services, which can lead to financial exclusion. It refers to inability of individuals, households, socio-economic groups or communities to access necessary financial services in a manner suitable for their needs (Decker, 2004).

In Latvia, on the 19 of November, 2009, a respected Latvian business newspaper *Bizness & Baltija* (Business and the Baltics) printed a three-page article “A Human Outside the Banking System (Человек за бортом банковской системы)” detailing a common practice among Latvian banks of withholding, limiting or cancelling access to their financial services for certain clients without offering the client any explanation. In the article, a bank customer tells how he was left without being able to use his bank account to pay his bills.

According to the table on the level of financial exclusion in individual European 25 countries, created in 2003 and published European Microfinance Network website, Latvia has one of the highest levels of financial exclusion. This also proves the above mentioned example from the newspaper, as in EU 10, where there is 34% of financial exclusion among adults, Latvia has the highest rate of financially excluded people. The lowest rate is held by Slovenia. Countries from EU 10 are the most vulnerable to financial exclusion, especially Latvia, Lithuania and Estonia.

CSR, when implicated, in its turn can help prevent social exclusion by making bank services more available to all layers of society and geographical location, for example, by making the creating and maintenance of a basic bank account free of charge, by placing more ATMs and by making ATMs accessible to people with physical disabilities. In case of financial services, the needs of consumers are “security, access, liquidity, interest and social responsibility” (Reifner, 2007). Therefore, to prevent financial exclusion, the above mentioned needs shall be fulfilled.

CSR in the Latvian Banking Sector

The following chapter is devoted to the analysis of the implementation of CSR policy in the Latvian banking sector. CR activities of the banks are analysed according to the information provided on their official websites. Several employees of these banks were interviewed by the author of the research. Gathered information is scrutinised by applying the comparative method of research and is provided in the conclusions section.

CSR Policy at Swedbank

According to the volume of assets among retail banks, Swedbank is the largest bank in Latvia. It is a full-service bank for both private individuals and companies in the home markets of Sweden and the Baltics (Estonia, Latvia, and Lithuania). In terms of CSR policy, the bank has its own code of ethics. “Key values and principles, on the basis of which the Swedbank Ethics Policy has been developed are: conformity with law, openness and transparency, directness and unambiguity, focus on customer’s interests, cooperation and mutual respect, professionalism, quality, responsibility, integrity, self-control and good financial institution practice” (Swedbank, 2013a).

The bank does not have a specific section on their homepage devoted directly to CR; however, Swedbank has its own Code of Conduct “a concise summary of the fundamental principles that govern the operations of the Swedbank Group companies. Essentially, it is our promise to the customers, employees, business associates and the society” (Swedbank, 2013b) and sustainability policy. Swedbank stresses that “Sustainable

development is achieved when people grow and fulfil their needs in harmony with the rest of the society and the planet. This implies respect for and protection of the environment, human rights, labour rights and business ethics” (Swedbank, 2013c).

Swedbank has started various charity and social projects. In its corporate presentation, the bank highlights the desire to be a responsible citizen in society. “We have ambitious corporate guidelines in areas such as ethics, working environment, gender equality and diversity. These help us actively contribute to the sustainable development of our society at both local and international levels” (Swedbank, 2013d). Many services of the bank are available 24 hours a day. Swedbank’s largest projects related to social responsibility are presented below.

In the framework of its philanthropic activities, on 11 December 2003, Swedbank opened a charity portal (Retrieved from www.ziedot.lv) (“ziedot” means to “donate”). The portal offers a unique opportunity for companies and private persons to donate funds via the Internet. Ziedot.lv is both a large-scale charity project and an online portal. For the first time in Latvian history, it encompasses charity projects, which, according to certain criteria, are selected by the Board of Experts of Ziedot.lv. These charity projects operate in various spheres—health, education, help for children, youth, elderly, animals, etc., Swedbank ensures a quick, easy and safe donation system. Ziedot.lv also cooperates with a family charity foundation “Boris and Ināra Teterev Foundation”. It was established in 2010 by the benefactors whose aim is to support distinguished and socially important charitable initiatives. “The Teterev family is particularly keen on supporting culture, education, as well as community development organizations in cities and rural areas of the country and also on animal care programs. They help groups of people with low income and families at risk. The foundation operates internationally and supports charity projects abroad” (Teterevfond, 2013a). The foundation particularly cooperates with Ziedot.lv in the charity communal meals project “Kopgalds—siltas maltītes atbalsts” (Common table—hot meal support).

