

## Social Priorities in the Work of Russian Commercial Banks with Public Organizations

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### Abstract

*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. The Russian model has a number of similarities with the Latin American This is especially true in the 90-ies., when the background of the struggle for influence of oligarchic groups, high-level corruption, the interpenetration of government and business, active actions of organized crime little influence of markets (financial, trade and the labor market) and civil society were observed to socially responsible behavior of companies. As a rule, Russian banks are guided in their efforts to explore areas of basic document (each - its), which determines the bank's policy in the field of CSR. In order to develop the business environment of the regions banks uses the following areas: maintaining a dialogue between business and government; attraction of investments in the Russian economy; improving the financial system of Russia.*

**Keywords:** commercial banks, public organizations, corporate social responsibility.

### 1. Introduction

Modern Russian companies (and credit institutions as well) tend to build their interaction with the public as part of the strategy of relations, providing for the most favorable business, political, environmental and humanitarian background. Such a strategy is called the concept of corporate social responsibility (CSR).

#### 1.1 Objectives

The objective of the study is the most common features that characterize the CSR-interaction of Russian banks with public organizations. The aim of the article is also to form a circuit mechanism of this interaction.

#### 1.2 Sources

The practice of publishing regular reports on the CSR banking spread in Russia only in recent years. Therefore, the sources of information on the chosen theme are available in print, but not quite enough. Scientific publications on the researched topic are also small. An example of successful research in this field is an essay (Söderbaum Hanna, 2006), describing the activities in the direction of the CSR of several large Russian corporations: LUKOIL (oil), Sual Group (aluminium, bauxit), Severstal Group (steel), Alfa Bank and Vneshtorgbank.

#### 1.3 Research Methods

The present study will consider the activity of the largest Russian banks, determining the general principles of corporate behavior for the rest.

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. However, the most characteristic features can be identified by the method of comparative analysis.

Civil society still does not play a decisive role in the motivation of responsible behavior of Russian companies. Surprisingly, the same applies to public authorities, which act in the field of CSR from time to time, occasionally campaigning for individual projects. Self-organization of society is weak and the level of public concern about the issues of corporate responsibility of companies is low. (Vashchekin Andrew N., 2014)

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when the background of the struggle for influence of oligarchic groups, high-level corruption, the interpenetration of government and business, active actions of organized crime, little influence of markets (financial, trade and the labor market) and civil society were observed to socially responsible behavior of companies. (Borodin Alexander I., 2004)

## 2. The Mechanism of CSR in the Russian Banking System

In recent years, an increasingly important role in promoting CSR in Russia takes over the state. However, until now the Russian companies lack of transparency in the process of doing business, with no sustainable partnerships between companies, governments and local communities, who are informal.

Ordering of these mechanisms and the study of their application by the Russian banks are objectives of the present study. The mechanism of CSR in the Russian banking system is schematically shown in Figure 1.

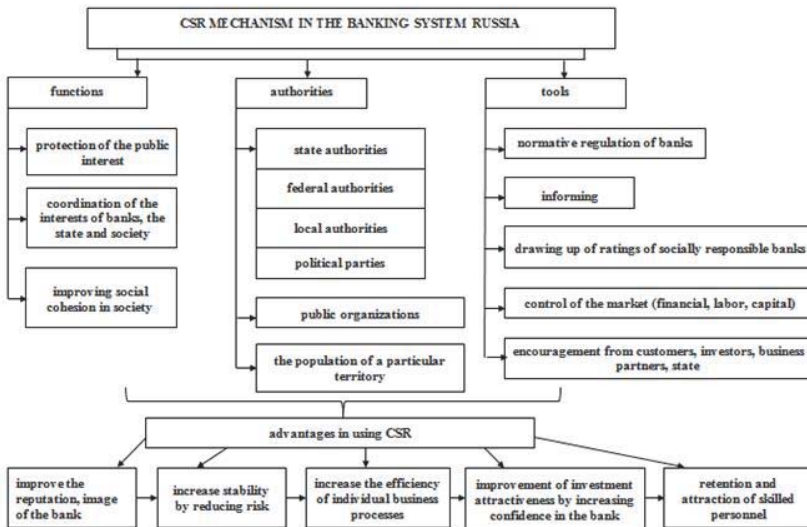


Figure 1.

