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Essential Issues in Corporate Social Responsibility

New Insights and Recent Issues

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Editors

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Foreword[1]

Over the past two decades, I have been fascinated by the development of corporate social responsibility literature. I have seen an increasing number of academic scholars and business practitioners who have been interested in studying, promoting, and advocating the principles and values of CSR at different levels although there are some critics and controversies in the field of CSR. I do believe that Dr. Samuel O Idowu has played an instrumental role in mainstreaming CSR in the academic world through networking, conferences, academic teachings, and publications. This publication is one of the results of his concerted efforts in collaboration with the academic scholars and institutions.

I would like to begin with the enthusiasm and passion I have in pursuit of CSR research over the past few years. I started touching on the area of CSR in the 1990s when many countries, particularly the transition economies, underwent the great transformation from a centrally planned economy to a market economy. The transformations intended to develop market-based institutions. These include economic liberalization, where prices are set by market forces rather than by a central planning organization. In addition to the removal of trade barriers, there was a push to privatize state-owned enterprises and resources, state and collectively owned enterprises were restructured as businesses, and a financial sector was created to facilitate macroeconomic stabilization and the movement of private capital. The process has been applied in China, the former Soviet Union, and Eastern bloc countries of Europe and some Third World countries. One of the main ingredients of the transition process is restructuring and privatization—creating a viable financial sector and reforming the enterprises in these economies to render them capable of producing goods that could be sold in free markets and transferring their ownership into private hands.

[1]Foreword author "Zu" is the author of *Corporate Social Responsibility, Corporate Restructuring and Firm's Performance: Empirical Evidence from Chinese Enterprises*.

One of the consequences of the radical restructuring coupled with mass layoffs has intensified and sharply increased the labor disputes between workers and enterprise management over a variety of issues, ranging from job contracts, wages, benefits, pensions, and unemployment compensation to working conditions, and led to labor unrest across the country. Because under communism, state-owned industries tended to employ more people than was strictly needed and offered decent social welfare for workers and employees, and as private entrepreneurs entered the market, labor costs were cut back in an attempt to improve efficiency. As the newly established private firms became subject to greater competition, some were driven out of the market, which created job losses. In addition, a reduction in the size of the state bureaucracy also meant that many employees of the state also lost their jobs. China was one of the transition economies and facing the same challenges in economic reforms. Restructuring and privatization of state-owned enterprise (SOE) was regarded as the central element of the economic reforms in China. Since the 1990s, in order to improve enterprise performance, China has experimented with Western-style corporate forms. This experiment was dubbed transformation through shareholding system. The objective of this process has been the creation of a "modern enterprise system" through restructuring of SOEs into limited liability and joint stock companies under the China's Company Law. The social issues and problems the Chinese government and management of firm faced were how to restructure/privatize enterprises with a strong socially responsible sense to minimize large-scale job losses and mitigate negative impact on the stakeholders such as workers/employees, shareholders, community, etc.

Since the late 1990s, I started to work with my Russian colleagues on designing and organizing the training program on socially responsible enterprise restructuring (SRER) at the request of the governments and enterprises in China and Russia. The purpose of SRER program was to assist senior government officials and enterprise managers in tackling the social issues, particularly unemployment challenge. The program was offered for executives and managers in public and private sectors from China and European countries, including Russia, with CSR principles and good practice in successful restructuring. SRER program has been influential on mitigating the negative impact of enterprise restructuring on workers and community. The evidence of the benefit of SRER program to the success and growth of restructured enterprises has shown that restructuring in a socially responsible manner can lead to better financial performance.

I have been motivated by the work I have done in the areas of SRER, as well as a desire to provide a convincing rationale for public authorities and practitioners to adopt socially responsible practices in business and management. I undertook the PhD research program on CSR in 2002.

I believe that successfully integrating the social, economic, cultural, and ecological issues and problems in the study of CSR always contributes a great deal to social stability, economic prosperity, cultural flourishing, and ecological sustainability. I am proud to see from this publication all the authors and scholars who have been deeply involved in their CSR research programs serving their local needs and benefiting the local communities. For example, Mara Del Baldo and Maria-Gabriella

Baldarelli intend to explore the origins of social accounting and reporting in Italy with a focus on the role of female scholars, and Mariana Laura Cismaș and Laura Maria Dănilă try to compare the economic, social, and territorial cohesion in Poland, Romania, Hungary, and Bulgaria. These are every unique and innovative research programs, which have significant implications for future study and local social and economic development. I am sure that the authors of the publication will make an important contribution to CSR literature. I hope that our academic scholars and business practitioners can share this publication with their colleagues and involve more people in embracing the value of CSR in their organizations in the future.

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Liangrong Zu

Preface

The need for all citizens of our world to be responsible and sustainable has never been greater than now. What is the reason for saying this is in fact a logical question to ask. First, a number of social, economic, and environmental challenges have besieged our world which have compellingly made our previous ill-equipped and unfit for purpose business models to be rewritten, and second, it has become apparent to us all that our planet would cease to exist if we continued to operate the way we lived in the past. Rewriting responsible and sustainable business models necessitates understanding a number of essential issues surrounding the field of social responsibility and sustainable development.

A good understanding of some of these essential issues is important. This book attempts to assemble in one book some of these issues. The 13 chapters that make up the book have attempted to explore a number of the issues from different perspectives. It is hoped that the book would add to people's understanding of what these issues are and how to embed good practices emanating from these issues in their operational activities. Working toward the survival of planet *Earth* is everyone's duty; after all, it is *our common future* that would be at stake if we failed to act.

London, UK — Samuel O. Idowu
Craiova, Romania — Cătălina Sitnikov

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We are grateful to a number of scholars in and around Europe and two of them from Asia who have made possible the publication of this title. It would have been impossible to edit the book without their hard work and support. Thank you, to you all.

We are also grateful to Dr. Liangrong Zu, of the International Training Centre of the International Labour Organization (ILO) in Turin, Italy, for a fantastic *Foreword* to the book.

We would like to thank our friends and colleagues who have continued to support our scholarly activities in their different ways. We are grateful to our families for their support. Finally, we are grateful to our friends and publishing colleagues at Springer in Heidelberg, Germany, our Executive Editor, Christian Rauscher, Barbara Bethke, and our other colleagues for their confidence at all times.

We want to take this opportunity to apologize for any error or omission that may appear anywhere in the book; they are simply errors or omissions on our part and nothing more than that.

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Editors and Contributors

About the Editors

Samuel O. Idowu is a Senior Lecturer in Accounting and Corporate Social Responsibility at London Guildhall School of Business and Law, London Metropolitan University, UK. He researches in the fields of corporate social responsibility (CSR), corporate governance, business ethics, and accounting and has published in both professional and academic journals since 1989. He is a freeman of the City of London and a Liveryman of the Worshipful Company of Chartered Secretaries and Administrators. Samuel is the Deputy CEO and First Vice President of the Global Corporate Governance Institute. He is the Editor-in-Chief of three Springer's reference books—the *Encyclopedia of Corporate Social Responsibility*, the *Dictionary of Corporate Social Responsibility*, and the *Encyclopedia of Sustainable Management* (forthcoming); he is an Editor-in-Chief of the *International Journal of Corporate Social Responsibility* (IJCSR), Editor-in-Chief of the *American Journal of Economics and Business Administration* (AJEBA), and an Associate Editor of the *International Journal of Responsible Management in Emerging Economies* (IJRMEE). He is also a Series Editor for Springer's books on CSR, Sustainability, Ethics and Governance. One of his edited books won the most Outstanding Business Reference book Award of the American Library Association (ALA) in 2016 and another was ranked 18th in the 2010 Top 40 Sustainability Books by *Cambridge University Sustainability Leadership Programme*. Samuel is a member of the Committee of the Corporate Governance Special Interest Group of the British Academy of Management (BAM). He is on the Editorial Boards of *the International Journal of Business Administration*, Canada, and *Amfiteatru Economic Journal*, Romania, and a few more. Samuel has delivered a number of keynote speeches at national and international conferences and workshops on CSR and has on two occasions 2008 and 2014 won Emerald's Highly Commended Literati Network Awards for Excellence. To date, Samuel has edited several books in the field of CSR, Sustainability and Governance and has written ten forewords to CSR books. Samuel has served as an external examiner to the following UK universities—Sunderland, Ulster, Anglia Ruskin, Plymouth, Robert Gordon University, Aberdeen, Teesside University, Middlesbrough, Sheffield Hallam University, and Leicester De Montfort University. He has also examined PhD theses for a few UK and non-UK universities from across the globe.

Cătălina Sitnikov is a PhD Professor at the University of Craiova in Romania at the Faculty of Economics and Business Administration. She holds a Doctorate degree in Management since 2000 and Habilitation title in Management since 2014 and since February 2015 been a PhD supervisor in Management. She was for 3 years a Visiting Lecturer at Helsinki University of Technology, Lahti Center in Finland. Since 1995, she has been teaching undergraduate, master's, and PhD students. She teaches quality management, total quality management, and management. Her main research areas include management, strategic management, and mostly quality management, instruments and models specific to the stages of quality planning, control and improvement, quality management strategies, ISO standards, and CSR from the perspective of specific standards and instruments.

Contributors

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Nayan Mitra comes with a rich mix of diverse professional experience, in which she straddles seamlessly between academics and social and corporate sectors. She has long years of experience in teaching and coaching undergraduate and postgraduate students and corporate members; conducting International Summer School with participants from all over the world; been a resource person in eminent institutions of higher learning in the areas of CSR and corporate governance; editor of the

International Journal of Corporate Social Responsibility (Springer) and Journal of Human Values (IIM, Kolkata); Academic Council member in International Conferences like the 8th International Conference on Sustainability and Responsibility and International Conference on CSR, Sustainability, Ethics and Governance; and author of important peer-reviewed research publications in international and national academic journals and books, such as the *International Journal of Corporate Social Responsibility* (Springer), *Asian Journal of Business Ethics* (Springer), *International Journal of Business Ethics in Developing Economies*, and All India Management Association—(AIMA)—*Journal for Management & Research*. She chaired and presented at international and national conferences, is Science Board member of CSR-Dialogforum (Austria), and has edited the first ever book *Corporate Social Responsibility in India: Cases and Development after the Legal Mandate* on CSR in India in the post-mandate period with coeditor, Dr. Rene Schmidpeter, which charters the development of mandated Indian CSR from a multistakeholder perspective, bringing in over 15 authors, which was first launched in Cologne, Germany, released in India by the US Consul General in Kolkata, Mr. Craig Hall on the World CSR Day, 2017. She spearheads the India CSR Leadership Interview Series by India CSR, where she has brought together distinguished leaders. She works closely with some of the eminent corporations and civil societies of India; is a pro bono member of the Advisory Council, and is in the Board of some of the eminent NGOs in India, whose work has received exemplary status in international and national circuits. Dr. Mitra was a finalist of the prestigious Chevening Gurukul Scholarship for Leadership and Excellence (2013), conferred by the FCO, British Deputy High Commission, for her contribution, as well as the recipient of the prestigious Author Award at the Indian CSR Leadership Summit 2 years in a row, 2017 and 2018, and many other international awards for her contribution to CSR. Her start-up, Sustainable Advancements, broadly aims to promote the 5Ps of the Sustainable Development Goals (SDGs) or the Global Goals, viz. people, planet, profit, peace, and partnerships (as laid down by the United Nations).

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Camelia Olari is currently a Retail Group Manager at BCR and worked in the Banking sector for 9 years, mainly in human resources management projects—selecting, recruiting, training, mentoring, professional development, and employees' certification. She started her professional path in Citibank as a Direct Sales Agent in 2004, and since 2008, she has filled management positions in banking and sales areas. Currently, she is part of the Professional Certification Program of the Employees as an Internal Evaluator of Professional staff. This experience has helped her to discover and develop certain abilities, concentrated on the human resource quality (as she is currently a PhD student in management, in the Faculty of Economics and Business Administration, University of Craiova, Romania, with a focus in human resources quality management).

Maria Daniela Oțil is Lecturer in Economics, within the Department of Economics and Economic Modeling, at the Faculty of Economics and Business Administration, West University of Timisoara (WUT), Romania. She teaches courses and seminaries in *microeconomics*, *macroeconomics*, and *communication strategies and techniques in economics* (undergraduate programs) and seminaries on *economics and regional development in the EU*, *single market*, and *EU Competition policy* (master's programs). Between 2006 and 2009, she was a PhD Student, at the Faculty of Economics and Business Administration, West University of Timisoara, Romania. In 2010, she obtained her PhD in economics, with the thesis "Regional disparities in Romania." Between 2013 and 2014, she completed a postdoctoral research within the project "Competitive Researchers in Europe in the Field of Humanities and Socio-Economic Sciences. A Multi-regional Research Network," Registration number POSDRU/159/1.5/S/140863, Project co-financed by the European Social Fund through the Sectoral Operational Program Human Resources Development 2007–2013. Her postdoctoral dissertation is entitled "Regional disparities and the real convergence in Romania." Maria Dainela Oțil has participated as member in 4 projects (research and grant projects). She has written more than 25 scientific papers, has published (as single author or coauthor) 6 books, as well as university courses in Romanian language, and has participated in more than 15 national and international conferences. Also, she is member of the Network of the countries from the Vysegrad Group (Reseaux des Pays du Groupe de Vysegrad—PGV, Grenoble, France). Her research interests are microeconomics, macroeconomics, and regional economics.

Ramona Pîrvu has as fields of study microeconomics, macroeconomics, research methodology in economics, European economy, and international tourism. The scientific research activity consists of the publication of over 70 articles in specialized journals, the participation in over 40 national and international conferences, the publication as sole author or in collaboration of 14 books, the publication of a research book in an internationally recognized publishing house in Germany, and the participation in 14 scientific research contracts, of which 4 as project manager. Ramona Pîrvu published in Academica Greifswald, Germany, 2009, a volume in English, now in several European Union libraries, called *Tourism and Development in Romania*. In 2011, she published the *Diagnosis Analysis of the State of Entrepreneurship in Tourism*. She also published books and textbooks for students: Microeconomics, International Tourism, Economic and Monetary Union, and others. She has won numerous research contracts in national competitions: as a project manager—"Diagnosis Analysis of the State of Entrepreneurship in Tourism in order to Elaborate Strategies for Sustainable Development on the Medium and Long Term," "Study on the Optimization of the Strategy for Revaluation of the National Touristic Potential and Improving the Image of Romania as a Touristic Destination," "Labor Market Developments and their Impact on Human Resources Management at the Chemistry Utility Bucharest Trust," and "Strategies for capitalizing the tourism potential of the Oltenia region in the perspective of economic development and European integration" and 10 national and international projects as a team member. She is a member of the editorial board of the journal "Annals of the University of Craiova, Economic Sciences Series," member of the editorial board of the Young Economists Journal of the University of Craiova, and a moderator at international conferences. She teaches at the Doctoral School of FEAA Craiova, and she is an expert evaluator of the PN II project proposals, IDEI Program, and Exploratory Research Projects and ARACIS expert.

Silvia Puiu is a PhD Lecturer at the Department of Management, Marketing and Business Administration within the Faculty of Economics and Business Administration, University of Craiova, Romania. She has a master's degree in international business administration and a PhD in management at the University of Craiova. She published her PhD thesis on Strategic Management of the Retail Sector in Romania in 2012. In 2014, she conducted a research on *Ethics Management in Higher Education System of Romania*, and in 2015, she graduated with her postdoctoral studies on *Ethics Management in the Public Sector of Romania*. Silvia teaches management, business ethics, public marketing, and creative writing. She published more than 40 articles in national and international journals, two books, and two chapters in books edited by Springer: *Corporate Social Responsibility in the Romanian Public Sector* in the book *Corporate Social Responsibility in Times of Crisis* (2017) and *ISO 26000 Implementation: The Case of Top Romanian Companies* in the book *ISO 26000—A Standardized View on Corporate Social Responsibility* (2018). Her research covers topics from strategic management, ethics management, public marketing, corporate social responsibility, and management. She is also a reviewer for two journals and a member of Eurasia Business and Economics Society.

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Emilio San Pedro is currently one of the presenters of the BBC World Service's Newsroom program and Global News Podcast and I worked as a journalist for two decades, mostly in radio. His career began with an unpaid but rewarding 4 year stint at the University of Miami college radio station, which then led to a job at the National Public Radio affiliate in South Florida. He has been with the BBC World Service and has held various positions, including the Coordinating Editor/Regional Manager for Latin America where he developed an extensive experience in the field of management and administration.

Meeta Sengupta is a writer, speaker, and advisor on education with a cross-country perspective on policy, skills, and pedagogies. She has written extensively on school systems and impact, pedagogies and processes, assessments and outcomes, teachers and leaders, and education gaps and funding. She has published in Springer books and in various national and international media outlets, having been a regular columnist and op-ed writer for many—both online and in print including the *Forbes* blog, the *Times of India* blog, *The Daily Pioneer*, *the Indian Express*, *DNA*, *the Hindustan Times*, and more. She has been quoted in the *Voice of America*, *DNA*, and many others. She has been a public speaker at WISE in Doha, Qatar, at the India Today Education Conclave, at the NCERT as their Guest of Honour, and at many more fora. She has advised organizations including highly ranked Think Tanks and Universities. She is also the Founder of the Centre for Education Strategy that runs projects such as the School Safety Campaign, The Communities as Learning Aids, #Eduin (online conversations on Education issues), and more. Meeta Sengupta is a keen writer, observer, and builder of communities and institutions.

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Nicoleta Sîrghi has been a Professor and Doctoral Supervisor in Economics at the Department of Economics and Modelling at the Faculty of Economics and Business Administration, West University of Timisoara, Romania. Her core areas of teaching and research include microeconomics, applied economics, games theory, market structures, sustainability, and the macroeconomic analysis. Nicoleta has been participating in multiannual grants as a director or as a member. She has been in academia for 23 years and has published more than 70 articles. Nicoleta has published in the *International Journal of Bifurcation and Chaos (IJBC), Journal of Eastern Europe Research in Business and Economics (JEERBE), Sustainability, Transformations in Business and Economics (TBE), Journal of Economic Computation and Economic Cybernetics Studies and Research (ECECSR)*, etc. Recent publications include articles on corporate social responsibility. Nicoleta is a member of the editorial board *of Timisoara Journal of Economics and Business* (TJEB) and reviewer for many international journals and conferences: *Sustainability*, *British Journal of Economics, Management & Trade*, *British Journal of Mathematics & Computer Science*, *Canadian Arena of Applied Scientific Research*, *International Journal of Economics and Finance*, and IBIMA Conferences. Nicoleta is member of professional economics associations: *Regional Science Association International (RSAI), Association Internationale des Economistes de Langue Française* (*AIELF*), and *Reseau Pays du Groupe de Vysegrad (PGV).*

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An Insight into Essential Issues in Corporate Social Responsibility: An Introduction

Paolo D'Anselmi

This in my view is a complex book. In order to unfold such complexity, let us first review each contribution in detail, then we will develop some general considerations. The book opens with a chapter that extends CSR to the core business of educational institutions: second chapter, "Current Approaches and New Paradigms in Educational Institutions' Social Responsibility", by Claudiu George Bocean, Catalina Soriana Sitnikov, Dalia Simion, Sorin Tudor and Monica Logofatu. This chapter presents the current approaches and new paradigms on models of integrating competences on social responsibility in the subjects taught by educational institutions as well as the role of actors that educational institutions can play in the area of social responsibility. Educational institutions need to transcend from a philanthropic culture of social responsibility, specific to CSR 1.0, towards a strategic culture of social responsibility, specific to CSR 2.0, or even better, towards a catalytic culture of social responsibility, specific to CSR 3.0. The catalytic culture is a stage of social responsibility which corresponds to the sustainability stage. At this stage, organizations adopt the collective paradigm (by renouncing the individualist paradigm) by working with other actors in all areas of society to better identify the root causes of social problems, identify effective partnerships, use resources more efficiently, and find solutions which have a major impact on society.

Third chapter is "Corporate Social Responsibility of Romanian SMEs versus Polish SMEs", by Silvia Puiu and Adam Krystian Wiśniewski. This chapter presents corporate social responsibility in the European Union, with a focus on the CSR initiatives of Romanian and Polish small and medium enterprises. The research objectives are: to establish the tendencies of CSR initiatives in SMEs in the member states of the EU; to highlight the CSR reporting of these entities and put forward a few recommendations to increase the level of CSR in Romanian and Polish SMEs.

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The results can contribute to offering a better picture on CSR and its implementation in these enterprises as well as developing their activities in countries with a communist history and still with a transition economy. This chapter is of great interest as SMEs have specific characteristics that are very different from listed companies, which are the subject of a more developed area of CSR research and practice.

Fourth chapter is "The Origins of Social Accounting and Reporting in Italy: The Role of Female Scholars", by Mara Del Baldo, Maria-Gabriella Baldarelli. The aim of this chapter is to present a discussion about the women who acted as masters and pioneers of social and environmental accounting in Italy. The research design develops through a deductive and inductive approach. The first one is based on a literature review concerning gender accounting. The inductive approach is empirically based and focused on the analysis of the scientific and academic career of the first Italian female scholars in the field of social and environmental accounting. The analysis helps pointing out the role of female scholars in promoting social and environmental accounting in Italy and contributes to support the emerging research strand of gender and accounting which still has to be improved and deepened.

Fifth chapter is "Corporate and Social Responsibility Perspectives of Finnish Fashion Retailers and Consumers", by Pauline Blechingberg-Kilpi and David B. Grant. This chapter discusses the Finnish fashion retail sector to increase our understanding about the implementation of corporate social responsibility in purchasing and procurement by Finnish fashion retailers, and awareness of social issues in the fashion sector by Finnish fashion consumers and how such awareness may affect their purchasing behavior. Building on an academic literature review and secondary data analysis of CSR, sustainability and consultancy reports, empirical research was carried out using a data triangulation approach consisting of in-depth interviews with key Finnish fashion retailers and non-government organizations and focus groups with Finnish fashion consumers. Qualitative analysis included thematic and content analysis of interview, focus group and document texts, and was verified using trustworthiness quality criteria for qualitative research. Transparency along supply chains is the biggest challenge for Finnish fashion retailers however they are implementing CSR through carefully selecting suppliers and taking sustainability criteria into account including audit systems. Further, long-term buyer-supplier relationships have been established between Finnish buyers and their suppliers to reduce purchasing barriers such as last minute changes and lead-time pressure. Finnish consumers are aware of social issues occurring in the fashion sector and the negative impacts their consumption behavior entails. However, price and availability were identified as main factors affecting purchase decisions. Increased interest in supporting ethical fashion was identified however there is a lack of ethical and sustainable clothes in the Finnish market, especially clothes appealing to younger consumers. Finally, consumers pointed out a lack of media attention for these issues and considered increased media coverage would increase consumer knowledge. This chapter extends existing theory on CSR implementation by retailers in the fashion sector, focusing on the Finnish market, and provides insight into Finnish fashion consumers' perspectives of CSR challenges in this sector and their resultant consumer behavior.

Sixth chapter is "Role of CSR in Education: Special Emphasis on India", by Meeta Sengupta and Nayan Mitra. This chapter discusses the broad role of CSR in education both in developed as well as emerging economies, with an emphasis on India, after the passing of the Companies Act, 2013 that puts CSR under its statute. Education is seen as a public good in most parts of the world. Thus, the responsibility of the state to develop and sustain their populations have included both funding as well as efforts in order to create satisfactory education outcomes. About 264 million children and youth are out of school, according to the United Nations Educational, Scientific and Cultural Organization (UNESCO) Institute for Statistics (UIS) data for the school year ending in 2015. The case for CSR in education is further strengthened when one observes the changed shape of the world economy where corporations are often larger than entire countries. These mega corporations are strong influencers of the future of work, and indeed the future of how the world is going to be shaped. As the state progresses, so does business and vice versa. Any discord in this relationship can cause disequilibrium within the society. In a micro concept, the ideal model, then, would be to generate the continuous 'cycle of conversion' and transform the population to reap demographic dividend through a mutually beneficial relationship with the Government and the Corporation.

The dichotomy, however, arises from the ideological view that holds that education is a public good, while another faction believes that it is only competition with and between the private sectors that will improve outcomes. So far, the equity argument has clearly been won by those who support public education as the sole channel for our children, while the innovation and efficacy arguments are being won by those who support private investments in schooling. In fact, of the total CSR spend in India after the passing of the Companies Act, 2013, a significant share goes towards education. An assessment done by the Ministry of Corporate Affairs (MCA), India of CSR expenditure of 5097 companies for the year 2015–2016 who have filed their Annual Financial Statements till 31st December, 2016 with them revealed that CSR spent by the Corporates under the mandate on Education was INR 30.73 billion, next only to Health/Eradicating Hunger/Poverty and malnutrition/Sage drinking water/Sanitation in which INR 31.17 billion have been spent. Real examples follow a thorough narrative and analysis of specific programs by specific corporations: Infrastructure, Curriculum, Equipment; Capacity Building; Funding Learner Skills; Financial Assistance, and Funding Innovation. Education interventions and funding via CSR and Philanthropic Funds are an essential part of the solution to the educational gaps in the world. We could even say that CSR funding for education is the angel for impact, since it not only now fulfills its traditional role of filling need gaps, but also has learnt from the investor community to measure the returns to its contributions for the good of all.

Seventh chapter is "Information Security—Component of Corporate Social Responsibility", by Emilio San Pedro, Ionuț Riza, Anca Bandoi and Camelia-Maria Olari Perju. The purpose of this chapter is to highlight the major connotations of the term "*information security*", as an integral part of corporate social responsibility. Managers must be aware of the importance of elaborating and adopting a set of proper protection and security policies. Within this context, the term "*protection*" designates an organized set of means, methods, measures that can be taken in order to prevent the destruction, alteration or unauthorized use of specific information. Information security can be threatened by various types of dangers, which include: espionage, criminal organizations, maleficent people, people inside or outside the respective organization who have access to various aspects related to the security system, as well as natural disasters. The managers and employees of the organizations must become aware of the fundamental importance of the existing information assets in the functioning of their own business. The term "*information assets*" designates both the respective information and the data which generate it, as well as the computational resources which facilitate its storage, transformation and conveyance towards various users.

Eighth chapter is "How Socially Responsible are the Romanian Listed Companies?", by Camelia Daniela Hațegan, Nicoleta Sîrghi and Ruxandra Ioana Curea-Pitorac. Social responsibility has become an important part of the long-term perspectives of the listed companies. Doing this, the companies are taking the responsibility for their impact on society regardless of their financial performance. In this context, the objective of this chapter is to study the degree of social responsibility of the Romanian listed companies in correlation with their financial performance. In order to achieve this aim, a quantitative analysis of a panel data of all companies listed at Bucharest Stock Exchange (BSE), except those under insolvency, between 2011 and 2016 was conducted, by processing the information from annual financial statements. The empirical research consists of a comparative analysis between the companies who register profit and the one who didn't, from the perspective of corporate social responsibility policies and their behavior. The results highlight the fact that the listed companies continued to make charitable contributions even in the years they recorded losses (even if they didn't have tax benefits). In conclusion the financial performance is not the only determinant factor for social responsibility, but together with CSR policies contributes to the long-term sustainability of the companies. This is a classical study on the relationship between social performance and financial performance. A key step about it resides in the quantification of social performance.

Ninth chapter is "Human Capital Impact on Sustained Economic Growth in Romania", by Laura Mariana Cismaș, Andra Miculescu and Maria Oțil. Skills' improvement is of paramount importance for the short-term economic recovery in Romania. This chapter has an important introduction on the study of human capital since its origin. Then the chapter dwells on the relationship between education and human capital. An analysis of the evolution of Romania's competitive position vis-à-vis other European countries is also carried out. The second part of the chapter presents a non-linear multi-factor model of economic growth, analyzing the link between health status and education, as main components of human capital and economic growth. The methodological approach consists of a research conceptual multi-factorial non-linear model that encompasses both theoretical and empirical elements, estimation models, important independent variables and their measurement, along with the used analysis methods. The correlations were computed between the dependent variable GDP per capita in million euro and a wide and varied selection of independent variables. The concept of human capital allows for theorizing the well-established empirical relationship between the level of training and wage, the attempts to explain the different growth rates being placed at the base of the human capital theory. The suggested model is important as it reflects a novelty in economic terms, because it studied separately the influence of the educational component of human capital and the health component of the human capital. The result obtained, and the relationship between GDP and the independent variables, proves the existence of the theoretical foundation that education represents a good for society, being the premise for positive externalities of investments in the economy.

This chapter has as starting point the idea according to which human capital, investment in human capital, and respectively in education, can be considered key determinants of economic growth and development. This chapter draws attention to the conditions necessary so that the effects of education on human capital development and economic development should record maximum values. This chapter emphasizes the idea that investments in education become ineffective unless accompanied by a suitable and appropriate strategy for economic and social development, based on socio-economic and political stability, and by the existence of a direct relationship between income, occupation and level of education and professional training. The analysis also implies the concepts of social capital and psychological capital as both are considered as influencing the development theory, practice and policy. Although they bring about less clear and direct results, these two forms of capital improve the economic activity's background in a way similar to technical infrastructure; social capital influences the quality of education and health, facilitates access of individuals to markets, supports complex operations and enables the long-term planning of activities. This chapter draws attention to the multidimensional character of economic development, and on competitiveness, considering that economic development can therefore express all quantitative, qualitative and structural transformations occurring within economic processes and along scientific research and manufacturing technologies, regarding the mechanisms operational in the economy, namely thinking patterns and behavior of individuals.

Tenth chapter is "Economic, Social and Territorial Cohesion a Priority for Poland, Romania, Hungary and Bulgaria—Comparative Analysis on Social Cohesion", by Mariana Laura Cismaș and Laura Maria Dănilă. This chapter presents a framework of social cohesion in Poland, Romania, Hungary and Bulgaria, by using methods as synthesis, observation and scientific analyses. Research was based on statistical data provided by EUROSTAT, on the period 2007–2017. The chapter focuses on social cohesion specifically. Social cohesion is an objective assumed by the EU and linked closely to economic and territorial cohesion. Europe is faced with two major social issues: population decline and demographic ageing. Perhaps the migration wave has solved the issue of population decline within some member-states as it tends to show positive effects, because all in all EU-28 records population growth for the analyzed period, and the projection for 2050 and 2080 regarding this indicator is rather optimistic. Another stringent issue faced by the European Union for some time already, is the unemployment rate and the social exclusion among youths. Regarding education, the early school-leaving rate is one of the monitored indicators as it measures the share of the population aged between 18 and 24 years of age graduating lower secondary education, and who are not involved in any other form of education or vocational training for the last 4 weeks preceding the survey. With respect to this indicator, the EU-28 is close to the aimed target for the time-horizon 2020. This result, corroborated with the weight of population aged between 30 and 34 years with tertiary education, brings a rather optimistic note in the image of the social cohesion for the four member states analyzed by comparison with the EU-28 level.

Eleventh chapter is "The Impact of Non-Financial Reporting on Stock Price: A Case Study of Romanian and Bulgarian Listed Companies", by Marian Siminica, Mirela Sichigea and Adriana Craitar. Corporate Social Responsibility has greatly increased in practical relevance once the non-financial and diversity reporting came into force. One of the objectives of the Directive which regulates this obligation is to ensure the alignment of the importance of CSR actions and their transparent communication by public interest companies in all Member States of the European Union. Additional efforts in this respect are expected from companies in the Central and Eastern European countries, where the CSR communication rate is still well below the Western European level. Taking this into consideration, this chapter's research is a survey of the degree of communication of CSR information by companies listed on the Bucharest Stock Exchange in Romania and on the Sofia Stock Exchange in Bulgaria. The research method used was the content analysis and we studied the information published on the official websites of 521 listed companies in the two Eastern European countries in 2017. In order to eliminate the risk of subjectivity, the criteria for content analysis were represented by the five thematic areas recommended by the European Commission in the Non-Financial Reporting Guide. The Degree of communication of CSR information by companies in the two countries was determined. Comparative analysis between countries was duplicated by the sector activity analysis. For companies that reported CSR information, the analysis was continued with the identification of the specific type of published CSR information, according to the five recommended thematic areas. The Corporate Social Responsibility Index was calculated as a measure of the degree of detail of the CSR information and its influence on the price of the shares of the companies was analysed. The Pearson Coefficient level indicated a lack of correlation for Romanian companies, and a direct correlation for Bulgarian companies. The linear regression model generated by Bulgarian companies suggests that for each additional thematic area for which they report information, companies are hoping for an average 26% increase in their stock price. This chapter engages in the quantification of CSR. A good thing is it does so in an open perspective, so we are capable of seeing how words were translated into numbers and that is work of very nice quality.

Twelfth chapter is "Corporate Social Responsibility: an Analysis of Romanian Banks", by Roxana Maria Bădîrcea, Alina Georgiana Manta, Ramona Pirvu and Nicoleta Mihaela Florea. The purpose of this chapter is to analyse the corporate social responsibility activities carried out by some of the Romanian banks. This chapter is based on the secondary data taken from the annual reports of the banks.

The analysis includes the following variables: education, culture, environment and social. The results show that the Romanian banks are making efforts in the CSR areas, but still there is a requirement of more emphasis on CSR. The private sector banks have overall highest contribution in CSR activities. Public sector banks and foreign banks are still lagging in this area. This chapter has a scope of further research where the CSR performance of banks can be related to financial performance of the banks.

Thirteenth chapter is “Isomorphism Between Financial and Sustainability Accounting: Some Introductory Notes”, by Massimo Costa. This chapter investigates the similarities between financial accounting and sustainability accounting. Sustainability accounting (SA) is “defined as the ‘armed arm’ of Corporate Social Responsibility. Without an agreed SA, CSR seems not being able to go beyond rhetoric and ideology for legitimacy.” The author remarks that “it is not deniable a progressive shift of financial accounting (FA) toward being a branch of law.” This chapter assumes that a similar process is occurring in the field of SA quite in the same way as it happened in the FA field in the past twentieth century. The research question is whether this similar process is due to the presence of strong similarities between these two branches of accounting. If that were true, one could assume that the two branches experiment a true form of ‘isomorphism’, i.e. the substantial repetition of principles, models, theoretical consequences, in different but related contexts. The leading idea of this chapter is that sustainability accounting is but a generalization of financial accounting. Sustainability accounting enlarges the scope of financial accounting without renouncing to the basic features of the underlying logical framework, according the ‘greater systems perspective’. “Of course, we have to be aware of that, in respect to traditional accounting, we are moving within a more ‘political’ subject. But this feature cannot stop the progress toward standardization in the corporate social domain. Unfortunately, contemporary CSR literature does not seem so concerned about standardization issues.”

This chapter is composed of four sections. One section is a historical account about the process of normativization, with particular concern to sustainability reporting. Interestingly the author notes that “We have also some empirical evidence that when performance is compulsory, as in the Australian *Corporations Law*, or as in the high regulative pressures in disclosure typical of France, the level of reporting increases in quality.” Another section explores isomorphism between financial reporting and sustainability reporting. The chapter shows at least two instances whereby sustainability reporting generalizes the results of financial reporting. The first is the regulation process, the second is the transition from shareholders to stakeholders. In both cases SA keeps the basic features of FA, opening them to a broader scope. ‘Isomorphism’ is once again defined as the common sharing of some defined ‘elements’, where the kind and number of elements are the same, while the specific contents of the same elements are differentiated according to the different width of scope. One other section compares the financial and ‘sustainability’ dimensions to be disclosed, evidencing similarities as well as dissimilarities. A series of axioms showing the isomorphism follows. To make an example, let us look at the following: “Financial reporting concerns effects on stocks and flows of resources (and negative resources, i.e. claims) of transactions and events *within* the boundaries of the entity. It mainly concerns, thus, *internalities* respect to a defined entity." Whereas "Sustainability reporting concerns effects on flows of resources (and negative resources, i.e. claims) of transactions and events *beyond* the boundaries of the entity. It mainly concerns, thus, *externalities* respect to a defined entity." The final section treats of the major consequences on future investigations deriving from the awareness of isomorphism between SA and FA.

Fourteenth chapter is "Voluntary Tax Compliance as a form of Social Responsibility. Factors of Influence", by Narcis Eduard Mitu. This chapter looks at the Romanian reality in a comparative perspective, which is very correct, especially when investigating matters related to government. This is an essay in public administration and social responsibility, including the social responsibility of public administration. The first part of the chapter frames the issue in general terms. It explores the social responsibility of the modern citizen and it views paying taxes as an act of social responsibility by the individual and by the corporation. This chapter does not make a distinction as the author speaks indifferently of individuals and of legal entities. The chapter takes a specific view about "voluntary compliance as the most efficient and easiest way to collect tax revenue, being the process by which natural and legal taxpayers declare and pay, on their own initiative (without applying coercive measures), in full and in time, taxes, contributions and duties due under current tax legislation." For the author "It is essential to move away from viewing tax compliance merely from a legal perspective, but from an ethical and moral perspective." "The modern citizen must learn to harmonize the needs of society with personal needs. It must act in such a way that the inevitable relations established between it and all the institutions forming the state administration (the state in its entirety) to be mutually beneficial. *What we need is an education for collective living rather than for individual success*." The chapter has a contractual view of the state: "Tax is the return due to society on its investments: the roads, educated workforces, courts and so on." The objective then is to obtain voluntary tax compliance. However, in order to implement the objective, it is necessary to have a profound knowledge of the mechanisms that generate this desideratum. The chapter dwells on cross country exchange of information and voluntary compliance programs for high income and money held abroad.

In a second part, the chapter explores factors affecting tax compliance in Romania, while taking an OECD and EU comparative perspective. In Romania, the degree of voluntary compliance is small. The author analyses the main factors of compliance from the perspective of Romanian reality. The factors are investigated according to the literature and subdivided in the following sections: deterrence and threats, norms, tax morale, trust, complexity and convenience. The author believes that a profoundly damaging effect on taxpayers' attitude towards tax obligations may be exaggerated fiscal sanctions, asymmetrical in relation to the facts found by inspection bodies, or even the practical ways in which audit is exercised and completed. Poor quality and inconsistency of public services (infrastructure, health, education, transport) deepen the unfavourable perception of the population on budgetary choices and policies and push citizens away from voluntary compliance.

Society tends to reject contributions for what is perceived to be useless. In conclusion, it is absolutely necessary to stimulate the process of modernization of the tax administration and to improve the administrative-tax capacity, so that the degree of voluntary tax compliance reaches the level in the developed countries of the European Union. Finally, despite the initial wording of a regulatory perspective on tax compliance ends as a sort of radical appeal for improvement in the public administration. Calling once again for the social responsibility of public administration.

Let us now develop some general considerations across this book. First of all, let us say that the country domain covered by evidence provided in the chapters of this book, is quite wide. This book provides a variety of international views, ranging from India to Romania, Poland, Finland, Italy, Hungary and Bulgaria, thus contributing to a comparative approach in a OECD and EU perspective. This comparative perspective is evident not only in ninth chapter, Economic, Social and Territorial Cohesion a Priority for Poland, Romania, Hungary and Bulgaria, but also in thirteenth chapter, for instance, Voluntary Tax Compliances as a form of Social Responsibility, which deals with Romania in detail, but it has a vast illustration of what is done in the OECD. The book provides a complete cross-section of economic actors, ranging from SMEs through listed companies, the banks, not leaving aside the public sector: education, tax compliance, social cohesion. Let us underline the relevance of an analysis of SMEs, as they represent the vast majority of employment and GDP.

Besides the range of countries and the range of economic sectors, that are encompassed here, this book answers questions about how do you "do" CSR: what is an "act of CSR"? The answers are quite interesting: supporting education (sixth chapter on India) on the part of the corporations, is the first one, but also attention to CSR by the education community itself, i.e. embedding CSR in education (second chapter) and developing human capital (ninth chapter); tax compliance, on the part of the citizens, the companies, and correspondingly: organizational efficiency and effectiveness on the part of the public administration (fourteenth chapter); gender equality within the very community of CSR scholars (third chapter); information security (seventh chapter); social cohesion (tenth chapter); three aspects of CSR reporting, first: the role of female scholars in CSR reporting (third chapter); second: reporting and the impact of CSR reporting (eleventh chapter, about Romanian listed companies); and third: the future of CSR reporting (thirteenth chapter on isomorphism between financial accounting and social accounting). We understand that this book sees CSR as germane to, or synonym of, sustainability, ethics, and ESG goals, as we are also reminded by the series title the book is published in.

Coming to the book from a different angle: who are the potential and actual actors of CSR and what are they doing about CSR? Corporations of course, but the individual person is their diverse roles of citizen and taxpayer (fourteenth chapter), of consumer (fifth chapter), and as a human being from their gender perspective (fourth chapter). Listed companies of course are a primary target of CSR research with the related question on the relationship between CSR and financial performance. The banks have a specific niche; SMEs (third chapter), retailers (fifth chapter) and the education (and health care) community (ninth chapter).

Aside from this attempt to gauge the spirit of the book in stylized form, all chapters ask redefining questions of CSR, from the conceptualization of CSR as externalities versus internalities (twelfth chapter) to CSR 3.0 as catalytic culture of CSR (second chapter). Once again CSR reveals itself as a quite fertile area of thinking as like philosophy, CSR research is as much about the practice of CSR as it is about the philosophy of CSR; like philosophy, CSR incessantly redefines itself while investigating the world.

Current Approaches and New Paradigms in Educational Institutions Social Responsibility

Claudiu George Bocean, Catalina Soriana Sitnikov, Dalia Simion, Sorin Tudor, and Monica Logofatu

1 Introduction

Nowadays, "education changes everything" is a commonly used statement, which shows that teachers play an essential role in contemporary society (Schwittek, 2016, p. 231). This role stems from the fact that teachers are responsible for preparing pupils and students for their future jobs and for skills accumulation (Esteve, 2000). In achieving these objectives, teachers' commitment is crucial for the creation of a well-prepared and socially responsible workforce (Guglielmi, Bruni, Simbula, Fraccaroli, & Depolo, 2016; Kinnie, Hutchinson, Purcell, Rayton, & Swart, 2005). Employees who show high levels of involvement tend to be enthusiastic, able to solve problems and participate fully in the work of the organization and in the organization's initiatives in the social responsibility area (Bakker, Schaufeli, Leiter, & Taris, 2008; Kinnie et al., 2005). Research has shown that, especially in the education sector, the more dedicated the teachers are, the higher are the performances of their pupils and students, which then transform them into a competitive and socially integrated labor force (Konermann, 2012). As a result, there is a pressing need to integrate social responsibility at the level of educational institutions, both in terms of transferring skills to pupils and students, and in terms of active participation as a key actor in a socially responsible ecosystem that allows a sustainable development of society.

Corporate Social Responsibility (CSR) is an increasingly important vector of the globalized economy. More and more, organizations are investing in communities where they operate and finance institutions that make their achievement conceivable. Through these fundings, organizations affect the lives of millions of people, improving community public services such as health and education.

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Without adequate educational opportunities, children cannot achieve their potential, and this has very important consequences for their future, the future of the economy in which they will integrate when they become adults. However, opportunities are not always ensured due to poor funding for education and geopolitical conflicts. There is a funding gap in ensuring adequate education for children around the world (Dattani, Still, & Pota, 2015), a gap that could be overcome by increasing the profitability of corporations and the amounts invested in education by private organizations.

New developments in CSR bring challenges for organizations to acquire and develop adequate skills and competencies among employees (Adamek, 2013). This raises the issue of the role played by educational institutions. Many papers are limited only to the role that universities and business schools have as a key provider of business education. However, we propose a review of the paradigm of teaching CSR-related concepts in educational institutions by taking into account all schools, regardless of their level.

Consciousness of the significance of education is one of the pillars of good governance in any country. Almost all national governments have a ministry of education that is responsible for the efficient allocation and use of national resources to provide the population with good quality education. In addition to governmental organizations, there are a multitude of nongovernmental organizations dedicated to improving education. One such example is UNESCO, which aims to create strong and educated future generations by improving quality of education. A growing (albeit still limited) contribution to improving education is provided by business organizations through social responsibility initiatives (Pooja, 2017).

UNESCO (1991) shows that the role of educational institutions is a topic to be considered distinctly and intensely debated, to make a comparison between educational institutions and business organizations, the responsibility of educational institutions exceeding the usual social responsibility, involving issues such as transferring knowledge to new generations through teaching, training and research, establishing a balance between vocational training and general education, meeting the significant needs of local communities and companies.

In this chapter, we want to show that the social responsibility of educational institutions should not be limited to being recipients of social responsibility initiatives of business organizations, to teaching concepts of social responsibility, but must imply full involvement and commitment of educational institutions in solving the social and environmental problems of society. The chapter is structured in six sections. After a first section introducing the research issue, the second section presents education as the target of social responsibility initiatives. The third section outlines the ways in which competencies on social responsibility can be integrated into the subjects taught by educational institutions. The fourth section highlights the proactive role that educational institutions can play in the area of social responsibility. In the fifth section, it is outlined the evolution of social responsibility towards a catalytic model, educational institution having an important role. The sixth section concludes on the researched issues.

2 Education as the Target of Social Responsibility Initiatives

One of the most important indicators of social progress is education, which also plays a decisive role for a society to achieve sustainable development. In order to increase the interest of business organizations in social responsibility, education deserves a higher level of corporate involvement (Eduvisors, 2013).

Education was one of the areas which were less targeted by social responsibility initiatives comparing to other sectors. For example, "global health donations are 16 times higher than education donations, despite recognizing that an educated and skilled workforce is essential to commercial success and to the development of a peaceful and stable global society" (Dattani et al., 2015, p. 12). The Global Monitoring Report "Education for All" (UNESCO, 2014) shows that 58 million primary school children are not included in the school cycle, plus 63 million teenagers who do not follow the secondary level. This phenomenon makes the lack of education a global problem that can affect both people's lives and the global economy. UNESCO (2012) has calculated that 200 million people, aged 15–24, have not even graduated primary school.

A UNESCO report of 2018 shows that between 2010 and 2016, negative developments have been stopped in several countries (UNESCO, 2018), but nevertheless the number of people who have not been in school has dropped very little. There are many children who cannot read or write, despite being in school. Also, many children cannot read or write even after spending more than 4 years in school.

Educational issues are essential for: human progress, the development of society, the creation of a healthy economic environment. Education is recognized as a factor stimulating the long-term well-being of developing countries. It is therefore normal for business organizations to play a role in optimizing learning conditions. For business organizations, engagement in social activities related to education can fulfill some of the organization's strategic goals (Table 1).

Table 1 Strategic objectives and involvement in social activities related to education of business organizations

Strategic objective	Social activity related to education
Building a positive reputation	Participating in educational efforts renders business organizations a positive image and a better reputation
Accessing high-quality human resources	By sponsoring various educational activities, business organizations gain the opportunity to hire high-potential students by acquiring an influence on potential employees
Fulfilling the organization's mission	By conducting educational activities, business organizations can broaden and strengthen their mission and vision through education on the social and environmental responsibility of future employees
Direct involvement of CSR at local level	Through direct targeting of education programs, business organizations can benefit from increased visibility, a strong direct impact on the local community

Source: Adaptation after Eduvisors (2013)

Business organizations around the world have enormous potential to contribute to global education. There are commendable corporate examples which, if followed, would potentially help millions of people. A significant contribution that produces effects is in the interest of business organizations as they will benefit in the future from a talented, innovative and competitive workforce. Strategic investments in education have direct positive effects on the organization by improving image and reputation, have a positive impact and an indirect effect on the organization through the benefits to the local community, and by supporting the building of a more educated, productive and more economically active society (Dattani et al., 2015). Addressing the educational challenge in this way means thinking more about the common value of corporations in general than just about philanthropic spending.

The social responsibility of business organizations in the area of education usually involves stages to stimulate education among local communities or society in general through (Pooja, 2017): school building, renovation, scholarships (offered to disadvantaged pupils or students), sponsorships (providing teaching materials, books, uniforms, etc.), increasing access to education (through partnerships with schools to create vocational training centers), promoting informational literacy, establishing gender equality by supporting girls from disadvantaged families to have access to a quality education, providing food for pupils and students, programs to raise awareness among communities and society as a whole about the importance of education and the issues that affect it.

Studying models of corporate involvement in education Eduvisors (2013) identified three levels of involvement in the educational field (Fig. 1).

Pooja (2017) notes that there are three patterns that have been implemented by business organizations to carry out social responsibility activities in the area of education through which the business organization chose to be initiator, funds provider or partner in the implementation process:

- the business organization conceived the initiative and implemented it either alone or with the help of a non-governmental organization;
- the business organization offered financial or material support to initiatives designed or implemented by non-governmental organizations or public educational institutions;
- the business organization has contributed to the development and implementation of initiatives by public educational institutions, other business organizations or non-governmental organizations.

3 Integrating Competences on Social Responsibility in the Subjects Taught by Educational Institutions

Economics universities have a vital role to play in providing the following generation of business leaders with the abilities they need to cope with a period characterized by globalization, uncertainty, the need for sustainability. Educational

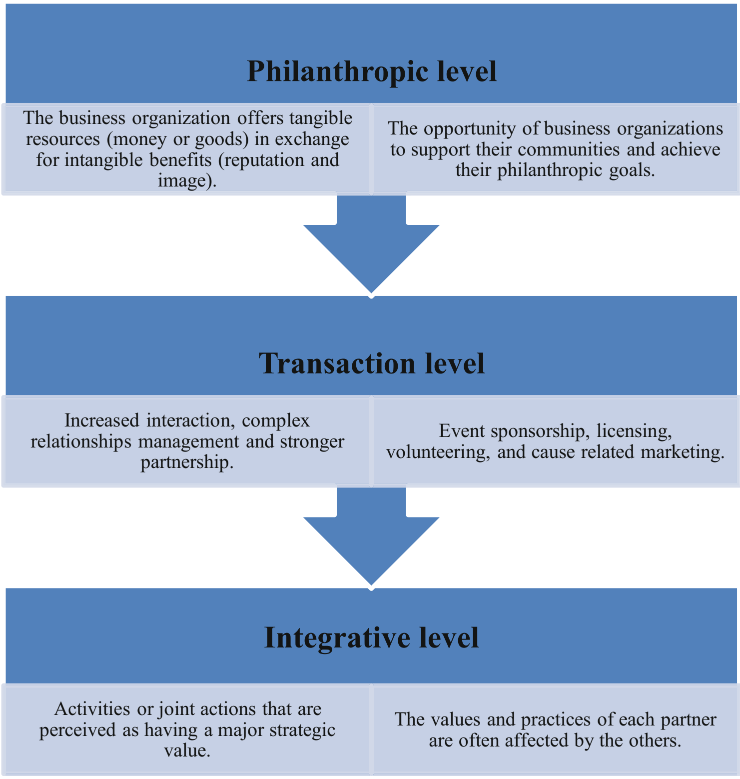

Fig. 1 The level of involvement of business organizations in the area of education. *Source*: Adaptation after Eduvisors (2013) and own considerations

institutions with an economic profile are responsible not only for developing their business skills but also for helping students understand the effects of choices and activities on society and potential collateral damage. In this respect, ethics and social responsibility are essential steps to help students in the economic field understand this balance (Kolodinsky, Madden, Zisk, & Henkel, 2009).

At all levels (bachelor, master and doctorate), higher education institutions must encourage students to develop their skills in business ethics and social responsibility (Setó-Pamies, Domingo-Vernis, & Rabassa-Figueras, 2011).

Mahoney (1990) conducted a comparative study on teaching business ethics in the United States, the UK and mainland Europe. In Europe such a study was conducted by Moon and Maten (2004) which presented the situation of teaching social responsibility in European educational institutions. So far, there are few studies that assess the teaching situation and the general form of CSR in educational institutions.

Educational institutions with an economic profile educate the future leaders of business organizations, occupying a strategic position that they can use to contribute to the development of skills and values related to ethics, social responsibility and sustainability. Therefore, educational institutions with an economic profile must accept their responsibility and increase the share of ethics and social responsibility in their curriculum (Sims & Sims, 1991).

According to Melé (2008), the crisis in business ethics is not just a change for companies, but an opportunity to improve management education. To adapt the education of economically-oriented educational institutions to a sustainable society, the curriculum will need to be reconsidered so as to provide graduates with the appropriate knowledge, to acquire the best skills and to instill ethical values and social responsibility.

As far as business ethics is concerned important steps have been taken to include it as a stand-alone discipline in the curriculum of the majority of educational institutions with an economic profile, there is a whole debate in the literature and among practitioners on how social responsibility should be integrated into the management curriculum and other academic disciplines (organization theory, marketing, human resources, environmental economy, labor market economy, etc.). At present, there is a continuing debate about the inclusion of social responsibility as a stand-alone discipline, its integration into a variety of disciplines as a transversal competence or the fact that both strategies should be adopted (Christensen, Peirce, Hartman, Hoffman, & Carrier, 2007; Hartman & Werhane, 2009; Rusinko, 2010; Setó-Pamies et al., 2011). Hartman and Werhane (2009) and Setó-Pamies et al. (2011) emphasize that there is no universal agreement on the integration of social responsibility into school curricula. On the one hand, the autonomous option of social responsibility as a stand-alone discipline would provide more time for study and the opportunity to develop relationships between social responsibility and other disciplines, as well as to illustrate the three dimensions of social responsibility in an integrative way. The advantage of this approach to social responsibility derives from the fact that it has its own identity, clearly delineated in the area of management. The major disadvantage, however, is that it requires time and resources (Rusinko, 2010). In addition, social responsibility would risk being seen as a separate problem, disconnected from larger business concerns (Carrithers & Peterson, 2006; Gruenewald, 2004).

On the other hand, the option of integrating social responsibility into other disciplines requires teachers to teach in their disciplines a series of modules focusing on issues about the three dimensions of social responsibility: business, environment and social vector (Audebrand, 2010; Stubbs & Cocklin, 2008). The advantage of this option is that social responsibility is integrated into many economic disciplines and has an impact on a larger number of students, not just those who follow the dedicated self-responsibility course. However, the major disadvantage of this approach is that it requires coordination, time, resources, and support from teachers (Rusinko, 2010).

As such, we believe that the role of educational institutions in delivering CSR should be the following:

- the awakening of the civic conscience of children throughout their school life;
- teaching CSR-related concepts, by degrees of difficulty in primary and secondary education;
- developing skills in CSR among graduates,
- providing adult education to existing CSR practitioners,
- providing specialized CSR education,
- fundamental and applicative scientific research to achieve the advancement of knowledge in the area of CSR.

Educational institutions, in their capacity as centers for the generation and dissemination of knowledge, play a very important role in addressing the socio-economic and environmental issues of the world by promoting sustainable solutions (Hasrouni, 2012).

Business schools and management educational institutions are encouraged to take part in the initiative "Principles for responsible management in the management" (PRME). Launched at the 2006 Global Leaders' Summit in Geneva, PRME provides a framework for educational institutions to promote social responsibility by incorporating values of social responsibility into curricula and research. PRMEs have been developed by an international team made up of official representatives of leading educational institutions.

The six principles of responsible managerial education are as follows (UNGC, 2014):

- Principle 1 focuses on the purpose of responsible managerial education and recommends educational institutions to develop students' ability to be creators of sustainable value both for the organization they work and for society as a whole.
- Principle 2 targets values and proposes to incorporate in the school activities and curriculum the values of global social responsibility.
- Principle 3 deals with methods and proposes the creation of educational frameworks, materials, processes and environments.
- Principle 4 focuses on research and proposes engaging in conceptual and empirical research on the role, dynamics and impact of organizations in creating sustainable social, ecological and economic values.
- Principle 5 focuses on partnerships and proposes to interact with corporate managers to expand practical knowledge and to explore effective joint approaches to address these challenges.
- Principle 6 focuses on dialogue and proposes facilitating and supporting dialogue and debate between all stakeholders on important matters related to social responsibility and sustainability.

Most universities incline to concentrate only on teaching social responsibility for business organizations and do not go beyond by trying to develop social responsibility programs themselves. However, in order to be able to make a strong and ever-changing competitive environment and to fulfill their mission, educational institutions must ensure that their own activities reflect the values and norms they teach to students. This requires the open declaration of their commitment to social responsibility at both managerial and academic level. In this way, the social responsibility of future employees on the labor market will create beneficial effects for the educational institutions themselves, as well as beneficial effects for society in general.

It is imperative that educational institutions with an economic profile develop new methodologies and frameworks that enable students to understand social responsibility or business sustainability (Audebrand, 2010). However, any effort to integrate social responsibility into business education at the level of an educational institution with an economic profile requires enthusiastic support at various levels (faculty members, departments and university leadership). Therefore, each educational institution with an economic profile will have to adopt the integration strategy that is best suited to its environment.

In our opinion, not only universities need to get involved in teaching social responsibility. Concepts of social responsibility must also be taught in primary school. It is necessary to include issues of social responsibility in school curricula and school culture not only at the level of universities but also at the other levels of education (Berman, 1990, pp. 75–76). These initiatives will help pupils to develop basic social skills, create a sense of awareness of the links with the environment, and gain the confidence that a developed collective consciousness can bring improvements to everyone's lives. In the future, different aspects of social responsibility (cooperative learning, conflict management, multiculturalism, diversity, tolerance, moral development, ecological education, community care, awareness of political and social issues) will be included in the processes and teaching methods, at all educational levels.

At the classroom level, it means balancing the focus in the direction of personal realization with a focus of the same intensity in the direction of collective realization. Teachers should shape the values and principles of concern to others, equity, commitment, community care, and social responsibility. In particular, teachers need to help students understand global interdependence, give them a sense of belonging to a community, encourage them to develop their basic social skills, provide them with opportunities to help others,—strengthen the skills of solving group problems and participate in solving economic, social and political problems.

At present, educating future generations in the spirit of social responsibility is an important concern of the educational institutions, which will generate a series of innovations in the educational area.

4 Proactive Role That Educational Institutions Can Play in the Area of Social Responsibility

Globalization has inevitably affected education, especially higher education, and educational institutions started to experience significant changes in recent years. Academic institutions currently operate in an autonomous manner and develop in a competitive environment (Brown & Cloke, 2009). The difficult global competitive environment, the financial realities of the countries in which they operate are important challenges for managers of higher education institutions. A business organization can legitimately speak about concept of “client”. Labeling students as clients in higher education is not, however, appropriate. When students are transformed into clients, the basic vision of education is lost and the student-teacher academic relationship is degraded, turning into a supplier-client business relationship (Pooja, 2017). Therefore, higher education institutions might confront with a major transformation in their own values and norms, while adopting a commercial approach, even if this is not a desired outcome (Vasilescu, Barna, Epure, & Baicu, 2010). Moreover, within the European Union there is a transcendence of this trend in high school education as a result of the compatibility of education systems at European level. More and younger people choose to learn in high schools outside the community where their parents live or even in high schools in other countries with greater prestige and offering more learning opportunities.

According to Watson (2003), the twenty-first century successful university must acquire and maintain a good reputation at local, national and international level, and must also be perceived as ethically and ecologically responsible. Watson (2003) considers that a higher educational institution should play a role in improving the areas it addresses in a sustainable way. The higher education institution should not only promote but also incorporate social responsibility. Parsons (2014, p. 15) shows that there is, therefore, a certain degree of consensus in the literature on the idea that academic education institutions “must have principles of social responsibility included in the functioning of the institution and that should be part of the institution’s identity, so that it is clear that the university is socially responsible”.

