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广东外语外贸大学商学院企业国际化研究系列

# 新时期中国商业银行 CSR建设研究

朱文忠 王敏 刘世平 程霞◎著

THE CONSTRUCTION OF  
CHINESE COMMERCIAL BANKS'  
CSR VALUE IN THE NEW ERA



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ECONOMY & MANAGEMENT PUBLISHING HOUSE



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联系地址: 北京阜外月坛北小街 2 号

电话: (010) 68022974 邮编: 100836

# Abstract

Corporate Social Responsibility (CSR) refers to an enterprise's management philosophy that at the same time of creating profits to stakeholders it needs to assume responsibilities to its employees, customers, suppliers, community and society, including adhering to laws and regulations and business ethical principles, ensuring production safety and health, protecting labor benefits, protecting environments and natural resources, supporting philanthropy, and protecting disadvantaged groups, etc. CSR can be divided into four levels such as economic, legal, ethical and altruistic. Any business should be socially responsible, should not harm others and should create social benefits. In today's relationship era, an enterprise's actively taking social responsibilities to build a harmonious relationship with stakeholders like employees, customers, supplies and competitors, community and society is becoming a key factor for maintaining its long-term competitiveness and sustainability. In other words, an enterprise that creates benefits to society is actually creating benefits to itself. Otherwise, those firms that help others succeed will be more successful themselves. So it is necessary for modern businesses to integrate social responsibility targets into their ongoing business activities as a long-term strategy, which will ensure the long-term maximization of investors' benefits fundamentally.

Chinese commercial banks, especially the big four state-owned commercial banks, after their completion of shareholding reform, going public in both domestic and overseas markets and perfecting their corporate governance structures, tend to change their roles and business management goals from assuming the state's designed social responsibilities to maximizing their own profits or investors' benefits. In fact, there are really some problems appearing in their socially responsible behaviors such as unwillingness to make student loans, unfair charge of banking fees, supporting polluting enterprises with loans, or controlling real estate prices, etc. In this circumstance, it is of great



importance for commercial banks to learn how to balance the interests of investors and those of other stakeholders in order to maintain their competitiveness. In addition, with the globalization of world economy and the internationalization of these banks, their stakeholders are becoming more and more diversified and enlarged. Therefore, it is of great value to rethink and reflect their CSR issue.

Research on the evaluation criteria and formation mechanism for Chinese commercial banks is of realistic significance. Firstly, the issue of CSR concerns about the sustainability of the banks. For instance, in the domestic market this issue may be an indicator for their increasing or declining reputation and image as well as sales performance while in overseas markets it may be a trade barrier for them to enter a new market. Secondly, commercial banks' CSR connotation and criteria differ from those of common enterprises, however, today there is not such a statement of connotation and criteria for the banks, so it deserves a specialized research on them. Thirdly, commercial banks' good performance in CSR is even more important in that they may drive or impact their borrowing customers to be socially responsible with their green lending policy, or they may directly impact the country's economic prosperity or social stability with their strong financing power.

Through the literature review and reflection of domestic and foreign CSR theories and practices, and the empirical study of commercial banks' current situation and problems in CSR management, and based on the conclusion of institutional pressure analysis and case studies that "institutional arrangement is more influential than strategic benefits for an enterprise to drive a business to establish a good value of CSR", the paper puts forward a unique set of connotation and features for commercial banks' CSR, a unique set of criteria for evaluating their CSR performance, and a set of good mechanism for establishing their CSR cultural value. It is argued that due to the shortage of a complete internal and external corporate governance structure, in order to help Chinese commercial banks establish a sound CSR value, the legislative department is suggested to restrain commercial banks' business behaviors by perfecting the relevant laws and regulations, the government is suggested to direct them by designing and enforcing the related economic and social policies, the guild or NGO is suggested to regulate them by establishing an industrial standard, and the commercial bank itself is suggested to control

themselves by establishing a diversified inner governance structure and to strengthen them by building a healthy environment of CSR corporate culture. It could be said that the perfection of Chinese commercial banks' internal and external corporate governance structures plays a key role for the formation of their good CSR value and performance.

**Key Words:** Chinese Commercial Banks; CSR Value; Connotation; Criteria; Mechanism

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# Chapter 1 Introduction

This chapter deals with relevant questions and the background, theoretical value, and realistic significance of the research and innovation points about CSR. And it will fully discuss the researching methods and ideas as well as the basic framework of the research.

