Stakeholder Theory and Cultivating of Bank’s Ecological Culture

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Abstract: The stakeholder theory which denied the traditional "shareholder first" corporate governance concept requires companies to take fully interests of related people into account when making decisions. Human beings are enjoying a high degree of material as well as facing a dilemma, namely, environmental pollution and destruction, saving environment is the duty of every person. Banks, as the core of economy, speeding up its cultivation of ecological culture is most important. In this paper, based on stakeholder theory, discussed the cultivation of bank’s ecological culture mainly from groups of customers, competitors, government, regulators and environmental non-governmental organizations.

Keywords: stakeholders, banks, ecological cultural

1 Introduction

In 2008, a devastating financial crisis attacked the global with its power still going on. Undeniably, the bank’s greedy pursuit of economic profit, and creation of too many complex derivatives which lost customer’s eyes played a lot for the crisis’ happening. Calling for social responsibility of banks is people's common aspirations after the economic crisis. Taking social responsibility, the bank is to be responsible to its stakeholders first of all, including shareholders, employees, customers, society, etc., which is a comprehensive accountability.

The World Climate Conference, held in Copenhagen of Denmark from December 7 to 18 in 2009, put environmental issues into people’s view once again. For the banks, being responsible for its stakeholders, of course including environmental responsibility, so the cultivation of banks’ ecological culture is imminent.

2 An overview of stakeholder theory

In 1984, Friedman published "Strategic Management: Stakeholder Management Analysis", which clearly put forward the theory of stakeholder management. He believes that "stakeholders are all individuals and groups who are able to affect achievement of an organization’s goals or affected by the realizing process of an organization’s objectives”

Domestic and foreign scholars have put forward their own views on the definition of stakeholders, the representative ones are: Clarkson (1994) thought that: "Stakeholders are groups who invested physical capital, human capital or financial capital in the business activities and bear some risks." Chinese scholars Jia Shenghua and Chen Honghui (2002) believed that: "Stakeholders are individuals and groups who set specific investment in business and bear a certain risk, their activities can affect the realization of business objectives, or affected by the process of achieving goals." It can be seen that the core point of stakeholder theory is: In the knowledge economy, physical capital has lost authority and other specific capitals are accounting a more important position, business must be responsible to relevant stakeholders and consider their impact on business.

In general, business stakeholders include shareholders, employees, consumers, competitors, government, media and so on, they affect the realizing of business goals or affected by the realizing process.

3 What is Bank’s ecological culture

Corporate cultures which reflect business’ management philosophy are common values and norms followed and recognized by corporate members. Specific to the ecological culture, it is mainly a
harmonious culture, including harmony among human and harmony between human and nature, daily operation and management should reflect this harmony. Enterprise ecology culture, is a post-modern reflection to address the crisis of survival and a change from "modern" development mode based on grabbing natural and social resources to post-modern Marxist values with a harmonious development among business, nature and society, guiding ideology reflected on the staff is that the development of enterprises is based on social harmony and environmental protection. Finance is the core of modern economic development and banks are the most important financial institutions, so cultivation of bank’s ecological culture plays an important role in economic development. Ecological culture of bank refers to through the provision of professional financial products and services to achieve a state of high degree of adaptability and harmonious unity of elements within the banking system as well as the outer environment, and achieve a mutually accepted ecological behavior culture about coexistence among human, nature and society as well as ecological system cultural with common compliance.

4 Roles of customer and competitors in cultivating of bank’s ecological cultural

4.1 Customers and cultivating of bank’s ecological cultural

4.1.1 Lenders and cultivating of bank’s ecological cultural

For enterprises who loans, with the strengthening of environmental regulation, the traditional high energy consumption and high pollution industry is facing a low development. There are an increasing number of discontinued projects because of environmental pollution and destruction, moreover such projects have already in a overcapacity state for most of them are redundant construction, so they are not competitive. Such enterprises are likely unable to repay the loan, which is not only bound to give banks a huge loss, but also deteriorate our environment. Therefore, for cultivation of banks’ ecological culture, the first thing to do is investigating before the loan, examining when make a loan and inspecting after the loan for the lending project by use of credit leverage. By grasping the overall situation to regulate "two high" credit gate strictly, so that to achieve a vote of environmental protection veto.

Second, banks’ credit policies should be targeted for environment-friendly projects which are often considered with a long investment period and high risks, so when loaning for them banks usually have doubts. In fact, according to actual operation, banks need not worry too much. For example, seen from the 2009 annual report of China Construction Bank, its environmental industry lending ratio was 4.43%, with a increase of 0.82 percentage points than that 3.61% in 2008, while the non-performing loan ratio was 0.77%, with a decrease of 0.86 percentage points compared to 1.63% in 2008. Environment-friendly industries, as a new industry, are releasing enormous vitality, and have a broad space for development.

Finally, faced with some loan demand of environmental projects, banks also need to handle carefully to avoid blindly loans. For environmental-protection and low-energy industry, many companies do not have a profound understanding, so if these projects herd together, lacking of order, it is possible to form a new round of excess capacity. In addition, for lack of key technologies, the producing process of some green products may harm the environment, for instance, production process of photovoltaic cell may cause serious pollution.

4.1.2 Depositors and cultivating of bank’s ecological cultural

We know that deposits are the main source of banks’ funds, operated as a high-liability company, the bank must be responsible for depositors, use their money scientifically and rationally, to ensure its security. Through the analysis above it can be seen that if the bank ignores environmental review of the loan business it is likely to result in non-performing loans due to environmental risks which will harm the interests of depositors.