The roles of the university educational institution in society are an area where there is an intense debate. While some authors focus primarily on the important role that the higher educational institution has in social and economic development as a generator of good quality, competitive and innovative workforce, other authors suggest that the higher educational institution ought to occupy a role in complementary issues such as democracy, culture and research.

The idea is that the educational institution has the capacity not only to teach students about global social and environmental issues, but also to raise awareness as regards the importance of these issues for society, creating the prerequisites for solving these problems in the future. Badat (2009) explains that “through teaching and learning, universities can develop a sense of countless economic, educational, health, environmental and other issues, while research contributes to managing and solving them” (Badat, 2009, p. 10). According to Badat (2009), educational institutions need to teach pupils to adapt to today’s changing society. They need not only to receive knowledge but to create a civic, social, ecological, ethical consciousness with great sensitivity to human rights issues.

There is a significant amount of research in the literature on the concept of University Social Responsibility (USR), which is based on the principles of corporate social responsibility (CSR) but applies in this case to an academic context. The USR concept focuses mainly on:

- the social and moral nature of the university's internal processes,
- care for the environment as shown by the university as an educational organization and institution,
- the university designing programs for the accountability of graduates on social and environmental issues or programs involving community involvement,
- partnerships between the university and the business environment in order to sustain economic development.

Vallaeys (2007, p. 6) analyzes the impact that the university has on society and groups its effects into four key areas: "the impact of organizational functioning (on staff, students and the environment), educational impact, cognitive and epistemological impact, social impact." Based on these effects, Vallaeys (2007) identifies four activities that make the university a social responsibility organization:

- the responsible campus (characteristics of ethical internal processes and respect for the environment),
- responsible education (ways in which the curriculum supports and promotes the sustainable development of society);
- socially responsible management of knowledge (participatory approaches to research and its outcomes);
- communities based on participatory research and mutual learning communities for development.

By identifying how the higher education institution influences organizational functioning, education, cognitive development and social behavior, Vallaeys (2007) identifies ways in which university education institutions integrate the principles of social responsibility into each category of effects.

Most approaches are limited to adapting the principles of corporate social responsibility to the university environment, placing more emphasis on educating graduates in the spirit of social responsibility (more of a prescriptive role) and less acting as an active actor in social responsibility. In fact, the European Commission has also produced a report on governance in higher education in Europe and discussed the relationship that European educational institutions have with society. However, these are necessary steps forward in order to act as an active actor in the social responsibility of higher educational institutions, and not only by going further to all educational institutions. The emergence of CSR 2.0 and CSR 3.0 has allowed social responsibility to transcend corporate boundaries and apply to all organizations within the contemporary society.

5 Towards a Catalytic Culture of Social Responsibility (CSR 3.0)

A society is held responsible when engaging in solving social or environmental problems. Mintzberg (2017) labeled the activities of an organization that ignores social or environmental issues as Corporate Social Irresponsibility (CSI) or CSR 0.0. Given that organizations have begun to give responsible attention to social or environmental issues, Corporate Social Responsibility has emerged that was later labeled CSR 1.0. When organizations substantially addressed their causes and had a strategic approach to social or environmental issues, CSR 2.0 emerged. If CSR 1.0 is concerned with controlling and limiting social or environmental issues, CSR 2.0 tries to address the root causes of social and environmental problems.

In his CSR 2.0 *Transforming Corporate Sustainability and Responsibility* book, Visser (2014) lists five phases of business responsibility ("greed, philanthropy, marketing, management and responsibility") that correspond to five stages of social responsibility: "defensive, charitable, promotional, strategic and transformative".

The defensive stage of social responsibility corresponds to the greed, in which organizations tried to limit the effects of poor image among the public through a defensive attitude at PR level. The charity stage of social responsibility corresponds to the stage of philanthropy. At this stage, organizations sought to show the public that they behave as good citizens. The promotional stage of social responsibility corresponds to the marketing stage. Organizations are strongly promoting their social responsibility actions to show a good image and improve their reputation. Within CSR 1.0, organizations were trying to differentiate themselves using their unique skills. CSR 1.0 focused primarily on reducing the negative impact of the organization on the environment and society as a whole, and addressing social issues through philanthropic or contributory initiatives at community level. The strategic social responsibility stage corresponds to the management stage. Organizations integrate social responsibility into the core strategy, this being not only a separate activity, but an integrated activity in all organizational areas. The last stage of social responsibility, described by Visser, the transformative one, corresponds to the stage of responsibility. Organizations engage in stakeholders' life and involve them in the organization's life, generating a change in the organization's ecosystem. The transformative stage represents CSR 2.0. CSR 2.0 not only introduced social responsibility into the core strategy of the organization, but organizations collaborate with value chain components to identify win-win opportunities to create a common value for society and themselves, closely related to their business (Intel China, 2014, pp. 5–6).

In recent years, in various papers (e.g., Intel China, 2014), there is more and more talk about CSR 3.0. In our opinion, this is the sixth stage of social responsibility, the catalytic one, which corresponds to the sustainability stage. At this stage, organizations adopt the collective paradigm (by renouncing the individualist paradigm) by working with other actors in all areas of society to better identify the root causes of social problems, identify effective partnerships, use resources more efficiently, and find solutions which have a major impact on society. At this stage, social responsibility is no longer a specific concept only to business companies, but becomes a concept that applies to all organizations, including public institutions and especially educational institutions that can play an active role in ensuring overall societal sustainability.

CSR 3.0 proposes a systemic approach, requiring a better understanding of the problem, global solution and the role of different stakeholders as part of this solution. The organization looks for ways to inspire and stimulate the progress of all key stakeholders that could now or in the future address social or environmental issues. Creating an ecosystem and a "learning network" that includes all stakeholders allows to disseminate ideas and combine resources to address social issues through engagement, commitment and co-operation. CSR 3.0 calls for the development of a collective paradigm (by giving up the individualistic paradigm) and collaboration with other actors in all areas of society to better recognize the fundamental causes of social problems, to identify effective partnerships, to deploy resources more efficiently and find systematic solutions that have a collective impact on society, for long-term and fundamental improvements of society (Intel China, 2014, pp. 8–9).

Amit (2016) reviews the levels of CSR over time and the main characteristics of these types of CSR. Table 2 lists these features, the means used by organizations and the results they are pursuing.

Social innovation is both an approach and a result: a way of thinking and applying this thinking in the process of solving social problems. Within organizations, a paradigm shift is needed to accept, adopt and integrate social innovation into the core strategy. Organizations, alongside the mainstream and direct value creation, must also create shared social value by partnering with all key actors to achieve a transformative and systemic impact. The goal would be to create a new driving force by building an ecosystem of organizations to address the issues of the society in which they operate. This is a new way of thinking about social responsibility, called CSR 3.0 (Intel China, 2014).

Visser (2014) introduces the concept of social responsibility DNA. Visser states that the two concepts (sustainability and responsibility) can be likened to spiral sequences of DNA being different but interconnected, being the major components of organizational social responsibility. Visser (2014) also states that sustainability is the outcomes (vision, strategy and goals), while responsibility is the means (solutions and responses to problems, management and organizational actions).

At the heart of this concept stand four vital components: "value creation, good governance, societal contribution and environmental integrity". All these components can be adapted to the specifics of educational institutions. Table 3 illustrates the DNA components, the strategic objectives attached to a business organization, the strategic objectives attached to an educational institution.

If we speak of value creation, we can say that in the case of educational institutions it does not refer to financial objectives (such as profit), but to the provision of quality education services. The goal is economic development through transfer of knowledge, training of skills and abilities, but also the creation of a civic consciousness that contributes to the full development of individuals and to the

Table 2 Characteristics of CSR levels

Levels of CSR	Characteristics	Means	Outputs
CSR 0.0	From a technical point of view, there is no social responsibility; Social benefits obtained through mere existence of organization (products, services, job creation);	–	Profit
CSR 1.0	Concentration on philanthropy (donations, sponsorship, etc.); Activities not centered on corporate processes, focusing on several areas; No concept or integrated system; Doubled by public relations activities;	Philanthropic or contributory initiatives at community level	Competitive advantage (reputation and image)
CSR 2.0	Social responsibility is integrated into the core business; There is a systematic plan for managing responsibilities; Periodical dialogue with stakeholders; Impact and effects are analyzed and reported;	Joint initiatives with stakeholders in their interest and community	Creating shared value
CSR 3.0	The organization aims to make sustainable changes in the political, social and environmental contexts; The organization has a proactive holistic vision of responsibilities within and beyond activities; The organization is an agent of change, not a mere participant in the process of change; The organization creates value for cooperation and participation.	Cross-sectoral initiatives	Social innovation

Source: Adaptation after Amit (2016) and Intel China (2014)

Table 3 DNA components and strategic goal associated

DNA components	Strategic goals for a business organization	Strategic goals for an educational institution
Value creation	Profit	Quality educational services
Good governance	Efficiency	Proper management of financial, material, human and informational resources
Societal contribution	The stakeholders' needs	Stakeholders' needs
Environmental integrity	Environmental protection and sustainability	Education for environmental protection and sustainability

Source: Adaptation after Visser (2014) and own considerations improvement of the economic and social context in which the educational institution operates (Varzaru, Varzaru, & Albu, 2012).

Good governance has the fundamental objective of ensuring institutional efficiency (Kock, Santalo, & Diestre, 2012). An educational institution must be transparent and indiscriminately in all its organizational practices and in all aspects of the teaching and learning process. Also, a good leadership within the educational institution is absolutely necessary to ensure a quality educational service. The quality of management differentiates educational institutions by making it possible to achieve notable performance and to carry out effective teaching and learning processes. Any educational institution needs a proactive and efficient board that puts value in the quality of human resources and creates a synergistic effect in the delivery of educational services.

Societal contribution is a classic domain in which CSR has emerged and has as its central objective the understanding of stakeholders' needs and the attempt to satisfy them. Also, the relationship is bidirectional. It is furthermore necessary to increase stakeholder involvement in the organization's vineyard (Tang & Tang, 2012). In the case of educational institutions, this component of the CSR' DNA is vital because without the involvement of stakeholders in the activity of educational institutions, the teaching and learning process is disconnected from real life, and it is not adapted to the requirements of the market.

Environmental integrity is more likely to maintain and improve the sustainability of ecosystems than to minimize damage. Educational institutions can have more than an organizational role, but can be constituted in catalytic institutions by their role in forming civic and ecological awareness of pupils and students.

6 Conclusions

The area of social responsibility in higher education is quite often addressed and involves many issues, such as the role of the higher educational institution in society, the partnerships of academic education institutions, the challenges of morality and ethics. However, most of the work focuses on the finer details of curriculum, programming, and partnership orientation. There are few papers that ask questions and analyze the interaction between academic institutions and society and provide information on the ability of higher education institutions to become active actors in general social responsibility (overcoming the prescriptive role they currently have).

Higher education institutions are increasingly viewed as a means of providing solutions to the current challenges faced by the world, generated by globalization, increasing economic disparities at all levels of society, and environmental degradation. Social responsibility specialists suggest that the higher educational institution needs to prepare future generations and their leaders to understand their world and the challenges they will face. In our view, in this prescriptive and educational role, all educational institutions, and not only universities, must play a more active role in the area of social responsibility, behave responsibly towards all their stakeholders.

Social, environmental and economic issues are extremely serious, and educational institutions can contribute to addressing them with a deeper and more active involvement. Emerging issues require ambitious approaches that catalyze the entire ecosystems of social actors. CSR 3.0 can be a sufficiently effective paradigm in the future and sufficiently broad to achieve sustainable structural change, whereas social innovation for organizations can be a strategy and a path to success and sustainability, especially in the case of educational institutions. In our opinion, the educational institutions can be the main actors in this ecosystem contributing to the creation of this ecosystem and its operationalization, given that the higher educational institutions are the top innovations in the research activities they carry out.

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Corporate Social Responsibility of Romanian SMEs Versus Polish SMEs

Silvia Puiu and Adam Krystian Wiśniewski

1 The CSR Perspective of SMEs in the European Union

The European Commission (n.d.) considers corporate social responsibility (CSR) as the responsibility of companies for their impact on the society and this impact can consist in strategies and policies focused on "social, environmental, ethical, consumer and human rights concerns" (ec.europa.eu/growth/industry/corporate-social-responsibility_en). A RARE report (2005) makes a delimitation of CSR policies according to two criteria: the impact and the thrust of public policy interventions. As we notice in Table 1, the public sector of a country can intervene in CSR policies in a company, especially when some aspects need to be regulated, like the protection of employees, the environment or consumers.

According to the Annual Report on European SMEs 2014/2015 (2015a), 99.8% of the non-financial companies in the European Union are small and medium (SMEs) and 93% from these are micro-enterprises (with less than ten employees). They offer 67% of jobs in the private sector (90 million people) and generate 58% of the value added by the companies in the European Union. So, the impact that SMEs have in the community is big and the opportunities for implementing valuable CSR projects are numerous.

Given the contribution SMEs have to the gross domestic product in a country, it is natural to support these companies in implementing CSR, offering them some incentives or tools, because there are three beneficiaries: the company itself, the community and the European Union. There are more projects and reports in the EU

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Table 1 CSR policies

Impact	Thrust: Incentives	Thrust: Disincentives
High	Stimulated CSR (a real partnership)	Regulated CSR (regulations on the procedural framework, control, but not a partnership)
Low	Explicit CSR (companies formulate and adopt CSR policies for the community)	Implicit CSR (public mandates aspects like work safety or environmental protection, employees' rights)

Source: Adapted from RARE (2005, p. 28)

Table 2 Definition of SMEs

Type of the company	Staff	Turnover	Balance sheet
Micro	<10	≤ 2 million euros	≤ 2 million euros
Small	<50	≤ 10 million euros	≤ 10 million euros
Medium	<250	≤ 50 million euros	≤ 43 million euros

Source: EU recommendation 2003/361, http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32003H0361&from=EN

promoting CSR in SMEs and highlighting this as a priority area: Green Paper—Promoting a European Framework for CSR (2001, last updated in 2005), Mainstreaming CSR among SMEs (2005), Pan-European awareness-raising campaign on CSR for SMEs (2004), The Small Business Act for Europe (2011), Thinking Big for Small Businesses (2011).

There are also a lot of barriers staying in front of CSR in SMEs and these are: the lack of understanding CSR and similar concepts; the financial effort; the lack of training in dealing with CSR; the lack of knowledge on reporting even in the cases where there is a CSR policy.

SMEs are defined in the EU recommendation 2003/361 and can be summarized in Table 2 according to three factors: the staff, the turnover and the balance sheet.

The managerial approaches of SMEs in CSR projects are different from those of larger companies because the resources are limited, but they are also more flexible to the environment and could have a faster internal communication. The perspective is also different from countries that are in various stages of economic and social development.

One of the most important problem is related to the lack of knowledge and expertise related to the benefits of CSR on small and medium enterprises' activity. According to a report signed by Williamson, Stampe-Knippel, and Weber (2014), many countries started to disseminate information on these aspects in order to encourage SMEs to implement CSR projects in the community they develop their activities (the case of Czech Republic), to organize knowledge exchanges on CSR (Belgium, Greece), sectorial councils dealing with these problems at a local level (UK). The United Kingdom has implemented a digital platform where SMEs can share with other businesses or customers what they did good—www.tradingforgood.co.uk. This could prove useful and valuable both for the company itself, but also for the customers who can choose the entity that is greener than the rest. There were also organized trainings for managers and employees in SMEs in order to better understand what CSR is and how they can increase the efficiency of these projects (Cyprus, Denmark or online trainings in Netherlands).

The help provided by a government for the implementation of CSR in SMEs is useful for understanding the context in which these enterprises develop their activities and the barriers they have to cope with. This support can be promotion, funding or awareness-raising programs or other local measures, like in France, where at this level, there is an intense support from the local administration. In 2011, in Poland, there was implemented a national program meant to make SMEs understand that their competitiveness and success depend on the level of implemented CSR.

In order for SMEs to invest in CSR campaigns, they will have to fully see the benefits brought by this behaviour. CSR could be a standalone function, a coordinating function, be hidden under different functions or could be absent from a company (Knopf & Mayer-Scholl, 2013).

Mullerat (2013) presents the approaches on CSR in the most important European countries. The United Kingdom is considered a leader in CSR, the government having even a CSR minister. France has an average level of CSR, due to the many regulations governing labour relations. In 2007, 1700 French companies signed The Diversity Charter, an initiative meant to fight against discrimination on different levels. There are many public initiatives meant to support SMEs, but also unions of companies trying to do more acting together (Centre des Jeunes Dirigeants formed by 3300 managers of SMEs who wanted to develop a Global Performance Standard on CSR reporting).

Germany is still "in its infancy," but there is an improvement regarding the measures implemented by the government: A Federal Ministry for Employment and Social Affairs, the Council for Sustainable Development. The German industry started a joint platform in order to share aspects related to CSR and since 2010, the government has implemented a National Strategy for CSR.

According to Mullerat's research (2013), the financial and the banking sector in Italy are the most important drivers of the CSR movement, but there are also many other spontaneous experiences from other companies. Balluchi and Furlotti (2013) conducted a research on small and medium enterprises and the environmental issues in the Italian context. The authors summarize the main characteristics of CSR in SMEs: positive correlation between knowledge, engagement and the size of the company; the lack of information and other priorities are causes for the lack of CSR; the most important CSR initiatives are directed to the environment; there are not so many initiatives for suppliers; low awareness on CSR tools and an increased interest in certificates for some standards. Perrini, Russo, and Tencati (2007) made a comparison between CSR strategies in big companies and those in Italian SMEs and the conclusion was that CSR projects of the former are more important than in the case of SMEs because they have more resources and more knowledge. The quantitative study conducted by Balluchi and Furlotti (2013) revealed that many SMEs in Italy are not aware of the environmental impact they have on the community and 49% of the studied entities took no initiatives in this area. Regarding the awareness on environmental issues, 71% of the SMEs in the study do not use "information instruments in this regard" and 89% do not "promote and support campaigns or initiatives to safeguard the environment".

Mullerat (2013) mentions Spain as having a moderate CSR development and highlights the importance of saving banks which give a great part of their profits to social causes. According to the author, most companies in Spain have less than 50 employees, so a CSR involvement from these companies will have a great impact in the community. The Sustainable Economy Act adopted in 2011 offers incentives for those promoting CSR and/or developing CSR projects.

Sweden, Finland, Denmark, Norway and Iceland launched in 2010 the Nordic CSR Compass tool meant to offer guidelines for the small and medium enterprises willing to invest in CSR projects. According to Wiles (2008), Sweden is a leading country in CSR, this being an aspect deriving from their culture, too.

The author also mentions the rapid growth of CSR activities in Central and Eastern Europe after 1990, even if the concept and its implementation is relatively new. The problems of SMEs in these countries are related to the lack of resources for CSR projects and also the lack of knowledge in this regard.

Palvolgyi, Szlavik, Nagypal, Fule, and Csete (2009) conducted a research on CSR in SMEs and highlighted the most common barriers for these companies, the costs being the most important obstacle for not developing more CSR projects. Even if most studies reveal that in the long term, CSR increases profitability and leads to the success of a business, SMEs still do not implement many projects in this area. For example, in the study conducted by the authors, companies mentioned as a barrier the fact that there is no demand on the market, but this is hard to believe, because no country or region is perfect and there is always a need for improving something in a community.

The authors concluded that the increase of CSR could be realized with trainings and the support of the policy makers and other associations. The support should be both financial and in terms of awareness raising. The attitude of SMEs in the sample was good, proving a high interest in developing CSR projects.

Yu (2010) also conducted a research on two SMEs in Sweden and the managers from the two companies mentioned as barriers the financial constraint (implementation of international standards, organizing trainings or some lectures), the small impact on stakeholders. So, both human resources and financial ones could be a problem for SMEs willing to engage in a more extensive way in CSR projects. As opportunities, the managers mentioned differentiation, flexibility, and a better communication with the community.

The public attention and the studies conducted by researchers are more focused on multinational companies and their commitment to CSR because their resources are higher than those of SMEs. Many small enterprises do not even know they are engaged in CSR activities, because these do not have the knowledge and the projects they implement have a lower dimension.

Sen (2011) carried out an analysis of the most important motivations for CSR in SMEs and summarized them after studying the literature on this topic. From these, we can mention: long term survival, business profitability, gaining community support, business reputation, competitiveness, differentiation, morality, image, notoriety. These are motivations that will be transformed into advantages in the long run for SMEs, but there is also a need for material, human and financial resources to be able to develop CSR projects.

Cochius (2006) conducted a research on the motivations of CSR in Dutch SMEs and concluded that there is a need for a better understanding what CSR means, because people are not aware of the concept and, in many cases, they do good things, but they do not realize that activity can be considered as CSR. The author considers that any research on SMEs is important because there is a lack of information related to this area especially for these companies and they could be useful for researchers but also as examples of good practice for other similar entities. Cochius also highlights the need for a better promotion of CSR among SMEs, with the help of the government and even bigger companies that can share their experience.

According to CERFE Group (2001), SMEs in Europe tend to prioritize their CSR and focus only on one or two areas, from the local community, especially related to the environmental problems, because these are more promoted than the social or economic ones.

2 CSR Initiatives of Romanian and Polish SMEs

2.1 CSR in Romanian SMEs

According to the Annual Report of European Commission (2015a), the activity of SMEs in Romania has not fully recovered after the crisis. The report predicts an increase of the number of SMEs between 2014 and 2016 by 6.2%, the number of new jobs reaching 190,000 and the annual growth of the added value of SMEs being around 8.5%. The importance of SMEs for the gross domestic product and for the community in a more extensive way is highly recognized.

Regarding the implementation of the Small Business Act for Europe (SBA), Romania is still below the European average. The report mentions that Romania is the European leader at entrepreneurship, but registers low scores at single market, internationalization, environment, skills and innovation. The priorities for Romania should be investing in education, trainings, vocational education, supporting exports, providing help with the innovation policies and encourage a partnership between the public institutions, big companies and small and medium ones.

The interest for CSR in Romania is relatively recent (2011), when a National Strategy on CSR was adopted and more initiatives started to appear with the support brought by European funds. Information Resources Management Association (2013) highlights the importance of the Chamber of Commerce and Industry of Romania (CCIR) as the main promoter of the CSR activity in Romania and the support of SMEs wanting to develop CSR projects. AmCham, the American Chamber of Commerce in Romania, is another institution that helps SMEs in this process, along with other NGOs and the community itself. Information Resources

Management Association presents a few cases of good practice in Romanian SMEs: SC Icemenerg SA Bucuresti (focused on employees, quality of services and products, environment protection), SC Elmi Prodfarm SRL, Borderline Services SRL (human resources—free trainings for youngsters or people with low income), SC TuvKarpat SRL (CSR activities focused on employees, customers, business partners and environment), Galfinband SA (selected as a case study in 2004 by CCIR presented at pan-European campaign "Raising the awareness of CSR especially among SMEs").

Many SMEs are involved in CSR projects, but neither they nor the media know how to promote these or they do not even know that their activities are included in this area of social responsibility. The media promotes more the big CSR campaigns implemented by multinationals or big companies and there appears a vicious circle because SMEs do not benefit from an increase of the reputation and notoriety and they tend to choose only some projects or give others up.

The importance of SMEs does not rise in the individual size of the entity, but in the force represented by all these entities that provide goods and services for a community, absorb the workforce and pay taxes to the public administration. So, educating SMEs on CSR matters and raising their awareness to this subject can bring lots of benefits to an entire community.

Anca, Aston, Stanciu, and Rusu (2011) in a report regarding CSR in Romania argue that in Romania there is an increased demand for standards and certifications, but without a proper infrastructure, trainings and support for SMEs, many managers "comply with the standards only on paper and take some 'shortcuts in practice'". So, there could appear a false CSR where the company uses marketing strategies in order to create the impression of a responsible entity (for example, labelling products as bio even if the company does not have all certifications).

CSR activities are also classified according to the target group they are addressed to (employees, community, market and environment) and many specialists consider that SMEs are more concentrated on those projects focused on employees and the community because the smaller size of the company makes it easier to know better what the problems are in that specific area. The authors of the report on CSR in Romanian SMEs give some examples of companies acting socially responsible: PointMax Solutions (focused on employees and community), Apidava SRL (focused on quality of products, being one of the few companies in Romania that has a sanitary-veterinary authorization for intra-communitarian commerce), Cortina Bio Prod SRL (producing ecological eggs, focused on customers and the community).

Most SMEs develop one or more types of CSR activities, but, in very few cases, they are involved in all four types related to the four target groups (employees; market—customers; community—education, health; and the environment). There is a need for more quantitative and qualitative research and analyses of CSR done by SMEs in order to raise the awareness in the community and help them to benefit from the reputation and good image gained after these activities.

The present research started from two research questions related to Romanian SMEs and the CSR they are developing:

R1: What is the state of CSR reporting in Romanian SMEs?
R2: Are there any obstacles for SMEs to implement CSR projects?

For this research, we used secondary data from national and European reports related to CSR developed by SMEs and also the websites of SMEs and the reports of these companies, at least from those reporting CSR activities.

Anca et al. (2011) makes a parallel between CSR in multinationals in Romania and CSR in Romanian SMEs and also between some perceptions and the reality regarding CSR in SMEs. For multinationals or big companies, there is a culture related to CSR, but for SMEs, there is a lack of knowledge. There is also a wrong perception that CSR should be adapted to the size of the company and that SMEs mostly invest in social and environmental projects, not related with their business. The reality highlighted by the author is that in fact, SMEs are socially responsible, but they do not use the term CSR and, in many cases, they do not even know what CSR is, they use terms like "do something good", "common sense", "to do something in return".

Anca et al. (2011) and Alistar et al. (2013) highlight the important challenge for SMEs. There are many pressures in order to oblige SMEs to comply with some standards that the word "volunteer" included in CSR activities does not have a sense any more. In these circumstances, CSR could become and be seen as a barrier itself, and not as an opportunity. If there is support from public authorities and an adequate infrastructure for developing CSR, the standards and certifications could help SMEs reach a better performance and increase their notoriety.

One of the barriers for CSR in Romanian SMEs is their mentality, many managers believe CSR is not for them, but for big companies and maybe this confusion is maintained by the "corporate" word. Horia (www.immromania.ro/stiri_fisiere/csr-in-imm-uri-6784.pdf) enumerates some reasons mentioned by the SMEs that do not develop CSR projects: the costs, costs are higher than the benefits, the complex regulations, but there are also managers that understand that the CSR impact upon the community and the company itself brings advantages in the long run. The author gives an example of Romanian SMEs that developed CSR in all four areas (employees, environment, market and community)—Graphtec Design. Cumpanasu et al. (2009) consider that the success of CSR for SMEs in Romania consists in: publish online reports about CSR on their website, communicate CSR activities to the employees, community, clients, partners and media in order to benefit from the notoriety and the image gained as a consequence of these activities. SMEs should understand that a good CSR campaign brings benefits both for the community and the company itself.

The authors also highlight the difference between CSR which brings benefits for both parties and should be communicated, and philanthropy which could be confidential and bring benefits only for the target group. It is of great importance for SMEs to be aware of successful CSR campaigns carried out by big companies in Romania or other European member states in order for them to be able to implement a similar CSR strategy.

The barriers mentioned by the authors are related to the dimensions of costs and the time needed to develop CSR projects. Cumpanasu et al. (2009) also mention that SMEs do not have the same financial power as multinationals in a crisis period and they are obliged to reduce the budget for CSR.

According to a report of CSRmedia and EY Romania (2015), one of the weaknesses of CSR in Romania is related to the fact that SMEs do not fully understand the relevance of these activities for their business. Another study regarding SMEs in Romania was published by KeysFin (2015) and presents the evolution of these companies in the previous year. According to this study, most SMEs are micro entities and they are created mostly in Bucharest (28.96%), followed by North West region (14.09%) and South East region (10.56%).

The report also mentions the distribution of active SMEs in 2014 based on their domain of activity. Most of them (32%) are commercial entities, followed by professional activities (10%), transportation (10%), and constructions (10%). Very few SMEs develop their activities in education (1%), insurance (1%), recycling (1%), health (2%), culture or entertainment (2%). Between 2012 and 2014, 23,500 SMEs registered a rapid growth comparing with the previous year (by 20%). From these, 6% became big companies in 2014, so the potential for CSR exists at least for this part of SMEs which registered an impressive increase of the turnover.

The potential for developing CSR projects can also be seen from the analysis of the net result (the difference between the net profit and the net loss). The results have significantly improved for all categories of SMEs, but mostly for medium ones. This aspect can mean a higher potential to develop CSR projects. Micro entities reduced the loss from 8.7 billion to only 3 billion, the small ones registered an increase from 1 to 4 billion and the medium companies increased their net results six times, from 0.56 billion to almost 4 billion. At the same time, the difference between the net result of small entities and that of medium ones reduced between 2011 and 2014, reaching almost the same peak.

An important project meant to raise the awareness of SMEs regarding CSR was "ACTIONariat pentru Comunitate!" (October 2014–August 2015). The project had 21 SMEs from Bucharest and 6 NGOs and had as objectives the understanding of CSR among SMEs. The SMEs in the project received the title "Socially Responsibly SME" for 2 years, according to csrNEST.

Netherlands Embassy in Romania (n.d.) appreciates that "CSR is still in its infancy in Romania, mainly due to a lack of awareness. SMEs do not see the relevance of CSR for their business, and lack the knowledge, knowhow, and expertise necessary for successful implementation."

Popa (2012) conducted a quantitative research on SMEs in Dolj County that revealed the confusion of the term CSR. These confusions are a real barrier for CSR in SMEs, because it is difficult to increase the level of CSR without knowing exactly what it is. The barriers mentioned by the SMEs in the research were: the lack of budget (28.32%), the economic crisis (23.01%), decisions are taken at top management level (17.7%), the lack of time (15.04%), the social actions are not necessary for the company (13.27%) and the lack of information (2.65%).

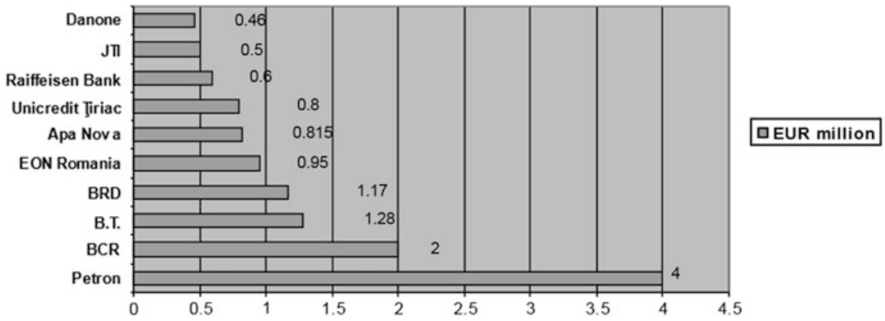

Fig. 1 Top 10 large companies regarding the budget for CSR. *Source*: Pirnea, I.C., Olaru, M. & Angheluta, T. (2012). Study on the Impact on Promoting Social Responsibility in Business Performance for SMEs. Economy Transdisciplinarity Cognition, vol. 15, issue 1/2012, p. 208

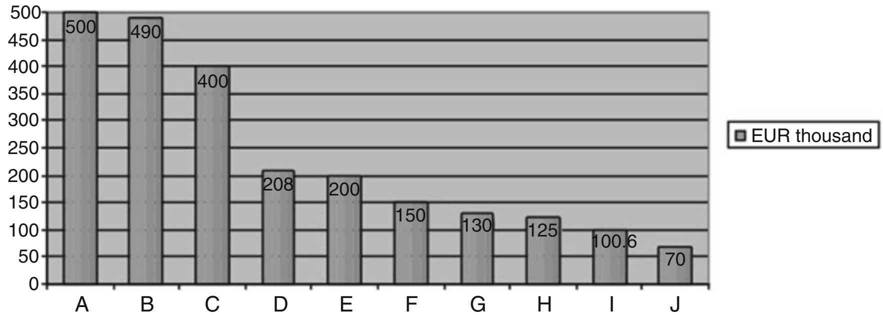

Fig. 2 Top 10 SMEs regarding the budget for CSR. *Source*: Pirnea, I.C., Olaru, M. & Angheluta, T. (2012). Study on the Impact on Promoting Social Responsibility in Business Performance for SMEs. Economy Transdisciplinarity Cognition, vol. 15, issue 1/2012, p. 209

Pirnea, Olaru, and Angheluta (2012) made a comparison between the budget allocated by large companies in Romania and the resources allocated by SMEs, processing the statistics from Top Romanian Donors competition (2009). Figure 1 presents a top of the first ten large companies in the competition and we can notice that most of them are financial institutions.

In comparison to these, the budget allocated by SMEs is smaller and the dimension of the social project they develop is definitely reduced, but that does not mean the impact on society is less significant. Figure 2 reveals top ten of the SMEs allocating the most important financial resources for CSR, according to Forumul Donatorilor 2009: A—Zbarcea Musat & Associates, B—Agricola Bacau, C—Tuca & Associates, D—Oriflame, E—Conf, F—Romania Lowe, G—Lemet, H—Impact SA, I—Electrogrup Cluj, J—Provident Financial Romania.

According to another empirical research conducted by Iamandi and Constantin (2011), SMEs have a short-term vision on CSR, not understanding the benefits of such a behaviour in the medium and long run. This is the reason why most social projects are directed to employees and customers, because these are linked to the core business and have a direct impact in a short term, compared to the actions focused on the environment or community.

2.2 CSR in Polish SMEs

Szczanowics and Saniuk (2016, p. 99) cite the report from 2013 of the Polish Agency for Enterprise Development (PARP in Poland) about the managers of SMEs in Poland. The report highlighted that 64% of the respondents were not aware of the concept of corporate social responsibility. The authors conclude that the main perspective of entrepreneurs is focused on the legal side of CSR and that there is "a high potential for implementation of the CSR concept". Even if companies initiate CSR projects, there is no organized system. We can notice the similarities between Romania and Poland from this point of view regarding the randomness of CSR initiatives in the SMEs.

Since 2014, there have been four working groups launched by the Minister of Economy in Poland for socially responsible companies focused on social innovation, sustainable production and consumption, renewable energy and CSR for SMEs (Dyczkowska, Krasodomska, & Michalak, 2016, p. 218). The authors mention some financial sources used for supporting SMEs in their efforts of developing CSR projects: for investments (Intelligent Development COP; Eastern Poland COP; Regional Operational Program), environment (National Fund for Environmental Protection and Water Management), for soft projects (Knowledge, education, development OP; Regional Operational Program), for R&D (Regional Operational Program). Another important project was conducted by the Polish Agency of Entrepreneurship Development within the Swiss-Polish Cooperation Program. Its main goal was to enhance the CSR projects developed by SMEs in both countries. There were three directions of this program: to promote the CSR initiatives through educational activities and trainings; to offer a financial support for SMEs developing CSR initiatives in areas like environment, employees' protection and social involvement; publish the results and the good practices of this program.

Dyczkowska et al. (2016) argue that "although the CSR concept has evolved in theory, the stage of its development in practice of particular countries has become a consequence of historical, economic, political, educational and cultural factors". The authors also mention the poor infrastructure and technology. From a political point of view, Romania and Poland are very similar, both of them being under a communist control before 1989. The authors present the studies conducted by Deloitte, KPMG and PwC according to which the investors tend not to take into account the social performance when making investment decisions.

Pienkovski (2013) mentions the results of a PARP study that revealed the lack of knowledge regarding the concept of CSR which is different from the knowledge of CSR standards or CSR implementation (Fig. 3).

We notice that the knowledge of the term CSR is higher among larger companies but the differences between small, medium and large companies regarding the

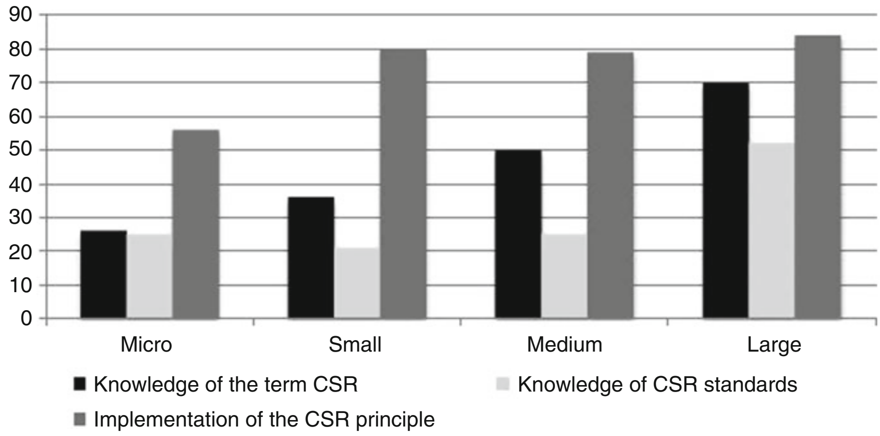

Fig. 3 Knowledge on CSR in Polish companies. *Source*: Pienkovski, D. (2013). Institutional Conditions of Corporate Social Responsibility in Poland. Conference paper. Corporate Social Responsibility and Women's Entrepreneurship around the Mare Balticum, Baltic Sea Academy

implementation of the CSR principle are insignificant. So, even if they are not aware of the term CSR, SMEs in Poland initiate CSR projects. A similar situation is met in Romania where SMEs might be socially responsible but they do not always benefit from a better image in the community because they lack the funds to promote themselves and their actions.

The similarities between Poland and Romania in terms of CSR in SMEs can be explained by the communist history of both countries. This link is mentioned by Popovska (2013) who highlights the factors that make it difficult for SMEs to implement CSR projects: the communist history, the word social in CSR (reminding of socialism), the immature market, the weak institutional environment, the changing laws, and the dynamics of the market in a post-communist era and after the EU accession. Poland joined the EU in 2004 and Romania in 2007 so there are not many differences. As the author puts it, the entrepreneur in Poland "is mainly struggling for survival" (Popovska, 2013, p. 237). The CSR reporting is not a practice among SMEs because they do not know how to report even if they initiate some CSR activities.

Csafor (2008) conducted a research on CSR in Central and Eastern Europe (CEE), focusing on former socialist countries like Poland, Romania, Hungary and Slovakia. The author highlights the factors that these countries have in common regarding the implementation of CSR in SMEs: the countries have strong economic dependencies on some business sectors; SMEs play an important role in the economy being the biggest employers; a scepticism regarding the allocation of funds by public authorities as a consequence of socialism; CSR is mainly applied for image and marketing; NGOs are not successful in creating a connection between the business sector and the community; CSR reports are rare and if they exist, they do

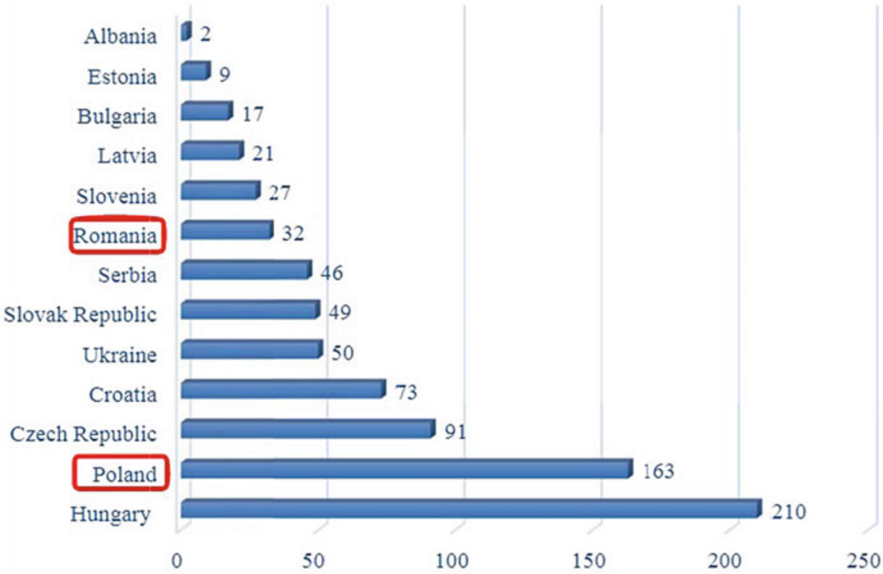

Fig. 4 Number of GRI reports till 2016. *Source*: Grabara, J., Dura, C., Drigă, I. (2016). Corporate Social Responsibility Awareness in Romania and Poland: a Comparative Analysis. Economics and Sociology, vol. 9, no. 4, p. 346

not have a clear structure; the interest of media on CSR issues is not promising; the interest of the society on CSR is low; CSR is not studied separately in schools.

Another comparison between Romania and Poland regarding CSR was made by Grabara, Dura, and Drigă (2016). The authors elaborated a comparison of CEE countries in terms of GRI reporting using statistics of GRI. According to the data in Fig. 4, we can notice that Poland (163 reports) is far in front of Romania (32 reports). The gap between the two countries refers mainly to large companies that use this type of reporting because the situation in SMEs is similar in Romania and Poland due to the financial limits.

Authors conclude that Polish managers of large companies catch up "with the most common western tendencies in the CSR area, while SMEs . . . seem to not fully acknowledge the significance of the concept for the benefit of their business" (Grabara et al., 2016, p. 348) and highlight the similarities between SMEs in both countries.

Bauer, Bozhinova, Malinowski, Maunaga, and Walczak (2013) analysed the situation of CSR developed by Polish SMEs. They identified a few problems related to the low level of CSR in these entities: the lack of interest, the high costs for small and medium companies, and the low level of promotion regarding CSR and its benefits for the company. The authors offer a few solutions to increase the awareness regarding CSR among SMEs. Even if the research was conducted on Polish SMEs, the solutions can be applied to Romanian SMEs too due to the similarities: publish brochures about CSR; develop a website with CSR case studies (good practices);

competitions and rewards for those developing CSR projects; encourage sharing the experiences with CSR; organize workshops and seminars on CSR in SMEs; encourage learning from foreign companies in terms of CSR; aid for those developing CSR initiatives; give priority to companies that develop CSR projects.

Zieba (2015, p. 241) argues that 99% of operating business are SMEs and the impact of their CSR practices is important even if their projects are less formal and difficult to measure. The author states that "there is not much known about SMEs CSR in Poland", the sector of SMEs being under-researched. The situation is similar in Romania where CSR is mainly specific to multinationals and other large companies who have the financial power to support these activities as we can notice in Figs. 2 and 3. Zieba (2015, p. 245) conducted a research on 695 businesses mostly SMEs and concluded that knowledge on CSR increases with the size of the company even if it is under 30%.

Popovska (2016) also brings into attention the communist history of Poland and the impact on the way CSR is perceived in this country. As we saw in the analysis of Romanian SMEs, the impact and the perception are similar, even if the gap between the two countries in terms of CSR reporting is in favour of Poland (Fig. 4). Another common point between them is related to the accession to the EU after 2000 that helped them to have an increase in the interest for CSR initiatives and also a raise of the awareness related to these issues. The author mentions that one of the factors contributing to the increase of CSR projects among Polish SMEs happened due to the foreign investments, mainly from Germany. Popovska gathered some data and presented the evolution of CSR best practices among SMEs between 2010 and 2014. In 2010 and 2011, there were 17 good practices, in 2012–2021, in 2013–2046 and in 2014–2032.

Mandl and Dorr (2007) analysed CSR in seven European countries including Romania and Poland in order to identify the good practices. They concluded that there is a strong connection between CSR activities of SMEs and their competitiveness.

3 Conclusions

Analysing statistics and other quantitative and qualitative research, we can conclude by answering our research questions. The benefits for CSR are important, but many SMEs do not use the term CSR, are not aware of the legislation in this area and even if they develop some social projects, they do not call it CSR. Starting from this background, we can say that there is a lack in CSR reporting, one of the reasons being that many small entities are not even present online so it is very difficult to find their CSR reports. Of course, there are some medium enterprises that even became large companies which invested many resources in CSR.

Regarding the need to report, the SMEs in the different empirical researches mentioned feel the pressure from different organizations in order to comply with some standards and achieve certifications. In parallel with these requirements, there should also be a strong support from the government, the European Union, NGOs and even large companies that have a greater experience than SMEs and can share it. This is the reason why empirical studies on SMEs are important because sharing the good practices of some companies is useful for the others.

Our second question referred to the obstacles met by SMEs when they want to develop CSR projects and the study of secondary data revealed that there are important barriers, most of them related to the limited financial resources and the lack of knowledge. If the lack of information could be easily corrected with the help of some public institutions and partnership with multinationals or NGOs, the lack of funds could be a real problem. But even so, in the long term, the benefits will prove to be higher than the costs involved in developing CSR activities.

Both Romania and Poland have transition economies and are former communist countries, these features providing similarities in terms of CSR initiatives and attitudes towards this type of projects. SMEs in these countries do not have important knowledge on CSR even if they initiate these activities, one of the reasons being the lack of promotion in both countries, but also the lack of financial resources needed to support the CSR projects. The potential to increase CSR awareness among Polish and Romanian SMEs is high. In terms of CSR reporting, there is a gap between Romania and Poland that can be used for a future relation in which both countries could have many things to learn from each other.

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The Origins of Social Accounting and Reporting in Italy: The Role of Female Scholars

Mara Del Baldo and Maria-Gabriella Baldarelli

1 Introduction

This work is part of a research project aimed to investigate, the presence and the role played by women scholars in the field of academic social and environmental accounting and reporting. A first step of the research design has led to "discover" the scant traces of women through the analysis of the accounting scholars' scientific publications in the first Italian journal of accounting and business administration (*RIREA*), which has been considered as a proxy of their scientific productivity (Baldarelli, Del Baldo, & Vignini, 2016). A second step focused on the academic paths of two female mentors of accounting (Prof. Isa Marchini and Prof. Ferraris Franceschi Rosella) and identified the personal, cultural and social factors that have encouraged and/or hindered their academic and scientific career.

The study here presented aims to investigate the contribution of women accounting scholars to the pioneering process of social accounting development in Italy. By keeping the historical-based perspective, attention is focused on the academic paths of the first scholars during the years 1970–2000 and their contribution to the development of a relatively innovative (and still emerging) stream within the accounting discipline. Currently, social accounting has become a highly debated topic, particularly with the application of the Legislative Decree No 254 of 30 December 2016 that implemented in Italy the European Directive 2014/95/EU on the non-financial and diversity information which large companies and business

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groups must include within their corporate reporting starting from 2017. This aspect, together with the widespread awareness of the socio-economic role of businesses, makes this field of study particularly relevant. Namely, two aspects could be emphasized: on the one hand social accounting is a new frontier which involves on an international level a growing number of experts in the field (academics, practitioners, public and private institutions, companies). On the other hand, gender literature widely recognizes that women have a special sensitivity to "capture" innovative trends which affect the social context. The creativity of women scholars in identifying emerging strands (which are important in theory as well as in the teaching and accounting profession) draws inspiration from the women's ability to interpret social and environmental issues, and is particularly accurate in identifying problems and prospects with a long-term vision that has a potential positive impact in terms of social innovation and business creativity (Green & Cassels, 1996).

Therefore, the work aims to understand if and how this ability to "read and interpret new trends" has contributed to the academic path of the women scholars, if it has been a distinctive feature, and what factors have hindered or encouraged their academic career. Finally, in harmony with a previous study (Baldarelli et al., 2016) it aims to investigate whether social accounting is affected by male constructs and represents a male-domain (Baldarelli et al., 2016). To this end, the historical perspective is a fundamental key to understand social and cultural factors which affect over time the progression of women, since the work is placed in the field of gender studies applied to the academic and university context.

Furthermore the study aims to understand how such factors regulate the accounting discipline and, in particular social accounting, whose development is influenced by (and in turn influences) the social and cultural context of the period considered.

2 The Methodological Approach

We decided to adopt a deductive and inductive approach using techniques of a qualitative nature typically employed in social research (Corbetta, 1999) but also widespread in the Italian tradition of study in the field of accounting and business administration (Ferraris Franceschi, 1978). The deductive approach is based on a literature review concerning social and environmental accounting (Contrafatto & Rusconi, 2005; Gray, 1999; Gray, Bebbington, & Walters, 1993; Gray, Owen, & Adams, 1996) and gender accounting relationships (Broadbent, 1998, 2016; Broadbent & Kirkham, 2008; Cooper, 1992; Hopwood, 1987; Kirkham, 1992; Lehman, 1992; Persson & Napier, 2014). The inductive approach involves the analysis of the scientific contribution of Italian female scholars: Paola Miolo Vitali (University of Pisa) and Ondina Gabrovec Mei (University of Trieste). These scholars have been selected because they represent the first Italian social accounting scholars. The empirical research consists in the analysis of the works that these women wrote before 2000 and their contribution to the Italian scientific community in deepening of social and environmental matters. In addition, we performed the documental analysis of the scholars' curriculum vitae and their main scientific publications (articles and monographs) on social accounting and environmental accounting topics, using a narrative approach (Carnegie & Napier, 1996; Fletcher, Boden, Kent, & Tinson, 2007; Guthrie, Evans, & Burrit, 2014).

3 Women and Accounting: A Brief Literature Review

Literature has developed several interesting currents of thought about why and how accounting is gendered. A first and most diffused focuses on aspects tied to gender and connected to cultural and social factors (Hopwood, 1987; Kirkham, 1992; Lehman, 1992; Lord & Robb, 2010). A second one emphasizes biological factors, and in particular physical aspect and maternity, which exclude, slow down or create discrimination against women accountants and their career in both public and private enterprises (Ciancanelli, Gallhofere, Humphrey, & Kirkham, 1990; Dambrin & Lambert, 2006a, 2006b; Haynes, 2008a, 2008b, p. 344; Komori, 2008).

Within the first current of thought, according to cultural and social factors the "alternative history", provided by Lehman (1992) represents a first phase in integrating the literature on gender and accounting. Lehman underlined how accounting knowledge is influenced by a male domination in terms of content, definition and language, how it incorporates aspirations and male-constructed structures and how the ideological base remains firmly rooted in the male concept of economic rationality. Adopting a historical perspective she proposed a reading of the discriminations endured by women in the last century (from 1900 to 1992) both at an economic (women's access to forms of economic support were either denied or made difficult), social and ideological level (due to the persistence of social and economic hierarchies).

Through an analysis of the literature which appeared between 1960 and 1973 in academic and economic journals (such as the *Journal of Accountancy* and the *Accounting Review* and *Fortune Review*) Lehman and Tinker (1987) highlighted how accounting has been depicted as a passive service exclusively dedicated to the accountability of the economic reality, while neglecting its cultural, social and symbolic value and its authentic social origins.

Kirkham, drawing from Hopwood (1987), underlined the importance of not focusing just on those issues concerning the sex discrimination and to drive the attention on the relationship between culture and accounting knowledge and social customs, in order to understand, in terms of gender, societal and structural motivations which give rise to the causes of discrimination (Lehman, 1992, p. 263).

Understanding the theme of women discrimination, may be specially obtained, according to Hopwood and Kirkham, through the analysis of the accounting culture and social practices which have structured certain uses, customs, practice and behaviours and therefore have settled a specific "culture" over time (Catturi, 2004). Therefore, in previous research step of the present study, the analysis of *RIREA* publications and female presence in the leading accounting scientific association, represented a basic step to further go into deeper detail, from an empirical point of view, adopting a micro-historical method (Parker, 1999; Williams, 1999) based on the oral history and narratives of female scholars, in order to better understand the historical context and the relationship within company culture and university culture (Fletcher et al., 2007; Lord & Robb, 2010; Virtanen, 2009). Moreover, a deductive analysis focused on the literature of gender in French and Anglo-Saxon accounting journals developed by Dambrin and Lambert (2006a, 2006b) highlights how the history of the accounting profession reveals a process of marginalisation of women, which has evolved over time moving from exclusion (horizontal segregation) to being restricted to subordinate roles (vertical segregation). The authors further underline that, adhering to the structural hypothesis of the "crystal ceiling" (Blickenstaff, 2005; Ciancanelli et al., 1990; Cotter, Hermsen, Ovadia, & Vanneman, 2001) faced by women in the accounting profession—also maintained by Barker and Monks (1998)—there are three kinds of obstacles: individual (relative to variables centred on the personality), organisational (structural discrimination) and social (prejudice of the dominant groups). The first kind of impediment has been developed by women themselves and regards features (such as know-how and motivation), behaviour and traits of the feminine personality (for example the varying capacity to tolerate stress, face risks and little self-confidence) which explain the differing career advancements. The second type includes obstacles existing within organisations, that are the result of the perpetuation of stereotypes. These are the same barriers to the profession in the twentieth century that Lehman identified in her study (Lehman, 1992). Consequently, the third one, which regards social obstacles, are the stereotypes associated with each gender, which explain the existence of the "glass ceiling" and are the reflection of values and norms perpetuated by society. In this sense, men incarnate power and women incarnate the affective sphere. These spheres are related to specific roles: the managers are "naturally" managers, women are "naturally" mothers and those wishing to advance their careers must adopt masculine behaviour.

Although the Italian context is partly different from the British one, the phenomenon of under-representation of women compared to male colleagues in the position/role of full or associate professors (European Commission, 2008, 2013, 2016) has been marked as leaky pipeline (Cotter et al., 2001; Goodman, Fields, & Blum, 2003). This phenomenon is particularly widespread within the academic context (Barres, 2006) where an impersonal atmosphere and a male-dominated vision of science generate the glass ceiling (Blickenstaff, 2005).

Notably, Carabelli et al.'s study (1999) highlights that the reduced presence of women in the role of associate and full professor in Italian universities can be ascribed to two prevailing factors: (1) the way in which the university and academic system "works" and (2) the degree of socialisation and integration within the scientific community women belong to. After having briefly introduced the literature framework that helps to understand why and how accounting is gendered, the next sections describe and discuss the experiences of two women master of social accounting in Italy.

4 Italian Women Pioneers of Social and Environmental Accounting and Reporting

Within the Italian doctrine, the debate mainly developed around the definition and conceptualization of the social and environmental accounting and reporting (Baldarelli & Del Baldo, 2018). Italians scholars who started to enhance this research field were mainly men (Matacena, 1984; Rusconi, 1988; Vermiglio, 2000) even if a few women scholars distinguished themselves by their ability to open new paths and push the boundaries of knowledge, such as Ondina Gabrovec Mei (concerning social balance and added value; Gabrovec Mei, 1984, 1986) and Paola Miolo Vitali (concerning budget and environmental costs; Miolo Vitali, 1978, 1979). During the 1980s Italian scholars had to face many complex conceptual difficulties since there was neither a shared concept and language, nor a doctrinal basis about the nature and purpose of these new tools (social report, corporate social responsibility and reporting disclosure) such an organic and systematic theoretical and scientific program. It follows, therefore, that the contribution of those scholars who were the first in Italy to deal with scientific and methodological rigor the fluid theme of social report (Contrafatto, 2009) should be recognized pointing out the significance of the female contribution, which has yet to be investigated.

Among the few women being part of the university context during the period analysed it is possible to distinguish two mentors, Professors Paola Miolo Vitali and Ondina Gabrovec Mei, who renowned themselves within the accounting discipline (Baldarelli et al., 2016) and were able to make a pioneering contribution in the field of social and environmental accounting. Below their experience is presented by addressing attention to three main aspects: their career path, the reasons behind their choice to develop the field of social and environmental accounting and the contents of their scientific production. There follows the discussion of these issues under a gender perspective.

Ondina Gabrovec Mei had been professor in charge of teaching General Accounting and applied in 1974. Subsequently associate professor in 1982 and she had been full professor of accounting at University of Trieste from 1987. She is also Chartered Accountant and Chartered auditor. She became head of Department of Business Administration of University of Trieste starting from 2000.

Acting as a pioneer of social accounting she wrote two relevant scientific publications: "The Value Added of enterprise" (Gabrovec Mei, 1984) and "Quantitative methodology to measure the value added of the enterprise" (Gabrovec Mei, 1986). Her interest to social accounting topics derived from the influence of a master, Prof. Ubaldo De Dominicis, full professor of accounting in Trieste. Being strongly influenced by the German accounting theory, he favored Gabrovec's personal interest to deepen the research fields of social accounting and its ethical background.

She was the first scholar in Italy to propose a model and a methodology for calculating and representing the Value Added Account and the distribution of Value added Account to all stakeholders.

This woman scholar addresses the issue of how to calculate the added value considering that it is used both for macro-economic analysis and for micro-economic analysis. In fact, according to her studies, the bigger dimension of the enterprise should consider the added value calculation more important than profit analysis. That because the added value is better able to represent the economic relationships that the company is capable to develop. To highlight these aspects, Gabrovec identifies two methods for determining added value: the direct one, that considers the production of the same and the indirect one that instead considers the aspects of distribution.

In the account of the production of added value, the revenues of the production obtained are included, which the intermediate consumption are subtracted. In this logic there is a deep different analysis of the company activities from the profit accounting logic. Following value added accounting logic the focus of the calculation are stakeholders, instead of in the profit accounting logic, at the center of the calculations there are only ownerships and investors.

The distribution account of added value, includes the stakeholders with whom the company has relationships, namely: creditors; public administration, company itself; proprietary; territory in which it is inserted, etc.

Moreover, she underlined the urgent need to harmonize financial and social reports in order to enhance companies' transparency on governance issues. In this respect, she stresses that the connection between business accounting and national accounting is advocated both by economists and accounting scholars and she pointed out that the harmonization of these two aspects is feasible and represents an opportunity for both.

For national accounts, it could be a way to have clearer and more reliable information. Company accounting, on the other hand, could use useful information for better management planning. These considerations of the Scholar will be resumed later by other scholars of the discipline (Baldarelli et al., 2016).

Gabrovec is one of the creators and presently affiliates of the GBS (Italian Social Reporting Group) that from several decades has been developing in theory and practice the Italian standard for social and environmental accounting and reporting.

Miolo Vitali Paola is a pioneer of environmental cost and environmental accounting. She was full Professor of Business Economics at the Faculty of Economics of the University of Pisa from 1980 to 2010. In the academic year 1966–1967 she graduated with honors in Business and Economics at the University of Pisa, with her Master Prof. Egidio Giannessi. He was lecturer General and Applied Accounting (1974–1980), Accounting of Public Companies (1972–1980), Decision Making Analysis, Cost analysis and management and Cost Accounting in the following years. Miolo Vitali built a long and distinguished career, gaining top governance positions and a high scientific relevance within the University of Pisa, as well as at the institutional level, within the academia and the scientific community, in Italy and abroad. Her scientific production was particularly intense during the (monographs and papers published in accounting scientific journals) period 1978–2010, including works carried out in collaboration with male colleagues and young scholars.

She stands out as the author of two important works through which she paved the way for spreading and cultivating the knowledge of environmental accounting, thus opening up new frontiers. Notably two works were fundamental for the development of a scientific debate on environmental accounting: first, the scientific paper "Pollution: one looks at the costs" (Miolo Vitali, 1978), followed by a monograph: "Ecological problems in the management of enterprises" (Miolo Vitali, 1979). These works testified Miolo Vitali's scientific innovation capability that was pursued at a time when no other scholars in Italy, including the (male) masters of accounting, had shown any interest to face the new topic of companies' environmental problems and related issues to which other scientific disciplines were rather more sensitive.