## 1.1 Research background and relevant questions

“Corporate Social Responsibility” (CSR) was first put forward by Oliver Sheldon of the UK in 1923. With the global human rights movement and environmental protection movement, CSR, influenced by the ideal of sustainable development, has enriched its substance and gained rising status. In recent years, the idea of “CSR” has drawn an increasing attention from the public. For example, *Fortune* and *Forbes* have both included CSR as one of their scoring criteria in the ranking of companies. In 2006, *People's Daily Online* and Chinese Culture Promotion Society organized the selection and awarding of those respected entrepreneurs and public trust brands with high social responsibility, and in 2012, China Central TV Financial Channel launched the top 50 index stocks with the consideration of five factors including social responsibility, which is a demonstration of the high value that China has placed on the CSR performance of Chinese companies.

Active fulfillment of CSR has become the shared strategic choice by more and more enterprises, because if a company couldn't deal with CSR properly from a strategic perspective, it is more likely to experience serious consequences, such as the bankruptcy of Sanlu Tainted Milk in China and the failure of Anron in the USA.



However, the theoretical study of CSR in China started later than that in the West, thus the specific study on relevant issues is not very perfect now. CSR echoes with cardinal virtues as “humanity, justice and harmony” in ancient Confucian culture and the doctrine of “Confucian businessman” in modern China. Those virtues are only the basis of ethical elements in social responsibility in modern Chinese corporations, while modern CSR reflects the attitude and is a practice of mature industrial democracy. In recent years, Being Globally Responsible Conference (BGRC) has launched in China and many CSR problems about Chinese enterprises were made public such as contractors dock workers' wages, land agents lift the housing price or the illegal labor employment of multinational companies. Therefore, Chinese academics started to pay much more attention to CSR and related researches. Some scholars thus have published relevant academic papers. For instance, Shi Yourong published a paper in *Wuhan University Journal (Social Sciences)* in 2002, and then Li Houhuan, Chai Gang, Chen Honghui, Zhu Wenzhong, and others all have published related research findings in the press or journal.

Although China has deeply studied CSR issue in some areas like coal, food and textile, researches on commercial banks' CSR are still in their infancy and have achieved little. People can find more academic papers on ordinary enterprises' CSR than on the CSR of the financial sector, especially that of commercial banks. In 2006, Zhang Youlong published a paper in *Studies of International Finance*, which is one of those rare. In addition, concrete results haven't reached in existing researches on the current situation, evaluation standards and mechanism construction of commercial banks' CSR. There are not such scholars who have made systemic and specific theoretical researches or empirical analysis on detailed issues on Chinese commercial banks including corporate values and performance, connotations and standards of CSR as well as how to promote their values.

However, it is of great significance to study on the CSR issue of commercial banks. The importance lies in that corporate values and performance of those banks not only involve their public image and sustainable development but influence the CSR performance of their clients and other social sectors and even the overall development of the whole national economy. Their CSR values have the “radiation” effect, which means it



can produce effects on clients and other enterprises' CSR performance through "green credit" policy and investment philosophy (refusal to investment requirement from enterprises with high environmental pollution or those don't meet the CSR standard) . In the context of economic globalization and increasingly competitive market, CSR performance has been or is becoming a core competitive advantage for commercial banks in domestic and overseas markets. Hence, it is necessary to carry out a detailed research on commercial banks in this respect.

The core questions this research is expected to solve include:

Firstly, study and innovate the theoretical understanding of CSR. As we know, CSR is a self-regulatory mechanism under which shareholders benefit protection runs through all business activities. It is a process without ending point. Some misunderstandings need to be removed, such as, charitable contributions are equivalent to the firm's full implementation of all social responsibilities. And we can make some innovative research conclusions, such as, enterprises will fulfill more social responsibilities if being put more institutional pressure rather than strategic considerations.

Secondly, study and figure out the relationship between commercial banks' CSR and their sustainability. Some methods can help us verify their correlation and clarify the situation, problems and related causes of banks CSR. Those methods include questionnaire survey and qualitative analysis.

Thirdly, study and deal with specific connotations and evaluation criteria of commercial banks' CSR. How to define CSR connotations? What are detailed measures? What criteria are more suitable for banks's CSR evaluation? and so on.

Fourthly, study and address problems concerning the construction of values on CSR of commercial banks. Here is an example. A mechanism about commercial banks' CSR is needed to push forward the healthy and sustainable development of China's commercial banks and the overall financial sector so as to contribute to the building of a harmonious society, sound and rapid growth of national economy.