On 21 November 2007, Swedbank launched “Mission Possible”, a social responsibility initiative in the area of education at the national level in Latvia. The project was implemented with support provided by non-profit organisations, public and private sectors. “The mission of the programme is to strengthen the value of quality education in Latvia by assisting talented university graduates to become inspiring teachers and future leaders. It is planned to roll out the programme at schools in the academic year of 2008/2009 when 15–20 participants of the programme will start their work in schools across Latvia” (Swedbank, 2013e). The project finished in 2013, donating a total amount of 92,664 EUR to the development in “Mission Possible” and investing 33,047 EUR in raising awareness of education issues.

Due to Euro implementation in Latvia, Swedbank created a special section on its homepage that provided extensive information on the new currency. The present section covers such topics as “How to prepare for the most convenient switch to the euro”, “FAQ”, “Availability of banking services in the euro changeover night”, and even “Fun facts & comments” (Swedbank, 2013f).

On its homepage, Swedbank has various links with useful information for clients—calculators, exchange rates, actual campaigns, analytical information, about Euro implementation in Latvia, etc.. The website is convenient to use and gives extensive information for clients.

CSR Policy at Nordea Bank

Nordea Bank ranked three among banks operating in Latvia in 2012 according to assets. It provides

extensive CSR information, both on its website and in annual reporting.

Nordea's audited 51 pages "CSR Report 2012—A question of balance" which demonstrates Nordea's serious commitment to CSR activities and its localised involvement in Latvia appears among the best in terms of variety and engagement of both the public and its staff. The Latvian branch decided in 2012 to implement the guiding principle of the group: "CSR is a part of Nordea's DNA".

Christian Clausen, the President and Group CEO of Nordea is also the Chairman of the European Banking Federation, which is working to reshape global financial regulation to ensure that banks have profitability and sustainability to avoid new financial crises and become buffers to protect the public from asset price bubbles. The following part will provide Nordea's Latvian specific CSR projects in 2012.

In recognition of the high unemployment rates in Latvia, one of the main initiatives from Nordea was the establishment (in 2012) of the Nordea Business School which aimed to help Latvian entrepreneurs through 6-month courses. "The aim is to help up-and-coming entrepreneurs in a step-by-step process from idea to meetings with potential investors. The school provides participants with lectures, practical advice as well as individual coaching and mentoring sessions" (Nordea, 2013a).

As part of Nordea's community and ecology CSR strategy, 2012 saw them officially sponsor several popular events in the Riga calendar, including the Nordea Riga Marathon and "Big cleanup" (where citizens are taken to the streets on one day to pick up litter and tidy up their local streets and parks). Nordea also sponsored "Earth Hour" and "Donor Day".

Employees are involved from the very foundation of Nordea's CSR strategy with 50% of staff actively participating in some form of CSR activity. A Bicycle scheme was introduced in 2012 where the bank provided bicycles for staff use. Thirty percent of staff participated in the scheme, helping to reduce their carbon footprint. Staff also participated in "volunteer days" conducting classes on financial management, which were paid for by the bank.

CSR Policy at SEB Bank

Recognised by Global Finance as Latvia's Best Bank and the country's best Consumer Internet Bank (Global Finance, 2013a), Swedish owned SEB Banka (formerly Latvijas Unibanka, then SEB Latvijas Unibanka) is among the top three sustainable companies in Latvia with over 3,466,728.99 EUR in total assets offering services for corporate customers, institutions, and private individuals.