As a rule, Russian banks are guided in their efforts to explore areas of basic document (each - its), which determines the bank's policy in the field of CSR. This document is usually available in the public domain and describes the overall objectives and priorities for the implementation of CSR and the activities of the departments involved in these issues.

The Bank's policy defines the basic principles and general requirements for the management of various aspects of CSR subsidiary banks and companies, while the latter set their own priorities and implement projects in this area. Details control various aspects of CSR are fixed in the internal regulations of banking subsidiaries and group companies.

## 3. Cooperation of Russian Commercial Banks with Public Organizations in Practice

As an example, the financial corporation "Uralsib", which puts forward a long-term goal of transition to a model of social entrepreneurship, the same for all banks and companies belonging to it, as well as strategic partners of the non-profit sector. The Corporation announced the creation of a unique network of partnerships between specialized non-profit organizations and commercial companies, which should be a major focus of social investment.

Thanks to a consistent policy aimed at improving the quality of life the existing system of strategic partnership must reconcile key elements of the classical model of social entrepreneurship: the large scale of operations, high economic efficiency, social orientation, the accumulation of noble motives of shareholders and employees. Cooperation with the state is primarily aimed at the socio-economic development of regions in which the company corporation are operated.

Control of external social investment of the corporation is based on the world's best examples of philanthropy. The new format of business relationships built on the principles of social entrepreneurship, allows the Corporation to consider

the interests of employees, customers, partners, to manage the influence of its activities on all aspects of public life. Special attention is paid to external socially oriented programs aimed at systemic changes in society, designed to reduce social tensions. Traditionally, the areas of focus for the corporation are to help children without parental care, strengthening the family institution, as well as a healthy lifestyle and education.

Let us consider the basic principles of management of social investments. Planning and monitoring of external socially oriented programs are the responsibility of the Board of Directors of the corporation. Functions of social projects are delegated to strategic partners from among the specialized non-profit organizations.

The procedure for the selection of projects is based on the principle of "open doors", according to which the Corporation and its partners do not set time limits for support requests. Project applications are reviewed, approved and implemented as they become available, usually within a year. If necessary, additional funding decision is made at the Board meeting. The control circuit external social programs discussed in Figure 2.

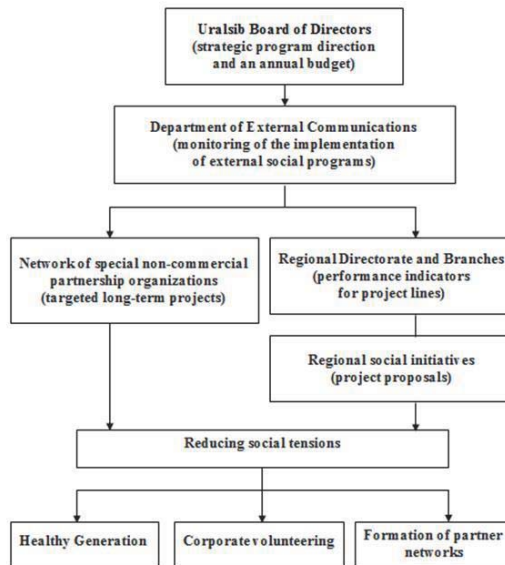


Figure 2.

The effectiveness of the charitable activities of the corporation is assessed annually at the stage of the consolidated financial statements in certain areas of social activity and includes the following criteria:

- Presence of positive change in the living conditions of beneficiaries (in accordance with the objectives of specific projects);
- The number of children who received assistance as a result of charitable projects;
- The number of volunteers participating in the projects;
- The number of regions in which conducted charitable activities;
- The total number of charitable and volunteer projects and actions.

The long-term strategy for the development of charitable programs aimed at improving the quality and efficiency of social investment. In Russia, corporate volunteering is closely related to social innovation, and requires adjustment to all participants - banks, non-profit organizations, governments, the development of cross-sectoral partnership. (Uralsib, 2014)

A common approach to the implementation of charitable assistance as formed in the basic documents defining the policy of "VTB Group" in the field of CSR. It is implemented on the basis of the sequence, the long-term, targeted, openness and transparency.

CSR Policy of VTB regulates all areas of corporate social responsibility, emphasizing on health, education, science, culture, art, sports. In addition, it assists disadvantaged groups and implemented programs to improve financial literacy in the regions and countries in which the bank is.