In addition, concerned about the environment has become a society-wide consensus, once the bank’s loan to polluting project exposed, it will certainly affect the bank’s reputation adversely. At this time, depositors may choose to vote with their feet, which is undoubtedly a heavy blow for banks with deposit as its main funds source. Speeding up the cultivation of ecological culture banks can not only reduce credit risk, protect the interests of depositors, but also increase the bank’s reputation to enhance
customer loyalty and attract new customers, promote the cultivation of ecological culture into a virtuous circle.

4.1.3 Guide customers to change concept, strengthen cultivating of bank’s ecological cultural

Here the concept mainly refers to the services form, using electronic banking service to instead the traditional counter services. Based on perfecting the construction of e-service platform, banks should guide the customer to change their traditional concept, relieve their worries (such as online transactions are not safe, etc.). Furthermore, banks need to carry out various promotional activities of electronic banking actively, promote the application and popularization of electronic financial products. By electronic banking to carry out paperless and non-waste services for customers, banks can reduce the demand for personnel and space, ease the counter pressure, reduce operating costs; realize intensive management with less person and higher efficiency, which provide a new opportunity for the cultivation of bank’s ecological culture.

4.2 Competitors and cultivation of bank’s ecological culture

In the economic globalization and integration movement, many foreign banks have entered the territory of China to snatch market with local banks. Facing competition, the domestic banking industry can not choose to escape, but to strengthen its advantages to contest with them.

In the environmental arena, we can often see the figure of foreign banks. For example, a number of banks have adopted the Equator Principles (a financial industry benchmark to judge, evaluate and manage environmental and social risks of project financing), while in China only Industrial Bank is Equator bank; as early as 1991, HSBC Bank has organized ”Environmental Concern Action Plan.” Domestic banks’ attention on environmental protection started late, there is still a wide gap compared with the international banks, in order to remain competitive, bank’s cultivation of ecological culture is pressing.

5 Roles of government and environmental NGO in cultivating of bank’s ecological cultural

5.1 Government and cultivating of bank’s ecological cultural

Environmental Protection Administration, People's Bank, Banking Regulatory Commission jointly issued a new credit policy namely green credit on July 30, 2007. The policy aimed to curb blind expansion of high energy consumption and high pollution industries, construct new financial system and improve financial instruments for ecological protection. The introduction of green credit policy released positive signals for bank’s cultivation of ecological culture. Therefore banks must take b policy risk into considerations when making decisions, accelerate ecological culture cultivation to response to emission reduction requirements of regulatory authorities and government.

Promoting green credit and cultivating ecological culture, banks need support from government. First, the environmental protection departments expose polluting enterprises and establish environmental protection information sharing mechanisms with banks which did provide a lot of help for the implementation of banks’ green credit. Second, the government implements preferential policies to environmental protection industry and gradually increases the size of green procurement which has formed a huge demonstration effect in the whole society and guided the enterprises to produce environmental-friendly green products. These policies promote the development of environmental protection industry and no doubt lead the bank's green credit tendency to create a new profit growth point, thence encourage banks to cultivate ecological culture more actively.

5.2 Environmental NGO and cultivating of bank’s ecological cultural

Environmental issues have significant negative externalities and environmental non-governmental organizations do a lot in market failures of environmental issues. Environmental non-governmental organizations is a third type social organization, is an environmental protection group to protect the global environment or a particular environment or to address specific environmental issues. [3] On the
stage of environmental protection in China, there are a large number of various active environmental non-governmental organizations and they play an important role in cultivating of bank’s ecological cultural.

5.2.1 Supervise bank’s credit to see if it is green

Today, environmental non-governmental organizations have become a strong team supervising banks’ act besides government and regulators. Their independence will ensure the impartiality of its actions and avoid government rent-seeking phenomena. The birth of the Equator Principles, to a large extent is due to non-governmental organizations’ pressure exerted on the banks and other financial institutions to require them make green credit.

5.2.2 Create a good social environment for cultivating of bank’s ecological cultural

Various non-governmental organizations are active in civil society and one of their main activities is to propagate environmental knowledge to the public, establish environmental information websites to release environmental information and provide a good channel for public participation in environmental protection actions. The efforts of environmental non-governmental organizations can enhance public environmental awareness, increase public participation initiative, thus to create a good social environment for bank’s eco-cultural cultivating.

5.2.3 Influence public opinion and promote cultivating of bank’s ecological cultural

Given of the three basic features of environmental non-governmental organization that is non-profit, public welfare and independence, in some countries they have become the highest credible organization. In 2008, "the Economic Observer" held Best Bank Award of china in 2007, Green Watershed, Friends of Nature and others totally eight non-governmental environmental groups issued China's first "green bank Innovation Award” to Industrial Bank. Its award-winning will enhance their image and reputation without doubt, on the contrary, if environmental non-governmental organizations reveal violations of banks can also cause strong public resentment against the banks. Influence of environmental non-governmental organizations on public awareness can promote cultivating of bank’s ecological cultural from both positive and negative aspects.

6 Conclusion

Banks run as the core of modern economy and they are inextricably linked with the society, therefore cultivation of their ecological cultural has much to do with the establishment of a resource-saving, environment-friendly society. Banks should take the guidance of stakeholder theory, fully consider the need of different stakeholder groups and their impact on the banks in the process of cultivating ecological culture. Through the provision of professional green financial services and products to write a glorious chapter for the construction of national ecological civilization.

References