The perspective with which the Author analyzes the company costs is to include in them also the costs of purification. So there is no question of how much the company has an impact on the environment but measures, in economic terms, the company purification activity. The issue is exclusively that of pollution and of the investments that the company makes to solve this problem.

Miolo Vitali's choice was thus respectful of the accounting orthodoxy which nevertheless allowed her to persistently cultivate the original vision.

Finally, it is interesting to note the accounting scholars' evaluation of Miolo's book: "*It seems interesting to note today, that after the monograph sent to the (male) leading accounting academics, I received the usual ritual of thanks, but also a few letters of the Italian Masters (i.e. Onida and Amodeo) who, albeit praising for her contribution to the scientific research, marked as points of weakness 'the limitations of the object of study and the risk of enhancement of environmental protection that was considered a sort of trend' among many subjects that characterize that time*" (P. Miolo Vitali, May 27, 2016).

5 Discussion and Concluding Remarks

The contribution of the two women accounting scholars was relevant, despite the differences relative to the contents of their scientific research. Miolo Vitali was mainly oriented to study the cost accounting field and within the management decision process inside the enterprise. Gabrovec was attentive both to the companies' disclosure process aimed to provide a reply to the information needs of external stakeholders and to managerial implications of not financial information. However, both of them showed a pioneering approach that opened up an emerging research field currently at the center of a national and international debate.

From the gender accounting perspective we also underline the complications they have to face to perform their scientific and academic career. They encountered barriers to enter the University and start their first academic roles tied to biological factors (Anderson, Johnson, & Reckers, 1994; Haynes, 2008a, 2008b, p. 344; Persson & Napier, 2014) and the difficulty to manage the double role, as mothers and scholars.

Second, we can point out the obstacles tied to the "glass ceiling" (Broadbent, 1998) in pursuing their carrier, mainly relative to the male-dominated relationship with the (men) masters and (men) colleagues, as Miolo Vitali states: "*the significant self-evaluation of a large number of the Italian accounting scholars; the initial rare presence of women scholars, that had a little increase over time, along with a progressive, but slow, conquest of their academic burden*".

Finally, concerning their freedom to select the research fields, what emerges is their ability to select new topics autonomously, following their intuitions, without having to pander decisions or find routes marked by male colleagues. Moreover, a crucial and distinctive feature is attributable to the female ability they experienced in weaving and wielding relations, not only among people, but also between tradition and innovation. Namely, they manifested a female sensitivity and capability in nurturing and preserving the bonds between tradition and innovation or, in other words, between new and "hold" research streams, thus not breaking, while combing and matching, relationships, and triggering new lines of research and innovative perspectives of study in theory and practice (Coronella & Laghi, 2015). This represented (and represents) an important goal, which stimulates other women scholars to enhance their potential and to express their scientific value by helping to open up new perspectives, despite the judgments—not always positive—from (male) colleagues who failed to understand the relevance of emerging research fields that have instead proved crucial importance for the present and the future of accounting, as well as disciplines.

Despite the fact that the results are tied to a preliminary research step, the work has scientific implication since the reflections emerged contribute to understand the role and the potential of women to generate new fields of research and scientific social innovation. Notably, under the scientific perspective it contributes to nurture a field which has still to be improved in order to "disclose" the sometimes hidden or unknown role of women in promoting social and environmental accounting and reporting. However, the work is affected by the limitations relative to the empirical approach based only on a limited number of Italian cases. Therefore, we are aware of the need to go ahead in order to improve our research stream and deepen the study firstly addressing the attention to the "second generation" of female social accounting scholars in Italy and, secondly, broadening the perspective and including international ones to extend, also through a comparative analysis, this line of research.

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Corporate and Social Responsibility Perspectives of Finnish Fashion Retailers and Consumers

Pauline Blechingberg-Kilpi and David B. Grant

1 Introduction and Background

Grant, Trautrims, and Wong (2017) noted the concept of corporate social responsibility (CSR) can be traced to Bowen's (1953) book *Social Responsibility of the Businessman*. Bowen recognized that the actions of large businesses should consider what is desirable in terms of the objectives and values of society. This earlier concept of CSR argued that production should be executed so that total social-economic welfare is enhanced since CSR concerns itself with business ethics. The reality is that businesses cannot just focus on social responsibility. Businesses have to simultaneously consider multiple business objectives including market share, revenue, profit, competition, regulation, the natural environment and social responsibility. To reflect this complex decision-making process, Johnson (1971, p. 50) notes that a socially responsible firm is "*one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its shareholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation*".

Johnson's thesis reflects a multiple stakeholder view and was a precursor to Elkington's (1994) 'triple bottom line' (TBL) of planet, people and profits. The TBL is a wider view of CSR and argues that firms should focus on maximizing shareholder wealth or economic value they create while at the same time ensuring that they also add environmental and social value to achieve long-term natural environment security and proper working and living standards for all human beings.

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The TBL concept has found wide acceptance across firms, governments and non-governmental organizations (NGOs). These concepts have led to the International Organization for Standardization (ISO) developing ISO 26000 for social responsibility in business and public sector organizations in 2010.

Fernie and Grant (2015) argued that this stakeholder model has been the dominant paradigm in the retail fashion and fast fashion sector during the twenty-first century, reinforced with a rise of anti-consumerism that is often related to what is considered mindless consumption of fashion. However, the problem with a stakeholder approach to CSR is the numerous conflicting interests among the large number of protagonists involved. This has meant that codes of conduct such as ISO 26000 are only voluntary guidance standards and cannot be used for accreditation or certification compared with ISO standards on quality (ISO 9001) or environmental management (ISO 14001). Fernie and Grant (2015) also noted that a key supply chain management (SCM) trend in the retail fashion sector has been the vertical disintegration and outsourcing of the production function to a global network of independent subcontractors. The expansion of free trade following the elimination in 2005 of the Multi-Fibre Arrangement (MFA), which imposed quotas on amounts developing countries could export to developed ones and resulted in a greater number of apparel producers across a wider variety of countries. This change enabled the rapid growth of the international textile and clothing (T&C) industrial sectors.

Fashion is now a $1.2 trillion global industry with more than $250 billion spent annually on fashion in the US, employing 1.9 million people and having a positive impact on regional economies across the country (JEC, 2015). The T&C sectors have also contributed significantly in other countries, particularly developing countries through providing opportunities for export diversification and expansion of manufactured exports for developing countries that can exploit their labour cost advantages and fill emerging niches and meet buyer demands.

At the macro level there are a number of ways in which the T&C sectors affect economic development (Keane & Willem te Velde, 2008). They are a major contributor to incomes and GDP, which naturally differs by country but is up to 5% in Sri Lanka, 12% in Cambodia and 15% in Pakistan. The T&C sectors are the dominant source of exports and foreign exchange in developing countries that depend on T&C exports for more than 50% of total manufacturing exports, for example Bangladesh (83.5%) and Cambodia (80%). Employment effects in developing countries are also significant with total employment ranging from 35% in several low income countries, 75% in Bangladesh, and 90% in Cambodia. As a result, there is a strong mutual dependence between developing and developed nations with the former requiring access to the latter's markets to ensure economic viability, and the latter needing low cost production in the former in order to retain competitive advantage.

On the other hand, clothing production and consumption has significant social and environmental impacts throughout its life cycle and has often been critiqued for its lack of sustainability, for example the fashion industry has the fourth largest environmental impact of any industry in the UK and working conditions in many factories could be described as dubious at best (Lunt, 2017). Given these issues, this chapter investigates the perspective of fashion retailers and consumers in the developed country of Finland towards CSR and purchasing and procurement from developing countries. While much has been written about these perspectives in other countries such as the UK, little research has been conducted in the Finnish market. The next section discusses the academic and other literature that was reviewed to develop four research questions concerning this topic and phenomenon. Then, the research methodology is presented followed by analysis and discussion of the research findings. Finally, the chapter is concluded including limitations and suggestions for further research.

2 Literature Review

2.1 Challenges in Retail Fashion and Fast Fashion Industry Sectors

The fashion industry has faced significant changes in its operations since the start of the fast fashion craze in 1990. Fast-fashion retailers have transformed the fashion retail sector as they ship continuous small deliveries of a large number of designs so that new merchandise is always on the showroom floor and the net result has been that the fast-fashion retailers, especially the global players such as Zara, H&M and Mango have grown faster than the clothing sector as a whole and have been gaining market share over traditional retailers (Fernie & Grant, 2015). This has been accomplished through outsourcing production to low-labour-cost countries, shorter product lifecycles, and higher volatility of demand within a complex global context, resulting in extended, complex and inflexible supply chains (Barnes & Lea-Greenwood, 2006; Fernie & Grant, 2015; Turker & Altuntas, 2014). Overseas sourcing has increased competitiveness within the sector, further increasing pressure on suppliers to lower production costs while increasing production speed—a risky proposition.

However, there may be a myth that making clothing in a developed country is much more expensive than manufacturing overseas. Hills (2017) provided an analysis of comparative cost in her efforts to promote manufacturing in the UK. The average manufacturing cost for a t-shirt from Asia is around £4.24, which includes the fabric, cutting and stitching of the garment, labelling, pressing and packing, and the factory's overhead and margin. The same t-shirt made in the UK is around £8.85. However, when clothing is made overseas there are several other costs that need to be taken into account before that product is ready to sell. Shipping and duty can be as much as £1.75, depending on the size of the order. Retailers also traditionally work on a profit margin of about 60% for a branded item but have to take into account not all products bought sell at full price. The average full price sell-through volume on fashion products is around 60% and thus around 40% of clothing sales generate little or no profit. Having products available when a customer actually wants it is where sourcing locally may be a better option.

The 2017 Kurt Salmon Global Sourcing Reference published by its parent Accenture (2018) notes the T&C sector is facing continuous increases in cost within its classical sourcing markets that also put stronger pressure on overall profits. For example, since 2013 production costs have risen 47% in Bangladesh, 40% in Pakistan, 30% in Indonesia, 33% in India and 33% in lower China while cost increases in Vietnam, Cambodia, higher China, Romania and Turkey ranged between 8 and 18%. Accenture also notes that cost no longer leads the list of future priorities as respondents to their survey ranked speed to market as the number one sourcing priority followed by social and environmental compliance, quality, innovation management and end-to-end value chain collaboration. Given that speed to market has increased over the recent years Accenture recommends being closer to consumer needs with critical seasonal milestones on concept, design, and development for adoption of trend impulses as well as buying decisions to ensure market right products and quantities. As a result, sourcing plays a critical role in enabling differentiated seasonal calendars based on individual product needs and a balanced mix of near-shore and far-east sourcing destinations (Menachof & Grant, 2016).

The Ellen MacArthur Foundation (2017) reports that increasing growth in clothing production is intrinsically linked to a decline in utilisation per clothing item resulting in increased waste. The Foundation estimates that "*more than half of fast fashion production is disposed in less than a year with one garbage truck full of textiles being sent to landfills or incinerated every second*" (2017, p. 37). The Foundation also considers that the current 'take-make-dispose' system is very polluting. The use of substances of concern in textile production has an important impact on farmers' and factory workers' health as well as on the surrounding environment. During use, it is estimated that "*half a million tonnes of plastic microfibres shed during washing ends up in the ocean and ultimately enters the food chain*" (2017, p. 39). The Foundation has seen this report endorsed by various fashion influencers, including designer Stella McCartney, who condemned her industry as incredibly wasteful and harmful to the environment and joined forces with Dame Ellen MacArthur to call for a systemic change to the way clothing is produced and used (Laville, 2017).

Any blame for these issues lies on both sides of the fashion trade: sellers and consumers. Many fast fashion and luxury brands prioritize volume of production, quick turnaround, and sales over sustainability while shoppers demand lower priced clothing that mimics runway trends and values cost and look over ethics (Lunt, 2017). This suggests questioning the broader issue of corporate behaviour with regard to what Vogel (2006) calls the market for virtue. For example, is Wal∗Mart a responsible company for bringing low-priced goods to consumers in many markets of the world or an irresponsible company for paying low wages, being anti-union and for putting small companies out of business when it enters some of these markets? In the UK in 2014 many MPs including senior politicians wore t-shirts supporting women's rights. These t-shirts subsequently created a political and media storm when it was reported that the shirts, retailing at £45 or $67, were being produced in sweatshop conditions in Mauritius (Fernie & Grant, 2015).

The fashion industry has thus been a part of negative social impacts such as hazardous working environments, poorly constructed factories and lack of fire exits, violations of workers' rights and unfair remuneration for the garment producing countries (Taplin, 2014). As a result, the implementation of corporate social responsibility (CSR) into business practices is important in complex and global fashion supply chains, particularly for retailers (Perry & Towers, 2013).

However, fashion consumers also have a social responsibility regarding the sources of their purchases as knowledge about CSR issues occurring in the fashion industry and their beliefs in ethical fashion shapes their purchase behaviour. Through such behaviour, i.e. purchasing or not, consumers can express their concerns on CSR issues through their choice and support of retailers who manufacture under ethical conditions and enhance working environments for garment producers (Chan & Wong, 2012; Shen, Wang, Lo, & Shum, 2012). PwC (2017) argues that recent uncertain times saw consumer trust in retailers become the second most important factor for shopping with a brand in 2016 after price. PwC's study noted that 21% of UK shoppers prefer to buy goods from the UK i.e. local production, 12% choose those with environmental credentials, and 17% choose products that have been ethically sourced. Further, they noted retailers continue to commit to environmental initiatives as well as addressing the backlash against poor working conditions. Media reports of British factory workers being paid as little as £3 per hour triggered changing attitudes towards companies with unethical practices.

2.2 Increasing Risks and Disasters in Fashion Supply Chains

During this century several fatal man-made disasters have also occurred at supplier plants for large western fashion retailers and the business model of the fashion industry has been blamed for causing these man-made disasters. There were eight disasters with deadly outcomes occurring primarily in Asia (Cambodia, Bangladesh, Pakistan) from September 2012 to May 2013. The worst occurred in early 2013 when an eight-story textile factory called Rana Plaza in Dhaka, Bangladesh collapsed killing 1129 and injuring 2500 factory workers. The prevailing substandard working conditions and the risks connected to them at the Rana Plaza factory received worldwide media coverage bringing the problems of the fashion supply chains to a greater audience (Taplin, 2014). Besides poorly constructed factory buildings there are fire-related safety issues (Belal & Owen, 2005) and irresponsible business practices against worker's rights, such as insufficient wages, forced labour and indecent working hours that are social issues occurring in the fashion industry (Klassen & Vereecke, 2012). Fashion business strategy raises many supply chain management challenges such as short lead-times, cost pressure, low predictability and high volatility which further increase the probability of risk and disasters in fashion supply chains (Fernie & Grant, 2015; Turker & Altuntas, 2014). Moreover, the fashion industry is a highly competitive market containing few but large retailers, which has resulted in a business strategy of offshore manufacturing in low-labour cost countries to further reduce production costs, increase margins and gain competitive advantage in the market (Barnes & Lea-Greenwood, 2006; Fernie & Grant, 2015; Perry & Towers, 2013). Such a strategy however increases the length and complexity of fashion supply chains and awareness and concerns over CSR issues in this industry have increased among various stakeholders including customers, the media and non-governmental organisations (NGOs). This has in turn further increased pressure on companies to take responsibility of business actions and risks across their entire supply chain (Caniato, Caridi, Crippa, & Moretto, 2012; Seuring, Sarkis, Müller, & Rao, 2008). Thus, managing CSR issues in fashion supply chains is an increasing management challenge due to several barriers such as high price pressure on suppliers, high labour intensity at supplier factories and supply chain complexity (Perry & Towers, 2013).

2.3 Implementation of CSR in Purchasing Practices

Scholars and purchasing managers have identified a need to include CSR in firms' purchasing and supply management, especially for companies practicing global sourcing. Purchasing managers possess an important role in including social responsibility activities into a firm's performance as they frequently interact with suppliers and other stakeholders such as buyers, internal employees, and the community (Carter & Jennings, 2004). The power of large retailers has increased due to global sourcing, giving them more control and power over the entire fashion network (Fernie & Grant, 2015), which was valued at US$3 trillion in 2016 (FashionUnited, 2016). Decisions made by purchasing managers do not only influence a company's reputation but could also have beneficial consequences on the people and community involved, such as garment producers and the community they live in McClelland (2017). There are three retail-buying practices impairing the working conditions for the garment producers at the supplier plants: more time pressure, more flexibility to meet consumer demand (McClelland, 2017), and a constant search for the cheapest manufacturer that results in short-term buyer-supplier relationships (Perry & Towers, 2013). It is suggested retailers alter their purchasing practices to include reasonable lead-times and avoid last-minute changes to further mitigate the risks for violation of working conditions at garment factories (Overeem & Theuws, 2013; Perry & Towers, 2013), as well as build long-term buyer-supplier relationships to improve the quality of work for factory workers (Fernie & Grant, 2015). Moreover, retailers and purchasing managers should conduct quality assessments such as human rights risk assessment and factory safety & risk assessments before selecting suppliers to ensure that suppliers are fulfilling the company's social standards. The quality assessment method is a proactive way of reducing or mitigating risks from occuring at the supplier level. Retailers should also ensure that suppliers provide, support and develop safe working environments for their workers as well as respecting international human rights to further avoid forced labour, inhumane working conditions and child labour (Begum & Solaiman, 2016; Overeem & Theuws, 2013). Previous studies have shown that audits, codes of conduct and quality assessments fail to ensure good CSR results as the buyer-supplier relationships are still unequal where buyers (fashion retailers) still possesses the greatest power (Perry & Towers, 2013).

2.4 Fashion Consumer Awareness and Consumer Behaviour

Consumers should take into account sustainability in their consumer behaviour as they have a high impact on the fast fashion industry as they are the one putting high demands on fashion retailers, which further complicates the structure of the fast fashion supply chains (Barnes & Lea-Greenwood, 2006). Fashion retailers are under constant pressure to offer the newest designs and many varieties of clothes at affordable prices within this high demand sector. This further increases pressure by retailers on suppliers who may end up violating working conditions at the garment producing plants (Perry & Towers, 2013). However, an increase in consumer awareness and concern about social consequences of the fashion industry has pushed the fashion industry (retailers, manufacturers, and suppliers) to become more transparent and ethical (Shen et al., 2012). This has further led to the rise of ethical fashion which is also referred to as "*fashion with a conscious*" (Shen et al., 2012, p. 235) or as 'slow fashion' (Fernie & Grant, 2015). However, barriers such as "*lack of awareness, negative perception, distrust, high prices, and low availability*" (Joy, Sherry, Venkatesh, Wang, & Chan, 2012, p. 289) have been identified as factors impeding the entry of slow fashion into the fashion market. Furthermore, although consumers state that social and environmental aspects are of importance in their purchasing decisions the price, availability and style of the products are still the key qualities for consumers while purchasing (Chan & Wong, 2012; Shen et al., 2012). The more information and knowledge consumers have about the fashion industry's negative impact on the society, the more likely they are to choose sustainable or ethical products, increasing the demand on ethical fashion as "*every buying decision a consumer makes is a vote indicating support or lack of support for how companies conduct business*" (Shen et al., 2012, p. 237).

2.5 Summary

While these previous studies have investigated CSR implementation and socially responsible purchasing practices in fashion supply chains in developing countries and some developed countries such as the UK, little research has been conducted on CSR implementation by Finnish fashion retailers or consumer perceptions and concerns regarding CSR in Finnish fashion retail. However, Finland is an important

T&C market, exporting T&C products with a value of 564 million Euros in 2011 while importing 2219 million Euros of T&C products in the same year with China (33%), Turkey (6%), Bangladesh (5%) and India (4%) comprising the largest developing country sources (FINATEX, 2015). Thus, we conducted an exploratory study on this topic to gain a deeper understanding of both retailer and consumer perspective in this Nordic context. The foregoing review suggested four research questions for study as follows:

- RQ1: How are Finnish fashion retailers implementing CSR into their purchasing practices?
- RQ2: How are Finnish fashion retailers ensuring decent working conditions (human rights, safety and a living wage) at garment producing plants?
- RQ3: What is Finnish consumer awareness of social issues in the fast fashion industry?
- RQ4: How has this awareness (or lack of it) affected Finnish consumer behaviour?

3 Methodology

Since little was known about this topic and phenomenon in Finland an exploratory and qualitative approach was used to increase our understanding (Robson, 1993) and was carried out in spring 2017. Using a convenience sample we selected three Finnish fashion retailers for interview as shown in Table 1 who each sell women's, men's and children's clothes and represent Finnish fashion companies of different company sizes, different types of companies, and with different sourcing countries.

We also selected two non-government organisations (NGOs) to interview to provide an objective view of the researched phenomenon as shown in Table 2. NGO1 (campaign coordinator) works closely with issues related to improving the fashion sector as well as increasing awareness of social issues occurring in it while

Table 1 Overview of the one-to-one interviews with Finnish fashion retailers

Abbreviation	Interviewee title	Main sourcing countries	Number of employees & stores
CoA	CSR manager	Bangladesh, China	≈8000 & 6
CoB	Sustainability manager	Baltic countries, China, Portugal	≈441 & 63
CoC	Sustainability manager	China, India, Turkey	≈38,000 & 142 (including food stores)

Table 2 Overview of the one-to-one interviews with NGO respondents

Abbreviation	Position in the organization
NGO1	CSR campaign coordinator
NGO2	Sustainability communication manager

Table 3 Overview of the focus groups with consumers

Focus group	Number of participants	Age range of participants (years)
FG1	7	26–30
FG2	4	20–25
FG2	4	24–29

NGO2 promotes decent working and labour standards as well as the reduction of poverty and inequality in developing countries.

Data were collected by semi-structured interviews with the Finnish fashion retailers and NGOs to address RQ1 & RQ2. Interviews lasted between 45 and 55 min and were recorded, transcribed and verified by the respondents to ensure credibility of the study. Secondary data was collected from the participating fashion retailers CSR and sustainability reports and thus data triangulation was used in this study to enhance the quality and trustworthiness of the study using four criteria of credibility, transferability, dependability and confirmability for qualitative research (Halldórsson & Aastrup, 2003).

Additionally, three focus groups were conducted with Finnish fashion consumers between the ages of 20 and 30 years, both female and male, to gain in-depth knowledge about their awareness of social issues in the fashion sector as well as their resultant consumer behaviour to address RQ3 & RQ4. Each focus group lasted between 40 and 50 min and was recorded. Details of the focus group session are shown in Table 3.

Data were analysed using a qualitative thematic analysis approach, where themes were coded to support the analysis of the data (Patton, 2015). Three themes emerged to answer RQ1 & RQ2: challenges in the fashion industry, implementation of CSR, and fashion retailers purchasing practices while three themes also emerged to answer RQ3 & RQ4: consumer awareness, barriers to ethical fashion, and changes in consumer behaviour. In the results and analysis section of the study quotations from both the semi-structured interviews and the focus group interviews are presented to increase confirmability of the study.

4 Results and Analysis

4.1 Challenges in the Fashion Industry

The fashion industry is one of the most complex and globally scattered industries, which has resulted in a lack of transparency (Barnes & Lea-Greenwood, 2006; Perry & Towers, 2013). Evidence from the interviews supports this view as supply chain transparency and traceability were seen as major challenges for retailers. CoB noted improved transparency is a challenging long-term process and they are aiming to improve it by closely working together with their suppliers. CoC have included supply chain transparency requirements into their purchase contracts. According to both NGOs a way of increasing and improving transparency and traceability would be to disclose supplier lists. Furthermore, audit reports should be published to ensure that conducted audits are legit and trustworthy (NGO1).

All interviewed retailers have disclosed all or the most significant suppliers on their web pages, which is an improved step towards transparency in the Finnish fashion industry. In the supplier lists the name of the supplier, the name of the factory, the address and the country are provided however it is not possible to trace the origin of a certain garment from the supplier lists. Another challenge identified by both CoA and CoC is to ensure safe and ethical working conditions for workers at the supplier level, which could further be linked to issues of transparency. CoA pointed out that working towards improved working conditions is a clear priority for them and they have implemented their own codes of conduct and have been a member of the Business Social Compliance Initiative (BSCI) since 2005 to further improve working conditions in their supply chain.

4.2 CSR Implementation in the Finnish Fashion Industry

The fashion market is a highly competitive market where corporations try to squeeze the prices as low as possible to increase margins and gain a competitive advantage on the market (Barnes & Lea-Greenwood, 2006; Fernie & Grant, 2015; Perry & Towers, 2013). However, this cannot be done at the expense of proper working conditions and human rights for garment workers and thus social criteria should be of importance while choosing suppliers. Evidence from the interviews also supported this view. Supplier qualities such as price, lead times, quality, production, and capacity were of importance for the retailers while choosing suppliers. However, sustainability criteria, such as environmental aspects and working conditions were also seen as important aspects for the respondents while choosing the supplier.

All respondents pointed out the importance of supplier codes of conduct, or as CoA referred to it as the 'backbone' of their buying practices, as factories are not owned by the retailers. CoA disclosed in their 2016 CSR report that suppliers are scored with a 'supplier scorecard' on how they perform in accordance with the codes of conduct and those with the best scores receive the most orders, hence motivating suppliers to perform according to the codes. Furthermore, all respondents are members of BSCI, which commits suppliers to follow BSCI codes of conduct including fair remuneration, occupational health and safety, and ethical business behaviour. CoB pointed out that it was especially important for the non-EU suppliers to be covered by BSCI, or other audit systems as the risks for social issues occurring are bigger in countries outside EU. CoB has 99% of their non-EU products covered by an audit system and CoC audits 97% of products sourced from risk countries. CoA conducted 123 BSCI audits in factories located in risk countries as well as 92 of its own audits.

However, according to NGO1, the BSCI audits do not go far enough as "*Too much relies on auditing . . . it has been shown that many factories cheat and that it's* *easy to cheat. . . I once visited a seminar where they showed a website on how to pass BSCI audits [laughing] so I think that companies can't entirely outsource all their responsibility to BSCI*". NGO2 argued that it is easy for audited factories to advise workers in advance on how to behave and what to answer during audits and considered it would be more effective if factory workers were interviewed outside factories during audits as it would make them feel more comfortable and possible issues at factories could be detected. Sub-contracting has been identified as a barrier to implementing CSR into companies purchasing practices as codes of conduct are solely covering the first-tier suppliers and excluding other suppliers. CoA noted that they have a section in their buyer-supplier contract forbidding suppliers to sub-contract without informing them as the control and visibility over supply chains deteriorate when sub-contractors are used.

Violation of human rights, safety issues, and unfair remunerations are topics constantly covered by the media and NGOs (Klassen & Vereecke, 2012; Perry & Towers, 2013; Turker & Altuntas, 2014) thus requiring focal companies to take into consideration these social issues into their corporate performance. All these aspects are included in the Finnish fashion retailers' supplier codes of conduct. All of respondents pointed out that any violation of human rights is considered a serious issue and as CoB noted: "*We have zero-tolerance for human rights violation in our supply chain. If we find out that there have been such violations in our supply chain we address these with our suppliers. Our primary measure to address these issues is not to terminate the relationship but to help the supplier improve their operations. But if the supplier fails to act in a manner consistent with the principles of our sustainability principles we are forced to terminate the cooperation*." As the right to fair remuneration is a common problem in poorer sourcing countries respondents mentioned it is included in their supplier codes of conduct. "*The remuneration for a regular workweek should be sufficient to provide the workers with a decent living and meet the workers and their family's basic needs. However, it needs to be addressed that reasonable working hours and living wage continues to be major challenges for the industry. We collaborate with manufacturers and joint industry initiatives to promote solving these issues*" (CoB).

4.3 Purchasing Practices for Improved CSR Implementation

According to Perry and Towers (2013), three purchasing practices prevent the implementation of CSR in fashion supply chains: last minute changes of order, short-termed buyer-supplier relationships, and unreasonable lead-times. However, evidence from this study showed that long-term buyer-supplier relationships are important for Finnish fashion retailers: "*We prefer long-term relationships with our suppliers and we have been working with some of our suppliers for decades. Longer relationships offer greater opportunities to continuous improvement and development work in terms of e.g. quality and sustainability issues*" (CoB).

On the other hand, CoC mentioned that long-term relationships were not established with all of their suppliers due to reasons such as poor quality or delivery issues. Finnish fashion retailers are aware of last minute change issues and pointed out the importance of continuous and active dialogue with suppliers to avoid last minute changes. "*It is something that we are very aware of at head office and especially in our local production office. It is not allowed to make changes later than a certain date and you cannot make any change you want either. Our production office is seeing to this. If we anyway decide to make a late change and the supplier agrees to it, we have to take a new later delivery date and maybe an upcharge on the price as well*" (CoA).

Lastly, CoA and CoC both responded they are ensuring reasonable lead-times by having a close dialogue with the suppliers and agreeing on reasonable delivery times. CoA also conducts factory visits to ensure that production is going according to plans and under ethical and sustainable working conditions. CoB noted that they are aiming to follow their internal master processes and schedules to avoid last minute changes and push lead-times that are too short.

4.4 Consumer Awareness

Consumer awareness and increased concerns about sustainability issues in the fashion industry has been identified in the literature (Caniato et al., 2012; Seuring et al., 2008; Shen et al., 2012). Furthermore, sustainability in the fashion industry is a relevant topic in Finland and has been covered in the Finnish media several times during spring 2017 (e.g. Palttala, 2017; Räty, 2017). During the focus group interviews, it was clear that the respondents were aware of the social issues and disasters occurring in the fashion industry, such as poor wages, long working hours, child labour and most of them had heard of the Rana Plaza factory collapse. However, some respondents commented that these issues were not covered enough in the media, especially in Finland. Increased knowledge about ethical issues in the sector increases the likelihood that consumers choose ethical clothes (Shen et al., 2012).

Many of the respondents considered being aware of the issues and concerned about them but as one respondent (FG1, male, 29 years) commented "*Yes, I'm aware of the working conditions in South East Asia and when I see that clothes are produced in Bangladesh I think about it but this thought lasts about 5 minutes and then it's gone and I choose to buy it*." Another respondent (FG1, female, 26 years) also commented that "*…it's not something we are exposed to in our daily life and that's why I think we forget it so easy*". Furthermore, NGO2 believes consumers do not want to think about bad and sad things and therefore continues supporting the fashion industry despite being aware of these issues. NGO1 agrees consumers are aware of what is happening in sourcing countries but price is still the most important factor for consumers and that consumers are not ready to change their behaviour.

4.5 Barriers to Ethical Fashion

Lack of awareness, negative perceptions, distrust, high prices, and low availability has been identified as barriers for ethical fashion (Joy et al., 2012). All these were raised by respondents as obstacles for consuming ethical clothes. Price was by far the most relevant factor affecting young consumers, as prices of ethical clothes are perceived as expensive, especially among students. One respondent (FG2, female, 24 years) commented she is really interested in fashion and is drawn to shops like ZARA because they offer clothes copied from the catwalk but at a much cheaper price, which is exactly what the fast fashion sectors aims to do (Fernie & Grant, 2015). However, respondents pointed out that much depends on what type of garment you are buying: "*...it all depends on what you are buying, if I'm buying socks it doesn't matter where I buy it and for what price, but if I buy a jacket I choose a more expensive, higher quality that I know will last for many years*" (FG1, male, 29 years). NGO2 identified consumption behaviour as a reason for major challenges in the fashion industry and therefore consumers should be more thoughtful what they purchase. The lack of transparency about clothes entire lifecycle was also something the respondents experienced as challenging. "*Although the price to a certain extent reveals under what kind of conditions the clothes have been made I know that there are clothes that are really expensive but are made under exactly as poor conditions as the cheaper clothes are made and that frustrates me*" (FG3, female, 25). Several respondents commented they would like more information about what they buy and that they would be willing to pay more for the clothes if they would be certain the clothes were sustainably produced and under ethical labour conditions. Beyond barriers identified by Joy et al. (2012), respondents noted lack of power as another obstacle for ethical fashion; they believe that as individuals they cannot change the system and affect big players such as H&M with their consumer behaviour. However, NGO1 pointed out the importance for consumers to be active citizens, which means putting pressure on retailers and governments and letting them know that consumers are concerned about these issues.

4.6 Changes in Consumer Behaviour

One respondent mentioned she had boycotted H&M and ZARA for 1 month after watching a documentary on the working conditions in Bangladesh. Both NGOs commented that boycotting should not be used without informing the retailers about it. "*If you boycott a company tell them that and don't just be a silent boycotter. Let your voice be heard through many channels, to decisions makers, companies to your friend and colleagues and on social media. Raise your voice and put pressure*" (NGO1). Respondents also suggested that as consumers they should demand more from retailers, such as asking the shop staff about the origin of the clothes and demanding more visibility about the products origin both in stores and on websites.

This was also supported by the NGOs as they pointed out the importance of asking retailers about the lifecycle of the clothes to ensure better transparency.

Such consumer behaviour can influence fashion retailers, which in the long run can have positive impacts on the working environment for the garment producers (Joy et al., 2012). Respondents also identified social media and word-of-mouth as efficient ways to increase awareness and knowledge about these issues. "*There are many of my friends that are against fashion retailers such as H&M and of course it affects me as well. Discussions with my friends have opened my eyes to these problems and I don't want to support it when my friends are not doing it*" (FG2, female, 21 years). Many female respondents pointed out that they were recycling their old clothes, either giving them away to charity or selling them to someone else instead of throwing them away. Furthermore, the usage of flea markets and websites where clothes are sold within a specific area of Helsinki are new ways for consumers to sell and buy used clothes.

The majority of the respondents believe they have changed their consumer behaviour during the last few years, buying quality instead of quantity and making more thoughtful purchasing decisions and less spontaneous ones. However, many respondents believe a change towards ethical and sustainable fashion is changing slowly as they are still heavily influenced by the consumption society we live in. The Finnish fashion retailers confirmed increased consumer awareness about sustainability with CoB commenting "*Consumers are increasingly aware of the impacts of their consumption and are more interested in knowing where, how and by whom their products have been made*" [but] "*. . .they are not yet willing to pay a premium price for more sustainable products*."

5 Conclusions, Limitations and Future Research

Our study contributes by extending existing theory on CSR implementation in retailer purchasing within a Finnish context, as well as providing insights into Finnish fashion consumer behaviour. The lack of transparency along supply chains is the biggest challenge for Finnish fashion retailers however they have taken steps toward improving transparency by publishing supplier lists, which increases both transparency and traceability for stakeholders. These retailers are implementing CSR into their supply chains through carefully selecting suppliers and taking sustainability criteria into account including audit systems such as BSCI. Respondents emphasised supplier codes of conduct as a cornerstone for maintaining social responsibility along the supply chain. The most distinctive finding was that long-term buyer-supplier relationships were established between Finnish buyers and their suppliers to reduce purchasing barriers such as last minute changes and lead-time pressure. Finnish fashion retailers consider safety and human rights are important aspects in their supply chains, and corrective action plans and close collaboration with suppliers were identified as important tools. Finnish fashion retailers are also working towards providing the garment workers with fair remuneration through collaboration with unions and other sector companies to encourage governments to increase minimum wages.

Finnish consumers are aware of social issues occurring in the fashion sector and the negative impacts their consumption behaviour entails. However, price and availability were identified as main factors affecting purchase decisions. An increased interest in supporting ethical fashion was identified but a lack of ethically and sustainably produced clothes on the Finnish market, especially clothes considered appealing to younger consumers, was identified. Hence, there is a need for more ethical fashion brands to enter the Finnish market. Finally, Finnish fashion consumers pointed out a lack of media attention for these issues and also that increased media coverage would increase knowledge about social issues among consumers.

The main limitation of this study was its small study sample size of only three retailers and two NGOs firms, and a small number of focus groups in a limited age range. Accordingly, given these limitations and the exploratory nature of this study several suggestions for future research are proposed. While we believe this study provided a contribution regarding CSR perspectives in the Finnish fashion retail sector, future research should broaden the study through a large-scale study for other Finnish fashion retailers. Another suggestion could be to conduct a more intensive qualitative study, for example a study of a single retailer's CSR processes throughout its entire supply chain might give a much more in-depth and step-by-step view of the supplier selection and monitoring process to identify any issues not found in this or other studies. Research could also investigate views of the Finnish government on providing overview guidance or incentives for fashion retailers to adopt better CSR strategies. Finally, future research should consider an extensive quantitative survey of Finnish consumers across all age ranges to ensure the findings from the focus groups fairly reflect the views of the wider population.

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Role of CSR in Education: Special Emphasis on India

Meeta Sengupta and Nayan Mitra

1 Introduction

Corporate Social Responsibility (CSR) engagement has transitioned over the years from philanthropic interest shown by the 'industrialist' or 'robber baron' at the peak of the first industrial age, to a welfare interest in the areas around a work town or region of influence which invariably benefited the workers and the supply chain of the corporate. Infact, the public sector enterprise townships in India were alleged with local and even regional development in addition to their entrepreneurial mandate. Much evolution later, CSR moved on to discussions on sustainability and ethics, with national and now global guideposts. Many countries such as Kenya had official departments and policy documents to lead CSR engagements. Some others such as India created laws that established minimum standards for CSR. Parallelly, global guidelines were set like that of the Sustainable Development goals (SDGs) by supra national bodies. However, while some CSR engagements across countries and companies are driven by these standards and shared goals, it cannot be denied that it primarily follows the path of 'enlightened self interest'. Companies tend to engage in areas where they have skills and expertise and therefore the capacity to help. This tends to overlap either with their regions or their domains, and naturally improves the ecosystem within which they operate. These synergies are what gives a boost to CSR and makes it a sustainable source of revenue for social goods. However, recognizing that enlightenment and self interest could have a larger domain too has been part of the recent journey and these transitions have played out

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differently across regions. The impact and process of these has been varied in the various economic regions of the world.

2 Role of CSR in Education

Education is seen as a public good in most parts of the world. Thus, the responsibility of the state to develop and sustain their populations have included both funding as well as efforts in order to create satisfactory education outcomes. However, it is not possible to educate the world without the support and participation of the private sector. As a result, most countries have a vibrant private sector that supplements direct provision of government schooling. Even so, the statistics in education are dire.

About 264 million children and youth are out of school, according to the United Nations Educational, Scientific and Cultural Organization (UNESCO) Institute for Statistics (UIS) data for the school year ending in 2015. The total includes 61 million children of primary school age, 62 million of lower secondary school age and 141 million of upper secondary age (UNESCO, 2017). Infact, "globally, 28%, or 17 million, of all out-of-school children have never attended school and will probably never start, if current trends continue. About 38% of all out-of-school children attended school in the past but did not continue their education, and 34% are likely to enter school late and will be over-age for their grade, according to UIS estimates" (Reducing Global Poverty, 2017).

In many cases we see budgetary allocations go down even as the needs are still rising. "For example, in India, primary education spending as a share of domestic public expenditures fell from 5.2% in 2002 to 3.5% in 2012, while the primary school-age population increased by over 3%, from 118 to 122 million, over the same period. In Togo, the share of primary education spending dropped from 15.4% in 2002 to 7.1% in 2012, while the primary-school-age-population expanded by 23%, from 835,000 to 1 million" (Steer & Smith, 2015). This clearly points out to a need for more efforts and funds to bring basic parity in the world.

While some supra-country funding support is available via Global Education funds such as the Global Partnership for Education, and their fundraising efforts are gaining momentum, the goals cannot be met without direct intervention and funds from Corporates as part of their—now clearly acknowledged responsibility to society and sustainability. CSR funding is required often to build schools, to support content, to innovate solutions to complex scenarios, to scale successful solutions, to improve access and to increase impact via improved learning outcomes.

The case for CSR in education is further strengthened when one observes the changed shape of the world economy where corporations are often larger than entire countries. These mega corporations are strong influencers of the future of work, and indeed the future of how the world is going to be shaped. These corporations also share the task of growing up the next generation to be useful corporate citizens and responsible citizens of the world. Almost all of these large corporations have created both philanthropic and corporate endeavours, and while only some of them support education directly, they are all clearly cognizant of the need to create both future clients and future employees. In other words, this is a symbiotic relationship. As the state progresses, so does business and vice versa. Any discord in this relationship can cause disequilibrium within the society (Chatterjee & Mitra, 2017). In a micro concept, the ideal model, then, would be to generate the continuous 'cycle of conversion' and transform the population to reap demographic dividend through a mutually beneficial relationship with the Government and the Corporation (Chatterjee & Mitra, 2017; Mitra, 2014, 2015).

The dichotomy, however, arises from the ideological view that holds that education is a public good, while another faction believes that it is only competition with and between the private sectors that will improve outcomes. So far, the equity argument has clearly been won by those who support public education as the sole channel for our children, while the innovation and efficacy arguments are being won by those who support private investments in schooling. Surprisingly this debate is not so acrimonious in the higher education space, where there seem to be more channels for the intermingling of funding, more often than not, led by CSR initiatives.

2.1 Role of CSR in Education in Developed Economy

CSR in the developed world is clearly an act of virtue signaling. While both CSR and Philanthropy have a major role to play in bridging gaps in both community and national projects, the impact of such projects on their brands is clearly different from the impact of the work done by larger corporates in developing and emerging markets. In fact, the brand equity gained from CSR in developed markets tends to be managed more discreetly than CSR in developing markets.

Transnational brands tend to distribute their CSR across the countries where they are headquartered and the countries where they have major investments. The impact of these CSR contributions is not just felt in the countries where they are delivered, but also in the countries where the accretions to brand equity can be distributed. These CSR projects that are sponsored by firms in the developed world are often led by the health and education sectors since these are easy to demonstrate and show progress, and thus value.

Among this, CSR in education still forms a significant portion of corporate contributions though it seems to have a falling share of market. These CSR contributions to education are both in community led projects in the home countries and in countries of business. These projects tend to support interventions not only to improve learning outcomes but also to improve conditions in the learning communities and in support services. The investment in education in local communities in the developed world surprisingly tends not to be very dissimilar to the contributions in emerging markets. There are deep pockets of poverty in the developed world and the needs of schools tend to be the same—interventions in providing classroom resources, teacher quality, interventions to improve learning outcomes and to implement edu-tech solutions for customized adaptive learning. In contrast to this are the contributions in the developing world where they are needed for building and scaling up essential infrastructure—in terms of buildings, teacher capacity and basic edu-tech access. The CSR contributions tend to follow government investments, and in the developed world, governments tend to have funded basic infrastructure, though not necessarily it's upkeep. However poorer communities in the developed world too need the support of CSR funds to be able to raise the quality of the teaching and learning experience for students.

While community based CSR contributions are also in the K-12 space, there is also a significant contribution to higher education in the developed world. This is in contrast to the emerging markets where CSR contribution to higher education distinctly lags basic education projects. This is true of local CSR as well as global CSR contributions. In emerging markets, the more visible corporate contribution to colleges and universities is to college festivals, which comes as much out of their marketing budgets as their CSR budgets, depending upon the nature of the festival and how the students pitch it to the corporate. In the developed world, these channels are fully mature and beyond, often institutionalized, enabling students in higher education a certain degree of certainty in their project based ventures.

Thus, CSR, in its quest for a more equitable world has certainly created a virtuous cycle of contributions but it does not always create a commensurate amount of virtue signaling if the core business does not align with its CSR principles and strategies. This is a shift in CSR in the developed world, where instead of the business strategy leading CSR investments, it now needs CSR strategies to lead and ask businesses to align for the sake of their goodwill in the commercial world.

Thus, the world now faces a new dichotomy. On the one hand, we seek to build bridges across nations so that we can create sustainable balance across education, health and well being, all areas led by CSR contributions. At the same time, the wave of post globalization populism leads commercial decisions to be more localised. One would have expected this to lead to a reduction in the importance of CSR—as it had in the past, in a pre-globalised world. Yet, the very opposite is true. It is only via visible CSR in traditional areas such as education, that commercial firms and giant corporates can create a buffer of goodwill to be able to deal with the fall out of commercial mis-steps. Small CSR will not do it anymore, CSR will have to lead with stronger contributions.

This shift is already being noted by the larger social impact funds in the world, and corporates have taken cognizance of that.

2.2 *Role of CSR in Education in Emerging Economy*

On the other hand, developing economies have the greatest need of funding, but it was noticed that CSR efforts did not necessarily respond to this need. Indeed, CSR spend data available indicates that for many decades the CSR spend on education and health was not directed towards the regions of maximum deprivation. This was not by design but followed the pattern of the times when corporates tended to engage with their regions. So the economies that were inclined to have more local businesses and less international economic engagement found that global corporates did not know enough about them to offer CSR funding or solutions till recently. In-fact, some of the CSR engagement in developing and emerging market countries by these multi-national companies (MNCs) was clearly more about self interest than enlightenment.

Developing countries often see the dark underbelly of CSR more than other markets due to easier regulatory regimes. It is not uncommon to hear that CSR funding is being used as a means to launder monies in these countries. This is neither consistently documented, nor is it possible to have data. However there are public records of some CSR entities that have been caught engaging in such nefarious activities.

On the other hand, CSR in the emerging market also has the enviable position of being the force multiplier for good. Especially in education, it is the CSR contribution that can and does bring in innovative and high impact models to large and small communities. In these economies, the government has often been able to create education infrastructure, but it is not necessarily one that can enable excellence in learning outcomes. The existing education infrastructure is often in need of great support, especially in terms of building teaching, leadership and administrative capacities. CSR contributions in emerging markets are valuable in filling gaps within the system. For example, Educate Girls in India seeks to bring out-of-school girls in the poorest districts back into the mainstream schools and support their retention and achievement. In South Africa, CSR funds are able to ensure that girls from underserved communities are able to go to University via a bridge program in secondary schools. Some of the largest providers such as Oxfam, an international confederation of 20 NGOs working with partners in over 90 countries, have entire partnership development programs and personnel devoted to raising funds via CSR (Oxfam, n.d.) and it is these corporate contributions that drive the work of these organizations.

CSR funding in emerging markets also brings social impact innovations to fruition and market. These funds are essential to developing solutions for local markets. For example, it is the CSR funds that have supported installation of solar roofs for schools that enable schools to access digital learning. Innovative solutions have been funded by CSR too, such as the Digital Empowerment Foundation's work in building internet access to remote areas. Their work involved up-cycling locally sourced materials, including rubbish to build an internet tower to enable access. Their vans too provide roaming internet access for education (Zero Connect, 2017).

This is especially challenging as CSR in emerging markets is faced by uneven information and unreliable sources to find greatest impact. This is why large corporate CSR tends to be conservative in its approach and fund projects that have already proved their value and seek to scale them up. This is not necessarily the best use of CSR which can do much more to enable not only discovery of good quality education projects but also support them in their initial stages when they are seeking both proof of concept and pilot funds. Early CSR contributors were often more daring and useful in emerging markets when they took on greater risks and thus reaped higher impact rewards. This changed after most countries started organizing their inquiry on CSR funds either via national policies, guidelines, or even laws. As it stands, emerging market CSR tends to find it easier to support replication and scale, and thus does act as a multiplier for good, but it has the potential to do much more. In fact, Chatterjee & Mitra (2017) propounds through their research that "CSR should contribute to the national agenda in emerging economies"—and empowerment of its human resources through education is indeed one of the key developmental agendas in any emerging economy!

According to the most recent UNESCO figures available at the time of writing, corporations provided an estimated US$683 million annually to support education in developing countries (including the US$135 million from foundations) (Business Backs Education, 2015).

CSR, especially in education, must realize that it stands at the point of opportunity where emerging market education systems can leapfrog to and even beyond those of developed countries. If CSR takes on the responsibility of seeking such leapfrogging opportunities rather than merely being a follower of social impact committees or funds, it can genuinely bring about radical improvements and help to achieve the sustainable development goals in time. Sengupta (2016) observes that "going forward, much of the future of CSR in education will be about targeted programs that further the strategic direction and goals of the donors though education is likely to retain its primacy."

3 Role of CSR in Education in India

The Indian school education system is one of the largest and most complex in the world. The complexity of the system stems from India's need to maintain standard and uniformity, while giving scope for its diverse culture and heritage to grow and flourish across the length and breadth of the country (Patwardhan, 2016).

According to the 2011 census, literacy rate in India was found to be 74.04%, which is a dramatic increase over the past decade, when it was registered as 64.83% overall (Literacy in India, 2011). Two prominent policies of the Indian government—the Sarva Shiksha Abhiyan (SSA), launched in 2001 and the Right of Children to Free and Compulsory Education (RTE) Act, 2009 have seen education priorities rise amongst households and catalysed improvements in educational performance (Patwardhan, 2016).

However, that is not enough. The Annual Status of Education Report (ASER) (ASER, 2014) report states that children in India are about two grades below their expected literacy and numeracy levels. The mass survey identifies the quality gap as significant. While the government rejects the ASER results as overstated, their own National Assessment Survey (NAS) shows gaps in quality. The steady stream of students moving to the private sector is proof enough of the dismal quality of public education (The Hindu, 2014a, 2014b). This is when, private education tends to demonstrate similar learning outcomes albeit with a greater emphasis on mobility via more time spend on English language learning and at a third of the cost (Muralidharan & Sundararaman, 2013). The gaps in educational attainment have been remarked upon in various fora, and a report on Public Private Partnerships (PPP) by the Education Alliance notes dryly, "Educational outcomes in India are dismally low both in absolute terms as well as relative to other countries" (FICCI & Central Square Foundation, 2014; Sengupta, 2016).

Inspite of this, for many years, India's national spend on education had hovered around 3.9% of India's Gross Domestic Product (GDP) (World Bank Statistics, 2016), though the request was for at least 6% of the GDP (Sengupta, 2016). Thus, there was a perceptible need for the corporate sector to plug-in with the deficit and more.

Infact, of the total CSR spend in India after the passing of the Companies Act, 2013, a significant share goes towards education. An assessment done by the Ministry of Corporate Affairs (MCA), India of CSR expenditure of 5097 companies for the year 2015–2016 who have filed their Annual Financial Statements till 31st December, 2016 with them revealed that CSR spent by the Corporates under the mandate on Education was INR 30.73 billion, next only to Health/Eradicating Hunger/Poverty and malnutrition/Sage drinking water/Sanitation in which INR 31.17 billion have been spent (MCA, 2017).

This spent, Sengupta (2016) opines are along five broad themes, but, within each, the process and expectations may be very different. These themes have been enumerated hereunder along with some relevant examples:

(a) *Infrastructure, Curriculum, Equipment*: Canon India has adopted two government schools, where they take care of these two schools by improving the basic infrastructure, building resource centres and libraries, providing training for the teachers and equipping the schools with sports kits. Reliance Industries partake in CSR activities by constructing and renovating school buildings, providing free note books and text books to students, rewarding the meritorious with scholarships, building remedial centres and spreading awareness about the need for computer education in rural India. Aditya Birla Schools are spread over 11 states along with Balwadis and Aditya Birla Vidya Mandirs providing education. They also promote computer education and distance education for schools all over the country (Stem Learning, 2016). Similarly, Mahindra & Mahindra (M&M) has constructed 4340 toilets in 1171 locations across 11 states and 104 districts specifically for girls in government schools as part of 'Swachh Bharat: Swachh Vidyalaya' (national campaign driving 'Clean India: Clean Schools') (Sengupta, 2016; The Economic Times, 2015).

(b) *Capacity Building*: Tata group lead from the front with a INR 10 billion budget on CSR for the year 2013–2014; among which, Tata Steel is the highest spender. It aims at launching 1000 schools project in Odisha, for improving the quality of education in government primary schools. Tata Education Excellence Program is an award winning education program in Pune, launched by Tata Motors. Every year, it identifies 600 boys and girls, enrolled in secondary schools and has helped them to improve the pass percentage of students to 98% and reduced the drop-out rates from 35 to less than 5%. They also organize coaching classes for weak students and provide scholarship assistance to meritorious students. Tata Teleservices is also doing its best by providing education for students from underprivileged community in government schools. They have Teacher Training programs to enhance the quality of education being imparted to students studying in Government schools (Sengupta, 2016; Stem Learning, 2016).

Maruti Suzuki's CSR initiative in the field of education takes a technical-education oriented route. They have adopted over 10 state-run Industrial Training Institute (ITI) colleges in the states of Kerala, Tamil Nadu, Maharashtra, Goa and Haryana to transform them into centres of excellence in their respective fields (Sengupta, 2016).

(c) *Funding Learner Skills*: The Tata Consulting Services (TCS) associates run an annual program to create Information Technology (IT) awareness among school children. The event reaches out to over 200,000 school students from 5000 schools in 12 cities across India. Infosys has a 'Spark Rural Reach Program' that aims at encouraging rural children in middle school (classes 5–7) to pursue studies in science and mathematics, basics of computers and related subjects and become part of the IT revolution. This program has benefitted over 212,929 children across the country in 2013–2014 (Sengupta, 2016).

GAIL Utkarsh has helped over 500 students from economically backward communities join India's premier engineering institutes. They are provided residential coaching programmes and given monthly scholarships once they get into Indian Institutes of Technology (IITs)/National Institutes of Technology (NITs). The GAIL Institute of Skills (GIS) is also working towards bridging the skill gap faced by the oil and gas industry. GAIL's CSR programme operates in 25 states and Union Territories (UTs). In the last fiscal, it spent INR 718.9 million, or 1.21% of the average net profit on CSR (Sengupta, 2016; The Economic Times, 2015).

(d) *Financial Assistance*: Mahindra's flagship programme, project 'Nanhi Kali' set up by their Chairman Anand Mahindra in 1996, supports the education of over 1.1 million underprivileged girls in ten states, providing material support (uniforms, bags, notebooks, shoes and socks) and academic support (workbooks, study classes). The key outcomes of the project include an increase in both enrolment of girls in schools and curtailing dropouts to less than 10% (Sengupta, 2016; The Economic Times, 2015).

(e) *Funding Innovation*: EZ Vidya, a Chennai based firm that has grown to work with over 800 schools all over the country to ensure that children are able to demonstrate both the process and quality of the thinking as they work through the curriculum (Sengupta, 2016).

Other examples include not-for-profit organisations such as The Akshaya Patra Foundation (TAPF), headquartered in Bengaluru (India) that strives to fight issues like hunger and malnutrition in India, by implementing the Mid-Day Meal Scheme in the government schools and government-aided schools, thereby aiming not only to fight hunger but also to bring children to school. In partnership with the Government of India; various State Governments, the inestimable support from many businesses, philanthropic donors and well-wishers; TAPF have grown from serving just 1500 children across 5 schools in 2000 to being the world's largest (not-for-profit run) mid-day meal programme serving wholesome food to over 1.6 million children from 13,839 schools across 12 states in India. Some of its Corporate partners include Auma India, Rotimatic, IEX, Novartis, VGL, Larsen and Toubro Infotech Limited (LTI), Lets Profit, CNBC-AWAAZ, Snapdeal Sunshine, Landmark Group, General Industrial Controls Private Limited, The Jewellery Channel, Balakrishna Industries Limited, NetApp India, Hindustan Petroleum Corporation Limited (HPCL), Grade1to6.com (TAPF, 2017).

On the other hand, Teach for India (TFI) was formed to fill in the deficit of leadership in education with a vision that believes that 1 day all children will attain an excellent education; and a mission to build a movement of leaders to eliminate educational inequity. In the year 2016, it has impacted 353 schools, where 1250 Fellows directly transformed the lives of 38,000 children. In the F.Y. 2015–2016 and 2016–2017, it received grants from Dr. Reddy's, K. Raheja Corp., Omidiyar Network, Bank of America, Nomura, Oracle, Acacia Partners, Credit Suisse, Deutsche Post DHL, The Great Eastern Shipping Company Limited, HDFC, Kewalram Chanrai Group, Genpact, Amdocs, BNP Paribas, Lanxess, ICICI Bank, Bloomberg, Deloitte, EY, Kotak, Microsoft, NSDL, Godrej Properties, Godrej Industries, JP Morgan Chase Bank, Hindustan Petroleum Corporation Limited, PWC, KPMG, UBS to name a few that accounted for a total of 54% of their total funding! The rest were from Foundations, Trusts, Government and Individuals (TFI, 2017).

Yet another and one of the largest non-governmental organizations in the country is Pratham, established in 1995, that focuses on high-quality, low-cost, and replicable interventions to address gaps in the education system. It is a tripartite partnership between the government, citizens and corporates. In the year 2016–2017 alone, they have reached more than 5.7 million beneficiaries across the country. Their work is supported by several national and international corporations like Accenture, ADP, Allstate, ICICI Bank, ITC, Bharat Petroleum, L&T Hydrocarbon Engineering, BNY Mellon, Bilt, Capital Group Companies, Castrol, CA Technologies, Coastal Gujarat Power Limited, CLP India, DCM Shriram, Deutsche Bank, GAIL (India) Limited, Godrej, Johnson & Johnson, Glaxo SmithKline, Hindustan Times, Idea, Indus Towers, J. P. Morgan, Kohlberg Kravis Roberts, Michelin, NDTV, NSE, Pentair, Procter & Gamble, Piramal Group, Taj Hotels Resorts and Palaces, Tata Motors, Tata Steel, UBS, Whirlpool, etc. It also has a strong presence internationally where their overseas chapters in the US, UK, UAE and Germany also help mobilize funds (Pratham, 2017).

Thus, although penetration of education has been one of the key challenges of India, there are perceptible changes that have started taking place in the post mandate period through the continuous "cycle of conversion" that transforms the population to reap demographic dividend through a mutually beneficial relationship with the Government and the Corporation (Chatterjee & Mitra, 2017; Mitra, 2014, 2015).

4 Conclusion

Education interventions and funding via CSR and Philanthropic Funds are an essential part of the solution to the educational gaps in the world. Whether it is enabling access, livelihoods and infrastructure for educational needs, or it is via building capacities to improve teaching and learning or by catalyzing new technologies for communities to reach their potential, CSR contributions lead the way, and indeed, often provide proof of concept to the state to scale up the work that has been piloted, tested and proved to be impactful. We could even say that CSR funding for education is the angel for impact, since it not only now fulfils its traditional role of filling need gaps, but also has learnt from the investor community to measure the returns to its contributions for the good of all.

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Information Security: Component of Corporate Social Responsibility

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1 Introduction

The emergence and development of social responsibility is an ample process, linked to ethics and moral values and it is impossible to establish a precise date of its birth. Although the term *corporate social responsibility* (CSR) has been embedded quite recently, its exigency throughout history as form and content is undeniable (Abbot & Monsen, 1979). Socially responsible practices have existed since the first social communities appeared. The progress of human society and of interhuman relations, in general, stands as proof thereof. Common ethical behaviours for the public benefit have existed since the earliest times. Associated with customs, traditions and religious practices, they were practiced by both those who governed and those who run a business. Thus, improving working conditions for employees, building a church, contributing to equipping a library or a museum, subsidizing the education of meritorious children and many other such actions are part of the history of any economic entity in every corner of the world (Freeman & Liedtka, 1991).

However, the concept of *corporate social responsibility*, in its current meaning, is a new term, *generated by the evolution of the relationship between governments, the business environment and society, in a historically original way* (Abbot & Monsen, 1979). The weight in determining the new meaning of corporate social responsibility is given by the involvement of the business environment in the sustainable development of the community and society, in general. In the conventional form in which the notion currently circulates, most of the theoretical disciplines and, in one way or another, thinkers and practitioners from almost all fields of

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knowledge have contributed. Reviewing all the sources related to the evolution of the term would be not only difficult but also unproductive for clarifying the subject.