## 1.2 Research significance

### 1.2.1 Theoretical significance

Taking a deep look at CSR theory is of great value. Since Oliver Sheldon's concept of "corporate social responsibility" was first put forward, relevant studies have been more and more profound particularly in recent China, but there are still some misinterpretations of CSR in the academic circle. Many just simply presume that "a company's economic strength is the premise", "to perform CSR is just money donation" or "the guarantee of CSR performance is SA8000 certification", and etc.. Actually, in its whole life cycle, a company needs to discharge its CSR at any time such as abiding by laws and regulations as well as moral norms. The only difference is that a company during its CSR performance can have different forms and emphasis. Besides, unlike in manufacturing, SA8000 standard couldn't apply to all financial service enterprises, and meanwhile, comprehensive studies are insufficient on the correlation between Confucian cultural values and modern CSR theory. So studies on theories about the CSR of contemporary commercial banks are. For these reasons, carrying out relevant theoretical researches is very significant.

### 1.2.2 Realistic significance

(1) The times and Chinese society call for deeper studies on CSR. As a heated topic, CSR issue in recent years has produced greater impact on companies' development, and social media have reported much more problems of CSR. Some problems are quite thought - provoking. For example, frequent coal - mine safety accidents have caused large casualties. Foreign fast - food brand like McDonald's and KFC's employ workers illegally or use overdue meat in fast - food production that infringes hourly workers rights and consumers' health. Factory inspections by foreign importers from time to time such as the so - called social audits affect exporters' competitiveness in the global market.



These phenomena indicate that many Chinese companies (including some famous multinational companies) indeed neglect some problems which, if not handled properly, will directly influence not merely companies' sustainable development but also the social harmony and the development of social undertakings.

(2) Research on commercial banks' CSR is even more meaningful. Commercial banks, as special commercial enterprises, must shoulder more social responsibilities. On the one hand, commercial banks' CSR has different connotations and standards (they follow the "Equator Principles"), whose well CSR performance can protect social stability and national economic growth. Illegal behaviors of commercial banks could cause inflation and economic crisis (for instance, to issue loans without rational analysis will cause high multiplier effects and credit risks). On the other hand, commercial banks' values and performance on CSR have a sort of "radiation" effect on their clients and other enterprises. Commercial banks, through implementing green credit policy, can refuse to grant project loans to those companies that are substandard in pollution control. In this way, commercial banks can exert influence on the healthy development of all industries including manufacturing.

(3) There are indeed some CSR problems in modern commercial banks, which make a thorough research significant. There are some examples about commercial banks' CSR problems: arbitrary charges for services, plotting to bid up property prices with real state agencies, mandatory charges on loan collateral insurance with insurance companies and real state agencies. Many a problem reflects that we need to carry out research on and provide solutions to those problems in Chinese commercial banks.

### 1.2.3 Applications

After the review and reflection of CSR theories, this research, through field investigation and empirical analysis, will explore the status quo and problems of CSR in commercial banks both in China and abroad. The view that institutional rather than strategic considerations are preferred in setting up values on social responsibility in a company. The Stakeholder Theory has put forward a similar view. Based on this view, it is necessary to set up a set of unique CSR evaluation standards for commercial banks according



to their features and introduce mechanisms that will lay the foundation of commercial banks' CSR. The standards and mechanisms to be properly used in the practice of CSR evaluation and ranking will play a positive role in the harmonious and sustainable development of commercial banks. They will also pose positive impact on building CSR values for other financial institutions.

## 1.3 Research aim and methods

### 1.3.1 The aim of the research

Until now, Chinese commercial banks still don't have concrete evaluation standards or mechanisms in terms of CSR, even if some banks do have the standards, they are not arguable for wide availability. This research aims to innovate the theoretical knowledge by reviewing and rethinking CSR theories in China and other countries. Through questionnaire survey and case studies, we will also explore the status quo and problems of CSR in commercial banks both in China and abroad. According to The Stakeholder Theory and commercial banks' unique features, we will try to formulate a set of practical CSR standards and mechanisms that can help to establish their CSR values. In this way, commercial banks will contribute to the growth of the banking business and even the whole financial sector as well as the national economy.

