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Outcom of Banking Relationship in Spanish Credit Institutions

KEYWORDS: banks, transparency, social responsibility

Antoni Seguí-Alcaraz

University Jaume I of Castellon, Spain

ABSTRACT *This research aims to determine the way in which credit institutions perceive clarity and to see how this influences the application of codes of ethics. The field work was conducted by means of a survey that was answered by 57 Spanish credit institutions. The corporate code has high significance and good positive correlation when reporting on the delivery of products and services, using criteria of social responsibility.*

Introduction
Corporate codes - also called ethical policy, code of ethics, statement of business practice,

business principles or similar (Schwartz, 2001) - have proliferated in the last few decades. Starting from an initial concentration in credit institutions and corporations (Weaver et al., 1999), they have become, globally, one of the most frequently used tools in the management of CSR (corporate social responsibility) (Hanousek et al., 2010).

In an environment characterized by the globalization of the securities business, the development of telecommunications systems and the increasing volatility of securities markets, the disclosure of reliable, accurate, symmetrical and timely information is essential to ensure the success of credit institutions. Corporate clarity is therefore not a fad but a corporate philosophy for the 21st century (Tapscott and Ticoll, 2003), which would force credit institutions to provide further information in addition to that which mere compliance with their legal obligations would imply.

In short, this research aims to determine how credit institutions perceive clarity (Giuli and Manzo,2009; Hahn, 2009) and to see how this influences the application of codes of ethics to customers and employees. First, and based upon a study of the literature, theoretical elements are introduced, corresponding to the variables and hypotheses that could arise. Subsequently, the research methods used, analysis, discussion of results and conclusions are discussed.

Clarity in reporting
The literature provides several economic arguments why clarity is important in relation to CSR. First, clarity enhances allocative efficiency, at least if consumers attach value to the social and ecological consequences of the products that they buy. Clarity may also enhance dynamic innovation and efficiency. This will limit the incentive to and necessity of process and product innovation to increase value creation in the social and ecological dimension (Graafland and Smid, 2004).

Most corporate governance codes were developed after 1997, but some countries, among which the United Kingdom stands out, soon implemented self-regulation. The Cadbury Report was prepared in that country in 1992, and was amended by the Higgs and Smith reports in 2003. In Ireland, also in 1992, a statement on good practices and the role of managers in limited liability companies was published. In September 1993 the Pension Investment Association of Canada (PIAC), presented its Corporate Governance Standard, which was revised in March 1997 and amended in June 1998. In 1994, the Toronto Stock Market set a guide for the implementation of good governance in Canada in the Dey Report. In France, the Vienot Report I, July 1995, fixed rules for the Boards of Directors of listed companies. In December 1997, in Italy, the Draghi Report was published. In June 1997, in The Netherlands, the Code of Corporate Governance, the Peters Report, was published, and in Sweden a Code of Good Practice was prepared in March 1995. The regulatory developments prepared in the United States under the Sarbanes-Oxley Act, the European Union initiatives (Winter Report) and in our own country the Aldama Report (Law 44/2002), are evidence of the need to reduce asymmetries in reporting, which seriously affect credibility and confidence (Hughes and Weymark, 2005), in the stock markets. Recent corporate scandals, such as the Enron scandal, show the lack of standards involving more stringent disclosure, which would exceed that of the financial field by ensuring that the information available was an accurate reflection of a company's performance (Kyereboah-Coleman and Biekpe, 2006).

Codes of ethics focus in a major way on internal issues at the expense of the relations of the entity with other parties (Mathews, 1987). Given the current situation of market globalization (Djukic & Djukic, 2009), each day credit institutions are increasingly forced to establish codes, by means of public statements of principles that are universally applicable (Carasco and Singh, 2003). In view of the above, we propose the following hypothesis:

Those entities with greater sensitivity to social responsibility will submit a corporate code to provide clarity at the credit institution.

After reviewing the literature supporting our research, we turn to commenting on fieldwork.

Method used to carry out fieldwork
We developed an analytical survey to attempt to prove hypotheses about the relationships between variables in order to understand and explain a particular social phenomenon.

Table 1. Technical details of the research.