Organizations are responsible for ensuring the security of their data, an essential obligation when aligning with the requirements of the developing information society (Beckers, 2015). An organization must be constantly prepared to face any aspect which can affect its information security, from natural disasters and human error to software piracy. More often than not, due to the lack of proper preparation, repair and recovery options are limited (Beckers, 2015). The organization must conduct a risk assessment of its own information security, in view of charting a hierarchy of its information assets and methods employed to ensure their security, and of establishing certain stages needed to eliminate aspects which facilitate high risk contexts. Implementing certain changes takes a long time, and it must be done without affecting the system (Beckers, 2015).

When designing a security policy, organizations must conduct a risk assessment, in order to identify the most significant security risks, defining the nature, depth, likelihood of occurrence and implications on the organization. They must also define the areas with high risk potential and secure them (Oprea, 2002).

According to Kristian Beckers (2015), information security can be threatened by various types of danger, which can be included in several categories: espionage, criminal organizations, ill-intentioned individuals, people from the inside or the outside of the respective organization who have access to different aspects related to the security system, as well as natural disasters.

As defined by Maier (2010), risk management encompasses all the methods employed in identifying, controlling and diminishing/eliminating the risks to which a system or an organization might be exposed. Risk management implies various stages, such as risk analysis, costs versus benefits analysis, the definition of the most adequate measures, the evaluation of their security level and the evaluation of security at the global level (Maier, 2010).

In this article we analyzed the responsibility the electricity distribution companies from Romania have in protecting their information security, aspect that is absolutely necessary under the current development conditions of corporate social responsibility.

2 The Stage of Knowledge

The technology-society relation has been differently addressed in academic literature, but often enough to have a large picture of the phenomenon nowadays.

Science and technology occupy a very important position in modern society. Special fields have been created in the philosophy and sociology of technology.

Raising awareness on scientific knowledge and technology refers to the social expectations of express orientation of the objectives of the two instances towards the sustainable development of the world, towards eco-efficiency and improvement of human capabilities.

Most of the interpretations of the role of technology fall into two directions, known in the literature as "*substantivism*" and "*instrumentalism*". Representatives of Substantivism consider that technology has already become autonomous (Ellul, 1989). By desacralising human values and sacralising technological ones, technological tyranny on the human is complete. Slowly, "*technology has created an all-destroying world that follows its own laws and has given up on any tradition*" so that (...) *technology has gradually acquired all the elements of civilization (...), man himself being overwhelmed by technology and becoming its object* (Held, 2006). According to J. Ellul (1989), the technical characteristics that reify efficiency as a necessity or rationality are the following: *artificiality, automatism of the technical choice, self-augmentation, monism, universalism and autonomy*. The rationality of technology, for example, empowers the logical and mechanical organization to operate the division of labour, to establish the standard of production and to create an artificial system that eliminates or subordinates the natural world.

> Instrumentalists analyse technology from a utilitarian, functionalist and neutral point of view. However, substantivists and instrumentalists are convinced that solving the problems related to production and consumption systems, which are ultimately responsible for the sustainability of the world, depends on the understanding of the science/technology and society relation. (Jonas, 1984)

The apex of today's information technology consists of the intelligent systems, the purpose of which is to identify whayt is important for the business, maybe even fundamental for the company's evolution, including structures and relations which could revolutionize management and business practices (Andone & Țugui, 1999).

Within these intelligent systems, Knowledge-Based Expert Systems or simply expert systems are artificial intelligence programs or machines based on highly specialized knowledge, similar to those employed by the best specialists in applied sciences, capable of performances similar to the thinking and intuition of human experts. These systems process human knowledge and they can be found at all the management levels of a socio-economic organism (Andone & Țugui, 1999).

There are weaknesses in every information system, and these defficiencies can be grouped in two categories: some occur in all information systems and some are specific to each system (Sahay & Ranjan, 2008).

Those weaknesses found in all information systems refer primarily to phenomena such as: filtering (the intentional modification of information content, before it can reach its destination); distorsion (the involuntary modification of information content); redundancy (the repeated uploading of the same information or information with similar content on different media); the overloading of information channels (the conveyance of an overwhelming amount of information to different stages of the hierarchy, which are not fully qualified to analyze the respective information). As for those weaknesses which are specific to the economic activity, one can mention the faulty codification of data, with a high level of impact on the quality of subsequent data processing (Sahay & Ranjan, 2008). Apart from these aspects which are inherent to the functioning of information systems, and can be eliminated by the implementation of a strict, professional security policy, the data and information vulnerability is further increased by the ever developing complexity of the means, methods and forms of automatizing the stages of data processing (Parker, 1992). Any organization which wants to protect its information assets must design a coherent and logical plan that takes into account the legal recommendations and the reality of its own activity. The analysis shall include the inside and outside threats, as well as the methods which can be used in order to eliminate them. This endeavor implies strategies, plans or programs, policies and security procedures—which are often confused terms (Dhillon, 2007).

A strategy is the result of a complex management process which includes planning, controlling, defining the mission and purposes of the respective organization, and identifying its resources and critical success factors. It is often seen as a set of policies which guide the organization towards a specific purpose, in a specific direction. According to Dhillon G. (2007), at the organizational level, a strategy consists of key decisions regarding the investment in information resources, the diversification thereof and their adaptation to the business objectives. At the level of the organization's activity, the security strategy is related to the potential threats and weaknesses of the information infrastructure and is often based on risk analysis (Dhillon, 2007).

3 Risk Types Specific to the Information System with Impact on Corporate Social Responsibility

Given the fact that nowadays the information system represents the main body of the information system as a whole (in developed countries there is even a synonymy between the two categories), one can not overlook the factors which are specific to automatization which generate increased levels of vulnerability, such as (Hall, 2010):

1. the rising amount of information which is accumulated, stored and processed by computers;
2. the concentration of information with different destinations and origins in the same data bases; the sudden surge in the number of users with unlimited access to system data and resources;
3. the complication of the operation mode of the electronic and technical means;
4. the automatization of the information exchange between computing networks located at great distances from one another;
5. the large number of failures in the process of creating safe copies of data;
6. failures in controlling access to the system;
7. the identical processing of all data;
8. errors in the storage and use of the system resources;
9. easy system monitoring;
10. the availability of computers to people other than experts;
11. frauds done by groups of individuals, which lower control efficiency;

12. the differences in microcomputer performance as compared to that of larger systems;
13. the low level of security, along with the benefits offered by the network can lead to unauthorized system access;
14. the processing of data on a computer within the network, printing or transfering the data with the purpose of alienating it;
15. the use of the local resources of a computer with the purpose of attacking the network or the server; the manipulation or relocation of computers;
16. the inadequate delivery of electricity.

Natural hazards are risks determined by chance. One possible risk is that of natural hazards, determined by chance. This category includes catastrophes and calamities (fires, explosions, floods, earthquakes, storms, etc.) but also other environmental factors such as humidity or heat, dust, hairs, lint, cigarette ashes, insects or rodents, which can affect the proper functioning of the automatic information equipment (Oprea, 1999).

Dangers such as system incidents can have various causes, which include human error (destructions, changes, accidental information leaks, incorrect system configuration, service interruptions, equipment destruction, program modifications), as a result of user ignorance, improper documentation or training, working under pressure, too many or too few administrators, excessive enthusiasm or the indifference of users, operators or programmers (Negash & Gray, 2008).

Another type of system incidents can result from improper environment conditions (lack of ventilation, electromagnetic interference, or static electricity). Small-scale malfunctions can also be hazardous, if they go unnoticed from the very beginning, with the potential to lead to major loss or data alteration if recurring over a long period of time (Beckers, 2015).

Software malfunctioning can also be included in this category (programs with excessive coding which are difficult to control, operation systems with numerous projecting faults, the jamming of the electronic mail due to an overwhelming number of messages, communication protocols that were not designed to provide a high security level), as well as other problems, such as the unreliable delivery or improper functioning of the power supply (Maier, 2010).

Other people's malicious activity (fraud, theft, the commercialization of confidential company information) can be deliberate or unintentional, open or covert, and can morph into various forms. One of them is industrial espionage. Given the escalation of information warfare, more and more organizations decide they need to know more about the plans, profits and products specific to their competitors (Van der Stede & Malone, 2010). The speed at which the market can be invaded by outsiders, the long time necessary for research as opposed to the much shorter product lifecycle, as well as tight competition have determined the mediatization and refinement of corporate espionage. They specialize in reverse engineering (dismantling a product in order to discover its secrets) and competitive tactics and strategies. Industrial espionage has two dimensions, a passive form and another, very active form which consists of planting misleading information in the “enemy computers” (Oprea, 1999).

Such a threat can have an inside source from the ranks of the disloyal or disgruntled employees. According to Toffler (1995), at nearly all steps involved in information processing, the spoils go to one group at the expense of the rest of the employees. Apparently insignificant conflicts between the employees and their superiors, an erroneous perception of the employee’s position within the company or merely the wish to obtain undeserved financial advantages can make them use more or less effective means to destroy pieces of equipment, programs, data or information, to alter the data in the respective programs in order to meet their own needs, or out of malevolence, to steal different material or informational assets or to sabotage the system. The techniques employed in these cases, however, are not the always best, because access comes from the inside. There are also cases of such actions being conducted by a person who has access rights within the system (Poston & Grabski, 2000).

Attacks can also come from people outside the organization (information technology vandals, huligans or subversive and terrorist organizations), capable of deploying dangerous computer viruses into the system or stealing valuable information or equipment (Rom & Rohde, 2007).

Another specific threat is posed by users involved in unauthorized activities involving computer games (an important source of computer viruses) or bringing unlicensed software into the system. The wide public (mainly teenagers) constitute another risk factor, as the hackers within their ranks attempt on the integrity of a large number of systems, and so do the journalists, who are very incissive in learning and publishing the company’s confidential information (Rom & Rohde, 2007).

4 The Security Plan and Policy for Ensuring Corporate Social Responsibility

Through strategy implementation, the security issues are addressed globally from the top of the management ladder. Subordinates are assigned the task of displaying a detailed description of the security procedures, defined by means of the security policies, within their respective compartments.

Before designing a security policy, strictly related to the specifics of the company which is going to implement it, a general security plan shall be drawn for the organization as a whole. The design of such plan shall involve the security responsible at the level of each compartment (people who have solid knowledge, or even experts in the field of security), supported by outside specialists, network administrators, heads of departments and other employees whose activity involves the use of the data and information which are going to be protected.

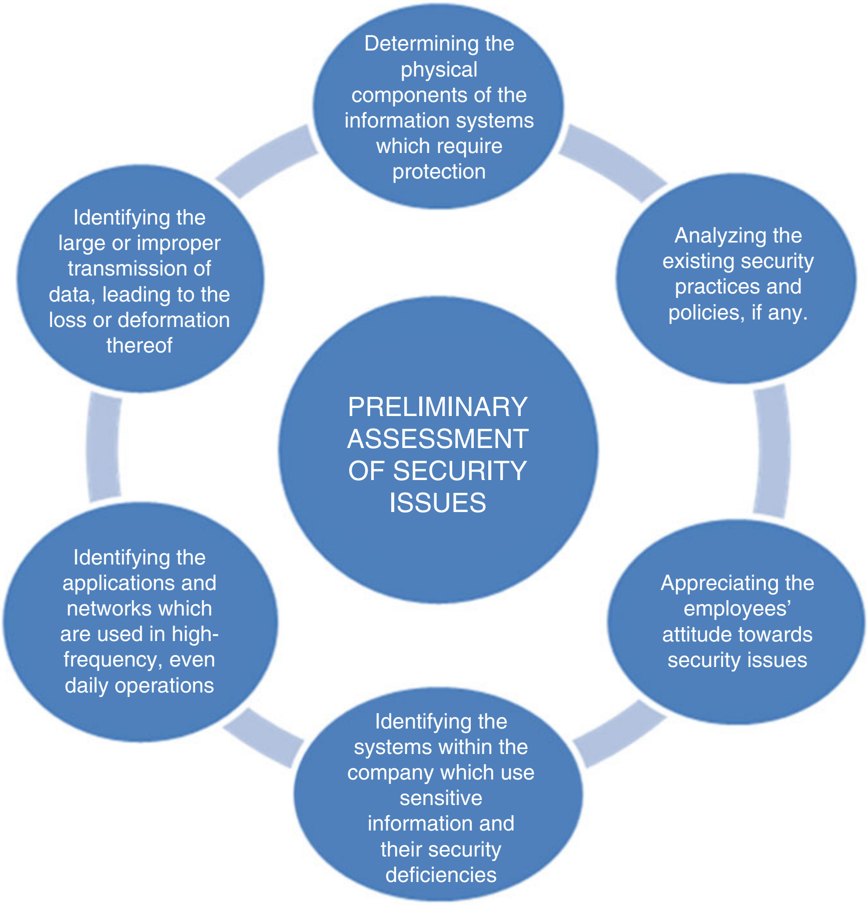

Fig. 1 The preliminary assessment of security issues. *Source*: The authors' own vision, based on Anandarajan et al. (2004)

The purposes of such a plan are: protecting the respective information against accidental or intentional alteration or destruction and ensuring the availability of such data and information to those who need them, at the right time and in the right form (Anandarajan, Srinivasan, & Anandarajan, 2004).

The first stage of designing the plan is the preliminary assessment of the companies' security issues (Fig. 1).

The second stage consists of enlisting management support. This is an extremely important step, during which the following aspects shall be addressed: the locations where data vulnerability to theft, loss or destruction has been identified; the probable impact of such loss; the actions which can be taken in order to reduce risks, with special emphasis on the priorities; an action plan in view of preventing the most serious threats; a list of actions, including progress checks (Anandarajan et al., 2004).

The security plan shall consist of two important parts: a risk assessment and a strategy to prevent the identified risks. Risk prevention is achieved by tactical procedures (security procedures, staff training, audit directions), physical or technical protection (hardware and software). Any of these methods must be chosen wisely according to the reality of the company's activities. A security policy is compulsory, but it must be cost-efficient and easy to understand, unlike a lengthier one, which can prove more difficult to understand and implement (Anandarajan et al., 2004).

Below there is a list of recommendations for a proper security policy: managing computer access; making safety copies for all folders and programs; complying with the existing rules and regulations and drawing a written contract which stipulates the users' rights and responsibilities; identifying a place to relocate damaged equipment; drawing a recovery plan following a potential disaster; encrypting file passwords; setting up administration committees for the security of the company's information assets; assigning passwords for system access; maintaining a terminal connection protocol; minimizing traffic and access to the area where data is automatically processed; making the employees take responsibility for their work; recording the activity of the respective network and keeping detailed track of the access to important files; protecting the electric equipment and network taps; restricting the display of "sensitive" information; validating data entries (Vasarhelyi & Alles, 2008).

A good protective measure is restricting access to the applications which could facilitate the breach of the security system. However, it is common knowledge the fact that it is easier to design than to implement a security policy, and that the revisions thereof, despite being initially designed to be conducted at short intervals, often become irregular—hence the risk of the protection level becoming outdated. Inspite of all these limitations, restriction is still an essential first step in the implementation of the proper security procedures in view of protecting the company's information assets.

A good security plan must consist of at least the elements in Fig. 2.

The set of procedures resulting from the implementation of the plan shall constitute the organization's security mechanism (system). It must comply with the following requirements (Baker, 1995):

- minimization (rigorous compliance with the objective requirements regarding the protection of the information stored and processed within the system);
- user-friendliness (it shall not require further efforts from the respective users);
- minimization of the users' access rights (only the really necessary ones shall be maintained);
- complete and compulsory control of access to all protected resources; sanctions applied in case of misconduct (the most frequent of which being denial of access to resources);
- economicity;

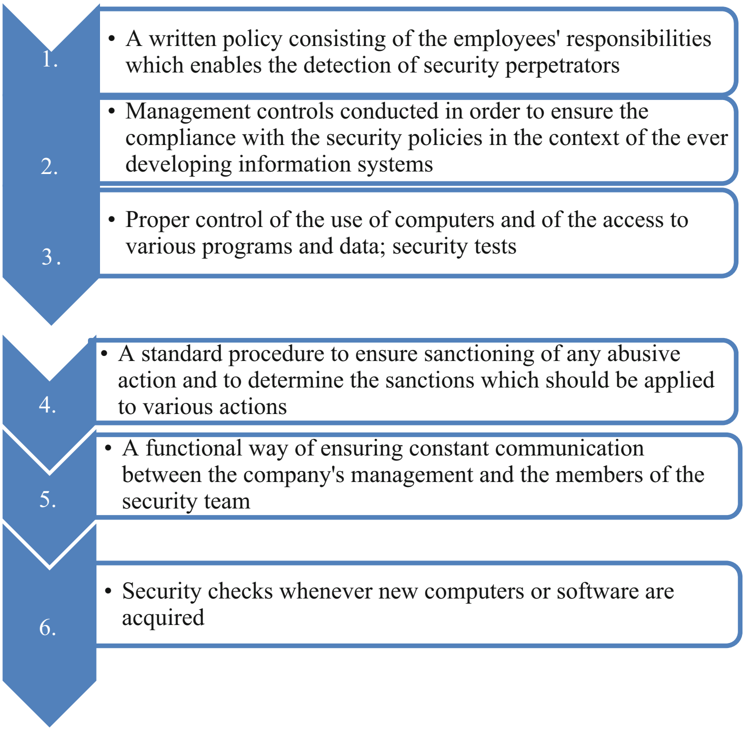

Fig. 2 The elements of a security plan. *Source*: The authors' own vision, based on Baker R. (1995)

- unconcealed nature (functioning must be safe and effective even if the structure is known by potential perpetrators).

Also, the security system shall be non-discretionary and implemented in a natural way in the normal working conditions; it shall be self-monitored and shall only rely on constant supervision to a small extent. It shall be opened for innovations and discoveries; it shall issue warnings regarding its improper use but shall not restrict the access of the rightful users to its information resources.

5 Materials and Methods

The purpose of the research is to identify the threats that may affect the information security of electricity distribution companies, in order to implement social responsibility under optimal conditions.

The research methods employed in this paper are focused on the analysis of the companies' documents and based mainly on interviews with the employees. The information system consists of over 1000 computers. Access levels range between

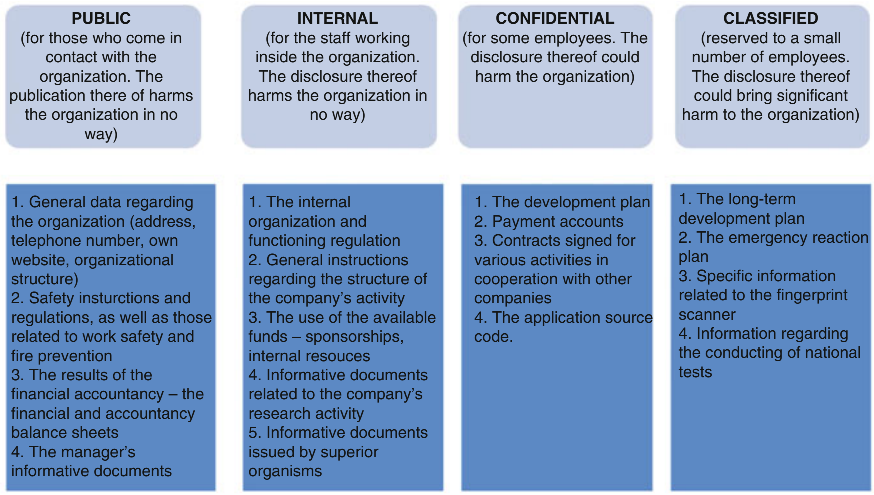

Fig. 3 The information within the company according to their importance. *Source*: The authors' own vision

external access (all employees included), intermediary-level access and internal-level access (classified information).

There are two separate networks, each of them connected to the Linux operating system. Network routing is done by means of the infrared Ethernet and cannot be seen by outside people. The internal network is based on the Windows 10 operating system and it employs an Active Directory domain structure both on its servers and its workstations.

The advantages of using such a system are: safe access to the network resources; easy network printing; safe central command; less working time for the network administrator on the users' workstations; daily data backups (system failure protection); access to the network devices; access to the network resources is controlled by a complex system of users' rights and permissions granted by the administrator; the antivirus package is centrally managed and automatically updated via Internet connection (Bit Defender).

Internet connection is based on the Linux operating system. The software components are the firewall system—protecting the network against Internet-based attacks—and the proxy server—for safe Internet access.

The information used within these companies can be ranged into the following categories, according to their importance (Fig. 3).

This classification also includes information technology resources specific to data-handling, such as: external storage devices, CDs, DVDs, hard disks, telephones, fax machines, printers, display devices, paper, folders, software applications used for data processing, telecommunication resources, network media, Internet, surveillance cameras, fingerprint scanners.

The companies implement a set of strict policies regarding the use of its information systems and of the Internet. When regulations are breached, various sanctions can be applied consisting of disciplinary measures, which can even go as far as contract termination and penalties. The penalties imposed for breaking the companies' policy are laid down in a specific set of procedures.

6 Analysis Results

The dangers posed to information security in electricity distribution companies can have various origins, such as natural disasters, fires, sudden environmental changes, human error in manipulating or operating equipment, fraud. Also, the people who initiate information attacks can be listed into various categories, such as: employees who access different resources or services for which they are unauthorized; employees who have recently been fired and are willing to enact revenge by destroying information; those who act out of malevolence or who seek amusement; computer hackers testing the system or trying to gain access to classified information.

The decision to install an alarm system is essential in ensuring security. Thus, a control system based on identity cards and software applications would enable the recording of the staff's entries and exits in and out of the controlled rooms (each employee would have an identity card which would grant them access). A software system can be used to control the access to certain areas and generate various reports which can be viewed on a computer screen or printed. Such systems would enable a rigorous control over the staff's activity in maximum security areas.

The risk of fire is always present, with direct long-term, unwanted implications at both human and material level. The lack of fire-fighting materials and equipment could increase the amount of damage (for example, powder and carbon dioxide fire extinguishers are employed to put out fires occurring to the electronic equipment). Preventive measures have been taken by setting up an efficient fire detection system, wherein an alarm goes off to warn about the beginning of a fire. The respective equipment quickly identifies any beginning of a fire and thus prevents the risk of life loss and material damage.

Altered environmental conditions (for example dust or humidity) can lead to computing system abnormalities (jamming while functioning or component deterioration, leading to information loss) or data support malfunction (CDs, DVDs, printing paper, folders).

Also, faulty electrical wiring (for example, a faulty power cord or equipment not performing up to specifications, loose contacts) can lead to incidents.

Power surges, by recurrent shutting down and resetting of the system, can lead to sudden cases of hard disk failure or damage to some of its sectors, in the best case scenario.

The companies use management security patches, with the purpose of lowering and eliminating common vulnerabilities, updating the systems in relation to the patches and implementing a set of security settings for all servers and workstations, according to their respective role. It is very useful to have an automated system for installing security patches in order to take routine work away from the system engineer, while making sure that patches are systematically installed on all computers. Some options could be Software Update Services (SUS) or Systems Management Server (this gives the possibility to make a rigorous selection of the systems on which the patches are going to be installed and of the patches which must be installed after having conducted previous analysis with a software inventory option. The Software Updates Scanning Tool can be used to check that the correct patches have been installed).

Backup copies are essential to guarantee the protection of data and programs, with an emphasis on safe backup of the storage media and program kits, done both physically under lock and key and also online—offlimits to most users other than the system engineer.

The surge in the number of users/systems has been noticed to be a leading factor in the exponential increases in information flow and in the creation of new applications, which accounts for a lower network performance. This translates into fewer network resources (options such as Internet access, email, web, files, applications, printers and other network equipment), as well as a constant diminishing of speed. A visible result is a diminishing of the online access speed. Therefore the urge to: optimize active equipment configurations, replace the network segments which are already worn out, reconfigure the network stations, the equipment and the applications which make extensive use of the network.

Access is possible via successive security layers, in order to prevent access to the first levels. Access to the system is meant to determine who and when should be granted permission. It enables the disconnection of certain workstations and a precise record of access. For example, when an unauthorized program is being run, the user can be forcefully disconnected and will not be able to connect outside the defined schedule. Access is also verified via an online account, with an emphasis on access privilege for certain users.

Several security policies were implemented within the companies. The policy regarding the use of information resources and communication within the network was intended to provide support for the companies' activity, equipment protection, the safeguarding of integrity, information availability and the education of users in terms of the responsibilities associated with the use thereof. This policy is drawn by the system engineer and IT specialists. Security policy updates are made after each new incident, or once a year.

The application of this policy is enforced every day. The possible consequences of not applying this policy include computer components vanishing, restricted use to the operating hardware, information leaks, sanctions, access denial. Exceptional situations (ex. fires or catastrophes) only apply for some of the rules in this policy, when special events are created within the companies.

The rules regarding the use of information and communication resources are: computer access is allowed only after the employees have signed and acknowledged with the health and safety regulations. Employees are not allowed to grant access to their computers to other people, unless given permission to do so by the management. Employees are assigned to fixed workstations and are not allowed to change the location thereof. Employees shall verify computers daily and signal any missing components or malfunctions in terms of hardware, as well as software. Users are not allowed to make modifications to the data protection systems. Employees are to keep to their designated disks or partitions. Users are not allowed to access unauthorized sources. Also, users are not permitted to install applications, access or record materials that have obscene content and should not engage in harassement. Users should not be allowed to install applications, have access to or copy information on unscanned electronic or magnetic support. It is not allowed to unseal, open or alter the workstation. All damage—whether in terms of hardware equipment (for example the destruction of a mouse or a keyboard) or software infrastructure (unintentionally erasing data, uninstalling programs, planting viruses) will be dealt with accordingly.

The policy for accesing the network only grants Internet access to authorised users for professional and research purposes. Access to the web shall be provided via a number of programs installed only by the system engineer. Any downloaded file must be scanned using the daily updated antivirus program provided. Users must not attempt to access information or programs from the Internet systems unless they are authorized or received prior consent; users are not allowed to download and install new applications; users must not interfere with the protection systems in place; their work shall be limited to their designated disks and partitions. Users are not allowed to access unauthorized resources; they are not allowed to install applications, access or record materials with obscene content and must not engage in harassment activities. The Internet must not be used for personal purposes. Online shopping is forbidden unless it is work-related. Materials shall only be published if the managers give their consent. No offensive-nature materials are allowed on the website. Access-granting programs must enable the use of firewall systems. User activity can be recorded and later examined. When rules are breached, sanctions are imposed, consisting of disciplinary measures, ranging from penalties to contract termination. An efficient set of procedures is in place to address the breaching of the companies policies.

At the end of the business day, those in charge of information-related services take the mandatory measures in view of denying access to areas reserved to the central information systems. These measures consist of: storing documents, documentations, miscellaneous materials, etc. in specially designated locations; properly shutting the windows, turning off the power, closing all taps, etc.; after shutting the doors, the room responsible shall check the corresponding keys. The employer has their own obligation to impose the necessary administrative measures in order to run their respective activities and to ensure work safety.

7 Conclusions

Because in Romania there is little knowledge of corporate social responsibility this problem is perceived as falling within the concern of big companies or as being a new way of promoting multinational companies, including those operating at national level. Due to the insufficient knowledge of the local company management about the subject, the responsible organisational behaviours are minimally adopted as a form of avoidance of sanctions stipulated in the governmental regulations (mostly compliance with labour and environmental legislation). Unfortunately, this state of affairs is neither singular nor specific to the Romanian business environment. The awareness of the importance of corporate social responsibility is far from fulfilling the potential of its valences even in countries with long economic traditions.

As a result of the increasingly acute pressures on the part of civil society, corporate social responsibility, in the sense of moral business proactivism, has reached the stage of formal institutionalization. As any beginning, this new kind of institutionalized responsibility for the business environment leaves room for interpretations and partisan positions. The involvement of the business environment in the sustained-responsible development of society seems, however, not only a reasonable point of view, but also the only horizon to overcome potential risks in the evolution of humanity on earth.

The delimitation of the economic actors' action framework in relation to the other social entities and actors, the design of some methodologies and of an optimal interrelation tool among them is a problem still under discussion. And clarifying the positioning of the business environment in the general social environment, with all the benefits and obligations generated by it, polarizes the views of the theorists, institutions and civil society activists. In fact, we believe that the company's roles as a closed system are put in a fake antagonistic relation with the company's roles as an open system. As a closed system, any type of economic entity represents a complex set of stable economic and social relations, deliberately created with the explicit intention of maximizing profits. The values according to which they are evaluated are the financial ones. As an open system, the enterprise maintains and develops relationship networks with its society, organizations and stable structures. Simultaneously with the market, the society (groups, institutions, cultural values, etc.) evaluates the results of the enterprise's operation, as well, and sanctions (through opportunities, access to resources and other measures) its evolution. It is an inextricably biunique relationship that constrains to more or less formalized responsibilities on both sides.

In Romania, the first necessary step for the implementation of a security system is to make the organization managers and staff aware of the utmost importance of information assets in the successful running of their business (the term "information asset" encompasses both the information itself, and the data which generate it and the resources which facilitate its storage, transformation and conveyance to various users). This "eye opening" can be achieved by staff training, and even by the creation of new, specialized jobs within the company—at a private level for each economic organization—closely complying with the legal provisions.

In those companies which already have functional local networks, there are successive security layers for different data and information, along with various specific mechanisms such as ciphering, digital signatures, data access and integrity control, exchange identification).

The information system implies the processing of data originating from both internal and external entities. Their processing results in information which can be used within the company, as they reach the administrator. The data is processed by means of the appropriate software. The respective software shall not function properly unless installed on performant hardware equipment. The people in charge with data collection must be properly trained in order to use the hardware equipment and software packages to their full potential. It must be taken into account the fact that this system supports the company's managers/administrators in making various decisions related to the functioning of their company or to the way their activity should be conducted.

The implementation of a security management system also involves a wide range of benefits for the respective company, such as: increased information confidentiality, data integrity safeguarded to a larger extent, and access to information only granted to the authorized personnel. At the same time, the implementation of such a system also implies lower costs incurred by IT equipment acquisition. The company's image shall be significatively improved. The employees shall be constantly trained in the field of data confidentiality. The provided services shall become more diversified and more time-efficient. The managers shall be able to control the information flow within the organization more easily. The potential risks shall be identified and controlled, in view of an improved integrity of the company.

The constant, spectacular growth rate in terms of the information volume being handled by the Internet (now an integral part of the daily life of most individuals and organizations—regardless of their geographical location) brings along both opportunities and dangers. The network itself suggests different ways of eliminating these risks, ranging from behavior codes to specific instruments, such as firewalls, email trash filters, web filters—most of them belonging to the "freeware" category.

The acknowledgement of the existing security risks is extremely necessary, especially in today's context marked by electronic commerce and dematerialized shares. Raised awareness should be shortly followed by the development of dedicated security functions within any company, with well-defined operational directions and autonomous budgets.

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How Socially Responsible Are the Romanian Listed Companies?

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1 Introduction

In recent years, companies have become increasingly concerned with corporate social responsibility (CSR) because they realized that the development of their businesses is increasingly dependent on the external environment, represented by economic, social and environmental factors.

Dahlsrud (2008) analyzes the definitions given by the researchers and identifies that CSR has five dimensions: environmental, social, economic, stakeholders and voluntariness. In European Union, the Commission defines CSR as "actions by companies over and above their legal obligations towards society and the environment" (European Commission, 2011).

In order to carry out social responsibility actions, companies must have funding that they can predict based on their own strategy. Thus, the objective of the paper is to study the correlation between the financial performance of companies and the actions of social responsibility, respectively whether the CSR is a permanent activity or is strictly influenced by the financial performance.

CSR initiatives are mainly voluntary, but more and more companies are involved in CSR activities. India is the country where CSR is mandatory for companies that earn profit over the past 3 years, with the base being the regular profit environment. Therefore, even if in 1 year the company obtains losses, it is still mandatory to contribute to CSR (Dharmapala & Vikramaditya, 2016).

CSR activities are identified in sustainability reports, financial statements, but also through various rating indexes (Idowu, Dragu, Tiron-Tudor, & Farcas, 2016), most used

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are Dow Jones Sustainability Index and Global Reporting Initiative. From 2017 the Directive 2014/95/EU (European Parliament and Council, 2014) introduces the obligation to report non-financial information to public-interest companies with over 500 employees, so companies will provide additional information on CSR. The need for investor information is a significant factor in making decisions (Barna & Năchescu, 2014).

Most articles in the literature have shown the link between CSR and financial performance (Galant & Cadez, 2017) without taking into account the situation of companies with low financial performance due to losses. Through our work, we want to contribute to the literature with a study showing that Romanian listed companies have a social responsibility behavior that does not depend entirely on financial performance. The companies listed on Bucharest Stock Exchange (BSE) have their own governance codes, but there is a big discrepancy on the available information: large companies publish sustainability reports but the small companies don't have clear strategies on CSR activities. Thus, our study is specific on Romanian listed companies, in order to highlight their particularities on the capital market and the effect of CSR on companies' value.

The rest of the paper contains a literature review section regarding the link between CSR and performance, a methodology section that describes the research methodology used in this paper, a discussion section where is presented the main findings of the study and the conclusions with some future research directions.

2 Literature

Campbell (2007) studied the reasons why a company would ever act in socially responsible ways, even at the lowest level, why some companies are socially responsible and others not and what are the conditions that make them become more socially responsible. Thus he identifies as factors of influence the economic and institutional conditions: a weak corporate financial performance and an unhealthy economy reduce the probability of CSR and "a normative institutional environment that encourages a socially responsible behavior".

Lee (2008) followed the evolution of the concepts and theories regarding CSR and found that special importance was given to its relationship with financial objectives. Therefore, numerous studies are analyzing the relationship between CSR, performance and company value, expressed by various measurements of indicators. Most often financial performance and company value were dependent variables, and CSR independent variable.

In most studies, a positive relationship between CSR and performance has been highlighted, but to show the relevance of the results, researchers have used meta-analyzes through which they have combined the results from studied with statistical methods. In a chronological presentation, Orlitzky, Schmidt, and Rynes (2003) investigated 52 studies published between 1976 and 1997; Allouche and Laroche (2005)—82 studies published between 1972 and 2003; Wu (2006)—39 studies published between 1975 and 1999; Margolis, Elfenbein, and Walsh (2009)—251 studies published between 1972 and 2007 and Peloza (2009)—159 articles published between 1972 and 2008. For measuring performance, the most used indicators were return on equity (ROE), return on assets (ROA) and Tobin's Q ratio. Their conclusion was that CSR and performance have a mutually positive effect on each other, which is relatively small but statistically significant.

Regarding the relationship between CSR and company value, Peloza and Shang (2011) reviewed 163 articles including three databases: EBSCO, PsychINFO and SocIndex from which they found that CSR is used as a managerial objective to increase financial performance and implicitly increase the value of the company in relation with interested parties. They also identified that in most articles, CSR was measured by one activity, the most common being philanthropy like charitable contributions and donation intentions.

Aguinis and Glavas (2012) conducted a synthesis of the corporate social responsibility literature, based on 588 journal articles, 102 books and book chapters, from which important gaps have emerged. This gaps were related to the understanding of the mechanisms underlying the link between CSR and the results obtained, to the need for individual and group research and also, to the need for a methodological approach that contribute to addressing them. The authors have made recommendations on the integration of various theoretical frameworks, specific suggestions on designing, measuring and analytical research approaches.

Starting from the previous studies (Sitnikov, 2015), an assessment of the state of CSR research in Romania was perform by selecting the articles published in the period 2011–2017 in the Web of Science following key words: Romania (or Romanian), corporate social responsibility, socially responsible, sustainability and performance. There were 57 articles, of which was selected 37 articles referring to the existing CSR practices and policies in Romania. Thus, we found that articles were published that tracked the link between CSR initiatives and a series of non-financial and financial indicators. Therefore, the research was grouped in two categories of indicators: the ones referring to the non-financial indicators are synthesized in Table 1 and arranged after the date they have been published, from 2017 to 2011.

From the presented papers, we can see that the most used method was survey with its two categories: the questionnaire, the interview and the respondents were key persons in the companies, as well as consumers of the products and services provided by them. Another research method utilized was the case study, which were made in comparison with the companies from other countries or the relationship of the multinational companies with their subsidiaries in Romania. For the CSR relationship with financial indicators were selected a number of relevant studies that are presented in Table 2.

In Table 2, it is observed that the most used financial indicators were ROE, ROA and Tobin's Q, and as object of study were Romanian listed companies from 2008 to 2016. Indicators for CSR were different from a study to another confirming that CSR is difficult to measure without a unitary methodology (Carroll, 2000). From the presented studies, the conclusions were similar to those of the above mentioned international researches.

Table 1 Relationship between CSR and non-financial indicators

Authors	Research topic	Method	Conclusions
Vătămănescu, Gazzola, Dincă, and Pezzetti (2017)	Analyze the influence of the entrepreneurs' orientation towards sustainability (SUST) on interaction marketing practices (IMP) and network marketing practices (NMP)	Interview: 104 business owners of Romanian (SMEs) from the services sector in February 2016	The entrepreneurs' orientation towards sustainability accounts for almost 35% of variance in interaction marketing practices and 16% of variance in network marketing practices
Dura, Driga, and Isac (2017)	Determining the level of awareness towards sustainability and ecological issues	Case study of CSR reports from a sample of Russian and Romanian corporations	The large South-Eastern corporations have initiated coherent programs in terms of environmental reporting
Hatos and Stefanescu (2017)	Identifying the elements of the corporate culture regarding the CSR attitudes and practices of companies	Comparative study, interview: 405 Romanian and Hungarian companies in May and June 2013	There were no significant differences, Romanian companies display a stronger concern for waste management and the Hungarian ones discuss more often with their neighboring communities critical common issues
Dura and Driga (2017)	Presentation the stage of applying CSR in Romania	Case study: OMV Petrom S.A. period 2009–2011	Identified the main strengths, weaknesses, opportunities and threats (SWOT) of CSR development in Romania analysis and the case of OMV Petrom S.A. was a good example of suitable practices
Tigu, Popescu, and Hornoiu (2016)	Analyzing tourism operators' opinions regarding CSR and underlines its importance in tourism businesses	Questionnaires: 305 respondents from the tourism industry SMEs, in 8 EU countries (UK, Germany, Austria, Belgium, Lithuania, Latvia, Romania and France) in March–December 2015	Significant opinion for the development of trainings to implement the social responsibility principles in their activity
Bostan et al. (2016)	Studying the relationship between CSR notoriety and consumers' attitude: the products of company OMV Petrom and the social campaign Country of Andrew	Questionnaires: 120 respondents from city of Iasi (Romania)	The company and campaign notoriety has a negative influence on consumers' attitude

(continued)

Table 1 (continued)

Authors	Research topic	Method	Conclusions
Patrut and Cmeciu (2016)	Providing a perspective about (1) the prominence of organizations, which were the most socially responsible, (2) the domains in which organizations have invested; (3) the salience of CSR tools used in the promotion of CSR campaigns	Qualitative analyses: 564 CSR campaigns from 2004 to 2015	The domains in which Romanian organizations implemented their CSR campaigns are voluntary actions, donations and philanthropic foundations
Cretu and Iova (2016)	The impact of social activities of the communities on the main categories of beneficiaries	Interview: 301 persons South Muntenia Region, Romania, period October–December 2015	82% of the people considered that the social responsibilities assumed by the companies had an effect on their profitability.
Grabara, Dura, and Driga (2016)	Comparative analysis of the development level of CSR concept in Romania and Poland. Identifying the main factors that determine the level of CSR awareness among Bachelor graduates from a Romanian university	Qualitative analyses and questionnaires: 100 Bachelor graduates applied in July 2016	Poland and Romania are in line with the global trend regarding the relevance of the CSR concept and the effects in society. Universities need to adapt their curricula to topics such as CSR, business ethics and/or sustainable development
Crisan-Mitra, Dinu, Postelnicu, and Dabija (2016)	Analyzing the relationship between the company's sustainable practices and its most important stakeholders-customers and the local community	Questionnaire	Discovering and applying the aspects against which the customers evaluate the company
Moisescu (2015)	Investigating the demographics-based differences in the relationship between customers' perceptions of corporate social responsibility (CSR) and their loyalty towards brands/companies in the dairy products market	Survey: 1461 dairy products consumers from the urban area of Romania January–March 2015	Customers' loyalty towards dairy brands/companies was positively and significantly influenced by how customers perceive companies' responsibility towards their customers

(continued)

Table 1 (continued)

Authors	Research topic	Method	Conclusions
Enache, Ciobanu, and Stampfer (2015)	The importance of CSR in decision making in the forest sector	Online survey: 27 stakeholders, November 2012	Stakeholders were aware of the environmental impacts of forest roads, while they show yet little concern for risks of accidents and other social factors
Roman, Bostan, Manolică, and Mitrica (2015)	The concern for environmental problems was then translated into an appropriate behavior	Questionnaire: 150 respondents in 2014	There was differences between individual opinions on green consumption and the actual behavior adopted in trying to ameliorate this problem
Bortun (2015)	How spread was the phenomenon of corporate social responsibility and how deep it was embedded in the practices and policies of Romanian companies	Interview with the CSR activity managers in 100 Romanian companies in 2009	The majority of CSR managers of the considered companies were treating CSR as a sort of marketing and PR
Crisan and Zbuchea (2015)	Analyzing the CSR stories of companies published on the largest online repository from Romania, that is, the web site www.responsabilitatesociala.ro	Qualitative analyses: 1121 articles/case studies published within 2006–2012	Online repository leads to an important increase in the number of companies having their CSR reporting published, although such increase was not permanent
Moisescu and Gica (2014)	Analyzing the impact of corporate social responsibility (CSR) on customer loyalty in the case of travel agencies	Survey online: 286 Romanian citizens which travelled using the services of a travel agency, in 2014	Tourism agencies should focus more on intangible aspects if they want to rely on customer loyalty for the long run. Only the intangibles part of service quality was statistically significant as a predictor
Dumitru, Albu, Dumitru, and Albu (2014)	Examining the communication mechanisms of corporate social responsibility practices related to consumers in the pharmaceutical industry	Case study: GlaxoSmithKline (global) from 2010 to 2012 and Romanian subsidiary in 2011	Finding differences in the reporting channels and forms between the global firm and the Romanian subsidiary

(continued)

Table 1 (continued)

Authors	Research topic	Method	Conclusions
Georgescu and Herman (2014)	Study the relationship between corporate social responsibility, instantiated by the quality of services provided by S.C. Electrica S.A. (Electrica Distribution and Supply South Transylvania) and the consumers' loyalty towards the company	Survey: 521 household consumers from the Mures County in 2013	The consumer satisfaction, their degree of satisfaction under different aspects was a way of gaining their trust on this particular market
Apostol and Nasi (2014)	Examining mass media discussions about firm-employee relationships from a social responsibility perspective	Qualitative analyses: 1921 articles published in Romanian business magazine, Capital (January1993–December 2007)	The diminishing expectations of corporate social responsibility (CSR) are linked in mass media to increasingly important talk of human resource management (HRM)
Dobrescu and Vintila (2014)	Analyzing the position and time evolution of the CSR environmental practices of the main companies operating in Romania in the international context	Quantitative analyze: 45 international companies operating in Romania in 2011–2012	CSR reporting rates in Romania were below the European average, but superior to important economies like Germany, Poland or Russia and that the Environmental CSR practices entered Romanian economic culture by the international brands vector
Nedelcu (2013)	Identify the Romanian youth's perceptions as to integrating sustainable development in business strategies	Questionnaire: 330 young undergraduates and graduates aged between 20 and 35 years old in May–July 2012	Young people appreciated that most entrepreneurs (above 57%) were not interested in protecting the environment about reducing gas emissions, waste, energy expenditures, and raw materials. Similarly, Romanian entrepreneurs' investments in environmental protection were insufficient
Grigore, Abdaless, and Meng-Lewis (2013)	Studying the impact of corporate social responsibility on employees' organizational commitment in the case of Romania	Online survey: 245 respondents	CSR towards employees and customers has a great impact on organizational commitment

(continued)

Table 1 (continued)

Authors	Research topic	Method	Conclusions
Rosca, Stancu, and Sarau (2013)	Identifying the factors and interests of CSR policy of companies	Empirical study, sample of 114 companies	The decision to carry out CSR actions depends on the turnover and the quality of the management
Lungu, Caraiani, and Dascalu (2013)	Analyzing the scope of social and environmental reporting from the perspective of integrating it in financial reporting	Interview	The companies have the tendency of responding rather to a mandatory framework than a voluntary one
Paraschiv, Nemoianu, Langa, and Szabo (2012)	Presenting the main drivers of CSR and the link between corporate sustainability, eco-innovation, responsible leadership and organizational change	Survey: 92 top and middle management, October–November 2011	The importance of visionary management in adopting and implementing sustainability
Dumitru, Ionescu, Calu, and Oancea (2011)	Establishing the degree of transparency concerning the communication of the information regarding the corporate social responsibility	Quantitative analyses: 22 reports of listed companies at BSE, period July and September 2010	The companies from the non-financial domain have a higher degree of disclosure on their sites than financial services companies
Zaharia and Grundey (2011)	Identifying the link between the corporate social responsibility (CSR) and the recent financial crisis, and to determine the main features of the companies' responsible behavior during this period	Case studies of CSR from Romania and Lithuania companies in year 2009	CSR was expected that a new orientation toward theoretical and practical approaches regarding the concept would be developed after this crisis. There was a contradiction between discourse and actions of companies
Albu, Albu, Girbina, and Sandu (2011)	Analyzing the role of accountants within the corporate social responsibility, with an emphasis on the Romanian case	Quantitative analyses: job-offer announcements period 2007–2009	CSR practices were developed to an incipient but increasing extent in Romania. Romanian accountants were increasingly called to transpose the general framework of CSR, thus leading to an increase in the importance of the accounting function in an organization

(continued)

Table 1 (continued)

Authors	Research topic	Method	Conclusions
Baleanu, Chelcea, and Stancu (2011)	Identifying the extent to which the most valuable Romanian companies practice corporate social responsibility (CSR) and its beneficiaries	Questionnaires: 100 Romanian companies, as ranked by journal "Ziarul Financiar" in November 2008	Increasing the involvement of companies in CSR activities by 49% of the companies
Obrad, Petcu, Gherheş, and Suciu (2011)	Analysis the organization, coordination and activity model for CSR and of the benefits these have as a consequence of socially responsible involvement within the communities they relate to	Survey: 15 most important companies in Romania selected from www.responsabilitatesociala.ro in April–May 2010	Romanian companies had communication problems and also regarding the transparency of CSR documents for the activities they perform within the community

Source: Authors' own processing

CSR strategies, corporate governance and reputational risk can affect performance and image of the company (Manta, Bădîrcea, & Pîrvu (Gruescu, 2016). At the macroeconomic level, for an economy to be sustainable, environmental and social factors have to be taken into account (Cismas, Parean, Boldea, & Miculescu, 2010).

Based on the literature presented in our study we propose the methodology mentioned below to identify the correlation between CSR (expressed by charitable contributions) and the performance of Romanian listed companies.

3 Methodology

To highlight the degree of social responsibility of the Romanian listed companies we took into account all the non-financial companies that were listed at the Bucharest Stock Exchange (BSE) in the period 2011–2016. For each of them, the data regarding profit, charitable contributions, assets, turnover, liabilities, market capitalization, impairment, ownership and listed period were manually collected from the BSE and from the financial reports located on company's website.

The main point of focus in this paper is the relation between charitable contributions like a CSR initiative and the financial performance of the entities. Considering the fact that in the studied period some companies recorded losses, ROE and ROA couldn't be use as performance indicators, thus were calculated other three indicators: Tobin's Q Ratio (QTobin), Total Asset Turnover (TAT) and Asset Quality Ratio (AQR) and together with Profit (as a dummy variable) we studied them in correlation with charitable contributions.

Table 2 Relationship between CSR and financial indicators

Authors	Research topic	Sample	Variables	Results
Hategan and Curea-Pitorac (2017)	Identifying the relationship between the corporate gibing (CG) like a CSR initiative, performance, and market value of Romanian listed companies	30 listed companies on the BSE, 2011–2016	Tobin's Q ROE CG	Founded a positive correlation between the charitable contributions, performance, and market value of the Romanian listed companies
Gherghina and Vintila (2016)	The links between CSR and firm value	65 listed companies on the BSE in 2012	Tobin's Q ratio adjusted CSR index (10 variables)	Founded a positive correlation between the CSR global index and firm value and from some CSR sub-indices
Dumitrescu, Simionescu, and Roman (2016)	Investigating the relation between the level of implementation of environmental practices and corporate financial performance (CFP)	21 companies from the manufacturing industry listed on the BSE (2011–2013)	ROA ROE PBV Particular environmental rating	Significant difference in CFP between companies adopting environmental policies and those, which did not adopt environmental policies
Dobre, Stanila, and Brad (2015)	Providing the information on how Romanian listed companies report environmental and social indicators and whether or not this has an impact on financial performance	16 (10) listed companies at BSE between 2010 and 2013	ROA ROE CSR variables (dummy)	A positive correlation was detected between social or environmental performance and financial performance
Dumitrescu and Simionescu (2015)	Developing a measurement scale for CSR activities as regard the influence on employees in relation with company performance based on stakeholder framework	Sample with all companies listed companies on the BSE between 2009 and 2013	ROA ROE CSR reported activities for employees	Positive relation between CSR activities and companies' employees in relation with firm performance
Dumitrescu and Simionescu (2014)	Testing the sign of the relation between CSR and financial performance	21 listed companies at BSE between 2008 and 2012	ROA ROE ROS CSR indicators	The results indicate a positive and significant relationship, supporting the view that responsible financial performance can be associated with a series of bottom-line benefits

(continued)

Table 2 (continued)

Authors	Research topic	Sample	Variables	Results
Achim and Borlea (2014)	Evaluating the link between environmental and financial performance	76 listed companies at BSE in 2011	ROA Tobin's Q Environmental investments	The results reflect a positive correlation for the external performance (Tobin's Q) and a negative correlation for the internal performance of the company (ROA)

Source: Authors' own processing

$$QTobin = \frac{Market\ caitalization + Liabilities}{Total\ Assets} \tag{1}$$

$$TAT = \frac{Turnover}{Total\ Assets} \tag{2}$$

$$AQR = \frac{Impairment}{Impairment + Total\ Assets} \tag{3}$$

The first phase of the empirical study is observing the variables dynamics using descriptive statistics and correlations between profit (as a dummy and as percent of Turnover) and charitable contributions (as percent of Turnover). After that, a linear regression was carried out with a panel data containing 318 observations. The dependent variable was charitable contributions and we wanted to see how much it was influenced by the profitability of the company, so we chose as independent variables the financial indicators: Profit, TAT, QTobin and AQR and two control variables: ownership (OWN)—a dummy variable that took the value 1 if the company had a majority of private shareholders and 0 if the majority was state owned and listed period (LP)—which represents the number of years the company was on the stock market. The econometric model tested in this research had the following form:

$$\begin{aligned} \mathrm{CC}_{it} = \alpha_i + \beta_1 \mathrm{Profit}_{it} + \beta_2 \mathrm{TAT} + \beta_3 \mathrm{QTobin}_{it} + \beta_4 \mathrm{AQR}_{it} + \beta_5 \mathrm{OWN}_{it} \\ + \beta_6 \mathrm{LP}_{it} + \varepsilon_{it} \end{aligned} \tag{4}$$

Where, α_i represents the unknown intercept of every company, β_{1-6} are the coefficients of each explanatory variable, ε_{it} is the error term, i = 1–53 companies and t represents the years analyzed (2011–2016).

In order to validate our model, we checked for stationarity using Harris–Tzavalis test, after an OLS regression was calculated the variance inflation factor (VIF) to test for multicoliniarity and applied Hausman test was applied from which resulted that should be used fixed effects estimation. After that, a Modified Wald test was used to check for the presence of heteroscedasticity and was applied Pesaran CD test to see if there is cross-sectional dependence and Wooldridge test to verify if there is a first-order autocorrelation in the panel data. After all the tests were performed, we decided to use Prais-Winsten correlated panels corrected standard errors regression (PCSEs). All the testing and estimation had been carried out using Stata 13 Statistical Software.

We applied this type of regression for all 53 companies and also for the 30 companies that registered profit in all 6 years to see if there is a significant difference in their behavior. We couldn't test the model for the companies that registered losses, because there were only two that recorded losses in all 6 years and for the rest of them the panel was not strongly balanced.

4 Results

To study the degree of social responsibility of the Romanian listed companies in correlation with their financial performance we analyzed the dynamics of profit and charitable contributions in the studied period for all companies in comparison with the companies that registered profit. The two indicators were expressed in RON, and to address the comparability issue we transformed them into natural logarithm.

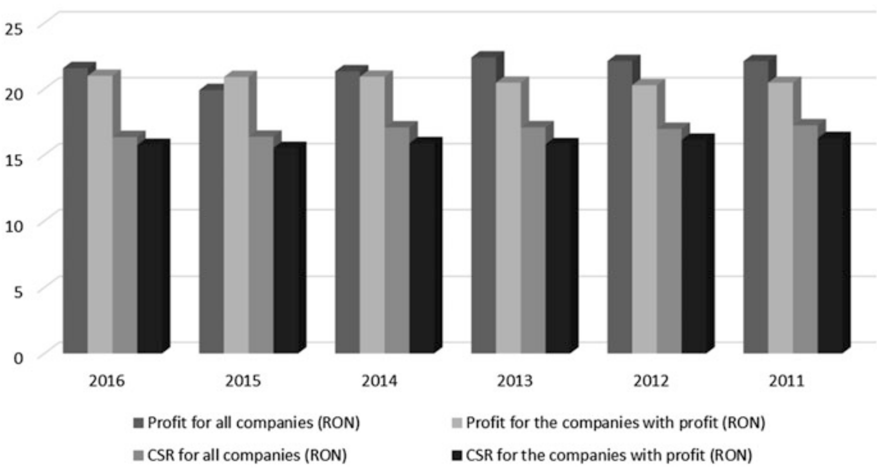

Fig. 1 The dynamics of profit and charitable contribution (CC) for all companies and for the companies that register profit in all 6 years. *Source*: Authors' own processing

Table 3 Descriptive statistics regarding profit and charitable contributions

		Profit (% turnover)	CC (% turnover)
For all companies	Average	−0.48	0.092
	St. dev.	8.40	0.160
	Min	−149.28	0
	Max	0.36	1.725
For the companies with profit	Average	0.079	0.110
	St. dev.	0.071	0.172
	Min	0	0
	Max	0.364	1.725
For the companies with loss	Average	−2.769	0.017
	St. dev.	18.975	0.046
	Min	−149.285	0
	Max	−0.003	0.273

Source: Own computation using Stata software

Table 4 The correlations between charitable contributions and profit (Pearson coefficient)

	Profit (% T)−CC (% T)	Profit (dummy)−CC (dummy)
For all companies	0.039	0.512
For the companies with profit	0.233	–
For the companies with loss	0.049	–

Source: Own computation using Stata software

The differences could be seen in Fig. 1, a notably situation was in 2015 when some companies had major losses determining that the value of profit for the group that were on profit to be greater that the value of profit for all companies. Also the differences between the values of charitable contributions between the two types of companies are not very big.

In average, in the studied period the value of charitable contributions represented 0.09% of Turnover with a maximum value of 1.72% (Table 3). The companies with a good financial situation had given, in average 0.11% of Turnover to charity and the ones that had a weak financial situation had given 0.01%.

To have comparable data for the profit and charitable contributions, we expressed both indicators as percent of Turnover to evaluate from the statistical point of view this situation, even if in the financial reporting it's not utilized in case of losses.

The empirical research continued with a correlation between profit, expressed as percent of Turnover and charitable contributions, also expressed as percent of Turnover (Table 4). The Pearson coefficient showed a weak connection in general, only for the companies that register profit is a little bigger, but not enough.

The conclusion is that the value of the profit does not influence the value of charitable contributions. To deepen the analysis, we studied the correlation between profit, as a dummy variable and charitable contributions, also as dummy and

Table 5 Descriptive statistics regarding the companies and their financial performance

	Obs.	CC—Yes (%)	Own—private (%)	Listed period—avg	TAT—avg	Qtobin—avg	AQR—avg
For all companies	318	76	89	14.72	0.72	0.74	0.01
For the companies with profit	256	87	86	14.74	0.754	0.75	0.03
For the companies with loss	62	32	19	14.66	0.61	0.83	0.03
For the companies with profit in all 6 years	180	96	80	14.83	0.70	0.75	0.03

Source: Own computation using Stata software

Table 6 The correlation matrix

	CC (% T)	Profit	TAT	QTobin	AQR	OWN	LP
CC (% T)	1						
Profit	0.2317***	1					
TAT	−0.0600	0.0862	1				
QTobin	0.1750***	−0.1190**	0.2465***	1			
AQR	0.0738	0.0076	−0.0954*	−0.0139	1		
OWN	0.0061	−0.1758***	0.1516***	0.1377**	−0.1284**	1	
LP	−0.0419	0.0079	0.0108	0.1179**	−0.1388**	0.2288***	1

Source: Own computation using Stata software
*, ** and *** means 10%, 5% and 1% level of significance

obtained a greater Pearson coefficient, 0.512, which indicate a moderate correlation between the profitability of the entity and the decision to give to charity.

Preparing for the econometric model, a descriptive statistic of all the independent variable was presented in Table 5. From all the observations, in 76% of them the companies made charitable contributions, this percent increased for the category of firm that had a good financial situation (87%, respectively 96%). 89% of all companies had a majority of private shareholders, this percent is lower for the ones with losses (19%). The listed period was in average 14 years for all the companies, regardless of their financial situation.

The value of Total Assets Turnover (TAT) was in average 0.72, lower for the companies, which registered losses. QTobin was in average 0.74 but greater for the aforementioned type of company and Asset Quality Ratio (AQR) was almost the same (0.01, respectively 0.03) no matter the financial performance of the companies.

The correlation between the variables included in the model was presented in Table 6 from which we observed that the biggest correlations of the dependent

Table 7 The results of the statistic tests applied on the model

Mean VIF	Hausman test	Modified Wald test	Pesaran's test	Wooldridge test
1.09	Chi2 (4) = 127.07 Prob > chi2 = 0.0000	Chi2 (53) = 1306 Prob > chi2 = 0.0000	2.495 Pr = 0.0126	F (1, 52) = 4.658 Prob > F 0.0355

Source: Own computation using Stata software

variable, validated at 1% level of confidence, are with profit (0.23) and with QTobin (0.17).

Harris–Tzavalis test for stationarity showed that all variables were stationary at 95% level of confidence; variance inflation factor (VIF) was 1.09, smaller than 7, showing that there was no multicoliniarity between the independent variables (Table 7). Chi2 for the Modified Wald test was 1306 with a P-value of 0.000 revealing the presence of heteroscedasticity. For Pesaran CD test we couldn't accept the null hypothesis of independence (p-value was 0.0126) and the same results was for Wooldridge test, the p-value of 0.03 led us to accept the alternative hypothesis and conclude that is a first-order autocorrelation in the panel data, at 5% level of significance.