### 1.3.2 The ideas of the research

China has carried out reform on property rights system including the stock system reform and stock listing of state-owned commercial banks. Some commercial banks as profit-seeking organizations, with governance structural flaws and economic performance dilemma, may neglect their social responsibilities due to the lack of government monitoring and the wrong value of profit maximization orientation in business operations. Therefore, those banks must learn the significance and the content of their CSR.

Here is an equation that shows how different commercial banks may take their CSR: CSR for the wholly state – funded banks = state and government instructions; CSR for joint – equity banks = own performance and management decisions. That means, after the property rights system reform, commercial banks themselves need to pay more attention to what their social responsibilities are. Besides, in “the era of relationship management”, a company cannot achieve long – term success if it only depends on Scale Economy Effect, product and market – oriented strategies. It needs to take its social responsibilities, improve social benefits, adhere to business ethics and operate in accordance with laws. It can only maximize its long – term benefit and keep its core competitiveness if it contributes to all stakeholders and improves its relationship with all parties.

The basic thinking is here that; facilitated with relevant theories in management, economics and other subjects, this research will discuss issues such as business ethics and social responsibilities, laws, CSR, institutional motives and strategic motives in CSR. We will also put forward a set of standards and mechanisms unique for Chinese commercial banks based on an important conclusion that institutional elements play a key role in building corporate social responsibilities. The author thinks that during value concept construction, commercial banks require guidance from relatively sound law systems and government policies and collaboration with some industry associations and NGOs. It also needs to be controlled by multi – participated corporate governance structure and strengthened by a strong culture and moral environment. Our conclusion is that perfecting corporate governance structure will play a critical part in the establishment of commercial banks’ CSR. Laws and regulations, government policies and NGOs in the industry are able to provide a sound environment for CSR establishment. In other words, they altogether set up legitimately an external corporate governance institution. Those banks’ internal one will create an institutionalized running mechanism to incentive their sense of social responsibility.

### 1. 3. 3 Research methods

The research method is combing normative researches with empirical research. Methods like theoretical deduction, questionnaire survey and case study will be applied,



data and materials are collected for quantitative and qualitative analysis. Thus we can make a profound analysis on issues related to commercial banks' CSR, standards and mechanisms in particular.

This research will carry out experimental studies. First, we will conduct questionnaire survey and analysis. In this case, we will distribute questionnaires to the staff of financial institutions and their clients in order to take a deep look at commercial banks' values, system arrangement and implementation on CSR. Second, we do case studies on several renowned commercial banks in developed countries with high CSR performance in order to sum up their practices and system arrangement. By means of studying on the influence of CSR performance in their sustainable development, we hope to acquire some enlightenment and lessons and verify the basic argument of this research.

## 1.4 Research innovation

### 1.4.1 Theoretical innovation

This study raises that ancient Chinese Confucian culture has something to be learned for CSR values in contemporary enterprises. After review and reflection on foreign literature and theories on CSR, it also puts forward the basic ideas that "CSR will provide fundamental protection for the long-term benefits and sustainability of an organization" and "In building CSR values, institutional arrangement weighs more than strategic consideration". Put it simple, this research views that an organization's performance of CSR depends more on pressure from outside systems institutions (laws and regulations, policies and mechanisms and so on) than potential strategic benefits the organization will receive after social contributions. This view will guide the value-building for all corporations including commercial banks and provide theoretical basis for setting up a set of scientific CSR evaluation mechanisms for commercial banks.

### 1.4.2 Innovations in application

CSR benchmarks for commercial banks have been established according to practices





by renowned western companies, policies and guidelines of the IFC and IM like the “Equator principles” by Zhang Changlong, and SA8000 set by the SAI as well as ISO26000 launched by ISO. Under such a context, this research formulates a concrete set of evaluation standards and a set of mechanisms for CSR value – building. Both those standards and mechanisms belong to the original achievements by this research, which are of great reference value for commercial banks and also other financial institutions in China.

### 1.4.3 Innovation in thinking

This research makes innovations in its research thinking: Due to some problems in governance structure of internal and external companies for Chinese commercial banks, legislature departments should gradually establish a set of law systems to monitor commercial banks’ building of CSR values. Sound policies should be introduced, standards and management systems should be established by relevant industry associations and NGOs to guide and regulate as well. Commercial banks need sound corporate governance system and healthy corporate culture. In other words, the improvement of governance structure of internal and external companies will play a critical role in constructing CSR values.

## 1.5 Research framework

The research will follow the following research framework as the general structure of logical thinking and the clear presentation of ideas as well as the clear arrangement of contents. Refer to Figure 1 – 1: