MACROECONOMIC RESPONSIBILITY VERSUS SOCIAL RESPONSIBILITY OF A MODERN COMMERCIAL BANK – THEORETICAL AND COGNITIVE ASPECT

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Abstract

Macroeconomic responsibility and social responsibility of a banking company are two separate kinds of its public responsibility. The objective of the paper is an indication of differences, similarities and connections between two kinds of public responsibility of a modern commercial bank. Due to the complexity and extensiveness of the issue it is not possible to present and discuss this matter and a range of other practical problems related to it in detail; that issues were taken up in a separate author’s monographic work (Korenik, 2009).

Keywords: macro-economic responsibility, social responsibility, commercial bank.

Introduction

Macroeconomic responsibility and social responsibility are two types of public responsibility of a commercial bank. The scope of public responsibility still remains a contentious issue and the contention becomes increasingly heated and significant (in the light of creating a financial system which is more and more exposed to destructive, crisis phenomena). Public responsibility is shaped under the influence of changing expectations towards banks as organisations being a part of the social system, open to changes occurring in their external surrounding. Currently these expectations are experiencing changes and becoming greater than ever before, which causes the change in perceiving public responsibility.

The final and at the same time the most general sense of a bank functioning as an organisation in the social system is making the greatest possible contribution to the wellbeing of the society or, in other words, to the creation of the desired social and economic order.

There is an increasingly stronger conviction that any business organisation, that is a commercial bank as well, needs to undertake to keep the promise of (co)creating the wellbeing of the society by:

- economical (proper) usage of their resources serving for producing the needed goods and services, and not only producing as much measurable profit as possible, and
- active participation in solving key social and economic problems (reducing the occurrence of negative social phenomena which result from actions taken in the economy based on free market principles).

The manner in which a particular bank will react to the changed public expectations and what public responsibility it will take as a result depends on its so-called social sensitivity, which is an individual matter. In principle, it is possible to distinguish two types of public responsibility which are becoming the focus of a dispute: which of these is or should be adopted in commercial banks – macroeconomic responsibility or social responsibility (promoted as social responsibility of the banking business).

The subjective of the paper is to indicate differences, similarities, and relations between both of these types of public responsibility of a modern commercial bank. Due to the complexity and extensiveness of the issue it is not possible to present and discuss this matter and a range of other practical problems related to it in detail; that issues were taken up in a separate author’s monographic work (Korenik, 2009).

Basis of macroeconomic responsibility of a modern commercial bank (outline)

The issue of macro-economic responsibility is related to perceiving the bank as a certain subject of the economic subsystem in the social system, i.e. a financial intermediary. The starting point in the description of this responsibility is the traditional theory of financial intermediation in which two paradigms of justifying the need for a banking institution in the economy can be distinguished, that is the paradigm of transactional costs and the paradigm of incomplete information. That is connected with the expectation that every bank takes responsibility for performing its activity in such a manner and in such a scope that its socially accepted raison d’être is proved. Interesting enough, the formation of theoretical basis of macro-economic responsibility...
responsibility has not been completed since the newest, third paradigm, which justifies the existence of the bank as a financial intermediary, should not be dismissed.

In the latest theory of financial intermediation an approach has appeared which presents a special significance of the bank in dealing with risk occurring in the economy. The bank is perceived here as an institution of a delegated risk manager or an institution which allows to mitigate the market risk resulting from the business cycle (bank’s role in the intertemporal smoothing of risk). In the latest stream of justifying the need for banks, the thesis is stated that such an institution should have a cost advantage over other entities in managing and redistributing risk in the economy (Hakenes, 2003), thus the basic activity of the bank seems to be risk management (Allen&Santomero, 1998). Therefore, the bank is responsible for creating its advantage in risk management for the sake of its own, as well as customers’ and the economy’s benefit.

**Bases of the social responsibility of a modern commercial bank (outline)**

The second type of public responsibility, that is social responsibility, is regarded as an extension of macroeconomic responsibility by other aspects than the economic (market) dimension. In the contemporary approach, that responsibility is becoming part of the promoted concept of corporate social responsibility (CSR), in this case - bank business.

According to the CSR idea, business organisations constitute an integral part of the social system, not only of its economic system, and should develop their relationships equally with all interest groups. At the same time the results of such relationships, in the form of contribution to the improvement of life quality (material wellbeing), should be visible on several planes: enterprise–employees and their families, enterprise–local society, enterprise–whole society (or enterprise environment), perceived in different scales: national, global, enterprise–owners. Then it would be possible to speak of the enterprise giving sustained value to the owners and non-owners, which is the purpose of a socially responsible enterprise.

The principal fields of responsibility of a contemporary enterprise (in this case a banking enterprise) include: human rights, work conditions, equality and diversity, consumer protection, impact on natural environment and health, economic growth, ethical business conduct, lobbying and political influence, role of enterprises in conflict areas (Swift&Zadek, 2002).

**Comparison of individual types of public responsibility of a modern commercial bank**

Both types of public responsibility have differences and similarities, as well as some correlations (which are described in detail in author’s monographic work on the responsibility of a commercial bank (Korenik, 2009). They can be encapsulated in the form of several items, as follows.

1. Macroeconomic responsibility is connected with economic choices of a bank and consists in providing economic benefits to single entities in direct contact with the bank, and macroeconomic benefits by fulfilling macroeconomic functions assigned to banks.

2. Macroeconomic functions of a bank (banks) are today subject to expansion; therefore greater macroeconomic responsibility is expected from banks. Greater importance has began to be attributed to the function of the financial system impact on socio-economic growth/development, based on the relatively recently discovered connection between the banking system (financial system) and the socio-economic growth. Satisfying expectations as to the fulfilment of that function requires the bank to have greater social sensitivity, assuming macroeconomic responsibility greater than expected earlier. At the same time, banks are expected to fulfil and develop their function specific in the currently forming risk society, that is the function of risk management and assisting clients in risk management. It is becoming duty of a commercial bank to approach risk prospectively, develop and seek better methods of controlling and containing thereof. It may allow banks which acknowledge the duty to (co)create economic growth to better serve the real economy and support its growth/development or contribute to the development of the banking/financial sector.

3. The sine qua non condition of macroeconomic responsibility of a bank is not the coherence of bank and banking. That is why for a bank assuming macroeconomic responsibility as its sole public responsibility the perspective of possible breaking the bonds with banking is neither excluded nor restricted. The duty to provide access and actual financial service of the real economy, as well as the duty to (co)create economic growth/development, applies, in turn, to banks as a whole (the banking sector) and the entire banking/financial sector (due to varied and significant correlations between banks and other financial sector institutions). It is the duty of every bank to anticipate and mitigate deficit situations created by its activity, before they pose a threat, as a sector, to the real economy and its growth. Banks operating thusly are
perceived as responsible and may operate in accordance with the concept of sustained socio-economic growth (more specifically - in the field of economy market order).

4. Social responsibility of a commercial bank includes macroeconomic responsibility but it is not problematic - contrary to macroeconomic responsibility - as far as its suitability for the concept of sustained socio-economic growth is concerned. That problematic is related to the ambiguous interpretation of “impact of the financial system on economic growth, with which the term wellbeing is associated” existing in the literature. It should be noticed, though, that in the theory of economy much space is devoted to optimal allocation of resources necessary for the economic growth, thereby the wellbeing (static and dynamic wellbeing theory (Mischan, 1996).

The proportion between richness and wellbeing does not have a causal nature since economic growth is neither necessary nor sufficient for wellbeing growth. Wellbeing hinges on the adopted value scale. In economic growth theories the value scale is of material nature only, which is decisive in the impact on human life quality (Piontek, 1999). Therefore, it is not certain whether the bank which reduces its external responsibility to macroeconomic responsibility will notice and respect other aspects than only the material aspect of social wellbeing, using as an excuse its commitment to economic growth by continuous improvement of economic effectiveness of activity (pursuant to the recommendation resulting from the relevant macroeconomic function of the bank system) and its ethical stance manifest in observing the applicable law. However, many issues as to ecological responsibility and corporate social impact have not been formalised, recognised in cash categories (e.g. not all benefits and costs of exploitation and protection of environment can be recognised in cash categories, some of them are insufficiently expressed in cash, thus the price does not reflect the full ecological truth) nor categories required by law. There is no guarantee that a bank which refuses to assume duties resulting from corporate social responsibility or assumes them very selectively, e.g. under influence of competition or threat of restrictive impact of law, will interpret wellbeing in the manner imposed by the concept of sustained growth. Those banks, in turn, which apart from macroeconomic responsibility assume duties resulting from ecological and social impact, that is perceive social responsibility in line with the CSR concept, will interpret it unambiguously. The concept of sustained growth (on which the CSR concept is based), being the opposite of the above mentioned material concept of wellbeing, identifies the latter with life quality in the sensitive and personal dimension.

5. The following are characteristic for social responsibility of banks, which at the same time differentiates it from macroeconomic responsibility:

i) underlying order to preserve coherence of the bank and banking (idea of “bank for society”) – social responsibility recognises the obligation to maintain banking as the primary field of its activity, as well as to provide real economy entities with better access thereto;

ii) does not exclude the perspective of using innovative formulas of bank operation (e.g. as a “network” enterprise pursuant to the principles of New Economy), provided that it does not entail worse access to banking service for real economy entities;

iii) is additionally defined by the bank’s effort to create desirable social relationships and characteristic for a highly socially sensitive bank – the bank is responsible for orienting its work to humanisation of the world: it is required to take only deliberate actions – objectively aiming at participation of people or objects in certain perfections (improving material and immaterial wellbeing), and not to take senseless actions – destroying, degrading the human, the human coexistence or the nature.