The statistical significance of the regression model was validated by the values obtained for Wald chi2, both bigger than the threshold at 1% level of confidence (Table 8). R-squared was 0.23 meaning that all the independent variables could influence the value of charitable contributions in a proportion of 23%. The value obtained for the companies that registered profit was a little higher 28%. In the regression for all companies the explanatory power of profit was 0.07 validated at 1% level of significance while TAT had an indirect correlation with the dependent variable (−0.02) at 5% level of significance. The rest of the variables were not validated, except for the control variable, listed period, which had a low explanatory power, −0.003, validated at 10% level of significance.

In the regression model for the companies with profit in all 6 years we used profit as percent of Turnover, instead of a dummy. Its explanatory power was 0.39 at 5% level of confidence. Another indicator validated was TAT, which showed an indirect influence on Charitable contributions at 10% level of significance and from the control variables, ownership shown a positive correlation validated at 1% level of confidence; if the company has a private majority of shareholders, the value of charitable contributions increases by 0.09% of Turnover.

All the aforementioned result indicated that there was not a strong correlation between the amount of charitable contributions and the financial performance of the listed companies.

Table 8 The results of the regression models with the dependent variable CC (% T)

	Obs.	R^2	Wald chi2 (7)	Profit	TAT	QTobin	AQR	OWN	LP
All companies	318	0.237	365.32***	0.0721 (4.03)***	−0.028 (−2.20)**	0.0815 (1.29)	0.4690 (1.12)	0.0303 (1.27)	−0.0031 (−1.94)*
The companies with profit	180	0.288	90.71***	0.397 (2.21)**	−0.080 (−1.69)*	0.100 (0.79)	0.763 (1.09)	0.098 (2.88)***	−0.001 (−0.91)

Source: Own computation using Stata software
T turnover
*, ** and *** means 10%, 5% and 1% level of significance

5 Conclusions

The present paper aimed to study the degree of social responsibility of the Romanian listed companies in correlation with their financial performance. To achieve the objective, we conducted an empirical research that consists of a comparative analysis between the companies who register profit and the one who didn't, from the perspective of corporate social responsibility (CSR) policies and their behavior.

The results highlight the fact that value of the profit does not influence the value of charitable contributions (Pearson coefficient was 0.2) but between the profitability of the entity and the decision to give to charity was a moderate correlation (Pearson coefficient was 0.512). The listed companies continued to make charitable contributions even in the years their recorded losses. In conclusion, the financial performance is not the only determinant factor for social responsibility but together with the CSR policies contributes to the long-term sustainability of the companies.

This paper is contributing to the literature by providing a study showing that Romanian listed companies have a social responsibility behavior that does not depend entirely on financial performance. The companies listed on Bucharest Stock Exchange (BSE) have their own governance codes, but there is a big discrepancy on the available information: large companies publish sustainability reports but the small companies don't have clear strategies on CSR activities. Thus, our study is specific on Romanian listed companies, in order to highlight their particularities on the capital market and the effect of CSR on companies' value.

Our paper has some limits regarding the financial results of the companies that register losses and the fact that the sustainability reports for the listed companies don't have a standardized model, this problem was also identified by Idowu et al. (2016). A future research direction consists of a comparative analysis based on the size of companies and their activity sector and also with other countries from European Union.

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Human Capital and Impact on Sustained Economic Growth in Romania

Laura Mariana Cismaș, Andra Miculescu, and Maria Oțil

1 Introduction

Since 1950, starting with the interest shown by various studies regarding economic growth and because of the scarce explanation of the increase based on standard factors of production, an idea emerged, which later led to the genesis of the concept of human capital. Moses Abramovitz is considered as the leading scholar who, already in 1956, described this inability to build in traditional factors (capital, labor, land) for explaining economic growth, naming the unexplained part as *"a measure of our ignorance"*. In the production process, classical economists identified and defined three factors of production: land, physical capital and work capital (labor force). Land is the sine qua non condition for the existence of crops, farms, agricultural developments, industrial enterprises, factories etc., as all are set up on it, and thus create, the sites necessary to conduct the entire economic activity of a society. For achieving all this, the order required additional factor is labor. In the classical approach, physical capital was seen in corpore or separately as physical and monetary assets used to purchase everything necessary to achieve production, build up some construction, and ensure the proper functioning of the economic activity. These traditional production factors, which entered the production process in different combinations along with goods and services, were used by individuals who pursued their own interests by obtaining the maximum possible performance. Under the influence of Adam Smith, the classics felt that by joining these individual efforts at large-scale, the distribution of economic resources was realized for achieving their more productive use. The workers formed a non-distinctive collective mass, and

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hence, they were not considered in terms of their knowledge and skills. However, Adam Smith estimated that it was not the collective mass that could be considered useful in the economic activity, but more so the "talents and skills acquired by the inhabitants or members of society".

Education further guides individuals towards saving, thus turning into an essential element of the social inclusion policy. The skills acquired by individuals allow them meaningful participation to the economic and social development at regional and national level. Skills' improvement is of paramount importance for the short-term economic recovery in Romania. Moreover, in order to cope with the impact of the crisis on employment it is essential to improve its monitoring, evaluation and forecasting, as well as ensuring compatibility between the skills' supply and demand. The issue of human resources is very topical, especially for the Romanian society characterized by vast social and economic discrepancies." Building a strategy for economic growth and development supposes, identifying a series of measures that will contribute to preserving, enhancing and harnessing all resources of a country at a given time" (Hategan & Curea-Pitorac, 2017).

Also, these talents and skills came at a cost that every individual was responsible for, and once acquired, they could constitute a kind of capital, i.e. "a fixed asset and accomplished, so to speak, in his own person". In this regard, a special contribution had Edward Denison who, in his 1962 research entitled *The Sources of Economic Growth in the United States*, examines in detail the sources of growth in the US, between 1909 and 1959. He shows that if a part of the increase is related to the standard reasons (increased supply of capital, economies of scale), perhaps the most important factor would be considered the benefits of investments in education and knowledge. Specifically, he introduces education (as a main investment in human capital) in the equation of a production function, as a reflection of improving the quality of labor. Denison thus identifies a share of 23% of economic growth resulting from higher education of the labor force and 2% as result of the advance of knowledge. Since the 1960s, work started to be increasingly seen in terms of quality, especially considering the level of education and workforce training. Labor quality, symbolized by human capital, became important for the competitiveness of an economy. The concept of capital includes skills and other attributes of individuals that generate personal, economic and social benefits. Some of these qualities, knowledge, skills, are gained through education and learning and/or acquired experience in the field of work. "Human capital includes certain innate capacities of individuals that can be enriched, and valued in the labor market. Just as well, some aspects of motivation and well-being, as well as attributes like the physical, emotional and mental health of individuals, are regarded as human capital. The OECD report entitled *The Well-being of Nations The Role of Human and Social Capital,* defined human capital as "the skills, knowledge, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic wealth".

In 1961, Schultz described the concept of human capital and developed the concept of investment in human capital. In the beginning of his article, Schultz states already his belief. Although it is clear that the population acquires useful skills and knowledge, it is not obvious that these skills and knowledge are a form of capital. Hence, this particular capital is a substantial part of the product of a deliberate investment, and grows at a much faster rate than the conventional capital (non-human), and that its growth may well be the most distinctive feature of the economic system". Schultz indicated the connection between the quality of human capital (considered as level of education and health of the working population) and economic growth, noting that the working population is not the only factor of growth, given the very different rates of economic growth among countries with somewhat similar levels of schooling (education). TW Schultz placed human capital on a key level, particularly with reference to the agricultural sector and considered that training and education are essential means to improve productivity and the growth of agricultural income. In his work, *Investment in Human Capital*, focusing on the qualitative dimension of the labor factor, Schultz raises the question of difficulties in measuring human capital, linked to the distinction between "spending for consumption and investment". Even if he gives education the basic role in human capital formation, he notes that there are five sources of production and of enhancing human capital. He continues by qualifying them namely—health services (including infrastructure) with direct effects on increasing life expectancy and quality; specific training in the workplace (including learning); formal education at all levels; study programs and adult training outside firms; migration of the workforce and of their families to increase employment opportunities. For Schultz human capital is one scarce resource that must be developed, while education and health are regarded as key variables in explaining economic developments throughout the twentieth century.

The recent literature displays interest as well in deepening the relationship between human capital and economic growth or national competitiveness. The difference against former studies stems from resorting to the new variables characteristic for the current economy. For example, the issue of the convergence of poor countries towards developed countries was explained by the absolute value of the differences in capital stocks in the two types of countries. This relationship was highlighted by the analysis of OECD countries through the positive link between human capital and GDP per capita.

Hanushek is conducting multiple studies to determine to what extent and at what level education contributes to national economic growth. Although many positive and strong links between education levels and national productivity, or the size of national income are shown, Hanushek concludes that "just by adding more years of schooling without increasing historical cognitive abilities, a small measure" results for its contribution. Just as well, the explanations of Luthans and Youssef incorporate the crucial temporal factor for human capital and its role in the economy. In their view, "human capital is an investment in the competitive advantage" of the nations. As the set of abilities and knowledge is renewable, human capital becomes a substitute source "when traditional resources are no longer qualified as ideal for competitive advantage".

In 2003, A. de la Fuente and Cicoone analyze the role of human capital in the knowledge economy. Their research reconfirms that at the microeconomic level, education is the main determinant of individual incomes, responsible for the standard of living of citizens. In 2003, A. de la Fuente and Cicoone analyzed the role of human capital in the knowledge economy. Their research reconfirms the fact that at the microeconomic level, the level of education is the main determinant of individual incomes, responsible for the citizens' living standards. At macro level, the authors agree that an additional year of education can contribute to growth productivity with 5% short and long term. Long-term growth is explained by the contribution of human capital to technological development and the adoption of new technologies. The authors acknowledge the uncertainty about the exact size of human capital's contribution to economic growth due to the many variables used in literature studies.

2 The Role of Social and Psychological Capital

The economic situation of countries, respectively their development potential, has always been the central object of interest to researchers. Much of the research begins from the analysis of physical capital per person, considered to reflect the economic situation. Current research performed comparatively on both developed countries and least developed ones have indicated that the differences can be attributed to the institutional matrix that was found to differ from one country to another. Due to this approach angle, researchers changed their analysis on the topic of development by seeking explanations in the framework of interdisciplinary scope, including sociological and psychological approaches respectively. The outcome is expressed in the emergence of two other forms of capital—social capital and psychological capital.

Early attempts to define social capital focused on the degree to which "social capital as a resource should be used for public good or for the benefit of individuals". The argument is that it can be defined as representing the norms and social relations embedded in the societies' social structure, due to which people coordinate their actions in order to achieve the expected results" (Cismaş & Sîrghi, 2013). Hence, social capital comprises those features of social relationships—interpersonal trust, norms of reciprocity, participation in civic organizations, and interpersonal and inter-organizational networks—which facilitate cooperation and collective action oriented towards a general benefit, and therefore incorporated into the structure and quality of social relationships between people.

"Social capital can thus be defined as a set of norms and values shared by the members of a group leading to cooperation between them. Nevertheless it is questionable whether the sharing of these norms and values lead automatically indeed to the creation of social capital, as such values are not necessarily positive or desirable" (Cismaş, Oțil, & Ganciov-Miculescu, 2015). Rules and associations are thus an attribute of a relatively stable social structure, resulting in social interaction and the way individuals interact with one another. For certain rules to represent social capital, they must lead towards cooperation, reflecting the traditional virtues (honesty, respect commitments, reciprocity).

Social capital, in terms of social potential, is considered to improve the economic activity background in a way similar to technical infrastructure; social capital influences the quality of education and health, facilitates access of individuals to markets, supports complex operations and enables the activities' long-term planning.

Other ideas assert that generalized trust (based on the ethical behavior and habits and moral norms of reciprocity tacitly accepted by the members of the community) is essential for cooperation and economic development (Putnam, 1993), determining the industrial structure of an economy (Fukuyama, 2001). Another argument can be that social capital is a necessary precondition for successful development, but a strong rule of law and basic political institutions are necessary to build social capital. Fukuyama considers that a strong social capital is necessary for a strong democracy and strong economic growth. The USA, Japan, and Germany are societies reflecting a high level of trust, where trust is not restricted to the family settings, but rather generalized. Moreover, large, professionally managed corporations can be easily found, as people are better able to cooperate on wide scale, while in Italy and France, for example, smaller and family owned firms dominate the industrial structure. Fukuyama argues that the strength of family ties could be detrimental to the emergence of large organizations and, if they are not accompanied by a strong culture of work and education, this might lead to stagnation. Even so, this does not necessarily mean that a high degree of confidence, and therefore, larger organizations are better for a global economic growth, since what they gain in size can be lost in flexibility and promptness of the decision-making process. However, it was noted that companies reflecting high levels of confidence proved to function even under fewer rules or mechanisms in implementing contracts. This leads to considering trust as component of a value system that stabilizes interactions in a society, reduces uncertainty and facilitates the grounding of order. Paldam and Svendsen (2000) define social capital as "the density of trust within a group", calling into question the link between theories of social capital and good will (management), credibility (macroeconomic policies), cooperative solutions (game theory) and group rules (anthropology and psychology). The economic function or the more "productive" one of social capital is to enable individuals to achieve goals harder to reach otherwise, or to diminish the costs of completing them. In other words, this refers to reducing costs associated with coordination mechanisms (hierarchy, contracts), as these might have as outcome significant transaction costs while promoting cooperation. Less developed countries cannot ignore the issue of social capital; former communist countries are facing a shortage of social capital, the communist era being characterized by hypertrophic relationships between the state and the citizen, namely the lack of voluntary association in joint projects. On the other hand, the confidence level has proven to be much lower, given that individuals were not competing for limited resources—the latter having immediate effect on trade. Moreover, it can be seen that the lack of informal rules to constrain individual behavior often proved the legislative efforts of these states as useless.

One of the most relevant contributions of social capital resides in its contribution human capital formation, which was recognized early by Coleman, who argued that the same basic individual skills have much better chances of being well cultivated and developed in a socially rich environment thereby emphasizing the link between social capital and education. He also stresses that social capital, causing a certain degree of social cohesion can have a relevant influence on crime rates and violence. A positive correlation between the average education level and social capital was also indicated by Helliwell and Putnam (1999), highlighting the virtuous dynamic between human capital and social capital accumulation, the policies aiming to improve the confidence level being considered to be the base of a multiplier mechanism. These policies can be relevant for growth and long-term development, i.e. the level reached based on reputation can substitute the confidence level in well-running markets, but in the case of emerging markets such stability is absent, so that the level of trust may determine whether some innovative activities will develop or not.

Another difference in achieving a competitive advantage in the global market in the immediate future may represent the investment in and the development of *psychological capital*. Until relatively recently, little attention was paid by psychology to healthy individuals in terms of growth, development and overcoming their potential, being particularly interested in clinical cases or issues of dysfunctional behavior. In this case, an approach change is again required by focusing on the potential to build sustainable competitive advantage based on a positive approach. Thus arises Gallup's management approach based on strengths, according to which individuals are selected, developed and are driven on the basis of their strengths to the expense of their weaknesses (Buckingham & Clifton, 2001; Buckingham & Coffman, 1999). "Compared with genetic determinants, positive psychological traits reflect a degree of malleability, so we can say that human potential is proving to be more resilient than previously assumed; this leads to the consideration according to which the development of the level of knowledge, skills and technical skills is no longer enough. Positive psychological traits (self-confidence, optimism, perseverance, hope, to maintain a balance, social skills, gratitude, forgiveness and emotional intelligence) can record growth and development in the conditions of optimum situational factors or exciting moments" (Manta, Badarcea, & Ramona 2018). On short term, however, there may be significant changes, especially since the current environment is very dynamic and constantly changing, with an emphasis on continuous personal development. Hence long-term initiatives on the development of talent, of positive virtues and of the strength of character and other largely stable personality traits (if we consider the relatively early age when they are learned and stabilized/internalized) are not effective in terms of cost and in many cases are quite impossible, as well. Thus, such initiatives should fall rather in the responsibility of educational institutions.

On the other hand, quantifying profit from investment in human resources is considered to be of vital importance for decision makers (Huselid, 1995), as various investments compete for limited resources, and therefore adequate profit becomes the critical factor in determining the extent to which human resources development initiatives will receive organizational support. However, questionable assumptions and difficulties associated with quantifying these profits may divert available resources towards the accumulation of more traditional goods such as physical, financial or technological capital, thus failing those skills or abilities that can influence positive performance—such as self-efficiency hope, optimism and resilience/spiritual mobility.

3 The Relationship Education: Human Capital Development

Romania, as member state of the European Union should increase the quality of jobs, the working environment, and aim to increase competitiveness in the labor market and the participation rate especially for those with low incomes in accordance with the guidelines of the economic policies regarding employment set by the 2020 strategy. Romania is ranked in the World Competitiveness Yearbook as of 2003, and is placed currently on position 51. Romania's evolution by WCY rankings is relatively modest, with the average position for the period 2003–2016 oscillating between 50 and 51 (Fig. 1).

By analyzing the trend following aspects are observed for the period 2003–2016:

- In the period 2003–2006, Romania had the most unfavorable competitive position, considering the subsequent evolution.
- The years 2007–2008 correspond to the best performances registered by Romania so far, and one possible explanation is the positive effects of integration into the European Union.
- The positions occupied in WCY 2014 and WCY 2015 indicate a post-crisis macroeconomic recovery, together with greater national stability;
- The latest WCY 2016 report places Romania on 49th place, a negative evolution with two positions, compared to the previous one.

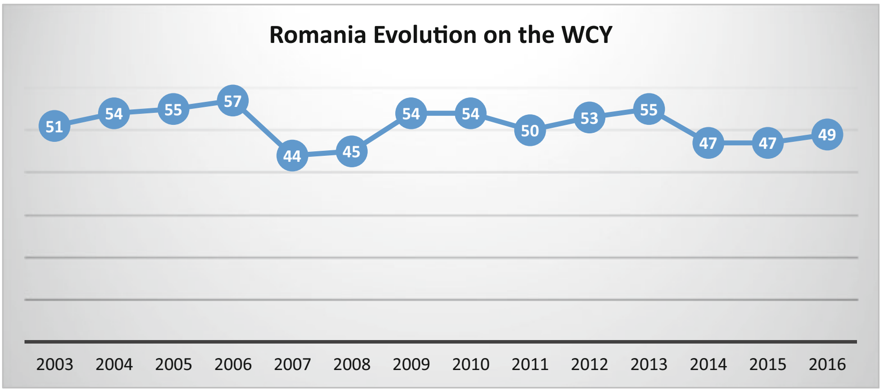

Fig. 1 Romania evolution on the WCY. Source: Authorized by information provided by World Competitiveness Yearbook 2003–2016

Table 1 Employment rate by gender and age group 20–64 in the period 2000–2016 (%)

Year	Total	Male	Female	The difference percent
2000	69.1	75.4	63.0	12.4
2001	68.3	74.6	62.3	12.3
2002	63.3	70.1	56.8	13.3
2003	63.7	70.5	57.0	13.5
2004	63.5	69.7	57.4	12.3
2005	63.6	70.4	56.9	13.5
2006	64.8	71.2	58.5	12.7
2007	64.4	71.0	57.9	13.1
2008	64.4	71.6	57.3	14.3
2010	63.5	70.7	56.3	14.4
2011	63.3	70.8	55.9	14.9
2015	62.8	69.9	55.7	14.2
2016	62.2	68.9	54.8	14.1

Source: own calculations made based on data from Eurostat source

The main target of the European Union based on which Member States set their own national goals, is the target of 75% employment rate for the age group 20–24 years on genders by 2020.

During 2000–2016, the evolution of the employment rate in Romania, by sex and age group 20–64 years is shown in Table 1.

Throughout the analyzed period there was a significant increase in the gender gap (except 2006) and in the year 2016 the employment rate gap versus the Europe 2020 target was 12.2 percentage points.

Regarding data in Table 2, we might assert that the employment rate varies around 63–64%, with an average of about 71% for men and 56–57% for women. Over the analyzed period (2000–2016), Romania recorded a rate of employment for the 20–64 age group comparable to the EU ones only in the years 2000 and 2001, in the remaining years this rate is significantly lower than European ones. It results from these findings that as member state of the European Union, Romania should increase turnout by policies encouraging gender equality and equal pay, "active aging" population, improved quality of jobs and youth employment. The educational factor has major impact on the labor market as argued in the previous chapter. Therefore, the framework for the qualification recognition systems and for the skills acquired should be ensured in order to promote them. The objectives regarding the employment rate are calculated based on the ratio between the share of employed in the 20–64 age group in total population aged between 20–64 years.

According to the latest PISA test results (2009), the situation in the European Union is worsening, about 20% of young people being barely able to read (have real difficulty in reading), compared with 18% in the US, 14% in Japan, 10% in Canada and 6% in South Korea. According to the PISA study, in 2009, on average 19.6% of the assessed students show low performance in reading and writing, or respectively low or basic knowledge in the field. Among the European Union countries there were recorded very large differences in reading performance; thus, in Finland only

Table 2 Logarithmic values of the dependent variable and independent variables

Year	GDP (million euro)	GFFC	FDI (mil euro)	WL	NU	Minimum wage (Euro/month)	Emigrants (according to age category 15–49 years)	Health related expenditures
2004	11.9886589	9.52895409	9.585689856	17.18859032	13.23192067	4.219948784	9.47899252	8.112353887
2005	12.04835101	9.877774795	9.618468598	17.22186794	13.16727364	4.365643155	9.29999824	8.386514868
2006	12.19095495	10.16486287	9.99355675	17.59745472	13.04005728	4.496136265	9.56078595	8.513151033
2007	12.3211449	10.7177367	10.44906237	18.05345872	12.8153979	4.747277203	9.57324587	8.784877127
2008	12.45506015	10.90937033	10.6635922	18.26848668	12.90778554	4.931519934	9.86412283	8.935469221
2009	12.39820096	10.3512935	10.79544461	18.40083697	13.47215086	5.005019555	9.96913483	8.809010203
2010	12.45313075	10.40087529	10.81945823	18.42534823	13.34863802	4.953218023	10.0141788	8.908276712
2011	12.498487	10.49381543	10.87018619	18.47657358	13.04118152	5.05751888	10.038237	8.904729196
2012	12.5457622	10.51352483	10.91761255	18.52449708	13.10983523	5.087040625	10.061004	8.897572943
2013	12.57504353	10.44283358	10.98742604	18.59480746	13.11768646	5.059425458	10.1087115	8.965125021
2014	12.58370088	10.40369905	11.0013996	18.60927767	13.12271132	5.247602852	10.1100545	9.042592501

Source: logarithmic values accomplished based on Eurostat data

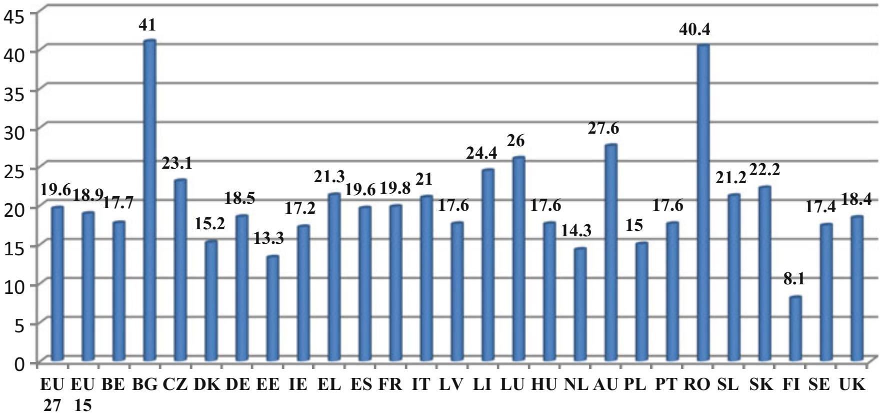

Fig. 2 Pupils with low reading, 2012, % out of total. Percentage of people with low levels regarding reading skills (the PISA study). Source: Eurostat

8.1% of students have low levels of reading performance, in other four countries (Estonia, Netherlands, Poland, Czech Republic) up to 15% of pupils fall into this category. The percentage of pupils aged 15 who only recorded level 1 (of five) in reading was based on the same 2012 PISA study data, as shown in Fig. 2. In most states, this percentage varies around the European average, but two countries, Bulgaria and Romania, are characterized by a high number of pupils with poor reading and writing performance, i.e. over 40%.

Within the EU, there are large discrepancies in the number of people able to complete only the least complex tasks of reading (such as locating information, identifying the main theme of a text). Within the EU countries, there are currently few recent studies on literacy rates. Analyses conducted in Germany, France, and Britain have shown have shown that one adult in five holds only low or basic knowledge. This means that more than 75 million people in the EU are at real risk of being excluded from any form of education and will not be able to join the labor market or to cope with daily issues of life. The objective put forward by the European Commission for 2020, in this respect highlights the need of reducing the number of children aged 15 years with basic knowledge or less below 15% taking into account also updating reading and writing skills, in the context of an aging population.

The need to improve these circumstances is highly emphasized at European level by the Expert Group Report on reading and writing skills as it deals with this educational crisis. The expert group underscores that good reading and writing skills are improving the lives of the citizens, promoting knowledge, innovation and economic growth, and mentions investments in reading skills along with all other necessary investments for achieving smart growth based on knowledge and innovation.

Another indicator widely used in econometric models of growth relates to public and private expenditure on education as percentage of the GDP, for all levels of education.

In all European Union countries, public expenditure in the GDP allocated to education represents the vast majority of total funding. The EU average in 2015, according to Eurostat data, was 5.41% of the GDP, the situation across countries ranging from 4.24% for Romania and 8.72% of the GDP for education in Denmark. Following the evolution of this indicator for the countries and the years for which data are available, we can state that the situation has evolved little in the past decade. Private financing in European countries was in 2009, on average, 0.79% of the GDP, the lowest proportion of private investment being registered in Romania (0.11%). The annual expenditure on education per pupil/student relative to GDP/capita (for all levels of education) is more balanced among these countries, the European average being 27.4% in 2013, in Romania this percentage being only 21.6%. Regarding the average participation rate of students aged 15–24 years to the education system (ISCED 1–6) was slightly over 61% in the European Union, but differences between countries are extremely high. If 70% of young people aged 15–64 are enrolled in some form of education in countries such as Finland (71%), Poland (70.8%), Slovenia (71%), Belgium (69.2%), the Netherlands (69%), this percentage is below the European average in Cyprus, Malta, Bulgaria, Romania, Slovakia, Austria or the UK.

The *Education and Training 2020* strategic framework, adopted by the European Commission proposed at the end of the current decade five objectives that concern all age groups of the population, namely: (i) participation in preschool education of children aged 4 and up to school age to be greater than 95%. (ii) 15% should represent the maximum percentage of 15 year olds with poor reading performance; (iii) the average dropout rate should not exceed 15% (objective indicated also in the Europe 2020 strategy); (iv) at least 40% of adults aged 30–34 years should be graduates of higher education (also provided in the European strategy for 2020); (v) the share of people aged 25–64 who should participate in lifelong learning programs to represent about 15%.

According to the analysis of Romania's Competitiveness Pillars in the GCR 2015–2017 Romania is included in The Global Competitiveness Report as of 2001/2002, when the country held the position 61. Romania has an oscillating trend as results from analyzing the evolution of the country's competitiveness according to the Global Competitiveness Report. Moreover, for 12 or 10 positions (2004/2005 compared to 2005/2006, respectively 2011–2012 versus 2012–2013) influences are found regarding at least four directions: (a) the macroeconomic changes corresponding to the pre-accession period in the EU (2004–2007), when greater stability was recorded. (b) the favorable effects on the Romanian competitive potential of the integration into the Single European Market (after 2007); (c) the consequences of the economic crisis (2010–2014) that have weakened the positive trend from the previous period; (d) the post-crisis economic recovery.

In the GCR 2009/2010 and 2015/2016, Romania ranks among the intermediate stage countries to the third stage of development. However, this is only a transitory

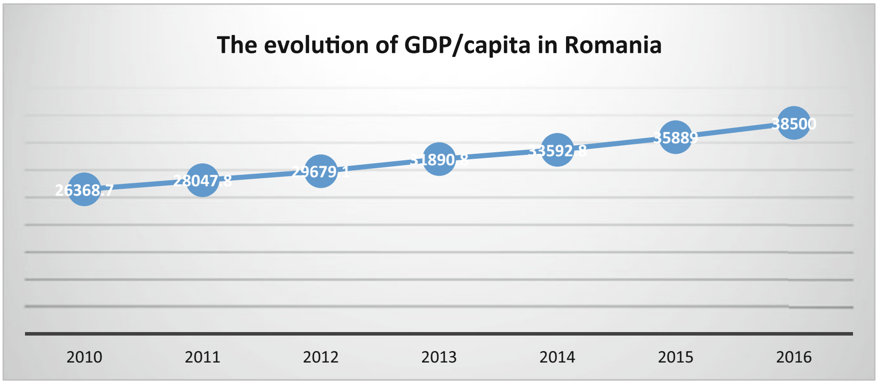

Fig. 3 The upward trend of Romania for 2010–2016, for both indicators, GDP and GDP per capita

success, Romania being still poorly competitive regarding the core factors and competitiveness efficiency. In relation to the EU Member States, Romania has a significant gap for almost all pillars of competitiveness, especially in the general national infrastructure. Compared with the previous ranking GCR 2015/2016, Romania lost nine positions, the lowest listed and with negative trend being pillars 11 and 12 respectively innovation factors.

Figure 3 illustrates the upward trend of Romania for 2010–2016, for both indicators GDP and GDP per capita. In both situations, the growth rate was lower in the 2010–2013 period, as expected under the impact of the economic crisis, and more dynamic in the 2013–2016 period. Starting with 2014, GDP growth has increased, as evidenced by the increasing slope.

Despite these developments, Romania ranks 27th in the EU28, ahead of Bulgaria, according to GDP per capita. The share of GDP per capita in Romania compared to the EU27 average has evolved from 24.7% in 2010 to 29.65% in 2016 and the forecasts show that in about 6–7 years it could reach 65% of the European average. Although Romania's evolution has been remarkable in previous years, and registering higher paces, the risk of poverty and social marginalization remains high, 37.4% in 2015, down from 41.5% in 2010. The high rates of Romania's economic growth are largely explained by government measures regarding tax cuts, "increasing consumption and recovering investment" (Fig. 4).

The reduction in value added tax from 24% to 20% lowered the rate of income tax and exempted certain dividends from corporation tax. The new government's latest measures are that future increases will also be driven by low borrowing costs and business-friendly fiscal policy, which will also increase confidence among foreign investors. In this context, the employment rate has increased steadily since 2011, from 63.80% to 66% in 2015, placing Romania on the 24th position in the EU28, ahead of Greece (54.9%), Italy (60.5%), Croatia (60.5%) and Spain (62%), and at a difference by 4.1 points from the EU average (70.1%). The share of total public spending was 34.6% of GDP on average for the period 2010–2016, i.e. 31.49% in

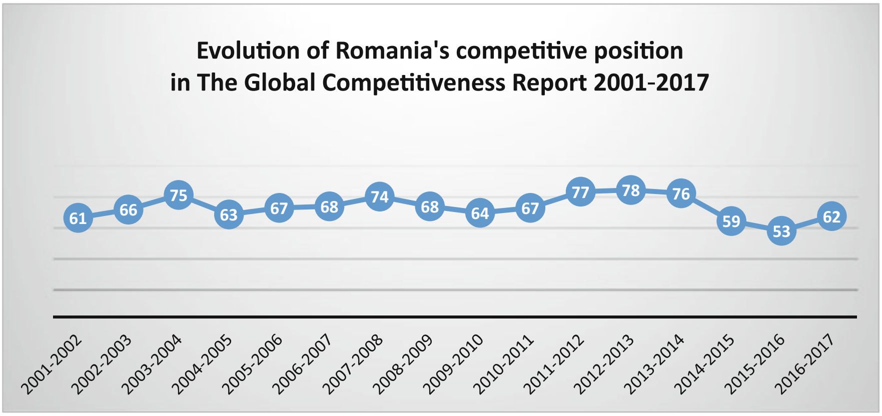

Fig. 4 The evolution of Romania's competitive position in The Global Competitiveness Report 2001–2017. Source: the data provided by the GCR rankings

2016. According to Eurostat data, the highest share of public expenditure, for the 2010–2015 period, corresponds to social protection, with an average by 19.2%, followed by health (7.2%), governmental public services (6.7%) and education (5.1%)

4 The Methodology Used: The Non-linear Multi-factor Model of Economic Growth

The second part of the research presents the links between health status and education, as main components of human capital and economic growth. The methodological approach consists of a research conceptual multi-factorial non-linear model that encompasses both theoretical and empirical elements, estimation models, important independent variables and their measurement, along with the used analysis methods.

In the theoretical part, we highlighted the models and theories of endogenous and exogenous economic growth, and based on this we conducted our empirical approach by realizing the statistical analysis of the variables used in the models and of the significant and defining indicators for the levels and quality of health and education, in correlation with GDP per capita (Fig. 5).

The correlations were computed between the dependent variable GDP per capita in million euros and the selected independent variables (see Table 2).

Based on Mincer's salary equation, and the relations between the level of education and salary, to which was added the growth model of Manwik, Romer and Weil that showed the importance of adding human capital to Solow's growth model, and considering the Cobb–Douglas function of production (Y = F (K, L, T), we have established a non-linear multi-factorial model. In this model we considered

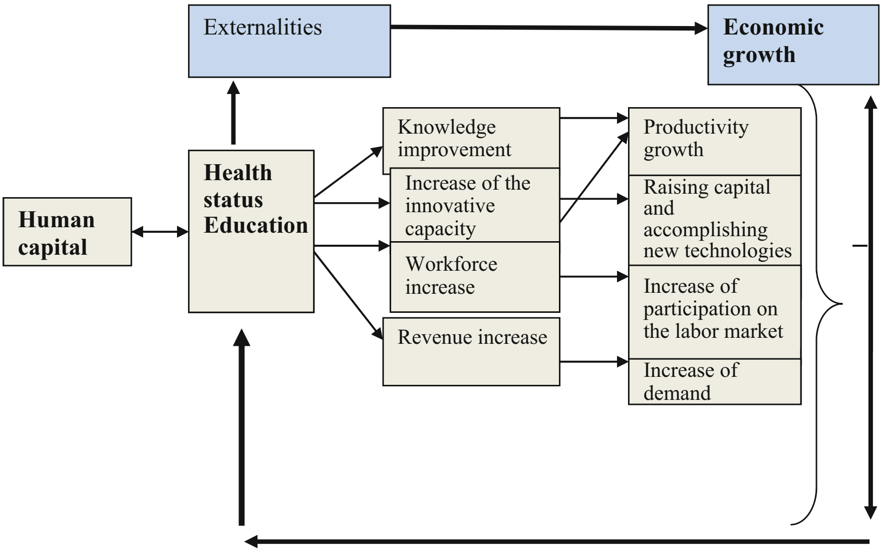

Fig. 5 Model of research regarding human capital based on both components. Source: analysis based on Mehmet Ugur (2012)

both the significant indicators of education (minimum wage, FDI, NU, GFFC, E) and those that better quantify the health status of the population (WL, Health related expenditures).

The non-linear multi-factorial model, where the dependent variable is GDP/capita is as follows:

$$\ln\ (\mathrm{GDP}) = \ln a + a_1 \ln(\mathrm{GFFC}) + a_2 \ln(\mathrm{FDI}) + a_3 \ln(\mathrm{WL}) + a_4 \ln(\mathrm{NU}) + a_5 \ln(\mathrm{MW}) + a_6 \ln(\mathrm{E}) + a_7 \ln(\mathrm{HE})$$

$$\mathrm{GDP} = a * \mathrm{GFFC}^{a1} * \mathrm{FDI}^{a2} * \mathrm{WL}^{a3} * \mathrm{NU}^{a4} * \mathrm{MW}^{a5} * \mathrm{E}^{a6} * \mathrm{HE}^{a7}$$

The non-linear multifactors model reflecting the relationship between the dependent variable GDP/capita and the independent variables is as follows:

$$\mathrm{GDP} = a * \mathrm{GFFC}^{a1} * \mathrm{FDI}^{a2} * \mathrm{WL}^{a3} * \mathrm{NU}^{a4} * \mathrm{MW}^{a5} * \mathrm{E}^{a6} * \mathrm{HE}^{a7}$$

$$\mathrm{GDP} = -574.5812 * \mathrm{GFFC}^{0.2562} * \mathrm{FDI}^{-76.5936} * \mathrm{WL}^{76.5727} * \mathrm{NU}^{0.04685} * \mathrm{MW}^{0.0815} * \mathrm{E}^{0.2342} * \mathrm{HE}^{-0.042}$$

The multiple correlation report for the proposed model has a value of 99.9% indicating a high intensity of the link between the resultant variable and the cumulative action of factorial variables. The same high degree of intensity of the link between GDP/capita and identified influencers is revealed by the coefficient of determination by 99.9%, a value that shows that 99.9% of the GDP variation is

Table 3 The results of the correlations between the independent variables and the dependent variable

Regression analysis				
Correlation report	99.9%			
Coefficient of determination	99.9%			
Standard error of function	0.001184319			
Number of observations	11.00			
	Degree of freedom	Sum of squares	Variances	F
Regression	7	0.433360239	0.061908606	44138.12278
Residual	3	4.20783E-06	1.40261E-06	
Total	10	0.433364447		
	Coefficients	Standard error of coefficients	t-Student	Probability
Constant	−574.5812289	15.10354042	−38.04281731	3.99552E-05
FBCF	0.256257292	0.008927493	28.70428224	9.28403E-05
ISD	−76.59361622	1.986215961	−38.56258218	3.83638E-05
WL	76.57278121	1.983690173	38.6011799	3.82491E-05
Number of unemployed	0.046857472	0.006122546	7.65326593	0.004632991
Minimum wage (Euro/month)	−0.081506105	0.009003736	−9.052475774	0.002847157
Emigrants	0.234248115	0.007233106	32.38555015	6.47036E-05
Health related expenditures	−0.042329121	0.013201738	−3.206329295	0.049093697

Source: data computed by the authors

due to the cumulative influence of the aforementioned independent variables. The consistency of the powers' estimators a_i with $i = 1–7$ is initially checked via a Student test performed with a significance threshold of 0.95. The Student test statistical values for each estimator are presented in Table 3. We can easily notice that for each estimator the statistical values exceed the critical value of the Student test, which is 3.1824 (for a unilateral test with three degrees of freedom). Thus, the test's null hypothesis is rejected for all the eight estimators, indicating that they are correct estimators with fundamental values that are different from 0. Further, along in the analysis on the accuracy of the proposed regression model a Fisher test was conducted to verify the model ability to approximate the values of the Y_i dependent variable through their $\hat{Y}_i$ estimators. The Fisher test was conducted at a significance threshold of 0.95. The statistical value of the Fisher test is 44,138.1227, a value which is greatly significant compared to the critical value of the test, which is 9.2666, thus the null hypothesis of the test being rejected revealing a consistent pattern suitable for the use in the process of forecasting future values. Subsequent to these reviews we concluded that the indicated model is a robust one both economically and econometrically, able to explain the influence of two groups of the identified factors on the formation of GDP.

5 Conclusions

In essence, researches about the role of human capital (education included) economic growth have started exactly from the fact that production functions with common factors ($Y = F(K,L)$) could not explain the advance of growth. The results show that a great part of the increase was put down to one or more unidentified factors expressed by a waste of some specification of the productive function. Thus, one factor, which was not perceived as such, was not able to establish a viable growth policy.

The concept of human capital allows for theorizing the well-established empirical relationship between the level of training and wage, the attempts to explain the different growth rates being placed at the base of the human capital theory genesis. Theoretical studies, but especially empirical ones, as well as obvious facts challenged the traditional assumptions of growth, showing that labor and capital factors were not enough on their own to sustain economic growth (GDP growth per capital). Hence, only a quantitative increase of these two factors could explain part of the accomplished increase. The financing of the national education system is a key aspect that reflects the effort of the state institutions, either public or private, in achieving superior results, generally the studies indicating the importance of the national characteristics of these expenditures and improvements registered, even if the link between funding and results in education is difficult to be quantified and highlighted. However, the observations and results of the pursued analyses show the importance of expenditure on education to support economic growth, to reduce inequalities and increase productivity etc., representing one of the key choices of governments, companies, and individuals and their families.

The analysis of social capital allows us to consider social development in terms of its accumulation. Expressed in clear terms, social capital comprises those features of social relationships—interpersonal trust, norms of reciprocity, participation in civic organizations, and interpersonal and inter-organizational networks—facilitating cooperation and collective action oriented towards a general benefit. Thus, they, are incorporated into the structure and quality of social relationships between people; the notion of social capital refers to a form of capital that is encompassed in the social structure of a group, rather than in physical objects or in single human beings, like physical and human capital. Therefore, it can be noted that the institutions' input towards economic success is related to their capacity to support impersonal transactions. The importance of trust to economic performance is reflected by the fact that the lack of it leads to a decreased number of opportunities.

Emphasized is also the social potential induced by social capital, being considered to improve economic activity background in a way similar to technical infrastructure; social capital influences the quality of education and health, facilitates access of individuals to markets, supports complex operations and enables the activities' long-term planning. In this regard it was also stressed the importance of social cohesion towards a country's economic development, the concept of social capital being considered as influencing development theory, practice and policy.

It might be observed that social capital analysis at enterprise level would show clearer results. This derives from the internal organization of an enterprise designed intentionally to register profit, hence one of the few cases where social capital is the product of a specific investment (money spent not only to design internal structures, but also to train managers and workers to work in groups) and not only the by-product of other activities.

We might add that one of the key contributions of social capital is to the accumulation of human capital; it is much easier to develop individual skills in a socially rich environment than in a socially poor one. Since human capital accumulation constitutes an engine of growth in advanced economies, social capital could be regarded as a deep root of growth processes.

The suggested model is important as it reflects a novelty in economic terms, compared to the literature reviewed, because it studied separately the influence of the educational component of human capital and the health component of the human capital. Unlike this kind of analysis presented in the field literature, the new element brought about by the model proposed in the research studies the simultaneous influence of the factors in these two categories on the formation of GDP, and the econometric validation of results confirms the theoretical premises which led to the setting-up of this growth model. The result obtained, and the relationship between GDP and the independent variables, proves the existence of the theoretical foundation indicated by Greiner and Semmler, that education represents a good for society, being the premise for positive externalities of investments in the economy.

Moreover, that education has an important role for society, because it interacts at different levels with different factors, and the results are reflected in the economy. Any economic effort directed towards investment in human capital will stimulate growth through productivity increases.

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Economic, Social and Territorial Cohesion a Priority for Poland, Romania, Hungary and Bulgaria: Comparative Analysis on Social Cohesion

Laura Mariana Cismaș and Maria Laura Dănilă

1 Introduction

The global world scene is completely different from the one of the years when the European Union was born. Nowadays, the world is no longer bipolar, but characterized by multi-polarity, and the ranking of the great world economies is subjected to changes. At the same time, economies regarded as small previously have advanced rapidly counting now at the negotiation table in several fields. Unfortunately, some are true threats to world peace and stability, due to the policies implemented in the field of security and defense.

In the framework of the debates about the future of the European Union, the question was posed increasingly more often about how prepared is Europe to meet the challenges of globalization? The benefits and threats of globalization were not ignored by the European Union decision factors. Accelerated globalization, the severe economic-financial crisis that left deep marks visible even today on the world economies, the security issues owed to the instability in the EU neighboring regions, the refugee phenomenon, etc. are all threats that the EU had faced and still has to meet. Thus, the attention was focused initially on the European Monetary Union (EMU), the Common Agricultural Policy (CAP) and the Cohesion Policy (CP), but now the focus is shared with new priorities of the EU agendas, respectively the security and defense policy, or borders control.

The cohesion policy of the European Union is practically the strategic investments policy of the Union. This began with the idea of harmonious development of the economies and evolved towards a policy centered on three important pillars:

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economic, social and territorial. The importance granted to diminishing economic, social and territorial disparities increased gradually and, currently, the economic, social and territorial cohesion policy is second as importance among the policies promoted at the European Union level.

At the same time, the social pillar of the cohesion policy promoted by the European Union was always collateral to the economic one. Already by the time of signing the Single European Act (1986), a general objective of the Union's social policy was to promote member-states' cooperation regarding several fields: labor force employment, strengthening labor market legislation, and working conditions legislation. Other topics in this respect were preventing work accidents and illnesses caused by the working environment, occupational hygiene, basic/advanced vocational training, next to social security, ensuring the association rights of workers and encouraging employer-employee negotiations.

The subsequent treaty, the Treaty of Maastricht (1992), provided for promoting balanced and sustainable economic and social progress for all member-states of the European Union. The mission established by the Treaty referred to high levels of labor force employment and of social protection, and to significant increases of the living standard and of the quality of life. At the same time, the European Social Fund is set up which is intended for assisting and facilitating geographic mobility of the labor force in view of employment and vocational improvement, thus laying emphasis on quality education.

The Constitutional Treaty (2004) implements the notion of economic, social and territorial cohesion but lays emphasis on diminishing disparities between the various development levels of the Union's regions, especially regarding the backwardness of less favored regions (regions with severe demographic handicap, with low population density). The Structural Funds are regulated (the European Agricultural Guidance and Guarantee Fund, the European Social Fund, and the European Regional Development Fund) as financial resources used so as to lead to accomplishing the above-mentioned objectives. However, the Constitutional Treaty is on the failures' list of the European Union, the reason being the referenda from France (29 May 2005) and the Netherlands (1 June 2005) that disrupted the ratification process.

The Treaty of Lisbon (2007), also called the Reform Treaty confers to the European Union legal personality, which is major change in the political spectrum. It implements the position of High Representative of the Union for the Common Foreign and Security Policy and this is a signal regarding the importance paid to this policy, as well. From the viewpoint of economic, social and territorial cohesion policy, this Treaty is the first to implement in its texts the notion of "territorial cohesion" and reaffirms the emphasis laid on increased focus for the less developed regions that are poorly developed (regions with severe and permanent demographic handicap, with low population density). Novelties are introduced also at the level of the decision-making process for involving more member-states in cooperation and in formulating these policies, as well. The regulations regarding Structural Funds are adopted by co-participation by the European Parliament and the Council, and for the decisions of the Council, the qualified majority becomes necessary instead of unanimity.

Table 1 Europe 2020 objectives versus the objectives of the cohesion policy, social pillar

Europe 2020 strategy objectives	Specific objectives of the cohesion policy, financial framework for 2014–2020
Employment rate (population with ages between 20 and 64 years) $\geq$75%	Sustainable and quality workplaces, support for workers' mobility
Early school leaving rate $\leq$10%	Investments in education, better access to information and communication technology
Population aged between 30 and 34 years with post-tertiary studies in total population $\geq$40%	Investments in continuing vocational training (lifelong learning)
Reducing the population poverty threshold by 25%, at least by 20 million people	Alleviating poverty and any form of discrimination by promoting social inclusion

Source: https://eur-lex.europa.eu/legal-content/, accessed 2018/10/01

The outbreak of the economic-financial crisis in 2008 disrupts the European Union trajectory outlined up to that time regarding the diminishment of economic and social disparities. The economic and financial crisis was a deep one, some experts regarding it as of higher amplitude than the one of the years 1930, and it shook profoundly the economies of several EU member-states, and not only. This fact also had considerable repercussions on implementing the various programs of the cohesion policy. As counter-measure, the Commission agreed to diminish national co-financing in the case of many member-states in the period 2011–2013, with the purpose of lessening the pressure generated by the crisis on national budgets. At aggregated level, national public expenditures corresponding to projects were diminished from 143 billion euros to 118 billion euros (−18%). Nevertheless, the measure had also the negative effect of reducing the total value of public investments. However, considering that, actually, it made possible the finalization of projects already under development and that it improved the cash flow for the respective countries, the measure might be regarded as adequate (Berkowitz, Breska, Pienkowski, & Rubianes, 2017).

The economic governance at the European Union level becomes more prudent as result of the lessons learned from analyzing the effects of the economic-financial crisis that broke out in 2008. Rigorous financial discipline is necessary, and the Commission gives more care to monitoring member-states and the National Reform Programs.

Thus, by assuming the Europe 2020 Strategy, the member-states opted for collaborating towards turnaround, and addressing challenges generated by the very marked globalization process (Table 1).

Moreover, they assumed to tackle the pressure of social challenges such as population ageing, high levels of unemployment, and diminishment of the living standards, slow economic growth, and lower Union power at global level. By this strategy, clear objectives were drafted with the reference year set as 2020, and closely linked to them were determined the objectives of the cohesion policy.

Social cohesion is a complex and wide topic debated by the specialized literature. The present paper intends to realize a comparative analysis regarding social cohesion in the case of Poland, Hungary, Bulgaria and Romania from the viewpoint of economic, social and territorial cohesion as promoted at the European Union level.

2 Theoretical Aspects

Social cohesion is a complex term, and is widely debated in the specialized literature but without any consensus about a definition of the concept. However, this is not, by far, a new concept. Already by 1893, Emile Durkheim, a French sociologist and philosopher, and founder of the French sociology school, in his work "The division of social work" theorizes over the concept of "integration".

In the work "Reconsidering social cohesion: Developing a Definition and Analytical Framework for Empirical Research", Chan, To, and Chan (2006) undertake a critical analysis of the existing definitions in the specialized literature regarding the concept of social cohesion, by concluding that there is no clear and rigorous definition of the concept. They propose subsequently the following definition "Social cohesion is a state regarding both vertical and horizontal interaction existing between the members of a society, characterized by a set of attitudes and norms that presuppose trust, a sense of belonging, the intention to participate and help, as well as their behavioral display". By mentioning members of the society, they refer to individuals but also to various forms of organizational groups, to this end using the concept of vertical relationships and horizontal relationships. The vertical relationships, as the authors mention, are those referring to the relationship state-society in general, while the horizontal ones define the relationship individual-social group (Chan et al., 2006).

Burns, Hull, Lefko-Everett, and Njozela (2018) by realizing an analysis about the evolution of the concept of social cohesion, conclude also that there are numerous definitions of the concept within the specialized literature, but without consensus in agreeing on a specific definition. They define social cohesion as "the extent to which individuals collaborate inside a group or outside the group without constraint or motivation based purely on interest" (Burns et al., 2018).

The Organization for Economic Cooperation and Development (OECD) describes a society where social cohesion might be considered as the society that "works for the welfare of its members, fights against exclusion and marginalization, by creating a sense of belonging, and promoting confidence, by providing for its members the opportunity of ascendant social mobility" (http://www.oecd.org/dev/inclusivesocietiesanddevelopment/social-cohesion.htm, 2018).

In the spectrum of empirical researches regarding social cohesion, is noticeable the computation of an index of social progress realized by M. Porter, S. Stern and M. Green. They begin with the definition of social progress as the capacity of a society to care about the basic needs of its citizens. It represents the premise of building the foundations and the opportune environment for enabling people to ensure decent living standards for themselves, and the ability of the society to generate the necessary conditions for each individual in order to achieve and valorize

Table 2 Components of the social progress index

Basic needs	Foundations of wellbeing	Opportunity
Nutrition and medical care	Access to basic education	Citizen's freedoms
Water and sewerage	Access to ICT	Freedom to choose
Shelter	Health for wellbeing	Tolerance and inclusion
Personal safety	Quality of the environment	Access to higher education

Source: Own processing after Porter, Stern, and Green (2017)

his/her full potential. The index combines, in conclusion, three dimensions: basic needs, the foundations of wellbeing, and the opportunity of making good use of the latter (Table 2).

The components of basic needs are nutrition, basic medical care, access to water and sewerage, access to shelter and personal safety. The fundamental components in ensuring wellbeing are access to basic education, access to information and communication technology (ICT), access to health beyond the basic level, and the quality of the environment. Regarding the capacity of the society to create the required conditions for each individual in order to achieve and valorize his/her potential, the analyzed components are compliance with citizen's rights, compliance with the freedom to choose, the tolerance and inclusion degree, and access to higher education (Porter et al., 2017).

To these components are associated between three to five measurable indicators. The indicators were set as result of an analysis of the specialized literature regarding the determinant factors of social progress.

The indicators for the basic needs component were selected in a number of three to five for each sub-component, as follows:

- Nutrition and basic medical care: malnourished (as %), acute food lack (calories/malnourished person); maternal mortality rate (deaths per 100,000 live births), infantile mortality rate (deaths per 1000 live births), deaths caused by infectious diseases (deaths per 100,000 inhabitants).
- Water and sanitation: access to tap water (% population); access in the rural area to water sources like public networks, drillings per household (% population), access to sanitation services (% population).
- Shelter: access to affordable housing from the viewpoint of incomes (% satisfaction), percentage of population with access to electricity (% population), quality of electricity supply (1 = poor, 7 = high, average of answers to the question "In your country, how do you evaluate the supply of electric power (lack of power disconnections and lack of intensity fluctuations)? 1 = total lack of confidence, 7 = high confidence), deaths attributed to pollution (deaths per 100,000 inhabitants);
- Personal safety: the rate of homicides (deaths per 100,000 inhabitants), the level of violent crimes (1 = very low, 5 = very high), the rate of deaths because of road accidents (deaths per 100,000 inhabitants).

The indicators regarding the second component, the foundations of wellbeing were also in number of three to five per sub-component of this dimension:

- Access to basic education: the literacy rate of the population (share of population aged over 15 years), enrolment to primary education (% children), enrolment to secondary education (% children), gender parity regarding enrolment to secondary education (girls/boys);
- Access to ICT: mobile phone subscriptions (number of subscriptions per 100 inhabitants), internet users (% population), Index of Press Freedom (0 = most freedom, 100 = the most restricted);
- Health for wellbeing: life expectancy (years); premature deaths (among the population aged 30–70 years) due to incurable illnesses (cancer, diabetes, cardio-vascular) (deaths per 100,000 inhabitants); the obesity rate (% population); suicide rate (deaths per 100,000 inhabitants);
- Quality of the environment: deaths because of ambient pollution (deaths per 100,000 inhabitants), collection of polluted waters (% of residual water), biodiversity and habitat protection (0 = lack of protection, 100 = highly protected), greenhouse emissions (equivalent CO_2/GDP).

In the case of the component regarding opportunity a set of three to five indicators was selected for each component, as follows:

- Human rights: political rights (0 = lack of rights, 40 = full rights), freedom of speech (0 = lacking freedom of speech, 16 = complete freedom of speech), liberty in integrality, regarding from the perspective of free participation to various debates, voluntary membership in political parties, voluntary participation to peaceful meetings, etc. (0 = deprivation of liberty, 1 = complete liberty), private property right (the degree to which the legislation of a country protects private property 0 = private property outlawed, any property is state owned, 100 = private property guaranteed by the state);
- Freedom to choose: the share of those declaring themselves satisfied/dissatisfied regarding freedom to choose your way in life, religious freedom seen as measuring the restrictions' degree about certain beliefs, and conversion from one religion to another (1 = low liberty, 4 = very high liberty), marriage at an early age (% women married between 15 and 19 years of age), the share of women resorting to family planning among married women, women living in partnerships with ages between 15 and 19 years and who showed openness against the concept of family planning (% women), corruption (0 = high level, 100 = low level);
- Tolerance and inclusion: tolerance to immigrants (0 = high level, 100 = low level); tolerance against homosexuality (0 = high level, 100 = low level); discrimination and violence against minorities (0 = high level, 100 = low level); religious tolerance (0 = high level, 100 = low level); share of persons answering affirmatively to the question regarding the possibility of asking help from a relative or neighbor in case of need, or not;
- Access to higher education expressed as average years of tertiary education schooling for the population with ages of 25 years and over. To this are added

the average years of schooling for women with ages between 25 and 34 years, including here all types of education and inequity regarding access to education (0 = poor, 1 = strong, an index that takes into account compulsory school years versus graduated ones), the number of universities ranked at international level (0 = no ranked university, 10 = high share of universities ranked internationally), and the number of students enrolled in universities ranked internationally, from 0 representing a share of 0 students up to a share of 60%).

Based on the obtained outcomes, the countries from the sample were classified as countries with a very high social progress, countries with high social progress, countries with an average to high social progress, countries with an average to low social progress, countries with low social progress, and countries with very low social progress. With the help of the Social Progress Index, computed for the year 2017, a ranking could be realized for 128 states, all of them providing sufficient data for the selected indicators, and in the initial sample being comprised 234 countries (Porter et al., 2017).

3 Comparative Analysis on the Social Cohesion, the Study Case of Poland, Romania, Hungary and Bulgaria

Social cohesion is an objective assumed by the EU. Regarding the social pillar of the cohesion policy, the main pursued goals are education, continuing vocational training, gender equality in the labor market, living conditions and poverty, etc.

The targets set clearly by the Strategy Europe 2020 are an employment rate of the labor force (population aged between 20 and 64 years of age) ≥75%. Decreasing the early school leaving rate to less than ≤10% for the population with ages between 30 and 34 years with post-university education in total population ≥40%; and the diminishment of population below the poverty threshold by 25% that is, at least by 20 million persons.

In the following, the paper displays social cohesion in the case of Poland, Romania, Hungary and Bulgaria, based on a comparative analysis realized by taking into account either the level achieved by EU-28, or the set target.

A first relevant image is the one related to the population. The population declines in many member-states of the European Union, as the ageing phenomenon is a real issue, well known and carefully monitored (Table 3).

Noticeable is the population increase at EU-28 level, a phenomenon due to migration; however, for the four analyzed member-states a population decline is registered from 1 year to the other. The population decrease phenomenon is also observable in the case of Romania and Bulgaria as it is more marked. Romania had the most marked decline. If in the case of Poland the population decreased in 2017 against 2007 by about 150,000 inhabitants, in the case of Hungary by approximately 270,000 inhabitants, and in the one of Bulgaria by about 470,000 inhabitants, Romania's population knew a decrease of about 1.4 million inhabitants. Migration

Table 3 Population on 1 January, total, millions

Geo/Time	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EU-28	498.30	500.29	502.09	503.17	502.96	504.05	505.16	507.01	508.54	510.28	511.52
Poland	38.12	38.11	38.13	38.02	38.06	38.06	38.06	38.02	38.01	37.96	37.97
Romania	21.13	20.64	20.44	20.29	20.19	20.10	20.02	19.94	19.87	19.76	19.64
Hungary	10.07	10.05	10.03	10.01	9.99	9.93	9.91	9.88	9.86	9.83	9.80
Bulgaria	7.57	7.52	7.46	7.42	7.37	7.33	7.28	7.25	7.20	7.15	7.10

Source: Own processing after https://ec.europa.eu/eurostat/data/database (demo_pjan), accessed 2018/10/03

Table 4 Population on 1 January, baseline projection, total, millions

GEO/TIME	2007	2020	2030	2040	2050	2060	2070	2080
EU-28	498.30	515.59	523.83	528.36	528.57	524.64	520.39	518.80
Poland	38.12	37.93	37.21	35.84	34.37	32.85	30.97	29.04
Romania	21.13	19.26	18.02	17.07	16.33	15.69	15.02	14.53
Hungary	10.07	9.86	9.79	9.47	9.29	9.12	8.88	8.69
Bulgaria	7.57	6.95	6.41	5.93	5.56	5.22	4.87	4.59

Source: Own processing after https://ec.europa.eu/eurostat/data/database (proj_15npms), accessed 2018/09/25

and the negative growth rate are the main reasons of the decline recorded in three out of the four analyzed member-states. Moreover, Poland knew a positive natural growth up to the year 2013, and in 2016, the negative natural growth recorded by Poland was ten times smaller than the one from Romania, 7 times less than in the case of Bulgaria, and 5.5 times lower than for Hungary.

The population projections for 2050 and, respectively, the year 2080 are not at all encouraging. The population decline for the four member-states of the European Union becomes more marked, and Bulgaria will have, practically, half of the population. Next to Bulgaria, also Romania has a much worrying decline than Hungary and Poland. Romania will have by 2050 a level of the population indicator of 16.33 million inhabitants, and in 2080 of only 14.53 million inhabitants, a decrease by about 31% against the year 2007 (Table 4).

Among the four member-states the most somber projection is in the case of Bulgaria, and next in the one of Romania, but Romania reached a negative natural growth by −57,206 from −37,237 for the year 2007 (European Commission, 2018a). Urgent measures are required for increasing the birth rate, as the effects are not immediate, and Romania cannot afford to wait anymore. Among the measures already undertaken is the length for the child-care leave of about 2 years, more specifically as of the conclusion of the maternity leave and up to the time when the child is 2 years of age, if the mother decides to extend the period. Moreover, it was provided for returning to the ceiling of 85% from the average of net incomes realized by the mother for the last 12 months for the 2 years preceding the time of giving birth. Other measures that would encourage working at the same time would be some type tax exemptions for mothers caring for a number of three children or more, irrespective of the income, or deducing some amounts from the amount to be taxed, differentiated depending on the number of children in care. Thereby the women/families would be encouraged to become mothers/parents that have high living standards that would facilitate child nurturing and the state would no longer have the burden of social assistance provided to poor families that have children in their care but do not have the required means for nurturing.

Encouraging birth rate increase is a necessary measure also from the viewpoint of the population-ageing phenomenon, a phenomenon just as worrying as the other one mentioned above. Romania, Poland, and Bulgaria registered an increase in the share

Table 5 People at risk of poverty or social exclusion, cumulative difference from 2008, in thousands

Geo/ Time	2009	2010	2011	2012	2013	2014	2015	2016	2017
EU-28	:	516	3467	6383	5458	4635	1819	810	:
Poland	−1037	−1083	−1295	−1364	−1744	−2155	−2731	−3270	−4218
Romania	−319	−689	−849	−441	−723	−1071	−1680	−1420	−2074
Hungary	130	154	298	478	604	302	−59	−329	−450
Bulgaria	90	298	272	200	72	−512	−439	−531	−654

Source: Own processing after https://ec.europa.eu/eurostat/data/database (t2020_50), accessed 2018/09/28

of population aged 65 and over by over 3.1% in 2017, against the year 2007, while at the level of the European Union the share increase is by 2.4%, and in the case of Hungary by 2.8% (European Commission, 2018a).

With respect to poverty and famine alleviation, the target proposed by the Strategy Europe 2020 is the one of eliminating the poverty and social exclusion risk incidence for at least 20 million persons, or achieving such a reduction, that this population would represent a much smaller share, or at most equal to 19.5% from total population. The available statistical data show the following situation regarding the numbers of those exposed to poverty and social exclusion at EU-28 level and in the four member-states, respectively Poland, Hungary, Bulgaria, and Romania (Table 5):

As it might be seen from the above table, Hungary heads already towards the suggested target for 2020, as of 2015 when a decrease begins to show in the number of persons exposed to poverty and social exclusion. Bulgaria registers also negative values as of 2014, while Romania and Poland registered a decrease in the number of persons exposed to poverty and social exclusion as of the year 2009. At EU-level, the data corresponding to 2017 are not available, however, it is noticeable an increase in the number of persons exposed to the poverty and social exclusion risk in the period 2010–2012, while thereafter the trend is on decrease in the numbers for this category but the figures remain still above the level achieved in 2010.

An issue faced by the European Union for some time now, and which became acute as result of the economic-financial crisis is the increase in the unemployment rate and the social exclusion among youths. At the level of the European Union, the unemployment rate increased in 2009 against 2008 by 4.4%, and continued to grow, the highest level being registered in 2013 when it reached 23.8%. In the subsequent years, the unemployment rate for youths decreased at EU-28 level to 16.8% in the year 2017, which continues to be above the rate recorded by the beginning of the period.

Regarding the four member-states, the evolution of the indicator is remarkable in the case of Bulgaria and Hungary. Both countries have the same trend as the one registered at EU-28 level. Bulgaria has an unemployment rate by 11.9% in the year 2008, the best level of the period, and increases to a rate by 28.4% in the year 2013 while thereafter the indicator begins to decrease and reaches a level by 12.9% in the year 2017, a better level than the one recorded by Poland (Fig. 1).

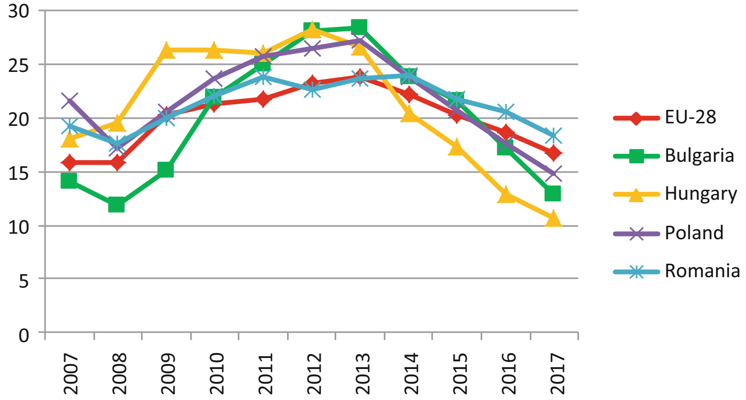

Fig. 1 Youth unemployment rate (%) (Source: Own processing after https://ec.europa.eu/eurostat/data/database (tesem140), accessed 2018/10/01)

Hungary registers by the beginning of the period a rate by 18.1% in 2007, 19.5% in 2008 and subsequently the rate increases to a peak by 28.2% in the year 2012. However, in 2017, Hungary's youth unemployment rate is by only 10.7% that is the lowest value for all analyzed country and throughout the period.

Poland records a youth unemployment rate which is rather high by 21.6% for the year 2007 and which decreases in 2008 to 17.2%; nevertheless, the rate increases again in the period 2009–2013, the maximum value by 27.3% being reached in 2013. For the year 2017, Poland succeeds in decreasing the youth unemployment rate by 14.4%.

Romania registers the lowest value of the indicator in the year 2008, when the unemployment rate among youths was by 17.6% and it has the same trend throughout the period, the peak being reached in 2014, when the rate is by 24.0%. In the period 2015–2017, the youth unemployment rate for Romania decreased from one year to the other, and in 2017, the level of the indicator is by 18.3%. Among the four analyzed member-states, Romania has the highest unemployment rate for youths in the year 2017 and is the only country that exceeds the level registered for EU-28.

Another EU barometer regarding youths' social inclusion is the indicator about the share of youths neither in employment, education, nor in training (NEET) in total population. At EU-level, the share of NEETs in total population was in 2008 by 10.9%, and throughout the period, this share increased as effect of the economic crisis and returned to the 2007 levels in the year 2017 (Fig. 2).

Among the four analyzed member-states, Romania and Bulgaria record in 2017 values of the indicator that are very close 15.2% and, respectively 15.3%, and they are followed by Hungary with a NEET share in 2017 by 11%, and Poland where the level of the indicator was by 9.5% in the year 2017, respectively below the level recorded for EU-28.

In the field of education, we analyze the rate of early school leaving for which EU has a target of below 10% for 2020, and the participation rates to the tertiary education level for the population with ages between 30 and 34 years, along with the participation of adults to continuing vocational training (Fig. 3).

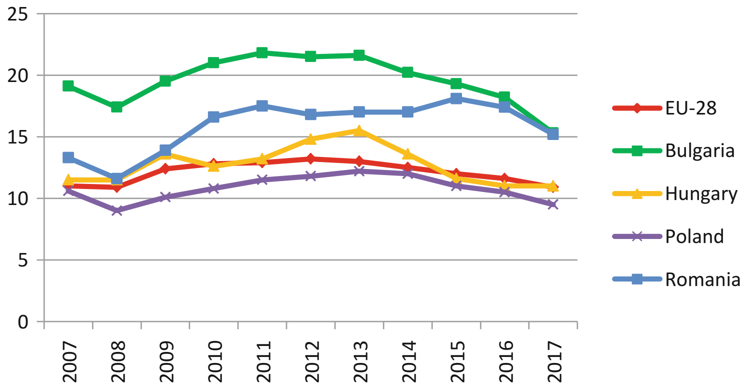

Fig. 2 Young people neither in employment nor in education and training by sex, NEETs (%) (Source: Own processing after https://ec.europa.eu/eurostat/data/database (tesem150), accessed 2018/10/03)

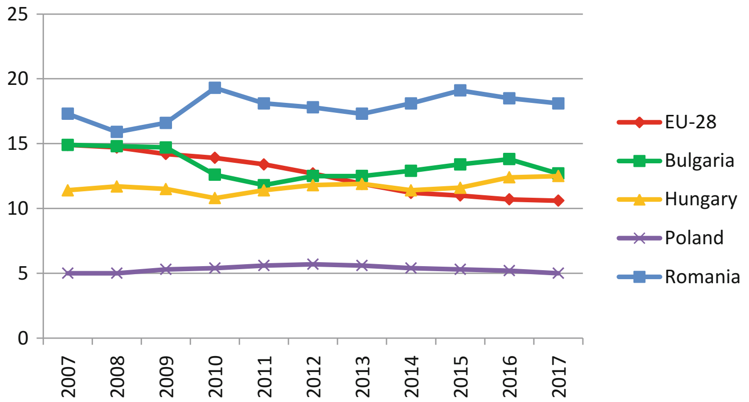

Fig. 3 Early leavers from education and training (%) (Source: Own processing after https://ec.europa.eu/eurostat/data/database (t2020_40), ISCED 0-2 as of 2014, and ISCED 0-3C up to 2013)

The early school-leaving rate is the indicator measuring the share of population aged 18–24 years that graduated at least lower secondary education not involved in any form of education or vocational training for the last 4 weeks preceding the survey. The target proposed for this indicator is to achieve a level of under 10%. At EU-28 level, the indicator had a value close to the target by 10.6% in the year 2017.

Romania ranks first among the four analyzed member-states, but not in a positive sense. The country has a very high rate of early school leaving for all types of education among the population with ages between 18 and 24 years, by 17.3% at the beginning of the period, and no improvements were recorded throughout the period, as it reached 18.1% in 2017, respectively recording a difference by 8.1% against the target for 2020. The best position for this indicator has Poland, where the share is by

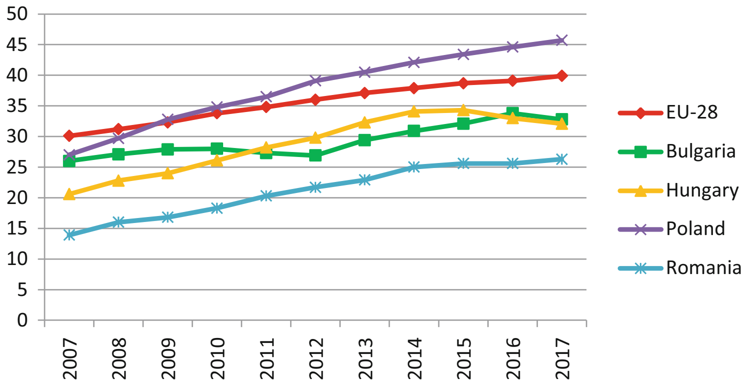

Fig. 4 Tertiary educational attainment by sex, age group 30–34 (%) (Source: Own processing after https://ec.europa.eu/eurostat/data/database (t2020_41), accessed 2018/09/28)

5% in 2017, a rate that is very good throughout the period, with slight variations between 0.2% and 0.7%.

Bulgaria and Hungary are sensibly closer regarding the level for the year 2017, even though the situation was very different in 2007. Then, Hungary was closer to the aimed target with a rate by 11.4% but the situation worsened in time, because the rate was by 12.5% in 2017 thus being farther from the target. Bulgaria, in turn, had a higher rate by the beginning of the period of 14.9% in 2007, and succeeded to achieve a level by 11.8% in 2011. However, the trend was an increasing one up to the year 2016 when it was by 13.8% and a slight improvement was recorded in 2017 (12.8%).

An educated labor force is the one that might generate economic growth based on knowledge and innovation. Therefore, we analyzed comparatively the population with ages between 30 and 34 years with higher education (tertiary level, ISCED 11) as share in total population for the four member-states and the EU-28. The EU target is to increase the weight of population with ages between 30 and 34 years with higher education (tertiary education ISCED 11) to 40% up to the year 2020. How do the four member states fare regarding this chapter? (Fig. 4)

Considering the intended target for 2020 at EU-28 level, the indicator is close to it, as it achieved 39.9% in the year 2017. For the four member-states, Poland is the only country that surpassed the target threshold and achieved a weight of the population with ages between 30 and 34 years with higher education (tertiary level ISCED 11) by 45.7%. Hungary and Bulgaria recorded in 2017 a level sensibly closer to this indicator, and Bulgaria even exceeded Hungary. Thus, Hungary achieved a level of the indicator by 32.1%, while Bulgaria had a weight by 32.8%; however, the trend is slightly decreasing. Romania has the worst position considering this issue, with a weight of the population with ages between 30 and 34 years with higher education (tertiary level ISCED 11) by 26.3% in the year 2017, which is also the highest level throughout the period. It is noticeable that the indicator had a slight increasing trend for the entire analyzed period, 2007–2017. Nevertheless, Romania

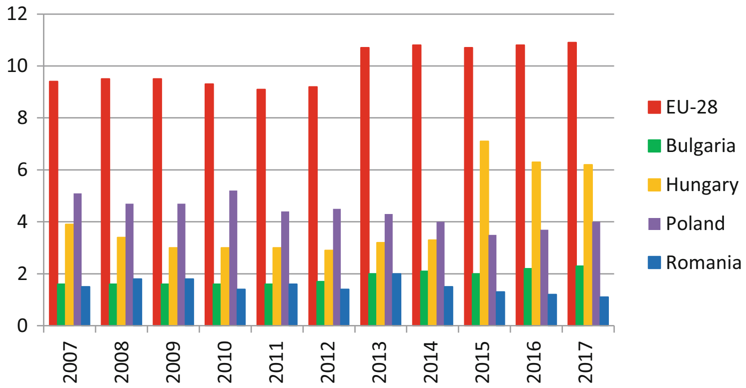

Fig. 5 Adult participation in learning, % of population aged 25–64 (Source: Own processing after https://ec.europa.eu/eurostat/data/database (sdg_04_60), accessed 2018/10/03)

is lacking about 14% to achieve the target proposed for 2020, and the time is long as there are 3 years left still, but short if we consider that during the preceding 10 years the increase of the indicator was by 12.4%.

As already mentioned previously, an educated labor force is the one able to generate economic growth based on knowledge and innovation. However, having in view the increasing swifter evolution of the society due to the astounding accelerated ITC developments, lifelong learning and continuing vocational training of the adult population become of extreme importance. Thus, EUROSTAT and the National Institutes/Offices of statistics measure continuing vocational training of adults while monitoring the weight of the population with ages between 25 and 64 years participating to continuing vocational training courses, either formal or informal (Fig. 5).

A high level of adult participating to continuing vocational training is recorded at EU level and it increased from 9.4% in 2007 to 10.9% in 2017, while Poland, Romania, Hungary and Bulgaria record a very low level for this indicator. Hungary shows the best performance in this respect, as it achieves a level by 6.2% for adults participating to continuing vocational training in the year 2017. In 2015, the level of the indicator was better, by 7.1%, but since then the trend is decreasing.

Poland achieves a level by 4% for adult participation to continuing vocational training in 2017. Throughout the period the evolution of the indicator was fluctuating, and is noticeable that the level of 2017 is below the level recorded for 2007.

Even though Romania and Bulgaria had similar values and an extremely low level of the indicator, it cannot be said that the countries are comparable. Bulgaria registered in 2007 a weight of only 1.6% that remained constant for the first 5 years, thereafter beginning an increasing trend and achieving the weight of 2.3% in 2017. To the contrary, Romania records a weight by only 1.5% of adults participating to continuing vocational training in 2007, which is on an increasing trend to 1.8% for the subsequent 2 years. The highest level is recorded in 2013, by 2%, and thereafter

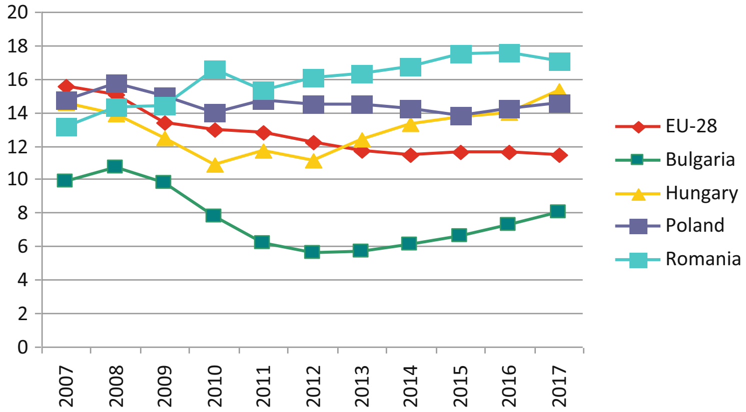

Fig. 6 The gender employment gap, percentage points (Source: Own processing after https://ec.europa.eu/eurostat/data/database (tesem060), accessed 2018/10/03)

the trend turns decreasing. However, the level achieved by 1.1% in 2017 is a worrying one.

From the perspective of gender equality, we analyzed the indicator 'gap between the employment rates for men, respectively women in the labor force' with ages between 20 and 64 years. The results are highlighted by examining the difference between the employment rate for men with ages between 20 and 64 years, and the employment rate for women with ages between 20 and 64 years in the labor force (Fig. 6).

The gap at EU-28 level undergoes a decreasing trend throughout the period of the analyzed 10 years, and the gap is by 11.5% in the year 2017, against 15.6% in 2007. From the four member-states analyzed, Bulgaria had a remarkable development and it should be underpinned that it is the only country below the level recorded at EU-28 level. The country managed to diminish significantly the gap in the period 2007–2012, achieving a gap by 5.6% against 9.9%, but the trend turns again increasing in the subsequent period. It is noticeable that in the period 2007–2017 an inferior gap to the one recorded at the Union level, respectively 8% it did not exceed the level from 2007. Hungary had in the period 2007–2012 an inferior gap to the one recorded at EU level, but the trend was increasing subsequently and it exceeded the level of 2007 in the year 2017.

Porter, Stern and Green computed an index of social progress by defining the social progress as the capacity of the society to care about the basic needs of its citizens. Hence, it is the premise for building the foundations and creating a favorable environment for the citizens to ensure decent living standards, as well as the ability of the society to provide for the necessary conditions for each individual to achieve and valorize his/her potential. It is a complex index, which determines three basic dimensions for analyzing social progress, and each dimension has other for specific sub-components, to which a number of three to five indicators were allotted per sub-component. Based on the obtained outcomes, the states from the sample were classified as states with very high social progress, states with high social progress, states with average to high social progress, states with average to low social progress, states with low social progress and states with very low social progress. Poland scores 79.65, whereas the score of Hungary is 77.32, both countries being regarded as states with high social progress. The score for Bulgaria is 74.42, and for Romania 73.53 and the countries are regarded as states with average to high social progress. The sample consisted out of 128 states, and in the ranking of these countries based on the size of the score, Poland ranks 32, Hungary 37, Bulgaria 41 and Romania is on position 44. Among the European Union member-states, this index was computed for Malta and Luxemburg and all member-states included in the sample are ranked in the following categories: states with very high social progress, states with high social progress, and states with average to high social progress.

4 Conclusions

Social cohesion is an objective assumed by the EU and linked closely to economic and territorial cohesion. Europe is faced with two major social issues: population decline and demographic ageing. Perhaps the migration wave has solved the issue of population decline within some member-states as it tends to show positive effects, because all in all EU-28 records population growth for the analyzed period, and the projection for 2050 and 2080 regarding this indicator is rather optimistic. Nevertheless, within EU-28 there are member states where population decline and ageing are stringent issues. It should not be ignored that to the situation of some of these countries contributed also the phenomenon of internal Community migration, such as in the case of Romania. This means that, from this perspective, the facility represented by labor force mobility contributed to deepening the discrepancies between the member states. However, the facility provided by labor force mobility had net superior advantages as compared with the accompanying disadvantages, and the conclusion is that solutions for solving the issues should be identified firstly at national level. A solution that is clear, and might counterbalance the effects of these negative phenomena is increasing the birth rate.

Among the measures undertaken by Romania for increasing the birth rate we mention the period provided for child nurturing which is currently of about 2 years, more specifically from the conclusion of the maternity leave to the time the child is aged 2 years, if the mother opts for continuing the maternity leave period. Additionally, the provision regarding the return to the ceiling by 85% from the average net incomes achieved by the mother during the last 12 months for the last 2 years preceding the time of giving birth has also positive impact potential.

Other measures that would encourage working would be some type of tax exemptions for mothers nurturing three or more children, irrespective of their income. Another option that should be considered is to deduct some amounts from taxation, differentiated depending on the number of children in care. Thus, women/ families with high living standards would be encouraged to become mothers/parents, based on the incentives for child nurturing, and hence the state would no longer have the burden of ensuring social assistance to poor families having in their care children for whom they cannot provide.

A third stringent issue faced by the European Union for some time already, and which turns acute as result of the economic-financial crisis is the unemployment rate and the social exclusion among youths. The EU-28 unemployment rate is still at a very high level by 16.8% in 2017, and from the four analyzed member states, Romania is the only country with a level of the youth unemployment indicator above the one of the EU, respectively by 18.3% in 2017, which is extremely high, even though on a decreasing trend. At the same time, Romania and Bulgaria have a very high NEET weight by about 4% above the one at EU-28 level. It is the more concerning, as it is associated with deepening negative natural growth.

Regarding education, the early school-leaving rate is one of the monitored indicators as it measures the share of the population aged between 18 and 24 years of age graduating lower secondary education, and who are not involved in any other form of education or vocational training for the last 4 weeks preceding the survey. With respect to this indicator, the EU-28 is close to the aimed target for the time-horizon 2020.

This barometer corroborated with the weight of population aged between 30 and 34 years with tertiary education (ISCED 11), brings a rather optimistic note in the image of the social cohesion for the four member states analyzed by comparison with the EU-28 level. However, Romania ranks last in this respect, with a weight of the population with ages between 30 and 34 years with higher education (tertiary level, ISCED 11) in 2017 by 26.3%, which is still the highest level for the entire period.

The weight of the population with ages between 25 and 64 years of age participating to continuing vocational training, either formal or informal, counterbalances in a negative sense the trend displayed by the other two above-mentioned indicators. At EU-28 level, the recorded level is net superior to the one of the analyzed member-states, and Romania and Bulgaria have an enormous gap against the EU-28 level.

The gap showed by Romania and Bulgaria is confirmed also by the Social Progress Index which ranks the countries among the states with average to high social progress, the remaining member states (exceptions Malta and Luxemburg) being ranked either in the category of states with very high social progress, or in the one of countries with high social progress.

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The Impact of Non-financial Reporting on Stock Price: A Case Study of Romanian and Bulgarian Listed Companies

Marian Siminica, Mirela Sichigea, and Adriana Craitar

1 Introduction

The theme of corporate social responsibility (CSR) can be tracked over several decades. It has rapidly evolved from the topic of scientific papers to the point of reference on the agenda of the major international and European institutions. This led to a broad popularization of the concept among companies and other stakeholders. From professional magazines to newspapers, books, dictionaries, encyclopaedias, websites, conferences or blogs, the concept is widely discussed and applied, albeit differently, depending on the geographical area (Farcane & Bureana, 2015, p. 31). At European Union (EU) level, CSR evolution is distinct from other geographical areas in the world. This has evolved from a simple code of conduct to the legal obligation to publish information on social protection and environmental protection, human rights, and others.

In the eyes of the European Commission, companies must be responsible for the impact that their work has on society. Entities must rely on their business not only on economic criteria, but also on social and environmental considerations (Guse, Almasan, Circa, & Dumitru, 2016, p. 304). It starts from the premise that a company must go far beyond the goal of maximizing profits and become aware of its place and role in the economic and social community. Increasing the wealth of shareholders should be done under the conditions of wealth creation and stakeholder engagement. In modern societies, companies stand responsible for their actions in the highest degree ever. There is a general belief that CSR can improve their overall business performance, but, at the same time, every wrong step may reduce a company's sales and profits (Knezović, Bušatlić, & Plojović, 2015, p. 52). So, financial performance is influenced by both corporate CSR actions and how they communicate to

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stakeholders. Sustainability reporting is an inherent part of the CSR concept (Hąbek & Wolniak, 2016). We cannot talk about the benefits of CSR policy without proper communication. Big companies (in the US and Western Europe) were the first to understand this. Gradually, companies of different sizes have begun to follow their example of good practice. At a global level, the percentage of companies that voluntarily report CSR reports is steadily rising.

The European Union has taken a step ahead and has turned the option of publishing CSR reporting information along with financial information for a particular category of companies. For the EU, it is very important to bring the focus of CSR attention to the companies in all Member States, and that these joint efforts lead to smart and sustainable socio-economic development. Through CSR, enterprises can significantly contribute to the European Union's sustainable development objectives and a highly competitive social market economy (European Commission, 2011, COM (2011) 681 final, p. 3).

Thus, for public-interest companies in EU Member States with more than 500 employees, corporate responsibility is no longer just an optional theme, but a mandatory reporting task. The legislative support for this transformation is Directive 95/EU/2014, which was transposed into national law by 6 December 2016 and has been applicable since the financial year 2017. Before the Directive, the situation of CSR reporting in Europe can be described as mixed. Discrepancies are both in the reporting rate (much higher in Western Europe than in Eastern Europe, according to KPMG, 2017), and in the variety of forms of reporting non-financial information (Hąbek & Wolniak, 2016). The gap between the two generic types of sub economies, Western European (WE) and Central and Eastern European (CEE), will take time to bridge. The CSR culture has recently been adopted in CEE companies. In countries like Romania and Bulgaria, although the popularity of CSR has increased, companies are limited to publishing the minimum required by the national legislation in force.

There are also differences in the scientific literature dedicated to CSR. Most of the CSR studies focus on Western European companies and quite a few analyse Central and Eastern European companies (Horváth et al., 2017). Of these, very few detail the types of CSR actions that companies communicate information about and how to differentiate them or the degree of reporting across sectors of activity of different national economies. Even a smaller number of studies analyse the influence of CSR communication on the stock exchange of company shares.

Starting from this point, this chapter investigates the level of CSR reporting by listed companies in the two Central and Eastern European countries, Romania and Bulgaria, and how CSR communication influences the company's stock price. The whole analysis was carried out at the level of 2017, the first financial year for which publication of non-financial and diversity information became mandatory.

The rest of the chapter presents the stages of standardization of the corporate social responsibility concept at EU level, from the earliest mentions of the Green Paper on corporate social responsibility to the legalization of non-financial disclosure and diversity, through directive 95/EU/2014. The design of the research follows its location in the current context of the two selected states and the formulation of the study hypotheses. At the same time, we described the research methodology used and the results obtained after its application, detailing them in the form of discussions and conclusions.

2 The Standardization of CSR in the European Union

Sustainable development has long been at the heart of the European project (European Commission, 2016, COM (2016) 739 final, p. 2). The EU has embraced the vision of the United Nations World Commission on Environment and Development to engage in a development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs (Brundtland, Our Commune Future, Brundtland, 1987). The concept of Corporate Social Responsibility (CSR) has been developed and implemented in close connection with the achievement of this goal. The EU vision on CSR has been clarified over time but is still in an evolutionary process. The starting point can be considered to be the European Commission's "Green Paper on Corporate Social Responsibility," based on the "triple bottom line" concept defining CSR as an action through which "companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (European Commission, 2001, Green Paper, p. 8).

The European Commission (EC) vision is that the internal and external dimensions of social responsibility are integrated into the company's management and not considered as a new activity beyond the core of the company. The internal dimensions of CSR include the company's responsibilities towards employees and the environment. The external dimensions refer to the company's responsibility towards stakeholders such as the local community, the company's suppliers and customers, state authorities and others. In keeping with these responsibilities, companies had to take into account both national and international legislation. The Commission stressed the importance of CSR codes of conduct and promoted the use of international standards in the field such as the Universal Declaration of Human Rights, the International Labour Organization (ILO), the Declaration of Fundamental Principles and Rights at Work and the Organization for Economic Co- Development (OECD) Guidelines (Brennan, 2011, p. 330).

The European Parliament (EP) has taken a step further on the issue of CSR by asking for a legal obligation for companies to publish annual reports on their social and environmental performance (European Parliament, 2002).

Since 2002, numerous CSR initiatives and events have aimed at promoting the principles of social responsibility at the level of companies as well as national governments. Consultation with the European Multi-Stakeholder Forum on CSR Reporting and the Common Principles of CSR in Europe (2004), the Second EC Communication entitled "Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on CSR" (2006), high-level conferences and meetings of the European Alliance for CSR and many others.

In 2011, the European Commission published a new definition of CSR and a new action plan. In the new vision, the European Commission has put forward a simpler definition of CSR as "the responsibility of enterprises for their impacts on society. The companies need to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close cooperation with their stakeholders (European Commission, 2011, COM (2011) 681 final, p. 6). One of the aspects of the 2011–2014 CSR strategy is to improve the way public companies share information about their social and environmental actions. EC efforts to launch different programmes to work together with companies and other stakeholders to understand and integrate CSR in their activities start to work. The number of European companies reporting information on the nature of CSR is in a steadily rising trend. In 2010, they globally dominated the group of those who reported CSR by 71% (KPMG, 2011) and were still at the top of the ranking by 73% in 2013, 74% in 2015 and 77% in 2017 (KPMG, 2017, p. 12).

The theme of corporate social responsibility may have started as a theoretical subject, debated by the academic community and subsequently in the works of the European Commission and European Parliament institutions, but gradually the big European companies have implemented it in their everyday work. It is true that the way they did this varies from company to company and country to country. There are no generic CSR methods, each method is based on individual business needs and circumstances (Essays, UK, 2013). There are big differences in both the adoption of CSR in the business strategy of companies within the Member States and the different ways of disseminating non-financial information. Companies in Western European countries are well ahead of those in Eastern Europe in the field of CSR. The different history of national economies of the last century still leaves its mark on the present. By using good practice models offered by large Western companies, CSR culture has penetrated and integrated into Eastern economies. Although they have had a longstanding start in integrating CSR policies, former Communist economies such as Romania and Bulgaria have become aware of the importance of implementing CSR principles in their business strategy in order to increase their economic competitiveness and sustainable development (Lyubenova, 2014; Ogrean, 2017). With a sustained effort, the Central and Eastern European (CEE) states will recover the existing gap.

The most important step to date in defining CSR within the EU was through the regulation of the obligation for certain types of enterprises (2014/95/EU). The European Commission's intention to regulate CSR reporting through a directive has been mentioned since 2011 (see, for example, the Single Market Act, COM (2011) A renewed EU strategy 2011–2014 for Corporate Social Responsibility). The first mention was made in the European Accounting Directive 2013/34/EU that, besides the financial information in the administrators' report, information on the social and environmental aspects needed in order to understand the development, performance or position of the company should also be presented. Directive 2014/95/EU amends the previous one and establishes the obligation for public interest companies with over 500 employees to provide information on at least environmental, social and personnel aspects, respect for human rights and the fight against corruption and bribery (2014/95/EU, p. 4).

Therefore, the CSR model adopted by the EU is a standardized one, based on rules and legislation at both central and Member State level. The main directions of CSR policy are to protect the environment by reducing polarization and social protection of the population by creating new jobs, combating poverty and discrimination. If the American model regards CSR as the CSR objectives of profitability and accountability to shareholders, European CSR refers to additional issues of responsibility towards employees and local communities (Madrakhimova, 2013, p. 511). The European Commission has understood that CSR harmonization can only be achieved by setting clear and concrete rules and has taken the lead in the world to regulate the CSR aspects that it considers to be priorities for its future development goals. Next, the EC needs to make these regulations easier to be understood (for example through Commission Communication 2017/C215/01) and to give companies time to acquire and integrate them into their own business practice.

3 Quantitative Analysis in CSR Disclosure: Romanian and Bulgarian Case

3.1 Research Design

Applying the provisions of Directive 95/2014/EU should lead, over time, to standardizing social responsibility practices at the level of public interest companies across the European Union. The publication of CSR information is considered one of the most important factors in making social responsibility a central subject of company management (Wensen, Broer, Klein, & Knopf, 2011, p. 19). Only by properly integrating non-financial information alongside the financial ones of the company's activity, CSR reporting can lead to major benefits for both management and its stakeholders. This involves a strong CSR culture among companies.

It is well known that the CSR concept is much more developed and more widespread in the Western European economies (WE), while in Central and Eastern European (CEE) countries, CSR culture is considered to be still in the development stage. The percentage of companies in these countries (CEE) publishing CSR reports is only 65% compared to 82% for companies in Western European countries (KPMG, 2017, p. 14). Expectations are high, with a better knowledge and understanding of the concept of CSR, as well as the importance of communicating non-financial information and diversity. We expect to see steady growth in CR reporting in Eastern Europe over the next few years and improve quality as regulatory requirements, market pressure and increasing awareness take effect (KPMG, 2017, p. 14).

As a result of the broad media coverage of the obligation to publish non-financial information and diversity, corporate social responsibility has grown heavily in public attention in Romania and Bulgaria in recent years. Companies in these two countries have become increasingly aware of the importance of social responsibility policies (Dobre, Stanila, & Brad, 2015; Hategan & Curea-Pitorac, 2017; Lyubenova, 2014; Stoyanov, 2017). Following the transposition of the 2014/95/EU Directive into the national laws of the two states, public interest companies already had the necessary information to strengthen the principles of CSR reporting in their own business strategy. Considering these aspects, the research in this chapter can be considered as a preview of the awareness and communication of CSR information by companies listed on the Bucharest and Sofia stock exchanges. When we carried out this research, we proceeded from the simple assumption that companies listed on stock exchanges are much more aware of the CSR culture, and of the importance of ensuring transparency and good reputation, from the large category of public interest companies targeted by non-financial reporting stakeholder information. Good communication of information influences their financial performance, and companies traded on a regulated market know it best. As the promotion of products and services leads to increased sales, the publication of information about decisions, policies and managerial visions leads to an increase in the value of the company. An official and easy source for communicating information to various categories of users is the company's official website. Along with financial or commercial information, the website is also preferred in communicating data on social responsibility actions undertaken by the company. This channel was used as a source of data collection on CSR actions of companies in numerous scientific papers (Dobre et al., 2015; Kunz, 2016; Stoyanov, 2017; Strouhal, Gurvitš, Nikitina-Kalamäe, & Startseva, 2015), that is why we also preferred it in this research.

Based on the above-mentioned ideas, the following sets of study hypotheses were formulated:

$\mathbf{H_{A0}}$ The introduction of the obligation of non-financial reporting and diversity leads to a breakdown of CSR information on the thematic areas recommended by the EU.

$\mathbf{H_{A1}}$ The introduction of non-financial reporting and diversity reporting will not lead to the detailing of CSR information on the recommended thematic areas.

$\mathbf{H_{B0}}$ Publishing CSR information influences the stock price of the company.

$\mathbf{H_{B1}}$ Publishing CSR information does not affect the stock price of the company.

The main focus of the chapter is on the level of reporting on the level of the two countries, as well as on the main aspects of CSR embraced by the companies analysed. The comparison between the two countries is doubled by the comparison between sectors of activity. For companies that communicate CSR information, a CSR index was determined and its influence on company stock exchange shares was monitored.

3.2 The Statistical Population

The scientific research in this chapter is carried out at the level of the companies listed on the Bucharest Stock Exchange in Romania (387 companies) and the Sofia Stock Exchange in Bulgaria (250 companies). Considering that the source of data collection on CSR communication is represented by the website of each company, the official addresses of these websites were obtained from the list of additional information provided by the two Stock Exchanges in Bucharest and Sofia.

At the preliminary stage of verifying the availability/functionality of these official websites, there were encountered situations where those addresses were temporarily inoperable/could not be accessed. The companies identified in this situation were excluded from the research, with the websites of 317 companies in Romania and 204 companies from Bulgaria being analysed.

Thus, the statistical population included in the research consists of 521 companies, 317 listed on the Bucharest Stock Exchange and 204 listed on the Sofia Stock Exchange (Table 1).

In order to highlight the sectoral differences among companies, they were grouped into five sectors of activity: “Manufacturing”; “Hotels, restaurants, catering”; “Financial and insurance activities”; “Real estate activities” and “Other activities”. The entire research phase of the information published on the company websites was made in December 2017.

3.3 Methodology

3.3.1 Quantitative Research

In order to identify the degree of communication of CSR actions and the specific type of published non-financial information, a survey of the official sites of more than 600 companies listed on the Bucharest and Sofia stock exchanges was carried out. The official website is the most widely used channel for CSR information communication by companies (Kunz, 2016; Salciuviene, Hopeniene, & Dovaliene, 2016; Strouhal et al., 2015). The content analysis is a commonly used tool in the literature to quantify CSR along with the reputation index and the survey based on a questionnaire (Hategan & Curea-Pitorac, 2017, p. 2). This is applied to the content of the CSR reports, the annual reports of the administrators (Dobre et al., 2015;

Table 1 The statistical population

Country	Listed companies (no.)	Companies included in the research (no.)
Romania	387	317
Bulgaria	250	204
Total	637	521

Reverte, 2016; Verbeeten, Gamerschlag, & Möller, 2016), or the content of official corporate websites (Hategan & Curea-Pitorac, 2017; Kunz, 2016).

The disadvantages regarding the utilized instruments lie in the subjectivity of the research and the tendency to select only some information, but these can be diminished by a standardization of integrating reports and mandatory disclosure of information (Brammer & Millington, 2005).

For this purpose, the content analysis criteria were established on the basis of the European Union Guidelines on Reporting on Non-Financial Information (Commission Communication, 2017/C215/01). The broad flexibility that Directive 2014/95/EU leaves to targeted entities in terms of CSR indicators and dimensions to be reported is both an asset and a disadvantage. The fact that entities are only recommended some priority CSR issues without a fixed reporting framework can be considered an asset to them. At the same time, without a standard reporting document, the informational utility of corporate data will be reduced by subjectivity and quality.

Against this background, in July 2017, the European Commission developed a non-financial reporting methodology stating a non-exhaustive list of thematic issues that entities should take into account: environmental issues, social and workforce issues, respect for human rights, combating corruption and bribery and others (Commission Communication, 2017/C215/01).

These five thematic issues recommended by the EU are the core criteria for content analysis. The communication or non-communication of information on the five thematic areas is marked with 1 or 0 for each analysed company. The results of content analysis are the basis for:

- **The degree of communication of CSR information by companies in the two countries** (**D_{CSR}**). An in-depth analysis of the information published on official websites will allow the identification of companies that have published CSR information as well as companies that have not published such information. The comparative analysis among countries will be doubled by the analysis in the structure by activity sectors.

$$D_{CSR} = \frac{No.of\ companies\ that\ published\ CSR\ information}{Total\ number\ of\ analysed\ companies} \tag{1}$$

- **Corporate Social Responsibility Index (Index_CSR)**. In the content analysis of the five thematic issues recommended by the EU in non-financial reporting, each company will receive 1 point if the issue is addressed in the report presented on the site, respectively 0, if the issue is not included in the reporting. This will determine a score for each analysed company, ranging from 1 (for companies reporting only a thematic issue) to 5 (for companies reporting information on all thematic issues). In order to facilitate comparison, based on the score obtained, a CSR index will be calculated for each analysed company.

$$Index\_CSR = \frac{The\ score\ obtained\ by\ the\ company}{5\ (maximum\ score)} \tag{2}$$

For companies reporting CSR information, the value of this index will fall within the range [0.2; 1.0].

3.3.2 Empirical Research

For companies that publish detailed social responsibility information, the analysis will be continued by testing the causal link between the responsibility (Index_CSR) index and the stock price index (Index_SP). In other words, it is tested how the price of company shares is influenced by how the company is aware of and responds to the obligation to communicate punctual CSR information on the five thematic areas of interest. As for companies listed on stock exchanges, the null hypothesis from which we start stipulates the existence of a positive influence of the CSR Index on the stock price index. The more the company provides more comprehensive information about its policies, including CSR, the more investors can make a more accurate assessment of its value and the risks associated with its business.

In the technical literature, the link between corporate social performance (CSP) and financial performance (CFP) has been and remains a highly debated issue, perhaps also due to divergent results in different types of national economies (Dobre et al., 2015; Hategan & Curea-Pitorac, 2017; Kunz, 2016). Many of the recent studies conclude that investors increasingly take into account the involvement and communication of corporate CSR in companies (Dornean & Oanea, 2018; Reverte, 2016; Verbeeten et al., 2016).

Testing the null (H_{B0}) and alternative hypotheses (H_{B1}) will be based on the correlation analysis of the link between the two variables (Index_CSR), as an independent variable and Index_SER, as a dependent variable. The decision will be based on the Pearson Correlation Coefficient ($r = [-1,1]$), the hypothesis validated/rejected rule being the significance threshold $p < 0.05$ (2-tailed). In the case of a significant statistical correlation between the two variables, it will be estimated a simple linear regression equation of the form of:

$$Index\_SP = \alpha + \beta \times Index\_CSR \tag{3}$$

Estimating the regression coefficients, testing and validating the linear model equation will be done using the Statistical Package for Social Sciences (SPSS) software package.

4 Results and Discussions

In the first stage of the research, the websites of 521 companies listed on the Bucharest, Romanian and Sofia Stock Exchanges were investigated. The purpose of this investigation was to analyse the content of the information published by companies in 2017 on official websites on corporate social responsibility. Conclusions based on available information allowed us to group the companies analysed into two categories:

- Companies that do not publish any information about the social responsibility actions they have been involved in on their own site;
- Companies that publish information about social responsibility actions on their site;

The distribution of these companies by country and by industry is shown in Table 2.

Table 2 The distribution of companies listed on the BSE and SSE, according to their sectors of activities

Country	Sector of activity	No. of analysed companies	Structure (%)	No. of companies with CSR activities	Structure (%)	CSR degree of reporting (%)
Romania	Manufacturing	126	39.7	56	65.1	44.4
	Hotels, restaurants, catering	24	7.6	0	0.0	0.0
	Financial and insurance activities	23	7.3	7	8.1	30.4
	Real estate activities	24	7.6	0	0.0	0.0
	Other activities	120	37.9	23	26.7	19.2
	Total Romania	317	100	86	100	27.1
Bulgaria	Manufacturing	52	25.5	21	60.0	40.4
	Hotels, restaurants, catering	11	5.4	2	5.7	18.2
	Financial and insurance activities	43	21.1	0	0.0	0.0
	Real estate activities	28	13.7	3	8.6	10.7
	Other activities	70	34.3	9	25.7	12.9
	Total Bulgaria	204	100	35	100	17.2

Source: Authors' calculations

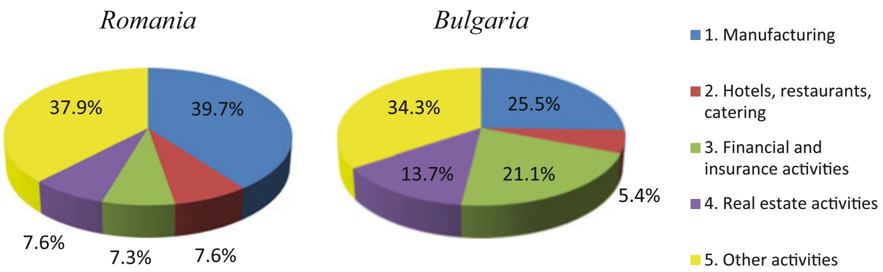

Fig. 1 The structure of the companies analysed, by sector of activity

Most of the companies in Romania are active in the "Manufacturing" sectors (126 companies, representing 39.7%) and "Other activities" (120 companies, representing 37.9%). Together, the two sectors aggregate 246 companies, accounting for 77.6% of all Romanian companies analysed. In Bulgaria, these two sectors of activity are less well represented, with only 59.8% of the companies being surveyed (122 companies respectively). In contrast, in the sample of analysed companies, the sector "Financial and insurance activities" is better represented in Bulgaria (43 companies representing 21.1% of the total), compared to Romania where there are 23 companies (7.3% of the companies analysed).

The structure of the companies in the two countries included in the analysis, by sectors of activity, is graphically represented in Fig. 1.

According to Directive 95/EU/2014, since the financial year 2017, all public interest companies in the EU Member States have had an obligation to report on the social responsibility actions they have been involved in. Despite this requirement, not all listed companies included in the research reported this on their own site. Of the 317 companies listed on the Bucharest Stock Exchange, only 86 companies, representing 27.1% of the total, communicated through their own website information about the CSR actions they were involved in. At the Sofia Stock Exchange, out of the 204 companies surveyed, only 35 companies, representing 17.2% of the total, reported their involvement in social responsibility actions.

The degree of CSR communication (D_{CSR}) for companies in the two countries is 27.1% for Romania and only 17.2% for Bulgaria. Schematically, the CSR reporting status is shown in Fig. 2.

Thus, the reporting rate of CSR actions is relatively low, with significant differences from one sector of activity to another (Table 2). In both countries, the highest level was recorded for "Manufacturing" companies (44.4% in Romania and 40.4% in Bulgaria). As far as the lowest level of CSR reporting is concerned, in Romania, it was recorded in "Hotels, restaurants, catering" and "Real estate activities", where none of the analysed companies reported such actions. In Bulgaria, in the "Financial and insurance activities" sector, none of 43 listed active companies reported involvement in social responsibility actions.

In the second phase of the study, for companies that have published CSR information, the analysis has been deepened. To determine the degree of detail of

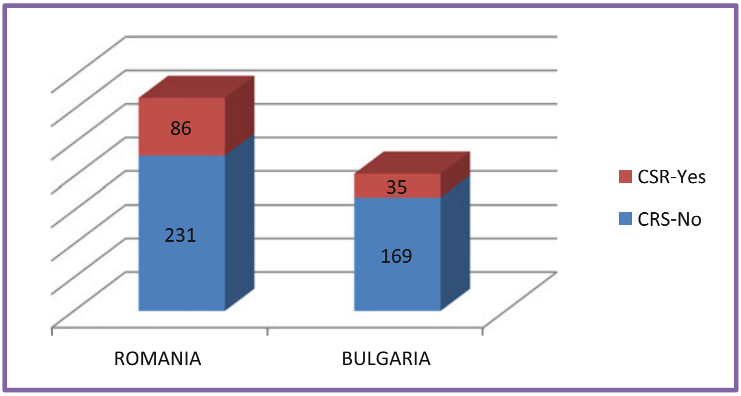

Fig. 2 The distribution of the analysed companies according to their CSR degree of reporting

this information by the 121 companies surveyed (86 companies in Romania and 35 companies in Bulgaria), the analysis was focused on the concrete content of the published CSR information. The information was judged and structured according to the five thematic areas recommended by the EU to be considered in the non-financial reporting, namely:

- Environmental matters;
- Social and employee matters;
- Respect of human rights;
- Anti-corruption and bribery matters;
- Other specific information.

Companies received 1 point for each topic of interest they published information for. Following the cumulative score for each company, scores ranging from 2 to 5 points (Table 3) were obtained. The result reflects that all companies surveyed published information for at least two of the thematic areas recommended by the EU.

Based on individual scores for each company, the overall score, the average score, and the CSR Index (I_{CSR}) for each industry were calculated. The distribution of the companies analysed according to the score obtained by activity and by country is shown in Table 3.

The highest level of the CSR Index was recorded for the "Financial and Insurance Activities" sector in Romania ($I_{CSR} = 1.00$), where all seven companies analysed reported information for all five thematic areas. On the other hand, the companies in Bulgaria that were active in this sector did not provide any information about the CSR actions undertaken.

In the "Manufacturing" sector, which had the highest reporting rate for CSR actions, the CSR Index was in the middle of the scoring range: 0.489 for Romanian companies and 0.486 for Bulgarian companies. Most companies in the sector reported information for two thematic areas (40 companies in Romania and

Table 3 The distribution of the companies listed on the BSE and SSE according to their CSR score

Country	Sector	No. companies CSR	Total of approached thematic areas (no. companies)					Total score	Average score	Index_CSR
			1	2	3	4	5			
Romania	Manufacturing	56	0	40	9	5	2	137	2.45	0.489
	Hotels, restaurants, catering	0	0	0	0	0	0	0	–	–
	Financial and insurance activities	7	0	0	0	0	7	35	5.00	1.000
	Real estate activities	0	0	0	0	0	0	0	–	–
	Other activities	23	0	7	6	7	3	75	3.26	0.652
	Total	86	0	47	15	12	12	247	2.87	0.574
Bulgaria	Manufacturing	21	0	16	2	2	1	51	2.43	0.486
	Hotels, restaurants, catering	2	0	0	2	0	0	6	3.00	0.600
	Financial and insurance activities	0	0	0	0	0	0	0	–	–
	Real estate activities	3	0	2	1	0	0	7	2.33	0.467
	Other activities	9	0	6	2	1	0	22	2.44	0.489
	Total	35	0	24	7	3	1	86	2.46	0.491

Source: Authors' calculations

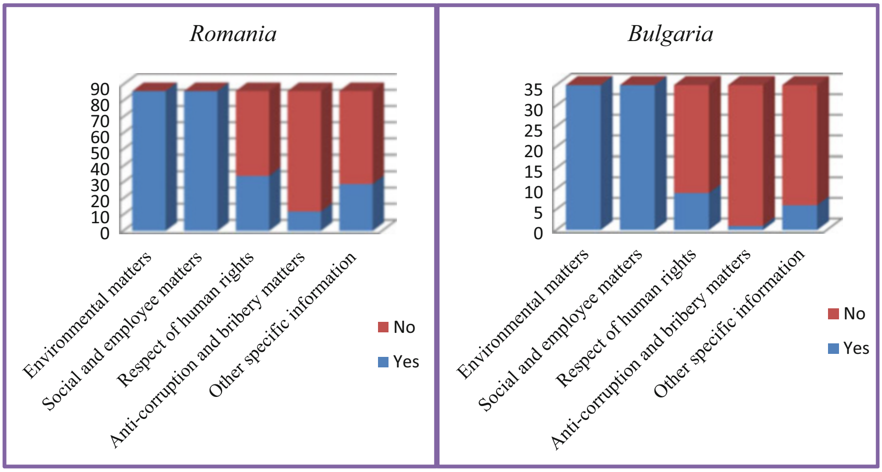

Fig. 3 Reporting CSR actions by major areas

16 companies in Bulgaria), while only three companies (two companies in Romania and one company in Bulgaria) reported information for the five areas recommended.

In the "Hotels, restaurants, catering" sector, two companies in Bulgaria reported CSR actions for three areas, achieving a CSR Index of 0.600 points. However, no Romanian company in this sector reported any CSR actions.

CSR actions are poorly represented in the "Real estate activities" sector in Romania, where none of the 24 companies surveyed published such information, while in Bulgaria, 3 companies in this sector published CSR information (2 companies for two thematic areas and a company for three thematic areas), with a CSR Index of 0.467 points.

In the "Other activities" category, most of the companies surveyed were included. Of these, 23 companies in Romania published information on CSR actions in at least two thematic areas, with an average CSR Index of 0.652 points. For Bulgarian companies in this category, the involvement was lower, with nine companies publishing information on CSR actions, mostly in just two major areas. The average CSR Index for these was 0.489, lower than the value recorded by Romanian companies in the same sector of activity.

On the whole of the analysed companies, we find that the average level of the CSR Index was 0.574 points for the companies analysed in Romania, respectively 0.491 points for the companies in Bulgaria.

Regarding the recommended thematic areas for reporting CSR actions (Fig. 3), all companies in Romania and Bulgaria reporting such actions addressed the first two areas ("Environmental matters" and "Social and employee matters"), 34 companies in Romania and 9 companies in Bulgaria reported actions for the domain of "Respect of human rights", and only 12 companies in Romania and a Bulgarian company reported actions in the field of "Anti-corruption and bribery matters".

Table 4 The correlation between the CSR Index and the evolution of the exchange rate

Correlations				
			Index_CSR	Index_SP
Romania	Index_CSR	Pearson Correlation	1	0.091
		Sig. (2-tailed)	–	0.402
		N	86	86*
Bulgaria	Index_CSR	Pearson Correlation	1	0.343
		Sig. (2-tailed)	–	0.044
		N	35	35

*Correlation is significant at the 0.05 level (2-tailed)
Source: Authors' own calculations with the help of SPSS

The previous practice in the communication of CSR information shows that both Romanian and Bulgarian companies have largely confined themselves to the minimum required by the national legislation in force. Thus, the most frequently communicated information was related to the protection of the environment and the human resource (Anastassova, 2015; Dobre et al., 2015; Georgieva, 2017; Hategan & Curea-Pitorac, 2017). Compared with the results of reporting companies in the two countries, before the entry into force of the provisions of Directive 95/EU/2014, we find an increase in the detail of the CSR information. In fact, none of the companies that provided CSR information on their site dropped below the minimum required by the national legislation prior to the Directive. Thus, all companies that reported such information covered at least the first two of the five thematic areas. The increase in the degree of detail is noticed by the fact that 41% of the Romanian companies analysed reported additional CSR information to these areas (15 companies published information for 3 thematic areas, 12 companies for 4 thematic areas and 12 companies published information for all 5 thematic areas). In the case of Bulgaria, 31% of the companies surveyed published additional information for the first two thematic areas (seven companies published information for three thematic areas, three companies for four thematic areas and one company published information for all thematic areas).

Based on these results, we can state that the H_{A0} research hypothesis is validated, i.e. the mandatory reporting of CSR actions leads to the decomposition of the information on major areas established by Directive 95/EU/2014.

To validate/invalidate the research hypothesis H_{B0}—*Communicating information on CSR actions influences company stock price*, we will analyse the dependence between the CSR Index level and the evolution of the exchange rate for each of the analysed companies. The evolution of the exchange rate is appreciated by its index (Index_SP), calculated as a ratio between the stock price at the end of 2017 and the end of 2016.

To analyse the correlation between the CSR Index and the evolution of the exchange rate, we used the Statistical Package for Social Sciences software (SPSS) to help us calculate the Pearson correlation coefficient. The values obtained are presented in Table 4.

Table 5 The regression model between the stock price index and the CSR index for Bulgarian companies

Coefficients[a]						
Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	0.537	0.322		1.670	0.104
	Index_CSR	1.309	0.625	0.343	2.095	0.044

Source: Authors' calculations
[a]Dependent Variable: Index_SP

At the level of the Romanian companies, there is no correlation between the CSR Index and the evolution of the exchange rate, the value of the Pearson (R) correlation coefficient being very low ($R = 0.091$). This means that a high degree of communication of the social responsibility actions they were involved in did not have any influence on the evolution of stock quotes of companies listed on the BSE.

The situation is different for companies in Bulgaria, where the Pearson correlation coefficient was higher ($R = 0.343$), meaning a direct correlation between the two variables, but of low intensity. The value of the Sig. (2-tailed) is low (0.044) lower than the significance threshold (0.05), meaning that the identified link is statistically significant. This means that those Bulgarian companies that better communicated information about the social responsibility actions they were involved in benefited from a slight increase in stock prices as an effect of increasing investor confidence.

The results obtained validate the H_{B0} research hypothesis for Bulgarian companies but invalidate it for companies in Romania.

Given the correlation identified for Bulgarian companies, we will analyse the interdependence between the variables analysed using the linear regression method. The general form of the regression model for the variables analysed is:

$$Index\_SP = \alpha + \beta \times Index\_CSR \tag{4}$$

The values of the model coefficients (α and β) are determined using the SPSS application, using the Forward option. The results obtained are presented in Table 5.

The regression model obtained is: $Index\_SP = 0.537 + 1.309 \times Index\_CSR$

The positive value of the β coefficient confirms the existence of a positive correlation between the two variables. The high values for the *t* test and the low values for the Sig. coefficient lead to the conclusion that there is a statistically significant relationship between the variables analysed.

The model obtained leads to stock price index values below 1 if the CSR Index value is less than 0.4, respectively for companies that reported CSR activity information for only one major domain. For companies that provided such information for at least two domains (Index_CSR = 0.4), the theoretical value of the stock market index is Index_SP = 1.06, which means an average increase of the exchange rate by 6%. For each additional major area in which they report information, companies are hoping for an average stock price increase of 26.18%.

The obtained results validate the H_{B0} research hypothesis at the level of Bulgarian companies, confirming the existence of a direct statistical link between their involvement in social responsibility actions and the evolution of the stock price.

5 Conclusion

In recent years, the importance of CSR has greatly increased in the economies of the Member States of the European Union. The main reason for this increase was the transpose addition to the national law of the provisions of Directive 2014/95/EU on the obligation to report non-financial information and on diversity. By implementing this directive, the European Union has become a global pioneer in transforming the option to communicate CSR information as a mandatory task. Its expectations are to close the gap between the Western, and Central and Eastern European economies over time. The unification of the efforts of public interest companies in all Member States to protect the environment, human rights, reduce unemployment and combat corruption and poverty is subsidiary to the objective of achieving a sustainable socio-economic development based on knowledge.

Thus, public-interest companies with more than 500 employees need to become more aware of the impact their work has on the community and the environment, as well as the obligation to inform those interested in the evolution of this impact. Considering non-financial information as a separate subject in the company's reporting will not bring any benefit. Only through a punctual (detailed) approach and through the proper integration of non-financial information alongside the financial ones of the company's business, will both shareholders and stakeholders benefit.

Taking all these aspects into account, the research in this chapter is focused on the actions taken and the CSR information communicated in 2017, the first financial exercise, i.e. the subject of non-financial reporting. The information communicated through official websites was considered, being one of the preferred channels of companies to communicate CSR information. The statistical population included in the analysis was formed by the companies listed on the Bucharest Stock Exchange, Romania (317 companies) and the Sofia Stock Exchange, Bulgaria (204 companies). For these 521 companies (out of a total of 637 listed on the exchanges in the two countries) official functional websites were identified during the research period. The scientific objectives of this research were to identify the level of reporting of CSR information at the level of the two countries as well as how to decipher this information and its impact on the stock price of the company. The research methodology used was the content analysis, as reference criteria for the five thematic areas recommended by the EU in the guideline on non-financial reporting.

The first stage of the analysis involved a detailed survey of the official sites of the 521 active companies listed on the Bucharest and Sofia stock exchanges. As a result, the companies analysed were divided into two categories: companies that communicate information of the nature of CSR on their website and companies that do not communicate such information on their website. The degree of communication of CSR information by companies in the two countries (D_{CSR}) was calculated. Of the 317 companies listed on the Bucharest Stock Exchange, only 86 companies, representing 27.1% of the total, communicated information about the CSR actions they were involved in on their websites ($D_{CSR} = 27.1\%$). At the Sofia Stock Exchange, of the 204 companies surveyed, only 35 companies, representing 17.2% of the total, reported involvement in social responsibility actions ($G_{CSR} = 17.2\%$.) Comparative cross-country analysis was doubled by a cross-sectoral benchmarking analysis. For this purpose, the companies surveyed were grouped into five main areas of activity: "Manufacturing", "Hotels, Restaurants, Catering", "Financial and Insurance Activities", "Real Estate activities" and "Other activities."