SEB Bank's Latvian website defines its CSR through the slogan "SEB in society" with a section devoted to "Corporate Sustainability" (also linking to its 34-page annual Corporate Sustainability Report) and another for "Sponsorships and investments in society" where organisations are invited to apply for sponsorship grants towards sports and culture, children, education and financial literacy, entrepreneurship and ecological projects.

SEB's social CSR strategy is to involve itself in, and actively promote, many socially responsible projects such its long-term involvement with SOS Children's Villages, which helps find and support foster parents of Latvia's 2000 plus orphans and give the children a chance of a family childhood aided by regular public donations. SEB also grants scholarships each year in association with the University of Latvia Foundation, the Vitols Fund and the Art Academy of Latvia and is a major sponsor of cycling and tennis in the country. The bank also promotes several programmes that allow entrepreneurs to receive financial and advisory support.

Although the term CSR is not mentioned on the website, SEB does appear to be committed to a wide range of socially responsible endeavours and give equal prominence to support its stakeholders and the

business community, encompassing a broad CSR motive to its business. Stating their ambition as: “Our business shall be underpinned by strong ethics and good governance, long term relationships and highly committed people delivering the corporate strategy and managing the social and environmental impact of our business” (SEB, 2013a).

The website is used to offer customers access to the information they need within only a couple of button presses. Features, such as a live map showing how many customers are currently queuing at each of its branches are particularly useful to those in a hurry and SEB places its contact information with prominence, displaying direct phone numbers to local branches and the ability to use Skype and email. Unfortunately, SEB’s CSR related pages reside under the “About” tab of the website which is not immediately clear to visitors.

On 18th of November, the bank even opened “SEB Eiro Cafe” in cooperation with Baltic Restaurants Latvia, where people can receive useful information about euro introduction. Food prices were already presented in both lats and euro. During working days, clients are able to get consultations about euro implementation. This is a good example of where CSR policy activity is balanced—clients can purchase food and drink along with free information about the important change in their country. At the same time, such activity will also make money and possibly attract more clients to the bank (SEB, 2013b).

Clear information regarding the Euro is lacking from the main page, although there is a large countdown timer at the top of the page indicating the forthcoming currency change. There is button under the heading “Accessibility of Services at the End of the Year” that takes the reader to a new section devoted to Latvia’s Euro zone membership. The Euro part of the site features an online currency calculator and detailed information regarding the new currency. It also attempts to answer many of the questions readers may have about the Euro. A section devoted to “services after the introduction of the Euro” is extensive, covering most of SEB’s banking services and the Euro related changes affecting them. Each section also offers advice to customers about “what you need to know” and “what you need to do”.

CSR Policy at Baltikums Bank

Baltikums Bank is an international private bank that provides a wide range of financial and advisory services, including tailored solutions for high net worth individuals, enterprises, and financial institutions. Established in 2001, the bank has its head office in Riga (Latvia), a subsidiary in Cyprus and Luxembourg, and representative offices in five other key business and financial centres throughout the CIS (Baltikums, 2013a). Baltikums Bank highlights that importance of preserving cultural and human values supports sporting events and other non-profit undertakings by donating funds.

The bank does not have a specific section devoted to CSR policy; however, it has “Society” page, which describes Baltikums Bank’s activities in sponsorship and charities. On the website, there are three such engagements listed.

In 2010, Baltikums contributed to the re-creation of the Orthodox temple of Our Lady of Kazan. In 2012, Baltikums provided financial assistance to the Imanta foster home and took part in a number of socially important events and charity campaigns (Baltikums for Children project). In the same year, the bank also sponsored the National Tennis Academy of Latvia by purchasing necessary equipment and organising events.

Baltikums Bank’s website provides broad information about the bank, its services and activities. Nevertheless, since September 2013 the price list is not available online. To receive information on prices, a person needs to be a client of the bank and use Internet banking, or visit the bank. Details on euro introduction

are also published.

CSR Policy at Baltic International Bank

Baltic International Bank was established in 1993 in Latvia. It is the first Latvian bank that offers a one-stop personalised financial service for affluent individuals and their families (BIB, 2013a). The bank stresses its striving to proactively participate in the community's life and to support economic growth and culture development.

BIB has a specific section devoted to social responsibility. The bank participated in a worldwide tree planting campaign established by the United Nations Environment Programme. The staffs were engaged in volunteer greenery planting activities in Riga.

The bank gives its employees the opportunity to enrol their children in the summer work programme, where they can gain real-world and hands-on experience while working for the bank. BIB supported a grand celebratory performance in honour of the 90th Anniversary of the Latvian National Opera House (LNO). In 2009, the bank sponsored a gala concert that was broadcast live on Latvian Television. In 2010, BIB sponsored the legendary Attention-Interest-Desire-Action (AIDA) opera in LNO. The bank implies CSR policy in the economic sphere as well by annually supporting a London-held international business forum dedicated to investment opportunities in Latvia.

Baltic International Bank also supports hi-tech product developments by being one of the organisations aiming to support the Technology Promotion and Commercialisation Workshop that has been held in Latvia since 2009.

BIB's website also provides wide and open data to clients and potential customers about the bank, including information on euro introduction and a price list of available banking services.

CSR Policy at DNB Bank

Part of the largest financial group in Norway, De Nederlandsche Bank (DNB) is one of the top universal banks in Latvia in terms of assets, deposits, loans, and loan portfolio volumes and provides its customers, both legal entities and private individuals, with competitive financial solutions as well as high quality services within its extensive branch network. DNB itself was founded in Norway in 1822 and is the country's oldest private bank.

Although the main DNB website has a detailed section on CSR titled "Environment and Society", the very basic DNB Latvian website is devoid of any specific CSR related content and concentrates almost entirely on the bank's services. It is also difficult to find specific DNB supported projects within Latvia, although the bank did donate a car to the Ronald McDonald House Charities in Latvia in 2013.

Euro transition does have its own page "Transition to euro", a currency calculator on the main page and a section giving answers to common questions about the Euro transition. It is in this Euro section that it is found one solitary link to two DNB supported charities Jugla's Animal Protection Project "Labas Majas" and Mobile Healthcare Centre (MVAC) Children's Healthcare Project (DNB, 2013a).

The main DNB website (DNB, 2013b) details its CSR policies towards stakeholders with the main focus on environmental issues such as "green banking" and its commitment to ethical practices, transparency and good working practices for its staff. DNB bases its CSR policy on national and international laws, regulations, accepted principles and guidelines, including those laid down in the Global Compact, Organization for Economic Cooperation and Development (OECD) guidelines for multi-national companies and the United

Nations Environment Programme Finance Initiative (UNEP FI)'s principles and require its vendors adhere to the same principles and guidelines (DNB, 2013c). DNB financial support is predominantly to sports (62%), Culture (24%) and Humanitarian Work (12%). DNB also gives an annual "Innovation Award" although this is only in Norway. There are no similar programs for Latvia. DNB does report Carbon Accounting annually, including a specific report for DNB Latvia; however, this is not available through the Latvia website.

CSR Policy at Rietumu Bank

Rietumu Bank is one of the largest banks in the Baltics States, specialised in corporate banking and affluent individuals. The Bank is well represented in the global market, providing services to customers all over Europe, the Baltic States, Russia, Ukraine, Belarus, and other regions (Rietumu, 2013a).

The bank does not have a section on their websites devoted to CSR policy; however, it has a "Charity Fund" page. "Rietumu Charity Fund was founded in April 2007 with the primary objective to support various projects in social, educational and cultural areas" (Rietumu, 2013b). Charity Fund's website (Retrieved from www.rblf.lv) provides information about the allocation of donated funds and hundreds of CSR activities of Rietumu Bank during the years 2007-2010.

Rietumu bank joined the American Chamber of Commerce in Latvia (AmCham Latvia) more than fifteen years ago and is one of the oldest members of the Chamber. In its interview with AmCham Latvia, the bank states that it "actively participated in various sponsorship programs, supporting USA Independence Day and anniversary celebrations, luncheons with ambassadors, prominent politicians and economists, as well as other respected guest speakers" (AmCham, 2013a). The bank has also signed the AmCham statement of Good Corporate Citizenship. Rietumu bank stresses that the statement "fully coincides with the Bank's internal business ethics and CSR policy in terms of transparency, Human Resource (HR), philanthropy and environmental protection" (AmCham, 2013a).

Information about euro implementation in Latvia is also located in a specific section of the website. Rietumu bank's homepage itself is friendly to customers and potential clients, presenting broad and open information on customer services, information about the bank, currency exchange rates, price-list, documents and forms. The website is available in six languages.

CSR Policy at ABLV Bank

Presently, ABLV Bank is the largest independent private bank in Latvia, having representative offices of the Group in many CIS countries (ABLV, 2013a). It was established in 1993 under "Aizkraukles Banka" name. The bank is a member of the Association of Latvian Commercial Banks, which protects the interests of Latvian banks both in domestic and foreign markets, certifies banking specialists, and arranges professional seminars. Also, ABLV Bank takes active part in operations of other professional institutions, which aim to develop Latvia as regional financial centre (ABLV, 2013a).

ABLV Bank has a section on their websites devoted to social responsibility. It contains information about the bank's Charitable Foundation (ABLV, 2013b), which aims at encouraging businessmen to demonstrate their social responsibility. It is focused on supporting contemporary art, urban development, education, and civil society. In 2005, the bank also invested 1,422,871 euro in acquiring art works for the future Latvian Contemporary Art Museum. ABLV's Charitable Foundation has various CSR projects. The foundation received over 70,000 euros from the above mentioned "Borisa un Ināras Teterevu fonds" family charity foundation for the charity project "Palīdzesim 21.11" (ABLV, 2013c). The project was established in order to

help those who suffered in Zolitude tragedy when a supermarket roof collapsed, taking away lives of 54 people. The main goal of “Palidzesim 21.11” (Let’s help 21.11) is to help those children who lost their parents in the tragedy.

The bank’s homepage provides broad information about its services, fees, charges, documents, and currency rates. ABLV also has information about euro implementation in Latvia; however, there are no specific sections on their website, devoted to the event.

CSR Policy at Danske Bank

Founded in 1871, Danske Bank is Denmark’s largest bank and a major retail bank in northern Europe. In Latvia, Danske is a relatively small operation when compared to banks such as Swedbank; however, in May 2013, it received the bronze category evaluation in the Sustainability Index for the second year in succession, which proves that the implemented (CSR) practice bears responsibility towards the environment, society, employees, and clients.

The Latvian website leads on corporate banking, but also offers banking to private persons.

Although not as detailed as the main Danske website, the Latvian site does have a dedicated section titled “CSR” under the “About us” section. Danske’s CSR policies are generalised in three categories (see Figure 4).

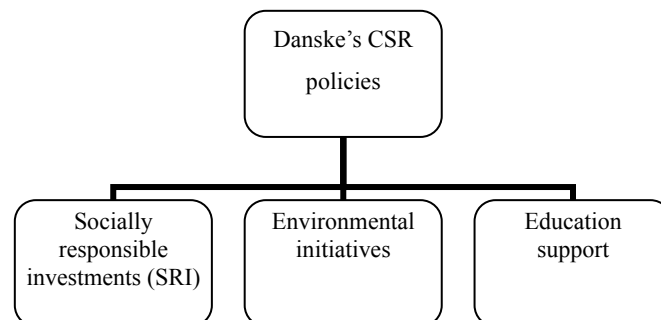


Figure 4. Danske’s CSR policies.

“Education support” has, since 2002, seen Danske Bank transfer over EUR 400.000 through a long-term agreement with the foundation “Vitols fund” on granting scholarships to gifted and hard-working, but needy young people who wish to study in Latvia’s Universities. Danske also implemented teleconferencing to cut-down on carbon emissions, saving over 1600 tons in 2011 alone.

Socially Responsible Investments is a policy of the bank to ensure that customers’ investments are not placed in companies that violate international standards and Danske, through consulting firm Ethix Social Research Institute (SRI) Advisors, operates regular screening of investments and publishes an exclusion list (Danskebank 2013a) with the reasons for excluding investment. “The screening includes companies in the Morgan Stanley Capital International (MSCI) World and the MSCI Emerging Markets indices and the largest companies listed on the Nordic stock exchanges. The screening process is based on internationally recognised guidelines of the United Nation (UN) Human Rights Norms for Business (2003), including UN Global Compact (1999) and OECD Guidelines for Multinational Enterprises (1976). In addition, the screening includes a number of international conventions reflecting the development in the SRI field since 2003” (Danskebank, 2013b).

Information about the Euro transition is concise but includes the most important aspects of the changeover and specific information for its customers, a prominent online currency convertor is available on the Euro page and a large banner advert “Get ready for the Euro” is on the front page making finding information a simple

one or two click process.

CSR Policy at Norvik Bank

The bank was established in 1992 and is one of the oldest commercial banks in Latvia. It is owned by Latvian entrepreneurs. “Norvik Bank provides its banking services to a wide range of clients—from private individuals to international industrial companies” (Norvik Bank, 2013a). The bank stresses that its core value is “satisfied customers and high quality services”. The bank has 80 branches in Latvia due to developing its accessibility to customers.

On their homepage, Norvik Bank has a specific section devoted to CSR, although the information is provided only in Latvian and Russian languages. The bank employs CSR policy in its performance and takes part in cultural, sports, and social life in Latvia.

Norvik Bank made donations in 2007 to the children’s hospital, in 2009 to a treatment fund and in 2010 to the Latvian charity fund “Donor”. Throughout the years 2007-2012, the bank continuously sponsored various sports and cultural events in Latvia. During the above mentioned years, Norvik Bank also supported education events and activities.

The website of the bank provides open and broad information about its services and activities, including various documents and forms, manuals, transaction terms, tariffs, etc.. The bank has a special section devoted to euro implementation in Latvia.

Summary

From Table 1, it can be seen that the most popular CSR activities of banks in Latvia are: charity projects and donation funds, supporting educational programmes and events, providing financial assistance for foster homes and children's hospitals. SRI activity is less popular among with the recreating of architectural arts and code of conduct. More detailed information is presented in the conclusions section.

Table 1

CSR Activities of Banks in Latvia

CSR activities of banks in Latvia	Swedbank	Nordea Bank	SEB	Baltikums	BIB	DNB	Rietumu Bank	ABLV	Danske Bank	Norvik Bank	Citadele
Charity projects/Donating funds	√			√		√	√	√		√	√
Code of conduct	√	√									
Contemporary art projects					√		√	√			√
Educational programmes' support	√	√						√	√	√	√
Environmental projects		√	√		√				√		
Foster Homes/Children hospitals, financial assistance	√		√	√			√			√	
Preservation of cultural and human values				√		√	√				
Recreation of architectural projects				√						√	
Socially responsible investments (SRI)									√		
Sporting events organisation		√									√
Sporting events support	√			√		√					√
Sustainability policy	√	√	√						√		
Youth support, labour programmes					√		√		√		

Survey on Citadele Bank Customers View About the Bank's CSR Activities

A survey was commissioned to question Citadele Bank account holders about their views and experiences regarding the Bank's CSR activities. The questions were developed by the author of the paper in order to ascertain sample data for the purpose of proving the hypotheses of the present research. The survey itself was conducted on behalf of the author, by an international research agency (GFK), which is one of the world's largest research companies, with around 13,000 employees. The survey was carried out in August and September of the year 2013, sampling 316 Citadele Bank clients, who were reachable via the Internet. The sample size is sufficient to analyse the results of this target group with 6.5% accuracy at a 95% probability, which is optimal for accurate measurement to use for purposes of a scientific research. It is essential that the information gathered in the survey represents the viewpoints of economically active persons—Internet users, rather than views of all Citadele's customers about the impact of CSR of Citadele on the image of the nationalised bank. Clearly defining the target group and the accuracy of the results obtained, the survey is representative for the above-mentioned target group.

Conclusions

Customer awareness of Citadele's CSR activities has increased, although not significantly. It may be a general lack of public understanding of the actual term CSR that is the cause of this uncertainty among customers as respondents do indicate, throughout the survey, their awareness of activities and policies that are within the scope of CSR even if they are unaware of the terminology.

Trust in the bank is a more difficult matter to assess. There does appear to be a level of cynicism directed towards CSR activities, as is evident by responses to question Q10, however, customers are, in general, more satisfied with how Citadele operates following nationalisation. Concerns for the safety of their money, although still evident, are lessened due to the bank now being partly under state control and somewhat guaranteed. The above mentioned fact proves our first hypothesis.

It will come as little surprise that Citadele customers are acutely aware of failings in the banking industry as being generally responsible for the hardships they have endured and followed the financial crisis as Latvia has, more than most EU countries, experienced very harsh austerity measures. When asked about key issues that they see as important for the bank to focus on, there is a strong indication that legal and ethical issues outweigh trivial issues such as waiting times, Automatic Teller Machine (ATM) locations and queuing. It can be surmised that customers are now much more aware of, and take an interest in, how their banks are run and how they perform; and more importantly, that their banks are acting, first and foremost, in the best interests of their customers. Our second hypothesis is proven.

With banks fully aware that their operations are now, more than ever, under closer observation from customers, tighter legal regulation and, in the case of Citadele, under state control, it is to be expected that, for a bank to rebuild its reputation, it must go further, be more open and be sincerely supportive of the society in which it operates. It is not surprising that customers may view CSR initiatives with a cynical eye and that many may be dismissive of such activities, but it is imperative that banks continue to further involve themselves in CSR initiatives and be seen to be doing so. Citadele bank is actively promoting itself through CSR involvement in good causes, such as support for the Paralympics movement and this should not be seen as grandstanding or conversely, altruistic, but as a good indication of the banks' willingness to engage in socially responsible

endeavours for the betterment of the community. It is only through continued, open and sincere involvement in the community through support for good causes, the improvement of its customer services and by demonstrating that the bank has learned important lessons from the hugely damaging financial crisis that it will have any chance of changing the perception of a weary public, whose trust in them was severely damaged. Our third hypothesis is proven, however it will take many more initiatives and time before the true motives behind Citadele's CSR initiatives will be seen.

After scrutinising the information provided on the homepages of the above mentioned banks, it can be concluded that 10 banks out of 10 apply CSR policy in their practice. The bigger the bank, the larger are its social responsibility activities. Swedbank, Nordea bank, SEB bank, and Rietumu bank, which are in the top 5 largest banks in Latvia according to their assets in the year 2012 (data Association of Latvian Commercial Banks 2013a), perform more CSR activities than other banks. However, DNB bank, which is the 5th largest bank, provides minimum information of its CSR activities in Latvia. Nevertheless, the bank concentrates more on implementing social responsibility policy in Norway, where the main office of DNB is situated.