6. Approaching the characteristics of bank social responsibility in a different manner than above, the following may be stated.

In social responsibility, equally important as the effectiveness of fulfilling the macroeconomic function bundle is the commitment of a commercial bank to solving social problems arising from or deteriorated as a result of globalisation processes, afflicting entities most prone to become an injured party, as well as stakeholder groups without the voting right, that is the future generations and the environment.

Improving bank intermediary services in banks increases the possibilities of social, ecological and economic impact without avoiding commitment to solving social problems at the same time, including social and territorial integrity, quality, and environmental problems.

Social responsibility is manifest in constant commitment of a commercial bank to:

i. behaving honestly and responsibly in light of escalating tensions and social problems deteriorated in the globalisation era;

ii. contributing to the development of the social system by improving the professionalism of its business (inextricably connected with banking), which streamlines the possibilities of fulfilling
macroeconomic functions, by improving life quality of employees (and their families), and local communities and the entire society.

Then the bank confirms its role in social and territorial integrity, quality and environment. It proves that by providing banking services/products, relationships with employees and investments in real economy are able to influence employment, work quality and quality of industrial relations, and with households, allowing for respecting fundamental rights, equal opportunities, lack of discrimination, quality of financial products services and produced by its clients, health and natural environment.

7. Differences between macroeconomic and social responsibility may be explained in another way that is in relation to ethical business space.

Philosophical ways of perceiving contemporary society (social system) and business correlations therewith are different. In the field of commercial banking, two views on a contemporary social system are to be taken into account: separatist and integration vision (Popkin&Stroll, 1999). The third view, the so-called unitary view, is characteristic of non-profit institutions.

Opponents of bank business social responsibility being advocates of macroeconomic responsibility can be classified as those assuming the separatist view. Advocates of corporate social responsibility, in turn, confess to the integration view on society (Kurtzman et al., 2005).

Assuming and behaving in accordance with macroeconomic responsibility, banks in the light of the separation view become “banks for moral society” by action of two adaptation mechanisms (transformants):
1) market demand belonging to the proper field of economic activity (that is to market), and
2) law being mainly an instrument of public administration.

Thanks to such mechanisms such situations are avoided when economic activity, such as e.g. banking activity, becomes detrimental to the general public.

The separatist view cannot be sufficient for corporate social responsibility since not all moral disturbances present in the society may be qualified as a case of market demand influencing bank strategies or as legal principles enforced by state authorities (Porter o konkurencji, 2001). Corporate social responsibility negates the impossibility to apply moral pondering to business and falling into separatist cynicism. On the other hand, at the same time with reference to commercial banks it is not proper (because harmful) to fall into excessive optimism characteristic for the unitary view. Observing the idea of corporate social responsibility it is noticeable that it is based on integration view on society – the view presenting “unity in variety” between the moral society and evolution functional structures, which have additional internal links (due to which structures communicate and maintain relations with one another). Links between different functional structures (subsystems) are of internal nature and thanks to exchange thereof, there is a possibility to maintain integrity of subsystems (Pratley, 1998).

Corporate social responsibility does not require that bank business be (optimistically) moral. In the light of integration view, from which corporate social responsibility derives much, “corporate moral responsibility may be treated neither too naively nor too pessimistically. One has to formulate moral requirements in the categories of principles of fundamental justice governing the exchange relations and hierarchical relationships, on which business institutions are built. Such a moral approach to business should be combined with strategic instruments of law and customer demand” (Kurtzman et al., 2005).

The integration view (and the unitary view as well) provide that every activity, including its specific form - the bank business, is being performed in a given space: physical and ethical. The former specifies the conditions of conduct of entities, groups, teams, entire communities with respect to obtaining and processing resources, transformation thereof into expected results and the principles of participation in dividing those results. Within that space banks assume macroeconomic responsibility (whether or not within the scope of corporate social responsibility). The latter space is filled by specific, admitted and accepted rules of conduct within those processes, that is, moral standards. Corporate social responsibility is adopted within that space. In the separatist view, in turn, the latter space is irrelevant for the business, and if a bank behaves in line with moral standards while adopting macroeconomic responsibility, this happens due to both adaptation mechanisms: the market demand and the law.

9. Social responsibility is treated as the broadest public responsibility with respect to scope since it emphasises social functions of a banking enterprise.

Conclusion

The sense of public responsibility of a banking enterprise is decided by its social sensitivity. Contemporary business ethics even imposes huge social sensitivity on a bank, understood as serious response
to legal regulations, market signals and social and ecological needs, as well as anticipation of intentions of the legislator and economic trends in order to behave in favour of society and environment. Bank’s joining the sustained growth requires huge social sensitivity, greater than that necessary for assuming macroeconomic responsibility. The latter is in itself problematic, is subject to evolution and expansion. Therefore, the question arises: how to and who should make commercial banks undertake even broader public responsibility than the macroeconomic responsibility?

References