The second phase of the analysis involved the actual identification of the types of CSR information published by each company. At this stage, only companies identified to have reported CSR (86 companies in Romania and 35 companies in Bulgaria) were included. The information communicated for each of the five thematic issues recommended by the EU (1 point for each area) was taken into considerations and scored. The results indicated that all companies surveyed reported information for at least two thematic areas (most commonly reported as "Environmental matters" and "Social and employee matters"), while 12 of the Romanian companies and a Bulgarian company published information on all five recommended thematic areas. In order to facilitate comparisons between countries, a CSR Index was calculated based on the scores obtained. Its level was 0.574 for Romanian companies and 0.491 for Bulgarian companies.

The last step of the analysis involved studying the existing statistical interdependence between the CSR Index and the stock price of the companies. At the level of the Romanian companies, the Pearson (R) correlation coefficient indicated the lack of a correlation between the two variables ($R = 0.091$). The detailed communication of CSR information had no influence on the price of Romanian companies' shares. The situation was different for Bulgarian companies, where the slightly higher Pearson correlation coefficient ($R = 0.343$) indicated a direct correlation between the two variables, even if of low intensity. For Bulgarian companies, the communication of CSR information in a detailed manner led to greater confidence on behalf of investors and, implicitly, to a slight increase in stock quotes. The estimated regression equation among Bulgarian companies confirmed the positive relationship between the CSR Index (as an independent variable) and the Stock Price Index (as a dependent variable). In addition, it was noted that for each additional thematic area communicated, companies expect an average increase of the exchange rate by 26.18%.

The main conclusion of the research remains that the entry into force of the provisions of Directive 2014/95/EU led to an increase in the level of detail of CSR information. In the case of Romania, 17% of the analysed companies detailed the corresponding CSR information for three of the recommended areas, 14% of the companies adequately detailed four thematic areas and a further 14% of the

Romanian companies published corresponding information for all five recommended thematic areas. For Bulgaria, the percentages were 20% for companies that detailed CSR information for three of the recommended areas, 9% of companies detailed well four of the recommended areas and 3% of them communicated information for all five recommended thematic areas.

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Corporate Social Responsibility: An Analysis of Romanian Banks

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1 Introduction

In Romania, the concept of corporate social responsibility appeared in 1990, at the same time with the apparition of several NGOs, especially for humanitarian purposes, funded with the support of the public or private international institutions.

This phenomenon got amplified in the 2000 due to the efforts of integration in the European Union, which determined the involvement of big and small companies in CSR/SR activities which aimed especially the restructuring/replacement of the production technologies with some that protect the environment and in social measures that aimed the employees and the company.

The implementation of responsible practices by the private sector become stronger after the adhering the EU and was led mainly by the involvement of the multinational companies which transferred from the organizational practices and culture from the central seats on local level and, later on, by the opportunity to access European funds.

In the conditions of a lack of the legal obligation in Romania, the non-financial reporting represented rather a process of exteriorization of the company actions, becoming a means of promotion and communication in the external environment. Whether we speak of an internal initiative, initiated within the specialized departments, or an expertise transfer from the parent companies, the non financial reporting contributed not only externally, through a greater transparence of the company, but also internally, through a better prioritization and allocation of resources on the social responsibility side.

The social impact of the companies is a subject of great interest on the public and political agenda, in the terms of the Directive regarding the non financial reporting.

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And before the apparition of this directive, a series of companies from Romania, especially the foreign ones, had already adopted non financial reporting techniques.

The sustainable developments found more and more its place among the basic principles of the strategies according to which the local banks are managed. Introduced for more years on the initiative of the parent companies, the sustainability practices were intensified and refined, after the banks attracted a lot of criticism regarding the causes and intensity of the economic crisis from 2008. The overcoming of the greatest contemporary financial crisis and the problems the local banks confronted with for the first time in the history of their activity brought up not only the importance of the direct and mutual relation with the clients, but also the conviction that only a development based on sustainability principles can set them on the correct premises for the future.

For the category of the public entities which are credit institutions, the National Bank of Romania (BNR) issued the Order no. 7/2016 regarding the amendment and completion of BNR Order no. 27/2010 for the approval of the Accounting Regulations in accordance with the Financial Reporting International Standards, applicable to the credit institutions, and of BNR Order no. 6/2015 for the approval of the Accounting Regulations in accordance with the European directives. According to this normative act, the aimed organizations (the ones which have an average number of employees of over 500) will have the obligation to include in 2018 in the Directors' report, a non financial declaration, which should contain information regarding the economic, social and environmental performance related to the previous financial year.

Of the 35 active banks in Romania, 13 of them post on their own websites special sections dedicated to the CSR, which include from strategy and policies to events and reports (KPMG, 2017). The defining aspect is that 8 of the first 10 banks allotted such space, and 1 of the 13 are in the first half of the top according to the assets. Without clearly displaying their actions, the rest of the banks too state that they guide their activity following the principles of the social responsibility, even though some principles, such as the corporate governance, were imposed on the European level, as a consequence of the effects of the economic crisis.

The performance of some actions of social involvement can bring many advantages, having both an exterior effect, and also an interior effect. The interior effect consists of the action on the image of a company and on the perception among the clients, while the exterior aspect is the essential one because it refers to the manner in which a company or more companies get involved in the improvement and development of the community they are part of. It is very important and useful that there is constant support, help and contribution, especially when progress is desired.

Organizations should be interest in the harmonization of the interest and objective of business by reporting to the needs of the communities and company, without having the profit as final objective. The awareness campaigns must represent a success strategy both for the company and the community.

2 Background

Although currently there is no standardized, universally accepted definition, CSR can be defined as volunteer activities performed by a company so that it operates in a lasting manner from the economic, social and ecologic point of view.

The CSR concept was defined for the first time by William J. Bowen (1953) in his thesis Social responsibilities of businessman, but the term become known starting from the 1990s. Friedman (2007) said that the only social responsibility of business is to use the resources and get involved in maximizing the profit. As a response to Friedman's conception, Carroll (1979) developed the CSP model which had triple purpose: to define the essential aspects of CSR, to ensure their connection to relevant social problems and allow the practitioner in the field to choose a corporate philosophy to solve these problems. In 1991 Carroll developed his model and built under the shape of a pyramid (Pyramid of Corporate Social Responsibility) which contains the four responsibilities the enterprises have towards the society at any given time economic, juridical, ethical and philanthropic (Carroll, 1991).

The CSR concept often changes in the strategic management field because it varies depending on a series of national and cultural factors (Logsdon, 2006; Pîrvu & Axinte, 2013). In the same sense Moon and Vogel (2008) observed that CSR is extremely contextual and it depends to a great extent on the country and the governing manner at that time.

Because the bank sector is at the center of the society, its role currently exceeds the insurance of the financial stability in the economy; and it involves the establishment of new tendencies and strategies, the supply of services necessary to the clients and greater responsibility from the social point of view (Chambers & Day, 2009).

In the bank sector the social responsibility is a concept deeply embedded in the financial services industry, banks being determined to increase the transparency and liability regarding the social responsibility upon the amendment of regulations and expectations in the society (Scholtens, 2009).

The basic elements in defining the CSR concept in the bank sector according to Yeung (2011) are: the understanding of the complexity of financial services, risk management, the enforcement of the ethics in the bank activity, the implementation of the strategy for the financial crisis and protecting the rights of the clients.

On international level many banks started to include the environment and social factors in their strategy of long term investments. Due to this fact, new products have been developed and new growth opportunities have been opened, but it also assured a better risk management in the investment strategies of the banks (Mihai, Drăgan, Brabete, & Iota, 2013).

Palomino and Martinez (2011) consider that the efficacy of the ethics programs differ within the banks because some aim first of all to obtain a more favorable image in regard to the social-economic institutions (government, mass-media, society, clients) and they do not have a significant effect on the ethics of the employees.

In the specialty literature there are many studies which investigate the connection between CSR and the financial performances, the cost of the credits, or the satisfaction of the clients, but also the costs and benefits the CSR implementation brings.

Thus, Margolis and Walsh (2003) speak of over 100 studies made during 1971–2001 that analyze the relation between CSR and the financial performances. Soana (2011) observed that in the study on the Italian banks that there is no significant correlation between the social and financial performances, Chih, Chih, and Chen (2010) within an empirical research have reached the conclusion that the financial performance and CSR are not connected. From their perspective, the superior financial performances mean that a company has much more available funds for their CSR activities and found a direct correlation between the global health of economy and the CSR level within the company.

CSR can determine the increase both of long term profitability and also of sustainability of banks, according to the Islam et al. (2012) study. Another study on some banks of Nigeria pointed out a correlation between CSR and the increase of profits (Adewale & Rahmon, 2014). Another article explains the positive relation between CSR and the financial performances by the fact that the application of the CSR principles by banks could help them earn the trust of the interested parties, which would lead to the increase of profits (Amole, Adebiyi, & Awolaja, 2012; Hațegan & Pitorac-Curea, 2017).

There are however studies which reveal the existence of a negative relation between CSR and performances, the explanation being that the firms responsible from the social point of view have a competitive disadvantage, because the paid costs reduce the profits and fortune of stakeholders. That is why firms tend to reduce the expenses regarding the dimensions of CSR in order to increase the short term profits (Waddock & Graves, 1997).

Other supporters of the negative relation between CSR and the financial performances, Perrini et al. (2011, p. 69) claim that it is not the responsibility of the firms to approach social aspects, them being questions that should be solved by governments and the resources dedicated to the social programs and actions should be whether used to increase the efficiency of the firms, or reimbursed to the shareholders.

From the financial point of view, the costs of application of the CSR within a bank can be:

1. Capital costs—the cost of the new equipment, the infrastructure changes, the introduction of new products etc.
2. Recurrent costs: the continual monitoring and registration of the conformity and practices of CSR
3. The communication costs: the communication of the ethical codes and the leading of the individual investors, of mass-media and of the employees
4. The personnel expenses: the costs for the recruitment of qualified employees, the financial cost of personnel training and the increase of the employees' salaries (SIA Partners, 2015).

Scarlett (2011) observed that the companies are stimulated to engage in programs responsible from the social point of view due to the potential benefits for business, which include the improvement of the brand, the market differentiation and the satisfaction of the employees. At the same time one also identified the minuses determined by the fact that the CSR activities are not being efficiently communicated towards the aimed public, which can stop the achievement by the company of the identified advantages.

One also identified (Lewicka-Stralecka, 2006) the opportunities and limits of the application of CSR in the Central and Eastern European countries, such as: the business image, the juridical context, the situation of the labor market, the corruption and correlation of the economic standstill and the social decline.

The influence the CSR policies have on the behavior of the consumers is revealed in a study by Raub and Blunschi (2013) who proved the employees obtained a better satisfaction regarding the job and the potential investors have been influenced by the CSR policies in purchasing the shares. Asslaender (2012) observed the fact that the consumers are different and they will have various expectations regarding what an efficient CSR represents. There will always be a conflict between what the client perceives as beneficial and what the enterprises actually do (Van den Heuvel, Soeters, & Gössling, 2014). The contemporary consumer founds himself in difficulty in adopting the purchase decision because of the opening towards a global market, which led to the depersonalization of the products and services; they have close features, so that the appreciation of their quality tends to no longer be made based on the same standards as in the past decades, suffering important changes (Jianu, 2017).

A relationship between CSR and the cost of credits has been identified. Thus, Goss, Gordon, and Roberts (2011) explained that within the process of approval of the credits and the subsequent checking, banks hold more information on the company than other interested parties on the market. Including on the achieved CSR activities. The authors observed that the firms which do not pay attention to CSR pay greater interests for loans than the companies responsible towards the society.

Based on the made studies we can conclude that, although on short term, an initial investment in CSR can have an impact on the present organizational practices within a bank, on the long run, these practices could bring a variety of advantages: the access to the capital and new business markets, increased sales and profits, operational costs, durability, increased productivity, a greater qualification of the employees, a better reputation before the public and an increase of the clients' loyalty.

There are a series of studies oriented towards the achievement of some social responsibility activities measuring instruments. Thus, Abbott and Monsen (1979) elaborated a presentation scale for the social involvement of the enterprises, using data from the annual reports of the companies Fortune 500, focusing on six fields such as: environment, products, equal opportunities, personnel, community involvement and other information. Ullmann (1985) and Waddock and Graves (1997) used the Kinder Lydenberg Domini (KLD) rating system, where each company of the S&P 500 is evaluated based on eight criteria, namely: the relation with the employees, the product, the relation of the community, the environment, the treatment of women and minorities, the nuclear power and the military contracts. Zappi (2007) used three attributes, employees, clients and environment, for measuring the CSR in the Italian bank industry. Sharma (2011) offered a list containing the fields for reporting the CSR activities by the Indian banks, such as: children welfare, community welfare, education, environment, health, poverty eradication, rural development, vocational training, children, occupation of the labor force. A study still on the Indian bank system (Karmayong, 2009) reached the conclusion that two thirds of the 36 interviewed banks could not obtain a rating of 3 on a scale from 0 to 5, and only one bank could reach level 5.

At the level of Romania, The Azores, a consultancy firm, made in 2015 and 2017 studies regarding the CSR index in Romania, namely the top of the most transparent and involved companies of Romania regarding the social and environmental responsibility. The index analyzes 100 great companies of Romania from the perspective of the corporate sustainability. In order to analyze the performances of the companies from the CSR perspective, The Azores agency elaborated an evaluation sheet with 43 indicators held in nine categories: Corporate Governance, Diversity, Economic Impact, Environment, Human Rights and Anti-Corruption Policy, Employees, Marketing & Creating Awareness, Investments in the community, Supply chain.

3 How Social Responsible Are Banks in Romania?

3.1 Methodology and Data

On included in the study made six banks of Romanian which are in top ten banks from the market share, profitability and number of clients point of view: Raiffeisen Bank, BCR Erste Bank, BRD GSG, UniCredit Bank, ING Bank and Banca Transilvania because only for them one found information regarding the Corporate Social Responsibility.

The evaluation methodology was elaborated in accordance with three international standards: Directive 2014/95/UE, Global Reporting Initiative G4 and Dow Jones Sustainability Index 2014. There were in total 23 indicators divided to eight categories which cover both information on the corporate governance and also aspects regarding the economic impact, the environment, the responsibility regarding the consumers and employees and the investment in the communities.

CSR index for the selected banks was calculated by means of two equations

$$\text{CSR Index} = (\mathrm{A}_5 + \mathrm{B}_2 + \mathrm{C}_3 + \mathrm{D}_2 + \mathrm{E}_2 + \mathrm{F}_4 + \mathrm{G}_3 + \mathrm{H}_2)/8 \tag{1}$$

where $\mathrm{A}_5 = \frac{\sum_1^5 A}{5}$; $\mathrm{B}_2 = \frac{\sum_1^2 B}{2}$; $\mathrm{C}_3 = \frac{\sum_1^3 C}{3}$; $\mathrm{D}_2 = \frac{\sum_1^2 D}{2}$; $\mathrm{E}_2 = \frac{\sum_1^2 E}{2}$; $\mathrm{G}_3 = \frac{\sum_1^3 G}{3}$; $\mathrm{H}_2 = \frac{\sum_1^2 H}{2}$

We made a scoring for each indicator as in Table 1:

Table 1 Scoring data for analyzed banks

	Explanation
0–10 points	When there are no information on the analyzed indicator, no social responsibility activities are found, and there are no concrete data
11–40 points	Information regarding the analyzed indicator are lacking, there are a few social responsibility activities, and there are no concrete data
41–70 points	There are enough information regarding the indicator in question, there are a few social responsibility activities, there are data but they are not up to date, or they are not sufficient
71–100 points	There are detailed information on the indicator in question, multiple social responsibility activities, the existing data show a favorable evolution and they place the bank on a superior position in comparison to the other analyzed banks

Own calculations

In order to evaluate the scoring we used data disclosed by banks (CSR annual reports, bank websites, newspaper articles regarding CSR). The score given was calculated by means of an objective estimation method.

3.2 Solutions and Recommendations

As it can be seen from Table 2 regarding the CSR management category, Raiffeisen bank leads by far by a score of 72 points, obtained due to the fact that has an annual report regarding CSR where the social responsibility strategy is presented in detail both for the current year and also for the future, and it offers the most information regarding the CSR representatives, but not so much regarding the appointment manner and the reporting manner by them. On the second place as score is BCR Erste Bank which has a Report regarding CSR, but which was published in 2011, and that is why the awarded scores are lower, because although the vision and strategy of the bank in the social responsibility field is represented, however they are not up to date and there are no information regarding the future strategy. All the other banks are included in the study and they do not hold reports regarding the social responsibility, but they have on their websites a section concerning the social responsibility and they offer information on the projects developed until 2016, except for UniCredit Bank which gives information up to 2015 (Table 3).

Banca Transilvania reported for 2016 the greatest net profit from the Romanian banking system, of 1.2 billion lei. The BCR Group, which includes the greatest bank on the local market according to the assets, obtained last year a net profit of 1.04 billion lei, and BRD-SocGen registered in 2016 a net profit of 728.3 million lei, the best annual result after 2009. On the fourth place in the top of profits on the local banking market ING Bank advanced last year, the local branch of the Dutch group bearing the same name, obtaining last year a net profit of 474 million lei. Raiffeisen Bank Romania had a net gain of 100 million Euros (approximately

Table 2 CSR management

Indicator/ bank	Appointment of CSR representatives (A1)	Determination of the application field for authorities, strategies and objectives of CSR (A2)	Document and registrations regarding CSR (A3)	Improvement system (A4)	Audit and evaluation system (A5)	A = (A1 + A2 + A3 + A4 + A5)/5
Raiffeisen Bank	Detailed information regarding the CSR representative, but not many on the appointment manner	The CSR report for 2016 contains detailed information both for the previous period and also plans for the following year	Detailed information regarding CSR are found on the website of the banks and in the CSR report	A series of improvements in the CSR field are mentioned	The CSR report observes two of the reported standards (LBG and GRI)	**72**
	80	90	90	70	30	
BCR Erste Bank	Information on the CSR representatives but not much information on the appointment, reporting manner	There is no available CSR report for 2016, the most recent being in 2011. However, one can find on the bank website a series of information regarding the projects developed in this year's time	Adequate information regarding the CSR documents on the bank website but this information are not updated	There is no information	The CSR report observes the reporting standard GRI	**36**
	60	50	50	0	20	
BRD GSG	There is no available information	There are no CSR reports available for this bank, a series of information regarding CSR are included in the	Information regarding CSR are included in the activity reports of the bank, the most recent being from 2015	There is no information	There is no information	**16**

		activity reports, the most recent being from 2015. However, a series of information regarding the projects developed during 2016, can be found on the website of the bank				
	0	40	40	0	0	
UniCredit Bank	There is no available information	There are no CSR reports available for this bank. However, on the bank website one can find a series of information regarding the fields aimed by the CSR policy	On the bank website one can find a series of information regarding the projects developed up to 2015	There is no information	There is no information	**11**
	0	30	25	0	0	
ING Bank	There is no available information	There are no CSR reports available for this bank. However, on the bank website one can find a series of information regarding the fields aimed by the CSR policy	On the bank website one can find a series of information regarding the projects developed up to 2016	There is no information	There is no information	**12**
	0	30	30	0	0	

(continued)

Table 2 (continued)

Indicator/bank	Appointment of CSR representatives (A1)	Determination of the application field for authorities, strategies and objectives of CSR (A2)	Document and registrations regarding CSR (A3)	Improvement system (A4)	Audit and evaluation system (A5)	A = (A1 + A2 + A3 + A4 + A5)/5
Banca Transilvania	There is no available information	There are no CSR reports available for this bank. However, on the bank website one can find a series of information regarding the fields aimed by the CSR policy	On the bank website one can find a series of information regarding the projects developed up to 2016	There is no information	There is no information	**12**
	0	30	30	0	0	

Calculations of the authors based on the data from the websites of the banks

Table 3 Direct economic effects on the community

Indicator/bank	The direct economic results (B1)	Information regarding the selection of the personnel (B2)	B = (B1 + B2)/2
Raiffeisen Bank	Holds the fifth place in the profitability top of the banks in Romania	Detailed information regarding the personnel selection but there is no available concrete information	**65**
	60	70	
BCR Erste Bank	Holds the second place in the profitability top of the banks in Romania	The information regarding the personnel selection is included in the CSR report for 2011 and they are concrete	**70**
	90	50	
BRD GSG	Holds the third place in the profitability top of the banks in Romania	The information regarding the personnel selection is included in the Annual Report of the Administration Board for 2015 and they are not concrete	**70**
	80	60	
UniCredit Bank	Holds the sixth place in the profitability top of the banks in Romania	The information regarding personnel selection is available on the bank website. The bank obtained for the third consecutive year Top Employer Romania 2015 and Top Employer Europe 2015	**60**
	50	70	
ING Bank	Holds the fourth place in the profitability top of the banks in Romania	Information regarding the existing jobs and the manners of applying for them are published on the bank website	**65**
	70	60	
Banca Transilvania	Holds the first place in the profitability top of the banks in Romania	The information regarding the existing jobs and the manners of applying for them are published on the bank website	**80**
	100	60	

Calculations of the authors based on the data from the websites of the banks

450 million lei), while the Italian group UniCredit obtained last year from the operations of the bank in Romania a profit of over 260 million lei.

All the six banks included in the study are considered banks of systemic importance, and three of them also have parent banks of global systemic importance, namely: UniCredit, Societe Generale, ING Bank. This is not a problem for the level of their capitalization is sufficient (must be by 1–2% higher in report to the requested level).

Raiffeisen Bank supported in 2016, 122 projects and programs gathering a financial contribution of approximately 2 million Euros, and the number of the beneficiaries within these projects with the support of the bank was of 235,375 people. These projects it was involved in made the bank be considered the most responsible from the category of banks (The Azores, 2017). According to the same analysis made by The Azores consultancy firm, BCR Erste Bank holds the second place in the top of the most responsible institutions form the category of banks. Also, BCR also gained an honorable mention from Romania CSR award 2017 for the *Summer Job project in BCR—"Tot tu, dar ceva mai responsabil" (Still you, but somewhat more responsible)* within the CSR campaigns on Facebook and on the third place at the CSR Internal Campaign with the project Brutăria de Fapte Bune (The Good Deeds Bakery). Such prizes were obtained also by UniCredit Tiriac Bank—2nd place in environmental campaigns with the "Cicloteque" Campaign and BRD 1st place in campaigns of support of the employees with "Campus Club".

According to the calculation from Table 4 a good place according to the criterion regarding the indirect effects on the community is held by ING Bank also because they support entrepreneurship, financial education and unprivileged children education projects.

As for the criterion regarding the Ethics Code one mentioned only the existence of such a document, and not its quality and content. As it can be seen from Table 5 only two of the six banks included in the study have such a ethic and conduct code, although at the level of the banking system the Romanian Association of Banks, a consultancy association, made as early as 2009 an ethics code. Also, information regarding the equality of chances and non discrimination are found in the two banks which have an ethics code Raiffeisen Bank and BCR Erste Bank, but also in BRD GSG one specifies that the diversity and equality of chances principle is included in all the policies which concern the human resources, without providing too much information (Table 6).

Social policy is mostly interconnected to the already evaluated criteria. All the analyzed banks are involved in the public life of the community by means of the employees and their volunteer activities. The banks focus on the benefit of such charity projects and activities, especially in relation to the favorable reputation they win among the clients.

Adopting the anti-corruption policies and procedures is a part of the social responsible principles in an organization. Therefore, the companies are exposed to the social pressure in order to adopt standardized and systematic anti-corruption practices.

Raiffeisen Bank consolidated their leader position in what concerns the efforts of getting involved in the community through the active participation in the support of the community initiatives, as it can be seen in the CSR Reports of the bank. At the same time, the bank supports the community projects and programs by means of the partnerships and collaboration with nongovernmental organization and local and national institutions. The contribution of the bank is not limited to sponsoring and donations, but also supposes the active involvement of their employees in volunteer actions. In 2016, 254 employees were involved, as volunteers, in the community projects supported by the Bank, assigning more than 870 hours to these activities. More than 100 employees were involved in the evaluation and selection of the projects registered in the grants program "Raiffeisen Comunități" (Raiffeisen

Table 4 The indirect economic effects on the community

Indicator/ bank	The effect of the investments on the public benefit	The effect on the development by new jobs	The effect on the dissemination of education and promotion of education	C = (C1 + C2 + C3)/ 3
Raiffeisen Bank	The main areas of interest for the bank were: the human resources activity, the economic impact, community investments and the environment impact. These projects in which it got involved made the bank be considered the most responsible from the bank category (The Azores, 2017)	Detailed information regarding vocational training and social projects in the annual CSR report	Detailed information regarding education projects in the annual CSR report, without the presentation of the results	**73.33**
	80	70	70	
BCR Erste Bank	The interest fields are: education for the development of practical skills, the support and promotion of leaders and models and civic leadership. These projects it was involved in made the bank be placed on the second position in the top of the most responsible companies in the banking industry (The Azores, 2017)	Detailed information regarding projects such as Summer Job and START! Business on the bank website	Detailed information regarding education projects on the bank website, without the presentation of results	**66.67**
	70	60	70	
BRD GSG	The main interest areas for the bank were: culture, education, sport, civil society	There are no information concerning the effect on the development of new jobs	Detailed information regarding the education projects on the bank website, with the presentation of the obtained results	**4667**
	50	0	90	

(continued)

Table 4 (continued)

Indicator/bank	The effect of the investments on the public benefit	The effect on the development by new jobs	The effect on the dissemination of education and promotion of education	C = (C1 + C2 + C3)/3
UniCredit Bank	The interest areas are: art and music, education and sport, society and communities, environment	The bank supported the launching of new social enterprises in Romania, without providing more information and results in this regard	The bank supports the education and on the website there are examples of such projects, but there are no present data and there are no presented results	**46.67**
	50	40	50	
ING Bank	The interest fields are: financial education, entrepreneurship, urban development, education for the unprivileged children. These projects the bank was involved in placed it in the top of the most responsible companies from bank history (The Azores, 2017)	Detailed information concerning entrepreneurship projects, of recent date on the website of the bank	The bank supports financial education and unprivileged children education projects, the information is found on the website, but there are no presented results	**56.67**
	60	60	50	
Banca Transilvania	The main interest fields for the bank were: entrepreneurship, education, social, sports, medical and environment	The bank supports the Romanian entrepreneurship spirit but does not provide information and results in this regard	The bank supports the entrepreneurship one can find information regarding the projects but not regarding the results	**36.67**
	40	40	50	

Calculations of the authors based on the data from the websites of the banks

Table 5 Ethics and equal opportunities

Indicator/ bank	Ethics code (D1)	Non discrimination and equality of chances (D2)	D = (D1 + D2)/2
Raiffeisen Bank	Conduct code	There is information regarding the fight against discrimination and equality of chances both in the CSR report and also in the Ethics Code	**80**
	100	60	
BCR Erste Bank	Ethics code	There is information in the CSR report, but not as detailed as at Raiffeisen	**70**
	100	40	
BRD GSG	There is no information	The bank considers the principle of diversity and equality of chances which is pursued in all the human resources policies, but no detailed information is provided	**20**
	0	40	
UniCredit Bank	There is no information	There is no information	**0**
	0	0	
ING Bank	There is no information	There is no information	**0**
	0	0	
Banca Transilvania	There is no information	There is no information	**0**
	0	0	

Calculations of the authors based on the data from the websites of the banks

Communities) (193 projects) of which 10 received grants amounting to a total value of 100,000 de Euros.

As for the anti-corruption policies and practices, as it is pointed out in the same CSR Report, the bank appropriated the values of the integrity and transparency in business, values which govern the manner in which they perform their activity, both inside, and also outside the company. In order to identify, prevent and fight corruption, the bank annually evaluates the operations to identify the potential risks associated to corruption. In 2016, the bank identified a series of risks, especially in the area of conformity with the rules regarding the acquisition of goods and services. These risks are monitored and managed through the permanent updating and communication of the policies and procedures, through courses and work sessions. In 2016, of the 5308 employees, 4297 participated in online courses regarding the anti-corruption policies and procedures.

On the other hand, the actions taken by BCR Erste Bank follow a similar course, each BCR employee being an ambassador and supporter of the involvement in the community. The data collected in this regard from the CSR Report of BCR reveal that, as of September 2010, in accordance with the Volunteer procedure in BCR, each bank employee is entitle to a day a year for individual volunteer initiatives, in addition to those organized by the bank. Besides encouraging the employees to get involved in individual volunteer actions, BCR supports mainly the programs that

Table 6 Social policies

Indicator/ bank	The effect of the activities and of the involvement in the public life of the community (E1)	Anticorruption policies and procedures (E2)	E = (E1 + E2)/ 2
Raiffeisen Bank	There is information regarding volunteer programs of the employees, partnerships with foundations for the support of charity projects, Habitat for Humanity, Niciodată singur (Never alone), Light Into Europe, Fiecare copil în grădiniță (Each child in kindergarten)	The bank organizes online courses for employees regarding the anti-corruption policies and procedures. In 2016, it adopted the Mutual Reporting Standards for the automatic information exchange	**85**
	80	90	
BCR Erste Bank	The Bank encourages the volunteer activities of the employees, partnerships with foundations for the support of charity projects A doua Sansă (Second chance), Banca copiilor responsabili (The bank of responsible children), Salvati Copiii România (Save the children Romania)	The bank adopted an anti-corruption policy, it centralizes the complaints regarding the corruption facts, it identifies the facts and sanctions them accordingly. Information found on the bank website	**80**
	70	90	
BRD GSG	There is information regarding volunteer programs of the employees, Superoameni pentru superşanse (Super humans for super chances), partnerships with foundations for the support of charity projects	There is no information	**30**
	60	0	
UniCredit Bank	There is information regarding the UniCredit Foundation which puts into practice the values of the UniCredit group, Gift Matching, Lumină pentru Ursici (Light for Ursici) and Lumină pentru copii din Inelet (Light for the children in Inelet)	There is no information	**35**
	70	0	

(continued)

Table 6 (continued)

Indicator/ bank	The effect of the activities and of the involvement in the public life of the community (E1)	Anticorruption policies and procedures (E2)	E = (E1 + E2)/ 2
ING Bank	The employees of the bank get involved in social causes and support the local communities by volunteering Scrisori şi comori (Letters and treasures), Adoptă un proiect (Adopt a project), Startarium, Bani de buzunar (Pocket money) 2.0	There is no information	**30**
	60	0	
Banca Transilvania	The bank performs volunteer actions in partnership with various organizations: Asociația Tăsuleasa Social, it holds a Foundation Clujul Are Suflet (Cluj has a soul), it makes projects as ABT Financiar	There is no information	**30**
	60	0	

Calculations of the authors based on the data from the websites of the banks

involve the corporate volunteering. Regarding the prevention of corruption, it is managed in BCR by the Anti-fraud Department, created in 2009. Its main responsibilities consist of the prevention, stopping, investigation of frauds and forbidden practices and promotion of the anti-corruption policies and procedures at the level of the entire organization. 210 employees (in 2009) and 53 employees (in 2010) benefited from "train the trainer" training regarding the anti-corruption policies and procedures of BCR, according to the information provided by the CSR report of the bank.

If regarding the first criterion, we can see that the other four analyzed banks get involved in social causes, we observe that in the case of the second criterion there is no information regarding the anti-corruption policies and procedures (Table 7).

A well motivated and satisfied employee is extremely appreciated in the banking activity. The motivation and development programs are used on a large scale by all the analyzed banks. The differences can be noticed only through a personalization of the individual programs. As for the motivation programs and the benefits of the employees, one can state that the employees of all the analyzed banks hold multiple benefit packages. In addition to the traditional benefits (such as optional pensions, performance bonuses, bonuses, different benefit packages, etc.), banks offer free days for volunteer activities and events programs. Within this criterion, depending on the detailing and presentation degree for this information and also depending on the up to date character of the provided data, Raiffeisen Bank is once again on the

Table 7 Bank employees

Indicator/bank	Motivation and benefits programs for the employees (F1)	Training and personal development system of the employees (F2)	Problem solving system of the employees (F3)	Personnel fluctuation (F4)	F = (F1 + F2 + F3 + F4)/4
Raiffeisen Bank	The bank provides detailed information regarding the benefits for the employees, among which: the remuneration system, the bank offers optional pension schemes for their employees, by means of Raiffeisen Asset Management	Many courses for the personal development of the employees which are presented and detailed in the CSR report	The bank openly communicates with the employees by means of the online internal platform "Vocea Ta" (Your voice) and performed among the employees	In the CSR report one provides complete data regarding the personnel and their fluctuation	**90**
	90	80	90	100	
BCR Erste Bank	The bank created a scheme of recognition of employees launched in 2009: Star BCR Awards	The bank offers training and career development programs on all levels: execution, middle management and top management	The internal procedure Whistleblower was introduced in BCR to allow the employees to express their concern for the professional neglect, abuses and/or crimes from their working environment, without the fear of subsequent victimization, discrimination and disadvantaging	In the CSR report one presents the personnel fluctuation, but the data are from 2010, 2011	**57.5**
	50	50	80	50	

BRD GSG	The bank offers a benefit package which should respond to the employees needs in the following manner: it rewards the performance on individual level and in a team, it offers social protection, etc., however there are no concrete data in this regard	The bank provides vocational training programs which are substantiated in: new comers integration training programs, training programs before occupying a position (3 months), improvement training programs. They are detailed in the Activity report in 2015	The bank periodically organizes satisfaction and organization diagnosis studies whose results are transposed into action plans	One provides data concerning the number of new employees	**45**
	40	50	50	40	
UniCredit Bank	Development and training programs customized depending on the individual development plans, the use of the "career maps" by which the employees can plan the next steps within the organization	The bank offers diverse learning opportunities and instruments for career development taking into account the specific needs of each employee. They are enumerated, but there are no specific data	People Survey—Your voice—Our future—held at the level of the UniCredit Group, Pulse Check Your opinion matters—held locally for the UniCredit Bank employees	There are provided data regarding the number of employees in the current year in report to the previous year	**35**
	40	40	60	40	

(continued)

Table 7 (continued)

Indicator/ bank	Motivation and benefits programs for the employees (F1)	Training and personal development system of the employees (F2)	Problem solving system of the employees (F3)	Personnel fluctuation (F4)	F = (F1 + F2 + F3 + F4)/4
ING Bank	The bank gives benefits (amounting to 450 RON as benefits packages) and bonuses to the employees, and they keep an internal equity between the old and the new employees. Once a year the bank awards the employees who have very good results	The bank offers specialty training and mentoring, but there is no detailed information	There is no information	The bank increases the number of employees by 5% on average per year	**27.5**
	50	10	0	50	
Banca Transilvania	The bank considers through the salary policy the granting in addition to the actual income some performance bonuses and other allowances. In order to motivate the employees of the bank one a year one evaluates the activity performed depending on the obtained mark, awarding prizes and if applicable giving promotions	The employees of the bank benefit from trainings at home and abroad, and for the new employees the banks holds an internal program of formation courses within the BT Academy	There is no information	One provides data regarding the number of employees in comparison to the previous year	**37.5**
	50	50	0	50	

Calculations of the authors based on the data from the websites of the banks

first place. Thus, the CSR report of the bank clearly and precisely points out that the bank offers similar benefits to all the employees, regardless of the type of contract and employment period. The full time, part time and definite time employees benefit from health insurance, disability and invalidity insurance, mother leave and pension contributions. However, the bank offers optional pension schemes for their employees, through the Raiffeisen Asset Management.

The analyzed banks offer multiple training and personal development programs for employees, but they are most of the time just enumerated, without specified detailed information. Therefore, the score of all the monitored banks, except for Raiffeisen Bank, is lower within this criterion. Thus, Raiffeisen Bank makes efforts to offer integrated learning and development solutions, based on the newest tendencies and technologies, so that they match a various range of vocational development needs and to directly support the performance of the bank. The strategic objective of the bank is that of endowing their employees with the skills suited for the position they hold within the company, through some diversified and alternative learning channels and methods, optimizing, at the same time, the costs. In this regard, we may mention:

- Raiffeisen Banking University is an internal training which offers the opportunity to the employees, experts in the same field, to share knowledge with their peers who will benefit, thus, from the quality vocational experience and specific business examples.
- Raiffeisen Banker 2 Be, dedicated to the graduates who wish to work in the banking system, in front office positions.
- IT Trainee is a tradition program for Raiffeisen Bank, dedicated to the graduates and to those who wish to work in IT, in the banking system.

As for the criterion regarding the employees' problem solving, two banks, ING Bank and Banca Transilvania, obtained 0 points because the public information in this regard has not been released.

Also, one does not mention that an average share of the bank personnel fluctuation, but only data regarding the number of employees in the current year as opposed to the previous year. An exception is once more Raiffeisen Bank who provides complete data regarding the personnel and their fluctuation (Table 8).

In this context, the most important criterion is the clients' satisfaction monitoring and measuring. As it was mentioned various times, the satisfaction of the clients has a major impact on the activity of the banks, however the obtained results point out a lack of exact data because the banks monitor and measure the satisfaction of the clients only for internal needs, without publicly available results. Only three banks obtained non void score within this criterion: Raiffeisen Bank, BCR Erste Bank and UniCredit Bank. In the case of Raiffeisen Bank, the bank engages to permanently improve the relation with the clients and efficiently respond to their claims so that they maintain and consolidate the latter's trust.

It is presumed that the banks cannot afford to have an illegal publicity due to their dimension and the possible juridical sanctions. Therefore all the selected banks received at least 15 points within the last criterion.

Table 8 Consumer protection

Indicator/ bank	The observance of the laws regarding the communication in marketing (G1)	Client satisfaction monitoring and measuring (G2)	Client's complaints (G3)	G = (G1 + G2 + G3)/ 3
Raiffeisen Bank	The bank does not register incidents for the non observance of the volunteer regulations and codes regarding the marketing communication, including publicity and sponsoring	The surveys among the clients represent useful instruments for measuring their perception and satisfaction in relation to the employees of the Bank and the provided services. The bank monthly contacts a great number of clients to consolidate the relation with them and to monitor the perceptions and level of satisfaction regarding the received services	Raiffeisen Bank has implemented an internal process of undertaking, centralization and management of complaints and notifications coming from the clients. Data for the last 3 years are provided in the CSR report	**86.67**
	80	90	90	
BCR Erste Bank	The internal ethics code of BCR supports the responsible promotion and stats that any publicity likely to confuse in any kind or that can affect the interests or the image of a competitor firm, is forbidden	The bank uses the Survey regarding the Client Satisfaction, but the data are for 2010 and 2011	The bank centralizes the notifications of the clients, but one does not specify the ways in which this is made and data in this regard	**50**
	70	50	30	
BRD GSG	The marketing activity observes the legal regulations in the field, but do not offer detailed information in this regard	There are no data	The bank offers to the clients the possibility to register a notification made by phone	**26.67**
	50	0	30	

(continued)

Table 8 (continued)

Indicator/bank	The observance of the laws regarding the communication in marketing (G1)	Client satisfaction monitoring and measuring (G2)	Client's complaints (G3)	G = (G1 + G2 + G3)/3
UniCredit Bank	The marketing activity observes the legal regulations in this field, but does not offer detailed information in this regard	The bank uses the TRI∗M Index in order to monitor the satisfaction of the clients on a level of divisions, but also the surveys among the clients	The notifications received from the clients are submitted to the certified department	**56.67**
	50	70	50	
ING Bank	The marketing activity observes the legal regulations in the field, but does not provide detailed information in this regard	There are no data	The bank offers the clients the possibility to register a complaint through various ways: at the seat, by mail, by electronic mail, by fax, by phone, or by social networks	**33.33**
	50	0	50	
Banca Transilvania	The marketing activity observes the legal regulations in the field, but does not provide detailed information in this regard	There are no data	The bank offers the clients the possibility to register a notification through the following ways: the filling of the online form, by secured messaging from Internet Banking BT24; by phone call, social media, in person at the seat, in writing	**33.33**
	50	0	50	

Calculations of the authors based on the data from the websites of the banks

Regarding the last analyzed criterion, all the analyzed banks offer the clients the possibility to register complaints through the ways: at the seat, by mail, by electronic mail, by fax, by hone, or by social networks. According to the data provided in the CSR Report of Raiffeisen Bank, although the total number of the notifications made by the clients, through internal channels, slightly increased in 2016, the positive resolution share increased up to 84%, the greatest percent from 2011 until the present time (Table 9).

The banks consider that the environmental policy and the matters related to the environmental protection are an important part of the corporate social responsibility concept. The banks assign important financial resources in an environmental problem, especially under the form of ecological projects financing.

As for the environmental policy, all the analyzed banks agree to reduce the power and resources consumption through the performed volunteer projects and this is pointed out by concrete results in the case of the Raiffeisen Bank and BCR Erste Bank. The other four banks have received, on average, a minimum score of 50 points because they have mentioned on their websites the projects they are involved in without however providing detailed information.

The calculation of the CSR index is made according to the formula (1) and the results are shown in the Table 10.

3.3 Future Research Directions

The future researches should take into account the limits of this chapter, and also other extensions.

First of all, one should extend the analysis on a sample made of more countries in the same considered region, on a larger period of time.

Second of all, the focus was only on a certain set of characteristics regarding the corporate social responsibility.

Thus, beside the considered variables, one can also introduce in the analysis other attributes of the corporate social responsibility.

4 Conclusion

The Corporate Social Responsibility is a field that involves a high level of transparency from the banks and it is in a continual evolution during the last years, as it is proven by most of the international studies. The pursued objective should be that of increasing the awareness level regarding the value the bank believes in and to respond the expectations of the stakeholders. That is why, we believe that the employees specialized in CSR within the banks should pay more attention to the communication of the initiatives and performances regarding the social responsibility than until now.

Table 9 Environmental policy

Indicator/bank	Volunteer projects (H1)	The impact of the activities on the environment (H2)	H = (H1 + H2)/2
Raiffeisen Bank	The bank developed various Bike-Sharing projects and the Green Business Index project	One provides in the CSR report data regarding the reduction of the effects on the environment as a consequence of the actions promoted by the bank. The bank respects the national and international standards regarding the environmental risks	**85**
	80	90	
BCR Erste Bank	The bank launched ECO BCR—a project meant to increase the level of awareness on the environment aspects among the employees	The bank has its own Environment procedure and it provides data regarding the energetic efficiency, paper recycling, but they date from 2010 to 2011	**65**
	60	70	
BRD GSG	The bank constantly monitors and acts for the reduction of the resources consumption with impact on the environment and supports initiatives which pursue the education of the population in relation to the environmental protection. The bank selects the clients and the service providers depending on their attitude towards the environment	The bank applies the Principles from Equator from as early as 2009	**50**
	50	50	
UniCredit Bank	One presents on the website the environmental projects the bank is involved in, but no concrete results are provided	UniCredit Bank gets actively involved in the projects regarding the nature protection and looks for viable solutions in present problems (climate changes, carbon dioxide emissions, etc.)	**50**
	50	50	

(continued)

Table 9 (continued)

Indicator/ bank	Volunteer projects (H1)	The impact of the activities on the environment (H2)	H = (H1 + H2)/ 2
ING Bank	It participates annually in the planting actions held by the Viitor Plus Association, they reclaimed the Vadu beach from Constanța County and collected waste from the forest of Snagov, within the Let's do it, Romania! project	The bank is involved in environmental projects but there are not much information provided in this regard	**45**
	50	40	
Banca Transilvania	The bank proposed itself to contribute to the protection and recreation of the natural environment by encouraging thus the volunteering: Banca Transilvania-environmental friendly	It develops actions of involvement and awareness of the importance of the protection of the environment by energetic efficiency programs, green building and paper collection action. Also, it pays attention to the observance of the environmental legislation by using the adequate environmental practices	**55**
	50	60	

Calculations of the authors based on the data from the websites of the banks

The drafting and publishing of the reports regarding the social and environmental responsibilities help banks identify the most important problems regarding the sustainability, attract the support of the community, compare the performances with the ones of other banks and bring modifications which take into account the points of view of the stakeholders.

Based on the scoring centralized in Table 9 one can observe that Raiffeisen bank obtained the highest CSR Index—80.25, and ING Bank the lowest—37.44. Based on standard deviations calculated for each bank one observes that Raiffeisen Bank registers the most homogenous scores (standard deviation 8.88).

The differences between the eight individual fields were quantified through the standard deviation. The greatest differences were observed in the Ethics and equality of chances and Social policy fields, which proves that the practices regarding the ethics, the equality of chances and the Social policy are differently approached by the six banks included in the study.

The fields regarding the direct and indirect economic effect proved to be the most important from the banks' perspective, fact proven by the low value registered by standard deviation. Upon the analysis, we have observed that great part of the banks continue to focus on the involvement in the community, however the projects orient themselves especially towards investments in education, trying to find and form this way the qualified or highly-qualified labor force. We observed an increased interest

Table 10 CSR index for the banks in Romania

Fields	Raiffeisen Bank	BCR Erste Bank	BRD GSG	UniCredit Bank	ING Bank	Banca Transilvania	Average points	Standard deviation
CSR management—A	72	36	16	11	12	12	26.50	24.21
The direct economic effects on the community—B	65	70	70	60	65	80	68.33	6.83
The indirect economic effects on the community—C	73.33	66.67	46.67	46.67	56.67	36.67	54.45	13.77
Ethics and equality of chances—D	85	80	30	35	30	30	48.33	26.58
Social policy—E	85	80	30	35	30	30	48.33	26.58
Bank employees—F	90	57.5	45	35	27.50	37.5	48.75	22.62
Consumer protection—G	86.67	50	26.67	56.67	33.33	33.33	50.67	23.50
Environmental protection—H	85	65	50	50	45	55	58.33	14.72
Standard deviation—banks	8.88	14.99	16.98	15.71	17.16	21.70	–	–
CSR Index = (A + B + C + D + E + F + G + H)/8	80.25	63.15	39.29	41.17	37.44	40.17	–	–

Calculations of the authors based on the data from the websites of the banks

for the cultural responsibility: campaigns that help different communities preserve their traditions, projects destined for the protection of the cultural patrimony or the support of young artists.

The corporate social responsibility is just beginning in Romania, fact also proven by the little information regarding the most relevant aspects or on the sustainability context. In a few cases the banks have publicly communicated the CSR strategies, the objectives of analyses of the context. In the future we believe that more banks will report their social responsibility activities, considering both the requirements imposed by the 2014/95/EU Directive and also the general interest of the public for this field.

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Isomorphisms Between Financial and Sustainability Accounting Some Introductory Notes

Massimo Costa

1 Introduction

Sustainability accounting (SA from now on) could be defined in a sense as the 'armed arm' of Corporate Social Responsibility. Without an agreed SA, CSR seems not being able to go beyond rhetoric (Owen & Swift, 2001) and ideology for legitimacy (Guthrie & Parker, 2012), resulting simply on involvement of stakeholders into the concerns, profit or non-profit they are, but not being able to *measure* the extent and outcomes of this involvement.

The huge number of definitions, as well for corporate social responsibility, as for SA is, in our opinion, far from being richness in doctrine to be welcomed. It reveals, instead, a true uncertainty and a lack of coherence, which, in turn, could result into a serious crisis of this field of research.

This definitional and conceptual uncertainty could in time reveal very dangerous for our discipline. As has been said, in the absence of standardisation, SA could become a sort of public relations deal (Frankental, 2001), causing serious doubts about the legitimacy of the same scientific project of CSR.

Thus, SA needs—in our opinion—for some regulation, in order it will definitely pass the stage of the rhetoric exercise and be fully legitimated as a relevant practice also for society and not only for the issuers of it. Regulation in Accounting involves, in turn, the same statute of the accounting discipline as a science.

There has been a degree of discussion, as a matter of fact, concerning the epistemological nature of accounting that cannot be fully recalled here. However, it is not deniable a progressive shift of financial accounting (FA, from now on), at least, toward being a branch of law, as the global process of standardisation was growing throughout the world.

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This chapter assumes that a similar process is occurring under our eyes in these last decades in the field of SA quite in the same way as it happened in the FA field in the past twentieth century. For this reason, the process of 'regulation' is strictly linked to our object as well. For our goals, furthermore, in the broad definition of SA we include and the social accounting and the environmental and the integrated or corporate social reporting as well.

Our research problem is whether this similar process is due to the presence of strong similarities between these two branches of accounting. If that were true, we could assume that the two branches experiment a true form of 'isomorphism', i.e. the substantial repetition of principles, models, theoretical consequences, etc. in different but related contexts.

Then, established what we are discussing about, it is not less important to point out what this chapter *is not*. Concerning sustainability *reporting* leaves on the landscape the basic issues on CSR, which are only presumed here. In words, we are *not* interested in "improving social justice and contributing to social and environmental benefits for society" (Reynolds, 2007), but how better communicate improving along these directions.

The leading idea of the Chapter is that the *second* context (in SA than in FA) is but a generalisation of the *first* one (the proper FA). SA, namely, enlarges the scope of FA without renouncing to the basic features of the underlying logical framework, according the 'greater systems perspective' of which the best acknowledged literature speaks (Gray, Owen, & Adams, 1996).

Of course, we have to be aware of that, in respect to traditional accounting, we are moving within a more 'political' subject. No information can protect equally all categories of stakeholders and any regulation, if it can never be neutral, must at least explicitly state the hierarchy of interests that it intends to protect. But this feature cannot stop the progress toward standardisation in the corporate social domain.

Unfortunately, contemporary CSR literature does not seem so concerned about standardisation issues. There will be some reason because for finding systematic attempts on accounting for CSR we have to go back of decades (Ramanathan, 1976; Solomons, 1974). Perhaps this is due to social pressure for legitimating CSR without too many concerns about technical topics, or even for the relative decline of normative attitudes in general accounting. But the relevance is now becoming—at least in our opinion—so urgent that a new theoretical effort is needed. Thus, having described the reasons for the present Chapters and its aims, we can show its structure, after this first introductive section.

Our work is shared into four main following sections, out of a conclusive one. The second one will deal with the process of normativisation, with particular concern to sustainability reporting. The third one is a sort of 'core business' for the chapter, because it tries to explore fully the isomorphisms between financial reporting and sustainability reporting. The fourth one, moreover, compares the financial and 'sustainability' dimensions to be disclosed, evidencing as well similarities as dissimilarities. The fifth one, and last-but-one, section finally treats of the major consequences on future investigations from the awareness of isomorphism between SA and FA.

2 Regulation in Sustainability Accounting

Regulation in Accounting is the process according which the discipline and practice of accounting is no longer ruled by the simple experience or by the academic doctrine but according 'general agreed principles'. These principles, even if not formally, are substantially enforced with the same power of the law. In a sense, we may call 'regulation in accounting' as a synonym of 'normativisation in accounting' because the art and science of recognizing, presenting, classifying, measuring and disclosing words and numbers representing transactions and events affecting the disposal of positive and negative resources both for an entity and for its surrounding environment, becomes in years lesser and lesser 'free', i.e. becomes 'normative', nearly as a branch of private and public law.

Accounting is certainly a form of 'codified' expression, because of the translation of transactions and events (sometimes also conditions) into a system of signs. This feature, since its origins, carried with it a twofold nature: as an expression, it is due to the will of 'senders', authors of this form of communication, and depends by them; as 'codified', in order to not misrepresent the original transactions and events to the 'receivers', it depends on a regulatory body, where the stakeholders can have voice, which makes rules and laws for a right codifying of transactions and events.

These two sides of accounting sided the discipline since its very origin, but they remained along only implicit. The 'community of merchants' gave origin to the basic rules after the mercantile revolution of twelfth to fifteenth century AD. After this 'practice' we have to wait for the industrial revolution of nineteenth century for assisting to better attempts of regulating accounting, mainly by the emerging professional bodies in Anglo-Saxon countries, and mainly by academician scholars in Continental countries, specifically in Italy and Germany. Notwithstanding this, State remained nearly absent from this ruling until the prevailing liberal ideas were generally accepted, and, in words, until the crisis of 1929.

The long path of regulation in financial accounting began just in those days, when public institutions realised it will be impossible to go on in a deregulated world. At the just beginning, regulation was only a 'financial' and US affair (birth of SEC in 1932), but soon after the phenomenon spread through the most of industrialised countries: 'true and fair view' and accounting standards began in UK after the II World War and similarly (1944–1947) the same can be said with the French "Plan Comptable Général", for speaking only of two of the greatest western economies. In 1973, with the birth of IASC, the 'regulation process' achieved an international level. European integration too played its role in this process, by means of the IV (1978) and VII (1983) Directives in matter of individual and consolidated financial statements.

The developments of the last two or three decades, in matter of regulation for financial accounting, do not deserve any further comment; we may just evoke the triumph in regulation at both national and international level through some basic milestones:

- 1989: the first international “Conceptual Framework”;
- 1995: turning point from large ‘directives’ to narrow ‘regulations’ in UE legislation on companies;
- 2001: great *reform* with the birth of IASB, from large ‘harmonisation’ to narrow ‘standardisation’;
- 2002/2003: direct application of IAS/IFRS in Europe;
- 2009: first release of SME standard (second in 2015) by the IASB;
- 2010: new conceptual framework.

This ‘short’ history is far from being limited to the ‘financial’ field. Since the 1990s of the twentieth century a process of standardisation invested every other branch of accounting, from the ‘valuation’ of entities to ‘management accounting’, for an instance. The new branches advance speedier than the ‘pioneer’ financial accounting. As a matter of fact, IPSAS assist to the birth of their international ‘body’ just in 1996, with a delay of 33 years from IASC, but already in 2014, a conceptual framework was ready, so reducing the delay with private companies to 25 years.

Is then our sustainability reporting still in the pre-regulation era, but already destined to follow the same path? Or, alternatively, is it a non-regulable field of accounting for its intrinsic nature?

A relevant contribution to this debate could come from Cooper and Owen (2007).

According to these authors sustainability reporting have a voluntary origin and only after it is regulated according a ‘degree of institutional reform’. This new form of disclosure should be due to the going beyond the ‘neoclassic view’ linked to free market. From this starting point derives the generalisation from shareholders to stakeholders, but the outcome seems quite poor. All assurance about sustainability reporting is set over a ‘CSR Steering Committee’, comprising senior executives and reporting to main board.

All this world, made up of ‘questionnaire surveys, telephone interviews, focus groups, liaison panels and discussion forums’ looks terribly loose and weak, entrusted, ultimately on the good will of the author of such kind of disclosure. Perhaps, faced to the impressive developments of regulation in other fields of accounting, in few decades all these methods will be recalled as a simple prehistory for sustainability reporting.

The weakness of this approach is underscored by the quoted authors, according which “administrative reform has not been accompanied by any meaningful (or corporate governance) reform designed to extend stakeholders accountability in the sense of facilitating action on the part of the latter”. In this sense, the historical choice of CE in 2002 to opt for a CSR on a *voluntary* basis has been a defeat, not a victory, for CSR. For the authors, more than a sustainability reporting taken apart from financial statements, the way seems to be that of integrated reports, enforced both by civil regulation and markets.

Anyway, protection of stakeholders’ interests is entrusted by many academics in the favour for the mandatory standards or legislated reporting requirements (Owen, Swift, & Hunt, 2001). We have also some empirical evidence (Frost, 2007; Perraul Crawford & Clark Williams, 2010), that when performance is compulsory, as in the

Australian *Corporations Law*, or as in the high regulative pressures in disclosure typical of France, the level of reporting increases in quality.

Besides law enforcement, the regulation process experiences the development of (still voluntarily accepted) 'frameworks and guidelines devised to assist firms in producing social and environmental information' (Tilt, 2009), among which, perhaps one of the most successful is the Global Reporting Initiative (GRI) whose guidelines are well articulated and shared into three levels of progressive comprehensiveness. While the weaknesses of such an approach can be identified in the same non-mandatory approach as well as in the favour toward a destructured set of 'indicators' than to a strong and syntactically coherent system of statements like the financial one, its major strength relies upon its authoritativeness and acceptance in many countries. Even IASs began, as a matter of fact, as a simple voluntary attempt before to evolve into a global language accepted by many legislations.

The discussion goes beyond the scope of the present chapter and becomes in a sense a *political* or *cultural* question. The primacy of a general set of stakeholders is 'unavoidable' in an *institutional* approach (Phillips, Freeman, & Wicks, 2003), while is neglected in a *contractual* approach (Sternberg, 2004). Regulation versus Deregulation in sustainability reporting is ultimately object of a political decision, not only of a scientific one.

3 Definition of Isomorphism Between Financial and Sustainability Reporting

Regulation implies a structured role for stakeholders. It is not possible to think to regulation in accounting (mainly sustainability accounting) without considering stakeholders' interests.

But the same concept of *stakeholder* is built, also as lexicon, as a generalisation of the previous existing *shareholder*.

Is it a pure chance or it witnesses a deeper feature for sustainability reporting? This is the second time in which we find that sustainability reporting generalises the results of financial reporting. The first is the regulation process, the second is the transition from shareholders to stakeholders. In both cases SA keeps the basic features of FA, opening them to a broader scope.

The interpretation of this could be that we are facing only two mere coincidences and, then, the two ways of reporting are basically and structurally different in meaning, structure, and goal. Or, alternatively, an interpretation could be that the newer is always a generalisation of the older and then a true isomorphism between the two may be asserted. In that interpretation, the resort to some contributions of literature can be helpful.

For some authors, we assist to both a generalisation that keeps the basic features of traditional accounting and the basic difference that here we are passing from a 'materialist-individualist' moral point of view to a 'social-ethical' one (Christie, Dyck, Morrill, & Stewart, 2013). In such a view regulation of GAAPs is opportune also in corporate social reporting, but according an alternative accounting theory. The compass leading this generalisation, from net worth to net well-being, as an instance, should be the ethical values of solidarity against the traditional and narrow-minded maximisation of profit. According Gray, Owen, and Maunders (1987), it "involves *extending* the accountability of organizations (particularly companies), beyond..." [italic ours]. The concept of 'extension' implies a passage from something narrow to something large. The 'battle field' more interesting seems to be the number or stakeholders recognised. Tilt (2009) remembers us the role of conceptual frameworks to financial statements to recognise a great deal of stakeholders, like in the Australian one: "present and potential investors, employees, lenders, suppliers, and other creditors, customers, governments and their agencies and the general public". As it is known, eventually, a stream of narrowing prevailed, after the new international conceptual framework released in 2010, but, in our opinion, this is not to be interpreted as a coming back to era of social-environmental irrelevance, but to a more mature approach to responsibility. As a matter of fact, sustainability seems to be better accounted for in appropriate statements, integrated with financial ones, and not simply enlarging the scope of traditional financial statements. SA is not a 'side dish' of FA, but a 'main course' to be adequately dealt with.

Differences do exist, of course, but the occurrence of parallelism between financial reporting and corporate social reporting is so frequent in doctrine and in practice that it cannot be a pure chance. Our conclusion is that corporate social reporting is but an enlargement of the financial one.

Similarities in a wider scope environment could be named the 'isomorphism' between the two fields of accounting, from the Old Greek "isos" (equal) and "morphe" (shape), then literally "of analogous shape".