Consistency and sustainability is expressed in the following order:

1. Priority areas of support to the regions of presence - systematically implementing projects on a continuous basis support projects and organizations with high social importance and play a role in maintaining the image of Russia.
2. In order to develop the business environment of the regions where the bank uses the following areas: maintaining a dialogue between business and government; attraction of investments in the Russian economy; improving the financial - banking system of Russia.
3. Maintenance of sports in the following areas: the creation of a material base for the development of the sport of high achievement; investing in sports infrastructure facilities; promotion of healthy lifestyles.
4. Promotion of healthy lifestyle: socially significant projects for the population of the capital. The project is socially important for the population of the capital and has a positive impact on the urban environment due to: increase the attractiveness of the city for residents and tourists; reduce vehicular traffic; improve the environmental situation in the city (reducing greenhouse gas emissions); promote healthy lifestyles of citizens.
5. Support for culture and the arts: fine arts; Theatre and Music; support for television and film art; support literature, preservation of cultural heritage. Supporting culture and art is carried out in the following areas: support for the leading art museums; partnerships with theaters and sponsorship of music and theater festivals; promote the development of the domestic film industry and intellectual TV; help to publishers of the heritage of Russian poets and writers.
6. Key social projects: support for health care institutions. "World Without Tears"; support for education; support for socially disadvantaged groups. Decision-making mechanisms to assist the following: Committee on charitable activities (choice of strategy, project, the decision to grant funds) - submission of a proposal for approval by the Board.

These principles are reflected in Table 1, which also describes the main activities of VTB Group (VTB Bank, (2014).

**Table 1.** The principles of charitable assistance VTB Group

Consistency and Long-Term	Targeting	Openness and Transparency
1	2	3
1. Priority areas of support to the regions of presence. Individual approach to each project.	Theatres, museums, galleries; tennis Kremlin Cup; rally team "KAMAZ - Master"; Child program "World Without Tears."	Information support shares. Donations are growing: in 2011 - 1.9; 2012 - 2.1; 2013 - 3.2 bln. Rubles. Cost structure: art and culture - 37%, banking and professional associations, conferences - 21%, sports - 19%, science and education - 9%, religious organizations - 6%, government institutions, agencies - 5%, health care - 2% , veterans and people with disabilities - 1%. In order to inform about their projects the bank has created a special web - resource "VTB - Russia!".
2. Development of the business environment of the regions where the bank is.	Participation in international economic forums, conferences, ARB congresses.	Participation in the organization of the International Economic Forum: "Group of Twenty", the Annual Investment Forum "Russia Calling!", "EuroFinance", "Russian securities," "Yalta business meetings", the annual business forum "Put on competition" ARB Congress. Signing of the agreement between VTB and the Government of Udmurtia on the project of construction and operation of toll bridges.
3. Maintenance of sports.	Development of the Russian volleyball, basketball, motor sports, gymnastics, hockey, and others. Sports.	Sponsorship is provided by: the International Association of Athletics Federations (IAAF), including partnerships at the World Championships in Athletics; rally team "KAMAZ-Master"; Federation of skiing and snowboarding Russia. The Bank of Moscow (VTB Group) is sponsoring the Kremlin Cup (the international tennis tournament), fully ensures its prize fund, organize transport and free tickets to children from children's homes. The project "VTB Arena Park" (a comprehensive reconstruction of the Central stadium "Dynamo" and the surrounding area)
4. Promotion of healthy lifestyle.	The introduction of environmental projects.	In Moscow, launched a public bike rental system Velobike, support the festival "Moscow without cars", dedicated to the World Day without a car - global action on the use of private vehicles that consume fuel.
5. Support for arts and culture.	Each year, with the support of VTB Group are published theatrical and musical premieres, exhibitions and festivals, produced TV programs, create new movies.	Support for leading museums, including the Tretyakov Gallery, the Russian Museum, the Hermitage and the Pushkin Museum, the Bolshoi Theater, the Mariinsky Theatre and the theater "Pyotr Fomenko Workshop". VTB Bank (Armenia) supports the Russian Drama Theatre. Stanislavsky, VTB Bank (Kazakhstan) supports the State Academic Russian Drama Theatre. Lermontov. The "Performing Arts - Children of Beslan". International Military Music Festival "Spasskaya Tower". Sponsorship of cultural events: National film awards "Golden Eagle", Moscow International Film Festival, Russia's first

		film project in 3D film "Stalingrad". The Bank of Moscow has sponsored TV show "Big Jazz" on the channel "Culture". Support for the publishing house "Young Guard" for the publication of books on the history of Russia. Charity care Koktebel Reserve "Cimmeria of M.A. Voloshin."
6. Key social projects.	Financial assistance to health care institutions, promoting the development of higher education, assistance to vulnerable groups.	VTB program "World Without Tears", aimed at supporting children's health care institutions are more than 10 years, the annual budget is about 30 million Rubles. The development of new educational programs and lecture series. Speech of the world's leading economists to the students of MGIMO and GSOM. The Conference of students and leading companies of Russia "Management of the Future" (18 Russian universities and 13 international business schools). Program to development of skills to manage personal finances on the example of the shares of VTB Bank as the object of long-term investments (more than 600 students, students of MBA and graduate students). Help to first hospice for children with cancer, the charity fund "Other people's children do not happen," Foundation for Children with serious illnesses "Give Life". Help to regions affected by the floods in the Far Eastern Federal District. Support ongoing public organizations of veterans and invalids. The action "Gifts Golden Autumn" for the International Day of Older Persons (retired proposed issue of pension cards of the Bank of Moscow, which as a gift has been credited with the amount of money).

In the implementation of diverse types of support for various social trends it is extremely important to bank to consider the interests of all stakeholders in order to obtain mutual positive result. "Sberbank of Russia", cope with this task confidently, has put forward an ambitious program of development of the group for the period 2014 - 2018's (Sberbank of Russia, 2014), in which stand out the implementation of five main areas (or strategic themes):

- 1) with a client for lifetime;
- 2) team and culture;
- 3) technological breakthrough;
- 4) financial performance;
- 5) mature organization.

Sberbank Group's activities in these areas are summarized in Table 2.

**Table 2.** Contribution to meeting the strategic needs of stakeholders

	clients	staff	society (local community)	shareholders and investors	state
with a client for lifetime	Achieving modern, convenient and profitable services. Gain experience of the "client-bank" dialogue. Access to services anywhere, anytime. Easy and intuitive products.		Availability of financial infrastructure. Increasing the financial literacy. Improving the standard of living.	The increase in profit in the long run. Increased financial stability of the bank. The growth of financial investment.	Promoting economic development of the country. The efficiency of budgetary funds turnover.
team and culture	Improving the quality of services in cooperation with representatives of the bank.	Development of professional skills. Update on the value-oriented culture. Better working conditions. Involvement in the development and improvement of the bank. "Award of Excellence" for employers.	Responsible and reliable employer in the local labor markets.	Ensuring sustainable development of the bank, regardless of the appointment or dismissal of specific executives.	
technological breakthrough	Security and banking products. Protection of personal data. Accessibility, simplicity and security of remote channels.	Automation of routine processes and procedures, the release time for complex operations and sales, business improvement and self-development. Effective interaction between units.	Creation of innovative businesses in the regions of presence.	Increasing operational efficiency of banking processes.	The reliability and the development of the financial infrastructure.

financial performance		An adequate level of remuneration and benefits package.	Reduce the environmental impact by improving resource efficiency. Increasing the benefit-instrumental and sponsor contributions by the financial sustainability.	Increase financial return business. Leading positions in terms of return on equity. Cost optimization and cost reduction. The increase in profits.	Increase tax deductions. Positive impact on the economy and the stability of the banking system.
mature organization		Involved in the management and improvement of the technology through the development of Sberbank Production System, and crowdsourcing platform for innovation: "ideas exchange".	A socially responsible financial services company, implementing business objectives, taking into account the public interest.	Transparency and efficiency of corporate governance. Improving the competitiveness of the bank due to the synergistic effect of all businesses.	Some new management technology that implements the bank can be used in public administration (supported by the bank).

#### 4. Conclusion

In recent years, Russian banks in their development show a steady trend towards consolidation. Some of them became the world's largest financial institutions (for example, the aforementioned Sberbank become an international diversified group combining banks in Turkey, three CIS countries, nine countries in Central and Eastern Europe, offices in Germany and China and a branch in India, as well as credit and commercial organizations of different market segments in Russia.

Management of such structures requires start of the integration process, which should ensure the introduction of unified approaches to management, including the interaction with a variety of businesses, government agencies and public organizations.

This complex process of self-organization, characterized by comprehensiveness, the nonlinear nature of development and feedback will be explored in the future with the development of the Russian banking system.

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