Universe:	107 credit institutions with customer funds> 700 mill. EUR - 39 banks - 44 savings banks - 24 credit unions
Sample design	Simple random sampling
Type of survey.	Responsible for CSR survey of the state, through a structured and codified online questionnaire.
Desired degree of confidence	95%

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Questionnaires sent:	84 to obtain a sampling error of 5 %
Questionnaires:	57 (68% response rate)
Sampling error:	8,82% for a confidence interval of 1,96 (95%) with p=q=0,5.
Fieldwork:	The researcher
Date:	July 2- September 27, 2008.
Statistical analysis	Descriptive Correlation
Software used	SPSS 15.0

Source: author

Pilot testing
In order to test the applicability of the survey and the relevance of the questions (Kolk, 2005), Delphi methodology was applied in:

1. representatives of two trade unions (CCOO, UGT) (committees) at the national level,
2. representatives of credit institution associations, the AEB and the CECA, and
3. executives responsible for the subject at Bancaja, CAM, and Banesto.

The survey questions have been validated by Specialist professors of the subject in a Scientific Congress called EBEN (European Business Ethics Network).

Note that the tests were sent by e-mail, as this channel seemed satisfactory in order to achieve our goals.

4. Results of survey of credit institutions
In this section we explain and discuss the results obtained when testing the hypothesis set out in section four of this article:

Those entities with greater sensitivity to CSR will submit a code of ethics to provide clarity at the credit institution.

To measure the relationship between a code of ethics and the actions and predispositions of customers of credit institutions, and with the aim of testing the hypothesis, we shall apply a correlation analysis:

Table 3: Correlations between the corporate code and its relationship with customers.

	Corporate governance code questions arise about the meaning of its provisions	Financial entity usually measures the dropout rate for customers	Customer will receive social benefits or incur costs resulting from the purchase of financial products	Reporting on the provision of services/ products applying criteria of social responsibility	Customers are willing to pay for actions of social responsibility
Corporate governance code questions arise about the meaning of its provisions	1	,288*	,309*	,622**	,83
Financial entity usually measures the dropout rate for customers		1	,204	,097	-0,15
Customer will receive social benefits or incur costs resulting from the purchase of financial products			1	,590**	,470**
Reporting on the provision of services/ products applying criteria of social responsibility				1	,301*
Customers are willing to pay for actions of social responsibility					1

**** The correlation significant at 0,01 (bilateral).**
*** The correlation significant at 0,05 (bilateral).**
Source: author

A corporate code is not an end in itself but a means to achieve an end. In our case it is applied when questions arise about the meaning of its provisions, it depicts high significance and good positive correlation when the delivery of products and services is reported on, employing criteria of social responsibility. It is noteworthy that the Aldama Report gives as a primary responsibility the duty of reporting and clarity. This report recognizes that information is the cornerstone on which the proper functioning of markets rests, and deems it binding to accomplish the clarity principle by which organizations must convey to the market all relevant information for investors and other stakeholders. It is interesting as well as significant to note when the entity measures the customer defection rate, and whether the customer is acquainted with the social benefits which he may obtain, or the costs that he may incur, by purchasing financial products.

By the time customers are aware of the social benefits or costs resulting from the purchase of financial products, a significant 99% is reached when the provision of goods and services is reported under criteria of social responsibility and customers are willing to pay for social responsibility actions.

It should be stated that when reporting on the delivery of products and services, using criteria of social responsibility (ethical / sustainability), we find that customers are willing to pay for social responsibility measures.

5. Conclusions
As has already been demonstrated in other countries (England, France), in our *milieu* the requirement for such reports or information and for clarity with investors about social and environmental filters applied in the selection of portfolios, loans or investors will favour the application of such criteria (Berthomieu & Ri, 2009).

The code of ethics has high significance and good positive correlation when reporting on the delivery of products and services, using criteria of social responsibility. It is also signifi-

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cant when the entity normally measures the rate of customer defection and when customers know the social benefits or costs that can result from purchasing financial products.

The central question of this contribution is how aclarity policy ought to be organised in order to enhance the CSR behaviour of banks.The contribution is prompted by practical conflict over this issue. Currently, clarity policies of governments with respect to CSR are often based on self-governance of companies supported by governmental facilitation.

Administration has a role to play in favour of sustainability at all levels: national, regional and municipal. It is banks, and to a lesser extent, savings banks, that are the credit institutions which largely include environmental sustainability criteria in their relations with government agencies: awards, purchases, subsidies, etc. We find that the largest entities are the ones which corroborate this finding. These results are coherent since banks are the largest entities.

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