Isomorphism is not only an interpretation. In our opinion it is also a fruitful approach according a heuristic point of view. It allows to properly shape features of this field of accounting and exploring not-still-discussed topics. The common structure is to be defined, given by the basic elements of accounting, as well as differences to be properly explored.

For our goals, then, we define 'isomorphism' the common sharing of some defined 'elements', where the kind and number of elements are the same, while the specific contents of the same elements are differentiated according to the different width of scope.

4 Elements of Accounting

In this section, we define the elements of isomorphism in terms of, respectively, FA and SA. The concept of 'isomorphism' make us, furthermore, able to distinguish features of FA from general accounting. 'General' accounting elements are waited to persist both in FA and SA; FA elements are waited to be kept only in financial accounting.

It is not easy to recall exactly what the elements of financial (traditional) accounting are in few lines.

We may, anyway, resume them in an axiomatic way.

This axiomatic synthesis consists of the following simple clauses. All words in italic type in the list can be generalised for SA. What derives from the abovementioned enlarging of scope will be the elements of SA. The common structure, kept unvaried from FA to SA, could be defined as the elements of proper *general accounting*, till now concealed by the consideration of the only financial accounting.

FA and SA may be directly compared according to the following sentences.

FA delivers information for actual and potential investors (mainly *shareholders*).

SA delivers information for actual and potential *stakeholders*. A 'stake' is any kind of interest held by a person involved in the administration of the entity.

FA delivers *financial* information, called financial reporting. 'Financial' has to be meant as any character translatable into monetary variables. Non-financial information does exist in financial reporting, but it is 'disclosure' *on* financial information, adding qualitative and non-monetary quantitative information useful for a better understanding of financial information.

SA delivers mainly *non-financial* information, concerning sustainability in terms of social and environmental responsibility. Financial information does exist too in SA, but the relationship between financial and non-financial is here inverted. Financial information in SA is only a sort of disclosure for a better understanding of properly non-financial one, as in the cases of 'environmental costs', 'distribution of added value' and similar topics.

As a consequence, from above, FA is concerned about an 'exchange value' of resources and claims, expressed in money. SA is concerned about a 'use value', looking sometimes for some translation of it into money terms, other times into another kind of unit, and other times more leaving different variables reported but unbalanced, because lacking of a common unit of measurement. Anyway, 'social value' is somewhat broader than 'economic value' of FA, involving philosophical and ethical concepts in defining what 'value' is.

Financial reporting concerns effects on stocks and flows of resources (and negative resources, i.e. claims) of transactions and events *within* the boundaries of the entity. It mainly concerns, thus, *internalities* respect to a defined entity.

Sustainability reporting concerns effects on flows of resources (and negative resources, i.e. claims) of transactions and events *beyond* the boundaries of the entity. It mainly concerns, thus, *externalities* respect to a defined entity. Concerning effects on environment and not on entity, we do not have the cumulated effect of transactions and events. Thus, in sustainability reporting we can account only for *flows*, or variations inducted by transactions and events, and not for *stocks*. These last ones, indeed, depend also from the actions by other social actors we do not know if our perspective is an entity (or, specifically, a corporation) one. Of course, it is possible a 'national' SA as well as it is possible a 'national' FA. But we are not speaking here of that. In an 'entity' perspective, if we look to 'environment', only flows and not stocks can be measured, whereas in financial reporting, looking within the entity, both stocks and flows can be accounted for.

FA deals with recognition, classification, measurement and disclosure on position and changes of *assets* (positive economic resources) and *liabilities* (negative economic resources).

SA deals with recognition, classification, measurement, and disclosure on changes of *positive and negative resources*. The main difference, here, is in the lacking of the adjective 'economic'. A resource could be named 'economic' if it is allowable to be subject to a process of economic transformation. In economic transformation of resources, human will and labour are needed. In natural or environmental transformation of resources changes can be involuntary consequences of the entity's administration. Resources available for human needs are not directly object of transformation. They are, then, social or natural resources, out of the entity's availability. Of course, as in the domain of economic transformation, negative economic resources or 'claims' are possible; even in the domain of non-economic transformation, every limitation or danger or social cost is possible. In general terms we may speak, so, of positive and negative resources, without any other specification. Not being 'financial' (not necessarily), they may not be called properly 'assets and liabilities', but generically 'stocks' of positive and negative resources. For the reasons of the previous point of this list, however, we can measure only variations of these stocks, inducted by entity's action and not the stocks directly. In a sense, anyway, once a 'measure' has been done for them, we may conventionally consider them a sort of 'sustainability assets and liabilities', like we used to do in FA.

FA defines *Equity* as the abstract fund deriving from the algebraic sum between assets and liabilities. A general term, also used for entities that are different from corporations, used by FA, is *net worth*. Net worth may be considered, for our goals, as a broader term than equity, but substantially equivalent.

SA can define the residual sum of the previous positive and negative elements in two ways. If we consider only 'sustainability assets and liabilities' translatable in financial terms (and then, still in terms of 'internability', within entity's boundaries), we obtain a sort of net worth, that we call *net financial position*. If we, better, are concerned with 'externalities' and with any kind of resource, we can speak of *well-being* or *welfare* (literature does not still allow a shared term for that), as the ideal sum of all positive and negative sustainability stocks of resources. For the reasons previous explained, welfare is not measureable out of a 'national' perspective. In a 'corporate' or 'entity' perspective we can only measure 'our' contribution to welfare/well-being, not welfare/well-being in itself.

Changes in assets and liabilities are defined in FA as *income* (or revenues) and *expenses*. The definition of gains and losses, on a net basis, is not relevant for our goals. As in the IFRS "Conceptual Framework", they are all "income and expenses".

Changes in positive and negative resources are defined in SA, and then in net welfare, as *benefits* and *costs*. Even in SA is not relevant a distinction between gross or net benefits and costs.

FA *distinguishes* flows on a realisation or cash basis (*cash inflows and outflows*) from flows on an *accrual* or competence basis (the aforesaid income and revenues).

SA *does not* distinguish benefits and costs on a manifestation or realisation level from benefits and costs on an accrual or competence one. However, this point could be due to a current flaw of SA because it has not still developed all its potentialities. As a matter of fact, a damage on environment could reveal itself after years of its happening. Let us just think to Fukushima's disaster: the 'manifestation' of pollution can concern only one or few years, while its effects or 'competence' belong to, at least, a century. This point is very interesting and cannot be fully developed here. We shall recall it in the next point as a possible further direction for research.

FA delivers its financial reporting to the benefit of mainly only two factors of production: *capital* and *entrepreneurship*. Other factors, like Labour or Environment or Land, are downsized. While income of the former is considered "profit", income of the latter are considered "expenses". In FA what goes to capital owners (or entrepreneurs) is of positive sign; what goes to other factors of production is of negative sign.

SA delivers its sustainability reporting keeping in equal range all factors of production involved in social and economic production. Mapping factors of production can result in a mapping of stakeholders. Also this feature will be developed in the next point. Here let us just say that capital, entrepreneurship, labour, land, environment, goods and services acquired, and goods and services delivered have all 'titulars', all entitled to receive information from any kind of social organisation or entity in which they are, more or less, involved.

Financial reporting is useful for taking *economic decisions*.

Sustainability reporting is useful for taking any kind of rational *decisions*, not only economic ones. One decision, for an instance, can be whether or not to vote a party in the elections. Such a decision is hardly definable as an 'economic' decision. Another example is given by all decisions of consumptions; when they are 'socially responsible' they are only partially definable as 'economic' decisions. Unwilling to sustain, by means of our consumption, child labour is an 'ethical', not an 'economic' decision. The reasons for not being only 'economic' decisions, are, then, two: the first one is that not all rational decisions concern the physical or economic transformation of economic resources (then, the economic activity) but other social or cultural or political topics; the second one is that not all rational decisions, even in the 'economic' domain, are oriented to 'means' but to the final 'ends' of human activity, being so properly 'ethical decisions'.

Financial reporting allows the discharging of *stewardship* for the capital (and administration) entrusted to it.

Financial reporting allows the discharging of *stewardship* for any kind of good entrusted to someone's care, and not only for the financial outcomes of capital investments.

Finally, FA was born and is mainly applied to *for profit entities*; then firms, and mainly corporations that gather capital by the official financial markets.

Finally, SA is applied to *any kind of entities*, both for profit and not for profit. For that reason, the community of scholars should, perhaps, abandon the narrow and outdated definition of 'corporate' social responsibility, out of the case when we are speaking strictly of corporations, or keeping it only as a conventional term. Social and environmental responsibility is a too broad field to be confined to the social sensitiveness of corporations. We shall meet, respectively, SA for firms, SA for public bodies, SA for private non-profit organisations, and so on.

In a sense, whereas firms are centred on FA but assume SA to enlarge their accountability, non-profit organisations should be centred on SA and consider also FA to account for financial means used in their activity. What in the former is a mean (responsibility as a mean for success), in the latter becomes an end (responsibility per se); and what in the former is an end (profit per se), in the latter becomes a mean (profit for financing ethical activities).

Summarising this logical process, we find that established elements of FA translate quite easily in elements of SA. SA sometimes deal with FA elements like a ‘subset’ of the comprehensive sustainability domain; in other case, it neglects this traditional field for focusing just on social and environmental issues.

This enlarging of scope seems to allow, furthermore, a diminishing of uncertainty in the scientific paradigm concerning sustainability reporting. This ‘new’ paradigm is not an alternative to the most established ones in CSR (like, just for evoking one of the most acknowledged one, the ‘Carrol’s Pyramid’ (Carroll, 1979)), but covers a relatively empty space in specific *reporting* issues, unduly considered secondary by part of sustainability literature.

An interesting consequence, only outlined in this Chapter, is the discovering of a new field for theoretical Accounting: *General* accounting. Shifting from ‘financial’ to ‘sustainability’ reporting one discovers what remains unvaried. These unvarying features do not depend on financial reporting. Concept of entity, positive and negative resources, or stewardship, per se belong to general accounting and not to some social or financial topic. But this theoretical consequence goes beyond the field of sustainability reporting and will not be dealt with more in these pages.

5 Theoretical Consequences and Further Developments

The acceptance of isomorphism as a general framework brings with itself some logical consequences and allows some future directions for research. In the following lines, we shall point some first clauses that cover these two families of consequences without, of course, pretences of completeness.

For what concerns *theoretical consequences* of this approach let us consider the following aspects.

FA distinguishes a societal or properly ‘national’ reporting (e.g. the ‘national accounts’ like in measurement of GDP, unemployment and similar issues) from an entity or corporate reporting.

This distinction seems very useful also in SA. Mainly for public bodies, in fact, social or environmental reports sometimes can be confusing between the two levels of reporting. A ‘societal’ accounting on sustainability goes beyond the proper entity’s horizons. SA as FA, then, is to be mainly under a ‘corporate’ view, leaving the former to other scholars, methods and practitioners.

FA is directed mainly to ‘external’ stakeholders, whereas another branch of accounting, ‘management accounting’ is directed to ‘internal’ stakeholders in order to take management decisions.

SA, like FA, seems mainly directed to external stakeholders. A separate and new branch of SA, then, seems to be needed: a ‘management’ SA, directed to internal stakeholders in order they undertake responsible and sustainable management decisions in their everyday activity. Today seems that this branch of SA is underdeveloped, so confining SA to public relations and not involving really operations into a sustainable approach to produce profit (or directly goods and services in non-profit entities). Only by a ‘management’ SA, social responsibility will be embedded in entity’s processes and will overpass the stadium of a ‘public relation’ affair. External disclosure, without internal one, seems to shape SA in a sort of cosmetic tool.

FA distinguishes ‘accrual’ accounting from ‘cash’ accounting. This basic distinction concerns the contraposition of ‘manifestation’ versus ‘competence’. Is this distinction possible also in SA? For answering to this question, we should find what ‘manifestation’ means in SA. Perhaps time is not still fit for such an identification. In our opinion ‘manifestation’ could reveal itself in the direct benefit or damage that persons or community receive as an outcome of entity’s activity. These benefits and damages, however, could be perceived also years after the structure of society or natural environment has been really improved or damaged. An accurate model of cause-effect between real outcomes of entity’s activities and their perception is possible by means of a system of indicators. Under this aspect, SA is moving just its first steps, and a long path owes to be undertaken before a clear distinction of time competence will be achieved.

This approach, furthermore, allows perhaps a better and less free mapping of stakeholders. In the production process, factors of productions and subjects are quite in a limited number.

We have the raw factors acquired by third economies, goods and services (*input*).

After we have the classical factors of production that create the added value: land, labour, capital, entrepreneurship, environment (*throughput*).

Finally, we have the final goods and services delivered, and, in general, the effects of entity’s action (*output*).

Around this input-output process, we find an environment of regulation, public opinion, advice, studies.

Stakeholders, in this view, spring from each of these factors.

In the ‘input’ phase we find the suppliers of goods and services to the entity.

In the ‘throughput’ phase we find, for land, the land owners, for labour, the workers, for capital, shareholders, other investors and financing parties, for entrepreneurship, the entity itself and its key personnel or ownership, for environment, state, public opinion and future generations. The ‘holders’ of these factory, in our opinion, bringing the ‘primary’ factors, could be called the ‘primary’ stakeholders.

In the ‘output’ phase we find the customers, and, in general, the direct recipients of entity’s action.

In the 'environment' we find again public bodies (this time as regulators and not as abstract titular of 'environment'), public opinion (even that one not directly affected by entity's action), advisors, competitors, titulars of complementary products, academician and scholars in general, included historians, who, after any other people, are still interested in entity's information when 'the dust is laid' for any other goal.

Another fruitful distinction induced by isomorphism is distinction between *internalities* and *externalities*.

Internalities concern effect of entity's action 'within' entity's boundaries; externalities, 'beyond' these boundaries.

Both FA and SA have both an 'internal' and an 'external' accountability. What we generally mean by FA, nowadays, concerns only the 'internalities' of FA. Disclosure on production and distribution of added value, for an instance, are unduly classified as a field of 'social accounting'. They should properly be viewed, instead, as the FA on 'externalities'. SA, furthermore, is so much concerned about 'externalities' to forgot sometimes that a promising field of reporting does exist as well for SA 'internalities': let us think—just as an example—to all questions related to labour, discrimination, corporate cultural and similar issues, not going so much beyond the boundaries of the entity, but still very relevant, as a sort of 'social' dividend to primary stakeholders.

For what concerns *further developments* of research exploiting isomorphism between FA and SA, without pretences of completeness, let us consider the following fields.

Is SA a general domain of accountability, respect to which FA is only a subset, or is it another field of study and practice? Two ways are possible. One may be that of limiting SA to strict social and environmental issues, leaving the general features of accountability to a *third* field of research, namely the *general* accounting; another one may be that of including FA as one of fields of a comprehensive SA. Of course, in this last case, FA will cover all needs of accountability, both for internalities and for externalities, and all types of stakeholders.

A second field of development marked by isomorphism is on the nature of stewardship in SA. In FA stockholders entrust their capital to managers and accounting serves for discharging their responsibility on how they managed this capital. What is, instead, entrusted to managers' care in SA? What are they discharged for, in presenting their social reporting? Have they managed in order the social value increases or decreases? The answers to these questions are not so easy and indicate a way to pursue in academic research.

Another development, quite obvious, is the process toward *regulation*. If histories of the two branches of accounting are similar, similar should result the outcome. FA experienced a strong process of *regulation*. The need for a similar process in SA is evident. International financial community did not support too differentiated languages. When a corporation has a global horizon (like any listed company, because capital is global), it need a global financial language. When it has a national horizon, it needs national GAAPs. When it has only a local or familiar dimension, like in most private ownerships, financial language is nearly a private affair. Similarly, for SA:

when the entity has a global or very relevant impact (let us think, at least, to sovereign states), it deserves a global sustainability language; when the entity has local impact, national legislation could be enough, and so on. No reason could be advanced for keeping along the actual deregulated system. It, instead, seems dangerous for the reliability and the reputation of the same SA.

Another feature to export from FA to SA is the differentiation between different kinds of entities. FA makes differences between profit and not-for-profit entities. IFRSs are for entities oriented to production of profit; IPSASs are for public sector entities; other standards are developing for other kinds of entities. There is no reason for which SA should be unitary. Corporate Social Responsibility is quite different from Social Impact of Public Action, in turn different from 'Mission Statements' or similar reports for charitable and other non-profit organisations: different classes of entities, different standards.

Regulation, also differentiated for families of entities, refers to the problem of the composition of the boards that issue or shall issue the standards. It is not allowable that scope of stakeholders is enlarged and composition of boards remain restricted to a narrow public. This problem, however, is not of positive but of normative nature.

A properly new theoretical problem is instead the consequence of enlarging the number of used variables. FA uses only money values by definition. SA deals with qualitative variables, money values and other quantitative values. A field of research is due if a unique measure unit is needed. The potential solutions are, at a first glance, at least three:

- leaving different variables, without a possibility of measuring a social value;
- translating different variables into a conventional money level;
- translating different variables into a new conventional variable, including money in this translation.

It is not fit this Chapter for exploiting costs and benefits of each of these ways, but only to consider the paths open for future research.

Another choice to undertake is that between annual report or interim reports. If FA, for most relevant corporations, requires interim financial statements, perhaps the same will happen, early or after, also in SA. Another question to be answered is if SA has to follow FA in producing only one main set of statements. If this is the case for FA, in fact, that could be due to the narrowness of primary stakeholders (potential and actual investors), while the large scope of stakeholders in SA could suggest to produce different reports for different stakeholders. This last choice would make quite complex the process of disclosure on sustainability and the process of regulation as well.

Finally, research in SA should choice whether it is better to follow the way of *standardisation* of FA for firms (few judgment, little space for national regulation) or the way of *harmonisation* of FA for public bodies (many options allowed, more space and respect for national regulations or traditions). In our opinion, at least for many years, broad harmonisation will be preferred to narrow standardisation.

6 Conclusion

The aim of this Chapter has been to evidence the strong 'isomorphism' between financial accounting and what we resumed in the name of 'sustainability accounting', to survey the main features of this isomorphism and to investigate on the main perceived consequence for research.

Financial accounting (FA throughout the Chapter) is sometimes defined in the chapter as 'traditional' not because it is older than sustainability accounting (SA likewise), but because it enjoys a longer and more established scientific paradigm whereas SA seems sometimes to look for a general agreed perspective on research.

After the presentation of the theme a premise on 'regulation' in SA is presented as the main mirror in which to look at for discovering similarities with the parallel and most famous process of regulation in FA. Then, the Chapter follows defining what we mean by the term of 'isomorphism'.

Once 'isomorphism' has been defined, a rapid survey of the different elements of such isomorphism is showed.

Finally, an attempt is made to simply outline the major theoretical consequences and the further developments, in general for CSR and particularly for SA.

The objective of the Chapter is just introductory on this subject, and further conclusions will be able to be reached only by means of more robust investigations, also of empirical nature.

Among the various arguments of discussion, what emerges more for relevance—at least in our opinion—is the regulation process. Only the full exploiting of this process seems to make the risk of self-reporting would be avoided. The Frankental's (2001) solution for a SA enforced by financial markets seems to be a promising way for empowering SA and embedding it in the structure and processes of the entities.

In any case, only a full exploiting of this approach in the next years, along the outlined directions, will be able to ensure the profitability of the same for the community of scholars and practitioners in SA and CSR.

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Voluntary Tax Compliances as a Form of Social Responsibility: Factors of Influences

Narcis Eduard Mitu

1 Introduction

The primary task of a fiscal authority is to collect taxes due to the government at the lowest possible cost (Ionescu, 2001). *Governments need money. Modern governments need lots of money* (Steinmo, 1993, p. 1). As such, in the current period, for Romania, encouraging voluntary compliance of taxpayers could be one of the solutions to the increase of budgetary revenue needed to meet the growing needs of a modern society.

The modern citizen must learn to harmonize the needs of society with personal needs. It must act in such a way that the inevitable relations established between it and all the institutions forming the state administration (the state in its entirety) to be mutually beneficial. *What we need is an education for collective living rather than for individual success* (Goodwin, 2001, p. 41). From this point of view, the tax is the most used form in which the citizen contributes to the satisfaction of the general needs of the society, giving up part of its income or wealth. At an individual level, a comparison between what the taxpayer provides and what it receives from the state through redistribution can almost never lead to just conclusions, because participation in state resources is mutual, and the state will primarily satisfy the general needs of society, and not those of each individual. Thus, we realise that taxation cannot be separated from social solidarity, in this tandem it always prevails the satisfaction of collective needs.

Social responsibility is an ethical framework and suggests that an entity, be it an organization or individual, has an obligation to act for the benefit of society at large. Social responsibility is a duty every individual has to perform so as to maintain a

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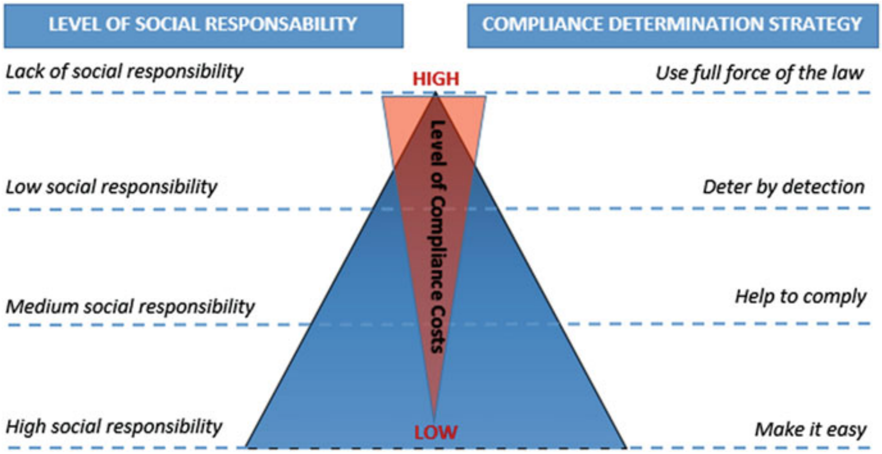

Fig. 1 A model of compliance in accordance with social responsibility

balance between individual needs of citizens and those of society as a whole (Emerson, 2003; Palmer, 1995; Preston & O'Bannon, 1997).

From this perspective, voluntary compliance with tax payment is a form of social responsibility. Failure to pay taxes also leads to the impossibility of supporting governmental programs absolutely indispensable (e.g. education, health, etc.). Non-payment or payment in a smaller amount than the real one is considered to be a socially irresponsible behaviour (Cârstea & Dascălu, 2013).

Voluntary compliance is the most efficient and easiest way to collect tax revenue, being the process by which natural and legal taxpayers declare and pay, on their own initiative (without applying coercive measures), in full and in time, taxes, contributions and duties due under current tax legislation.

Increasing the degree of voluntary tax compliance and, implicitly, social responsibility of taxpayers is one of the major objectives of each tax system. Modern tax administrations are aware that encouraging and inducing social responsibility behaviour among taxpayers encourages compliance and reduces social costs (Fig. 1). However, in order to implement the objective, it is necessary to have a profound knowledge of the mechanisms that generate this desideratum.

In this respect, a real analysis of the factors contributing to the adoption and consolidation of social responsibility as a desirable attitude towards tax liability is essential.

There is a vast literature on the subject. The pioneering in the analysis of factors influencing tax compliance can be attributed to Günter Schmölders (1959) who introduced in the late 1950s 'fiscal psychology' as a new branch of public finances. Schmölders proposed as an object of study the 'tax mentality' of individuals, which is consistent on the broader 'tax mentality' of their nation, profession, or social class. However, there has been a lack of consensus and agreement as to why people do or do not pay their taxes. Several studies have been dedicated to the analysis of tax compliance' determinants as they are of paramount importance for tax levying, public spending, and providing public goods. Allingham and Sandmo (1972), Srinivasan (1973), Yitzhaki (1974), and later on Erard and Feinstein (1994), Slemrod, Blumenthal, and Christian (2001), or Anderhub, Giese, Güth, Hoffmann, and Otto (2001) focus on the influence of economic factors (tax rate, audit rate, income, penalty) on compliance behaviour.

More recently, another few tax compliance studies (Murphy, 2004; Tan, 1998; Hite, 1997; Torgler & Murphy, 2004; etc.) have been based on social and psychological theories. Research studies in this field have argued that the human element plays a vital role in individual taxpayer compliance decisions.

According to Fischer, Wartick, and Mark (1992), tax compliance is mainly influence by four groups of factors (Fischer Model). These groups of factors are: (1) demographic (e.g. age, gender and education); (2) non-compliance opportunity (e.g. income level, income source and occupation); (3) attitudes and perceptions (e.g. fairness of the tax system and peer influence) and (4) tax system/structure (e.g. complexity of the tax system, probability of detection and penalties and tax rates).

The Fischer model provides a framework for understanding the influence of those socio-economic and psychological components on taxpayers' compliance decision. Later, Chau and Leung (2009) suggest a partial refinement to this model by incorporating another important environmental factor: culture.

According to other tax specialists such as Loo (2006), Kirchler (2007), Palil (2010), the main factors who affecting tax compliance were grouped into five main categories. These are: (1) economic factors (tax rates, tax audits and perceptions of government spending); (2) institutional factors (the role of the tax authority, simplicity of the tax returns and administration and probability of detection); (3) social factors (ethics and attitude, perceptions of equity and fairness, political affiliation and changes on current government policy, referent groups); (4) individual factors (personal financial constraints, awareness of offences and penalties) and (5) other factors (age, income, level, culture, education, gender).

To better understand the voluntary compliance, Beers, LoPresti, and San Juan (2012) identifies a number of factors who which influences the decision to pay taxes. These factors are summarized in Table 1:

2 Factors That Influence Voluntary Tax Compliance: A Romanian Perspective

In Romania, the degree of voluntary compliance is small. According to 'Country Report Romania 2017—European Commission Working Document', our country is characterized by 'high tax evasion and low tax compliance'. The recommendation of the European Commission for Romania is to improve the degree of voluntary compliance with taxes payment. For example, Romania was in 2015 the European

Table 1 Factors identified as potentially voluntary compliance

Factor	Description (in text)
Deterrence and threats	Threat, punishment determines a non-natural, artificial, conformation little compatible with the idea of freedom (and, in general, with the idea of free will). Pressure and threat are in an antithesis with social responsibility
Norms	According to the social norms and the theory of reciprocity, those taxpayers who believe most other taxpayers comply, are more inclined to comply in their turn (Kahan, 2003)
Tax morale	Tax morale is defined as the motivation of a country's citizens to paying taxes, in addition to legal obligations
Trust	Taxpayers 'confidence in the fairness of tax rules and the integrity of institutions that require them, starting with the government, is essential to maintaining payers' compliance
Complexity and convenience	Taxpayers who are dealing with complicated rules may be unable to comply or may use their complexity as a reason to justify the lack of tax compliance. The more complex a tax system is, the more complicated is for taxpayers, individuals or companies to access it

state with the largest VAT gap (the ratio between VAT due and unpaid to the budget and the total VAT payment obligation). According to the 'Study and Reports on the VAT Gap in the EU-28 Member States: Final Report' (2017), the largest Gaps were registered in Romania (37.18%), Slovakia (29.39%), and Greece (28.27%). The smallest Gaps were observed in Sweden (−1.42%), Spain (3.52%), and Croatia (3.92%).

Valorically, the degree of voluntary compliance with the tax payment is determined as a ratio between current receivables and declared amounts for the reporting period.

According to 'The Performance Report of ANAF' (2015, 2016), the degree of voluntary payment compliance was of 83.67% in 2014, 83.53% in 2015 and 84.0% in 2016, and voluntary declaration compliance was of 94.1% in 2014, 94.8% in 2015 and 95.3% in 2016.

Coherent voluntary compliance programs have been implemented over the past years in most EU Member States, including Central and Eastern European countries such as Poland, Hungary, the Czech Republic, Slovakia or Slovenia. In many cases, these initiatives provide for the total or partial cancellation of penalties due by taxpayers and the forgiveness of criminal charges. Also, according to the information of the Organization for Economic Cooperation and Development, 23 other non-EU countries have introduced voluntary compliance programs, such as the United States, Canada, Japan, Switzerland or Australia. In this context, it would be desirable for Romania also to consider developing and implementing a coherent voluntary compliance program that encourages taxpayers to declare transparently and to pay due taxes, duties and contributions.

Following the example of the Foreign Account Tax Compliance Act (FATCA) implemented by the United States for its residents, more and more states have shown interest in being a party to a similar agreement to automatically exchange information about their residents' income. Thus, it emerged from the Organization for Economic Cooperation and Development (OECD) initiative in 1988, The Convention on Mutual Administrative Assistance in Tax Matters, signed in 2014 also by Romania. The Convention is the most comprehensive multilateral instrument available for all forms of tax cooperation to combat tax evasion and avoidance.

An important first step for Romania in determining and encouraging voluntary compliance was the adoption of the Common Reporting Standard (CRS), an initiative of the OECD to apply the automatic exchange of information in the field of taxation. Common Reporting Standard was implemented within the European Union through Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (DAC2). These legal provisions envisaged the transparency of the tax and duties collection procedure and fraud reduction and cross-border tax evasion by removing situations where there could be unduly unreported income, which would lead to the objective impossibility of the State entitled to apply duties and taxes deductions to do so. Starting with 2016, with the entry into force of the new Fiscal Procedure Code (Law 207/2015), it has also been transposed at national level the Council Directive 2014/107/EU as regards mandatory automatic exchange of information in the field of taxation.

Also, the transposition in the national legislation of the Council Directive (EU) 2016/881 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (DAC4), is another important step for voluntary compliance of taxpayers. Emergency Ordinance no. 42/2017 is the legislative act that facilitated this approach.

DAC 4 is the EU equivalent of Country-by-Country reporting and provides for the mandatory automatic exchange between EU Member States of the Country-by-Country report of a Multinational Enterprise (MNE). Country-by-Country reporting requires MNE's to submit a Country-by-Country Report of certain financial information (including the revenues, profits, taxes paid and accrued, accumulated earnings, number of employees and certain assets broken down by each tax jurisdiction in which the MNE operates) and this information is subsequently exchanged to any other Member State in which, on the basis of the information in the Country-by-Country report, one or more Constituent Entities of the MNE Group of the Reporting Entity are either resident for tax purposes or subject to tax with respect to the business carried out through a permanent establishment.

At the level of individual taxpayers, the General Directorate of Natural Persons' Income Control (up to 2015, Tax Inspection Directorate) is the structure of the National Agency for Fiscal Administration designated to implement the Tax Compliance Program for Natural Persons with great fortune (PFAM). Having a legal framework dedicated to checking natural persons that has been permanently completed, the work of the Directorate is focused on a target group of more than 300 people in the high income and great fortune category. Currently the information sources of the Directorate are given by: banks, National Trade Register Office (ONRC), local administrative departments, other public authorities (e.g. those regarding real estate holdings, car registrations, ship and aircraft register, etc.), annual financial statements of companies (submitted or on request) based on tax returns and informative declarations submitted by taxpayers (natural and legal persons). In addition, information received from abroad is analysed either based on automatic exchange or based on the exchange of information on request. In the verification activity there are mainly analysed the loans granted to the companies by the shareholders, other allocations of funds made by the verified person, in this case purchases of movable and immovable goods, deposits in bank accounts, securities acquisitions, etc., hidden dividends, income from abroad compared to declared earnings. The stated objective of the Directorate is to increase the degree of voluntary compliance among those included in PFAM.

According to the authors Kirchler, Hoelzl, and Wahl (2008), the quality of compliance is different depending on the key issues: taxpayers' confidence in state authorities and the power of authorities. On the one hand, trust is a voluntary compliance predictor, which is obtained without constraint, based on the willingness of taxpayers to act in the interest of others and to make their duty as citizens in response to the credibility of the authorities. On the other hand, power is a predictor of enforced compliance that is achieved through constraining strategies (tax control, fines) used by tax authorities against taxpayers' aversion to risk and fines. According to the literature, compliance behaviour refers to both respecting the letter and the spirit of the law (James & Alley, 2002).

Tax authorities have at their disposal a wide range of strategies, from facilitating and assisting compliance, applicable to honest taxpayers, to the full use of law enforcement applicable to fraudsters.

Voluntary tax compliance is a syntagm that, although non-existent in Romanian tax legislation, is still more and more among the declarative objectives set out in the strategies of the National Agency for Tax Administration in recent years.

Starting from the stated need of the authorities to increase the degree of voluntary compliance on meeting the fiscal obligations by taxpayers, we will try to analyse the main factors of compliance from the perspective of Romanian realities.

2.1 Deterrence and Threats

Discouragement is one of the factors with an important role in the taxpayer-taxation relationship. According to Weber (1992), the state holds the 'monopoly of legitimate violence' and can impose its will in front of its citizens. Fiscal punishment has a millenary history closely linked to tax. Its establishment was based on the assumption that some members of society will not comply with social norms unless they personally feel the effects of punishments that are intended to correct them. Every kind of society has built its own punitive justice in the tax area and institutionalized the punishment. *The perhaps most obvious way to ensure tax compliance is to criminalize non-compliance* (Brockmann, Philipp, & Seelkopf, 2016, p. 4). The antagonist climate is characterized by lack of confidence and is managed through the 'enforcement paradigm' (Alm & Torgler, 2011), in other words, it is trying to eliminate tax fraud through frequent tax checks and drastic sanctions. By applying punishments to economic actors or other categories the State has a double purpose: to avoid/minimize the risks and, on the other hand, to intimidate or discourage the commission of other detrimental facts.

In order to be applicable, tax legislation provides for sanctions (penalties, late payments, fines, etc.). Allingham and Sandmo (1972) set the level of tax evasion in direct and negative correlation (inversely proportional) with the probability of its discovery and the value of the fines and penalties.

The threat, the punishment leads to a non-natural, artificial attitude, little compatible with the idea of freedom (and, in general, the idea of free will). The pressure and the threat are in the antithesis with social responsibility. The implementation of a system based entirely on taxpayers' coercion to pay tax liabilities is extremely costly and can be successful only if there is a tax administrator under every bed (Torgler & Schaltegger, 2005, p. 2). Many studies have demonstrated the limits of tax systems based on constraint (Alm, McClelland, & Schulze, 1992; Frey & Feld, 2002; Graetz & Wilde, 1985; Slemrod & Blumenthal, 1996).

In Romania, the tax constraint is put into practice by a legislative system that is mostly based on two pillars: the Tax Procedure Code (Law no. 207/2015) and the Law on Prevention and Combating Tax Evasion (Law no. 241/2005).

The new Tax Procedure Code replaced the old system based on surcharges for late payment with a more flexible one, based on interest and late payment penalties (accessory payment obligations), which are set by decisions of the tax authority.

Interest (seen as a tax deterrent) is defined as the accessory tax liability that is the equivalent of the loss suffered by the holder of the principal tax debt as a result of the debtor's failure to pay at maturity the main tax obligations.

The default penalty is the sanction for non-payment at maturity by the debtor of the main tax obligations, and the penalty of non-declaration is the sanction for the non-declaration or the incorrect declaration in tax returns, of the taxes, duties and social contributions.

Fiscal interest is calculated for each day of delay, starting from the day immediately following the maturity date and until the date when the amount due is extinguished inclusively. The value of the interest in 2017 is 0.02% for each day of delay, the same amount as in the previous year. This corresponds to 7.3% this year (2017 has 365 days), compared to 7.32% in 2016 (it was a leap year) or 10.95% in 2015, when the value of interest per each day of the delay was higher, that is 0.03%.

The default penalty is calculated for each day of delay, starting from the day immediately following the maturity date and until the date when the amount due is extinguished inclusively. The late penalty was reduced from 0.02% (7.3% per annum) to 0.01% per each day of delay (3.65% per annum) on 1 January 2016, the amount valid also in 2017.

The non-declaration penalty applies only to the undeclared principal tax liabilities and established by the tax inspection through notices of assessment elaborated after January 1, 2016. It is calculated from the day immediately following the maturity date until the date when the amount due is extinguished inclusively. This does not exclude the payment of interest and penalties for late payment.

The above-mentioned normative act includes a 1% increase in late payment per month or fraction of a month in the case of tax liabilities administered by local tax authorities. In addition to these tax accessories, the Code of Procedure also provides for fines ranging from 50,000 to 2,700,000 RON (about, 110–5800 EUR).

In Romania, as a result of the fiscal control actions carried out, there have been ordered sanctions for a misdemeanour amounting to 221 million RON (the equivalent of 49.9 million EUR), consisting of civil fines and seizure of sums, illicit revenues and goods (The Performance Report of ANAF—2016).

The Law on prevention and combating tax Evasion (Law no. 241/2005) has a double addressability: on the one hand, to advise the natural and legal taxpayers on the obligation to contribute, through taxes and duties, to the support of public expenditures and to prevent the consequences of sanctions they expose themselves to in case of fraudulent evasion from the performance of tax duties and, on the other hand, to constitute the legal instrument on the basis of which is held the criminal liability of those who violates in bad faith the provisions of the law (Boroi & Rusu, 2006).

The law on preventing and combating tax evasion only penalizes offences of tax evasion and offences related to them (the penalty is exclusively criminal). From the point of view of the punishments provided by this normative act, the legislator has obviously emphasized his preference for imprisonment. Moreover, no alternative measures are provided for the execution of this type of punishment. In the case of tax evasion offences that caused damages of up to EUR 10,000,000, there is the possibility of applying the fine as an alternative sanction, and in the case of damages of up to EUR 5,000,000 it is mandatory to apply the administrative sanction (Toader, 2011).

This dual approach, Tax Procedure Code versus Tax Evasion Act, contravention versus offence, does not create a clear legal framework. Even if the degree of social danger of some acts is different, it is not necessary to strictly separate them. The rationale behind criminal or contravention criminality is the same, namely that the violation of certain rules on tax discipline of taxpayers requires a punitive response of the state. Regardless of the nature of the criminalization, the legislator proceeds from the assumption that a certain social value has been violated through this behaviour and a penalty is imposed either by criminal sanctions or by legal sanctions for a misdemeanour.

The option of penalizing criminal offences exclusively by the Tax Evasion Act is a proof that the legislator has obviously opted for adopting an authoritarian model that underlines the absolute trust of the state in the criminal repression.

The unitary regulation of the two illicit forms, misdemeanour and criminal, has the capacity to reflect more coherently the criminal policy of the tax legislator (Gyuricza, Lascu, & Gyuricza, 2017). However, in view of the considerations regarding the conception behind the adoption of the law that incriminates tax evasion, namely the renouncement to the provision of illicit misdemeanour, the multiplication of criminal charges, the preservation of the principles of the obligation and the official nature of the criminal action, the preference for custodial sentences and reducing the role of the judge in the application of complementary punishments, the Romanian legislator clearly took over the authoritarian model in the field of tax crime and implicitly the lack of voluntary compliance.

The problem of authoritarian approach, however, is that it is very costly for the government and stressful for the vast majority of taxpayers. Both effects limit the viability and utility of such an approach to the lack of voluntary compliance. Government spends a great deal of resources (time, money, staff, sometimes even a loss of positive image) to hunt fraudulent behaviour, and the taxpayer has to worry about the harsh consequences of the lack of voluntary compliance.

The cost of tax collection in Romania in the period 2013–2015, according to the Ministry of Public Finance, ranged from 1.15 RON to 1.02 RON per 100 RON collected taxes. On a simple search on Google (23 November 2017), the phrase 'tax stressful' resulted in approximately 19 million Internet pages on this subject. The pressure created by too much authority can have effects contrary to expectations, creating an increased resistance (immunization) among taxpayers (Kirchler et al., 2008).

> If people be led by laws, and uniformity sought to be given them by punishments, they will try to avoid the punishment, but have no sense of shame. If they be led by virtue, [. . .] they will have the sense of shame, and moreover will become good. (Legge, 2001, p. 146)

Countries like the US, Australia, Canada, Italy, Spain, or the UK have developed voluntary compliance programs that offer various tax incentives such as reducing penalties or exempting from imprisonment those enrolling in these programs. Among those most targeted by these programs are people with wealth and high incomes, which are an important source of revenue for the budget.

In Romania, an important first step towards encouraging voluntary compliance is the adoption of the 'Prevention Law' (December 2017). According to this normative act, no fines can be applied at the first finding of a fact, but only on the condition that it is of a contraventional nature, not of a criminal nature. Thus, for acts that constitute contraventions and are provided by certain normative acts, including the Tax Code and the Tax Procedure Code, taxpayers will be granted a period of 90 days in which they will be able to correct the irregularities and comply with the legal provisions.

Taxpayers, on the one hand, should bear in mind that now is a good moment for tax compliance, and tax authorities on the other side must encourage taxpayers to voluntarily comply through clear messages on non-application of punitive measures such as criminal ones, thus facilitating the process of declaring and paying taxes with positive effects on the whole society.

2.2 Norms

The term 'norm' is explained in the Dictionary of Neologisms as *a mandatory rule, a law that someone or something has to follow* (Marcu & Mânecă, 1986). Normality (of a person or situation) thus appears as a measure of compliance with the norms, constraints and prescriptions of the society to which that person belongs.

Failure to observe the norms and models of society denotes a deviant behaviour, a departure from the normality of life and social order.

Conformation or non-compliance with norms leads the human being to occupy a position (role, status) in that society and this position receives a value (positive or negative) according to society's expectations for that role or status in the sense of conformism or of the evolutionary projection of that human societies.

By enacting a norm, all other possibilities for action in the field covered by that norm are basically excluded. Acceptance of norms increases the social responsibility of community members, reducing the possibility of tension or social conflict, thus contributing to social cohesion, to the health of the respective community. The internalization of norms makes the human subject to know the way it operates and is organized the society in which it lives, making easier for it the task that it has as a roles and status holder. Specifically, if the norm is perceived to be strongly against evasion, but the person has not internalized this norm, then harsher sanctions will increase compliance rates. Wenzel (2001, 2004) argued that personal norms are, in fact, internalized social norms.

Norms are particularly effective drivers of tax compliance (Braithwaite, 2009; Onu & Oats, 2016). Social norms do not always predict compliance behaviour in a straight-forward manner, and their effect depends on the context in which they operate.

Under social norms and the theory of reciprocity, those taxpayers who believe that most other taxpayers comply, are more inclined to comply in their turn (Kahan, 2003). Conversely, in communities with non-compliance norms, some taxpayers, even if they have an initial inclination to comply voluntarily, due to the settled habit, will also adopt an attitude of non-compliance. Taxpayers belonging to a group with an inclination to comply may exert some social pressure on others to comply (for example, they can induce the feeling of shame or dignity), and members that evade may feel guilty or unworthy when they violate the norms. Other studies suggest that in the case of certain taxpayers who comply with social norms, compliance may decline if they begin rationalizing that their own compliance is based on the threat of government sanctions (Kahan, 2002). Thus, Fleisig-Greene (2007) notes that a large part of taxpayers who have recently been audited and sanctioned, subsequently reported lower taxable income. It can therefore be concluded that recursing to positive social norms seems to increase the level of compliance, while deterrence threats have little or even the opposite effect.

An important role in adopting positive norms among different taxpayers' communities is the publicity of positive or negative attitudes. Thus, advertising that suggests that most small businesses comply may be particularly effective in promoting compliance with this norm by others because of the way small businesses are seen. Most often these, in the collective mind, are considered an economic engine and citizens are becoming closely aware of them.

In Romania, a positive effect for boosting tax compliance is the publication by the National Agency for Tax Administration (ANAF), starting with 2016, of the list of taxpayers with the highest outstanding tax liabilities (the so-called 'list of shame').

Social norms lead to a generic, non-implicit compliance behaviour, in which punishment has a place but is not decisive.

2.3 Tax Morale

According to Feld and Frey (2002) or Braithwaite and Ahmed (2005), tax morale is perceived as the *internalized obligation to pay tax*. With other words, tax morale is defined as the motivation of a country's citizens to paying taxes, in addition to legal obligations. Luttmer and Singhal (2014) define tax morale as being *an umbrella term capturing non-pecuniary motivations for tax compliance as well as factors that fall outside the standard, expected utility framework*. Tax morale is a multidimensional concept and requires an interdisciplinary approach (Alm & Torgler, 2006) like political science, psychology, and sociology.

The concept of tax morality can be better and easier to understand if we relate to the factors identified to characterize it. The literature offers a wide range of factors that influence tax morality. Sá, Gomes, and Martins (2016) grouped these factors into five categories: personal and demographic factors (age, gender, marital, status, education and labour status), economic factors (fines, probability of audit, income), sociological and behavioural factors (religiosity, perception of others behaviour), psychological factors (trust, pride, equity, tax evasion, happiness) and political factors (political participation).

This means that people's attitudes towards taxation are shaped by socio-economic variables as well as by the perceptions on state institutions, the use of tax revenues, the quality of public services and the degree of penetration of democracy (Cummings, Martinez-Vazquez, McKee, & Torgler, 2009). For example, women tend to be more tax compliant than men (D'Attoma, Volintiru, & Steinmo, 2017; Hasseldine, 1999; Spicer & Becker, 1980; van Dijke & Verboon, 2010), religious believers are generally more compliant than non-believers (Torgler, 2006; Gupta & McGee, 2010; Ross & McGee, 2011; Strielkowski & Čábelková, 2015; etc.).

Reforms that increase transparency and efficiency in the way in which revenues are used (where public service quality is vital) could contribute raising the degree of tax morality and, therefore, to a better tax compliance.

In Romania, the corruption perceived in the system of spending the public money and the power used by the arbitrary state to direct the collected revenues, seriously affects tax morality.

In states that treat their citizens with respect and openness, involving them in the decisions on directing public money, people are much more willing to contribute financially to budget spending. As the public administration constantly shows to the citizen that it only needs to respect some decisions, the more it will be motivated to seek solutions to avoid tax obligations. The disrespectful attitude of the official in the financial administration and of the political factors is identified as a factor that greatly contributes to the discouragement of tax morality.

The moral vision on taxes is also negatively influenced by unjustified distinctions that budget allocations often make between people from different social or professional categories (military, magistrates, lawmakers). The payment of taxes is no longer seen as a citizen's act of loyalty to the state, as long as the redistribution made by it is directed mainly towards an alleged social pretence or temporal hierarchy in the political order.

The seemingly permissive or ineffective attitude shown by Romanian tax authorities to the phenomena of major evasion in certain sectors of activity accentuates socially the belief that ordinary people bear larger or unfair tax burdens instead of big fraudsters. It has been propagated a lot in the domestic society the vision that 'we pay for others to take advantage', which is extremely damaging when it comes to the degree of tax morality.

An important role in addressing and inducing a moral attitude when it comes to taxation is the institutional transparency (communication, decision-making, spending of public money) of the Ministry of Public Finance. Tax education is also very important. Romania is not doing well in any of these chapters.

In the study financed by Norway Grants, entitled 'Enhancing Integrity in the National Agency for Tax Administration through Institutional Cooperation and Capacity Building' (April 2016), among the vulnerabilities identified at institutional level in the field of tax inspection and control activities are stated expressly: *non-transparency/non-publication of control methodologies, as well as the lack of methodologies/guidance on the individualisation of applicable sanctions. A non-transparent system for managing complaints* submitted by taxpayers is another identified vulnerability. The same study shows that 31% of the total number of employees of the National Agency for Tax Administration (ANAF) who responded to the sociological survey believe that there is a lack of communication within the institution, and 3% consider that the whole communication is non-transparent, being hidden important aspects.

In the field of tax education, it is relevant that the Ministry of Public Finance does not carry out until now (December 2017) any programs in collaboration with schools, high schools or universities to meet the need for knowledge and education in this field. Given the tremendous social impact of taxation, we believe that an incisive tax education campaign that targets all the social classes of Romanian society (from pre-school to retired people) is absolutely necessary. Only in this way can we hope to increase the degree of tax morality and implicitly of the social responsibility of the citizens with a direct and positive implication on the voluntary compliance attitude.

2.4 Trust

Tax rules must enjoy legitimacy as large as possible. Only then will they receive a tacit social validation and will prove their practical effectiveness without the need for coercion. In Romania, economic difficulties, poverty that marks wide social strata and deepening the perception of the ineffectiveness of state actions contribute essentially to increasing citizens' dissatisfaction with the tax system and implicitly with the tax rules.

When assessing the effectiveness of tax rules, many taxpayers balance what they pay with what they receive in return from the state, and they often have the feeling of imbalance, to their detriment. The impression that many public funds are wasted or that various government services are inadequate marks citizens' attitudes to tax, and they feel it is natural to resist inefficiency rather than to feed it with resources. Implying an amputation of its wealth, the taxpayer looks at its binding relationship with the state also through the prism of what owe other citizens with a contributory capacity comparable to its. When the result of this comparison denotes an inequality, it becomes a new source of tax illegality and pushes the citizen away from voluntary tax compliance.

From this point of view, legitimacy must be an attribute of any social norm, including tax ones. In any practical situation, it also brings an increase in effectiveness by sensitively diminishing the dissent towards state actions. The tax norm must be carried out within a social division of responsibility between the State and the taxpayer.

Taxpayers' confidence in the fairness of tax norms and the integrity of institutions that require them, starting with the government, is essential to maintain taxpayers' compliance.

Tax rules currently have a strong social delegitimization (lack of trust) in our country, without being an exclusive feature of Romania. The lack of legitimacy reveals a serious crisis of the state authorities, especially if it tries visibly and persistently to replace legitimacy with coercion excess. An illustrative example of this is recently adopted Emergency Ordinance no. 79/2017 for amending and completing the Law no. 227/2015 on the Tax Code, which is contested by a large part of the society: trade unions, employers' organisations, Tax Council (2017, December), but also by a part of the government people (the president of the country and mayors). This practice weakens both the tax system and the state. The domestic tax law-making process seems rather a quantitative competition. Reforming in this area has in recent years been an obsessive concern for increasing the efficiency of collection by methods based on increased tax bases, excessive bureaucracy, extremely numerous changes in legislation, exponential growth of declarative obligations and control incisiveness. The Romanian legislator does not seem to notice that the genesis of numerous evasion actions lies in the very essence of the established normative framework.

Delegitimization occurs when a large proportion of the population no longer considers tax as a natural and just contribution to public spending. This happens on the background of the permanent media assault, devoted to the abuse and disinterest of some dignitaries, representatives of the ruling political class, or of categories of people very rich in the use of public money. There appears the perception that political decision-makers and the administration are not seeking the general interest.

In 2016, referring to trust, the president of the Romanian Tax Council declared that:

> The degree of voluntary compliance with taxes and duties will not increase even if they are reduced by half if there is no improvement in the public services received in their exchange, taking into consideration that infrastructure, education and health are poor. (Comisia Europeană recomandă României să îmbunătăţească gradul de conformare voluntară la plata taxelor, 2016, May)

Therefore, in our opinion, crucial for the concept of voluntary compliance is the taxpayers' trust and conviction that the tax administration respects the taxpayers' rights and operates according to the principle of integrity and honesty.

The survey on citizens' trust in public institutions, titled 'INSCOP Barometer—The truth about Romania' (2016, March) conducted by INSCOP Research shows a very low degree of trust in ANAF: 37.9% (April 2015), 38.7% (July 2015), 41.9% (September 2015), 40.7% (November 2015), 39.5% (March 2016).

In order to trust the tax system and its institutions, citizens must be convinced that it is an honest system, administrated impartially. For these reasons, it is important for the tax administration to establish the right balance between serving the citizens and the honest and impartial application of tax legislation.

2.5 *Complexity and Convenience*

Taxpayers who are confronted with complicated rules may be unable to comply with them or may use their complexity as a reason to justify the lack of tax compliance. The more complex a tax system is, the more complicated it can be for taxpayers, natural persons or companies to access it.

A TMF Group study titled 'The Financial Complexity Index 2017' positions Romania in the second part of a ranking of tax systems complexity, that is the 54th of the 94 states and tax jurisdictions analysed. It should be noted that the ranking must be understood in the opposite direction: that is, the first positions mean a complicated tax system, while the last places show very simple legislation. Therefore, Romania is in the second half of the ranking, close to our country being among the European states Netherlands, 55th place, or Czech Republic, 60th place. It should be noted that, for example, Slovakia and Bulgaria are in positions that show that they have a simpler tax system than Romania.

However, it is difficult to say what position the tax system might occupy if recent changes to tax legislation (transfer of social contributions from employer to employee, 'split VAT' system, etc.) are introduced. Probably the tax index would deteriorate significantly because these changes have the 'quality' to complicate the tax procedure.

Tax complexity is not a virtue. On the contrary, simple tax systems are the closest to taxpayers and, of course, the easiest to understand and apply. The simplest tax systems are the so-called 'tax havens'.

The index made by the TMF Group confirms that, special tax jurisdictions being ranked as such. Leaving aside tax extremes, there are also some states that have simple tax systems. Among them are the United Arab Emirates, Hong Kong, Switzerland or Slovenia. For example, the study shows that there are no taxes for corporates or natural persons in the United Arab Emirates, there are also no limits to repatriation of capital or profits. Of course, there is a specificity of the tax system in the Persian Gulf area.

On the opposite side, the 10 countries with the most complex tax systems are in order: Turkey, Brazil, Italy, Greece, Vietnam, Colombia, China, Belgium, Argentina and India. So, in the top ten countries there are two countries of the European Union, Greece and Belgium.

The study also provides some explanations. Turkey has the most complex tax system due to the existence of an extremely high number of tax provisions. In Italy, taxes are levied at national, regional and municipal levels, while in Greece taxes are divided into three categories: income, property and consumption. Finally, the study notes that an improvement in the tax system can be achieved by digitizing and computerizing the relationship between revenue service and taxpayers. Romania is taking steps in this direction, but quite small.

Also, the degree of comfort offered by a stable tax system is extremely important when it comes to the issue of voluntary tax compliance.

Biriş (former Secretary of State in the Ministry of Public Finance), an important Romanian tax specialist, referring to the stability of the domestic legal framework, made the following statement:

> This tax code, Law 227/2015 and, of course, I am talking only about the Tax Code, and not about the Tax Procedure Code, which may have problems even bigger than the Tax Code, was amended four times before it came into force (January 2016), some changes being significant. In total, in two years, it has been amended by 20 government ordinances, government emergency ordinances, laws amending the Tax Code or laws approving emergency ordinances or ordinances. We have not only amendments, but we already have amendments to the amendments in two years. Year 2017 is, from tax point of view, a nightmare. I have been working for 22 years, 23 soon, when all the profession (tax consultant) is 25 years old in Romania. In 23 years I do not remember a worse year in Romanian taxation than this year. (2017, November)

The need for complexity and convenience, in Romania, is also underlined by the results of the study from 2016 conducted by EY (Ernst & Young) Romania in association with Raiffeisen Bank, entitled 'Romanian Entrepreneurship Barometer'. In this study, 70% of respondents ranked the top of the biggest obstacles to business creation and development in Romania, the pronounced instability of the tax legislative framework. Among the measures that could have the biggest impact in supporting entrepreneurs in the short term, *creating a clear, effective and simplified legislative framework* was identified as the second most relevant (15% of the respondents). Also, to the question, *what do you think is the most important obstacle for entrepreneurs in Romania?* The answer ranked first was the 'fiscal and legislative framework' (35% of the respondents).

In the study titled 'Increasing Integrity in the National Agency for Tax Administration through Institutional Co-operation and Capacity Building' (April 2016), one of the main corruption vulnerabilities within ANAF is unstable, cumbersome tax legislation and in some inconsistent situations (containing unclear provisions or even contradictory). Vulnerability has been identified by all target groups: citizens, economic agents and tax and customs officials.

The obvious conclusion is that Romania needs an immediate stabilization of the tax normative framework and a decrease in the degree of tax complexity that will cause the largest possible number of taxpayers situated on an asymmetric level of information and understanding to adopt an attitude of social responsibility and voluntary tax compliance.

3 Conclusion

In Romania, the need to change the paradigm in terms of social responsibility and implicitly voluntary tax compliance is evident for any specialist. A new tax philosophy should be adopted to ensure both a stimulating and non-discriminatory environment and to improve the transparency, stability and predictability of tax policy.

Voluntary compliance is difficult. Without the transparency of public institutions, without fast and discreet payment methods, with no clear reporting on how public money is spent, this approach is almost impossible. The study of factors that induce voluntary tax compliance highlighted a number of domestic tax system issues.

The low tax culture of taxpayers (but also of many tax administration officials) may also be a factor in distorting their attitude towards voluntary tax compliance. It takes, in this context, an increasing awareness of the positive effects of social responsibility implementation, a more developed organizational culture and involvement in the wider sense of all the actors (Sitnikov & Bocean, 2013).

There is a need for a national-level pedagogical effort to explain and motivate tax, but also to change the attitude of decision-makers, because when they declare their adversity towards the tax system, a significant number of taxpayers invoke the unjust political order and regard taxes as means by which the state rob them. Also, tax is often seen as means of enriching those in management who, while preserving their legal legality, lose their citizenship legitimacy. There is a perception that political and administrative decision-makers do not always seek the general interest (as they say).

We believe that a profoundly damaging effect on taxpayers' attitude towards tax obligations may be exaggerated fiscal sanctions, asymmetrical in relation to the facts found by inspection bodies, or even the practical ways in which audit is exercised and completed. The major communication deficit of tax administration bodies, associated with the opacity of many tax norms, creates a situation favourable to unintentional deviations. In Romania, as we have seen, it has diminished a lot the feeling of trust in the administrative or judicial bodies, which have to watch the observance of taxpayers' rights.

Poor quality and inconsistency of public services (infrastructure, health, education, transport, etc.) deepen the unfavourable perception of the population on budgetary choices and policies and push citizens away from voluntary compliance. The society tends to reject contributions for what is perceived to be useless. This phenomenon is sustained by the visible phenomena of scattering the collected resources through allocations for irrational objectives, while the vital needs of the population remain unsatisfied.

The apparent existence of tax irregularities, perceived by the state as insecurity or tax risk, leads regulations to move towards severe constraints, considered by most taxpayers to be an unjust punishment. They can take either the form of explicit sanctions or the form of endless bureaucratic rules. The enormous set of regulations seems to be, from the perspective of the taxpayer, that it has the sole purpose of 'doing wrong' rather than providing clear ways in the application of fair tax principles. Taxpayers feel that they are permanently exposed to the risk of being created an artificial, unfavourable legal situation for the purpose of additional taxation.

The state must accept that the lack or reduced tax compliance can also be the result of an imperfect legislation, controversial and inconsistent, badly assimilated by taxpayers, or wrongly implemented by officials who induce a confrontational atmosphere instead of a co-operative one. This situation creates a social responsibility deficit and will make the taxpayer believe that deceiving the tax authorities is a test of skill.

> In a society where the taxpayer does not trust the equity and fairness of the tax system and the correlated moral obligation to pay taxes and duties, the presentation of the option between paying with years and paying with money can result in a third choice, namely not to pay with money and, depending on the degree of risk in discovering the facts, possibly not even with years. (Vîrjan, 2011)

If legal regulations ignore the concept of justice, they will unbalance society and the rule of law. The state is best represented by its institutions. When they are perceived by the citizen as being oppressive, wasteful or parasitic, the state can not rely on the loyalty of its own citizens.

In conclusion, it is absolutely necessary to stimulate the process of modernization of the tax administration and to improve the administrative-tax capacity, so that the degree of voluntary tax compliance reaches the level in the developed countries of the European Union.

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