Only two banks out of 10 have a section on their websites that are devoted directly to CSR. These banks are Norvik bank (based in Latvia) and Danske bank (based in Denmark). All other banks have sections devoted to CSR activities; however, they are named as "Society", "Charity", etc.. This may be the reason why the majority of Latvian citizens are not familiar with the term "CSR". The public is aware of charity funds, donations and sponsorship by the banks, however, according to our survey, they do not necessarily associate these socially responsible activities with the term "CSR". It can be assumed that the reason banks do not name a section of their website specifically as CSR is likely because the policy is not a legal obligation.

The majority of analysed banks have a special section devoted to euro introduction in Latvia. Regardless of a specific section, 10 out of 10 banks provide information about euro implementation.

As it is seen from the process of the conducted research, the majority of commercial Latvian banks perform CSR activities by establishing their own charity funds. The goal of these funds is acceptance of requests for specific help, consideration of the request, realisation of the project, and the following control over the project. Usually the fund is run by three to five employees. For one of the workers, the fund management is full-time job, others work part-time. The largest banks, like Rietumu Bank perform several dozen charitable projects a year, with a detailed description available at a special homepage made for the fund. However, the majority of banks in Latvia with equity of local origins do not have a page, devoted directly to CSR.





Since the 1970s, it has been typical of banks in Western Europe with foreign equities to apply "the code of conduct and sustainability policy" models. One such example is Nordea Bank Report on CSR of 2012, which reflects the model of CSR policy application in Latvia (see Table 2).

The main difference from the classic CSR pyramid proposed by Carroll in 1991 is that its basis is economic and legal responsibility, whereas banks in Latvia mainly pay attention to the implementation of the top of the pyramid—ethical and philanthropic aspects.

What is typical of the projects themselves is that they are orientated at recreating humanitarian initiatives, promotion of sports activities, child care, attention to issues of art, and architecture, i.e. all initiatives being developed are beneficial to society.

Table 2

Current CSR Activities at Nordea Bank in Latvia

	Nature	To care and cherish the environment, thinking about tomorrow	Resource efficiency
	Business environment	To implement responsible business activity, becoming a flashing light for others	Leadership in associations Partnership with state and municipal institutions
	Society	To give, improve, develop, becoming an integral point of public support	Charity and sponsorship Education of society Social work
	Enterprise	To run business from the heart—sustainably and responsibly	Clients Services, products Employees
CSR dimensions	Values	Teamwork	Excellent clients' experience People are most important

Recommendations

Although stricter regulation and state oversight will mean Citadele bank is somewhat forced to adopt a more socially responsible program, it is encouraging that its initial CSR endeavours have made a positive impact on certain good causes in Latvia. It is also apparent from our survey that improvements have been made in key areas such as customer service and efficiency, but it is only through continued and closer interaction with its customer base and society that it will prove to be a different bank than the one it replaced.

Our conducted survey does indicate the need for Citadele to increase awareness of its CSR activities among its own customers. It is apparent too that more prominent online information will be a beneficial method of informing customers about CSR as the majority are regular users of the banks' internet services.

Philanthropic and ecological issues, although commendable, are currently seen more much less important to our surveyed customers than improvements to traditional banking services that would directly affect customer experience; however, the age group of respondents should be taken into account, as issues such as ecology are typically more popular among young people.

It may be the case that, so soon after nationalisation and with people still feeling the effects of the economic crisis, it is more important for customers that the bank, first and foremost, proves itself as a safe place for their money, a reliable business that is open and honest, ethical and law abiding, operating within the parameters of a public bank and is continuing to improve services for its customers before pursuing greater CSR initiatives, and that any large-scale CSR initiatives are undertaken in consultation with customers. Openness and providing more information to customers are a key to improve the banks reputation, and in turn, building greater trust in its operation and subsequent future CSR activities.

After scrutinising theoretical literature, in addition it can be assumed that the implementation of CSR on an official scale can reduce shadow economy, as working in an institution that uses CSR activities would be more attractive to the potential employees. Moreover, obligatory CSR activities could increase employee's work motivation, as they would be working for an organisation, which follows ethical, philanthropic, legal and economic aspects, i.e., benefiting the employees themselves.

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