Chapter 50
CSR and Social Marketing as Enablers of Recovery After the Global Recession:
The Turkish Banking Industry

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ABSTRACT

Corporate Social Responsibility (CSR) is a relatively new concept in Turkey. Leading companies including banks stress socially responsible activities in their marketing communications. The recent economic crisis put banks into the center stage again. Turkey was one of the few countries that emerged from the economic downturn relatively quickly. In the initial stages of the crisis, banks faced some criticism for protecting their self-interest more and not acting for the benefit of the society. Later, these criticisms got weaker and less frequent. This chapter examines the behavior of banks during the crisis with respect to CSR and social marketing. Particularly, the chapter analyzes how the banks behaved during the crisis and how they supported small and medium scale enterprises and local communities through CSR strategies, as well as how they utilized CSR efforts as a marketing tool. In addition, the outcome of these strategies is discussed.

INTRODUCTION

The financial sector and particularly banks are seen as one of the essentials of capitalist economy (Levine, 1997, 2005; Merton, 1995). By facilitating the flow of funds between savers and investors in an efficient way, banks perform an important function on a global scale. Banks use other people's money. They can create money. Banks privatize gains and socialize losses (Wolf, 2008). These facts separate them from other firms and give them an additional layer of social responsibility. On the other hand, banking sector

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all over the world has been slow in involving CSR in their corporate policies (Jeucken, 2001, 2004). The 2008 financial crisis highlighted CSR in banks and brought the whole banking industry into public debate (Decker & Sale, 2010).

The Turkish banking industry is not different from that in other countries. How they reconciled CSR and their lending policies during the 2008 crisis is an issue to be resolved. Indeed, CSR is a concept involving different dimensions. In this chapter, the concept of being "socially responsible", which the Turkish banks use a lot in their marketing activities, is taken as the main indicator of CSR.

The next section presents the objective of the chapter along with the description of the Turkish Banking Industry followed by a brief background section on CSR with special emphasis on banking. CSR as a marketing tool is then presented including a section on how some Turkish banks communicate their CSR activities. Afterwards, the economic crisis is described and the findings are discussed. The final section includes areas for future research and conclusion.

TURKISH BANKING INDUSTRY

Turkey underwent a deep economic and financial crisis in 2001. This crisis was a culmination of the years of wrong policies and delayed structural reforms. One of the reasons for this crisis to be severe was the almost total bankruptcy of banking industry. State owned banks acted with political motives more than commercial ones. Private banks concentrated just on financing the public sector, borrowing from the Central Bank and the public, and lending to the government. Consequently, some of the banks were taken over by the Savings Deposit Insurance Fund; eventually either their licenses were revoked, or they were merged, recapitalized and privatized. Before the crisis, there were a total of 81 banks, 61 of them were deposits banks. Now, the number of deposit banks is 31. The cost of the restructuring banking industry was about 30% of GDP. Some private banks that survived the crisis merged with other banks or sold some equity to international banks. Fortunately, the crisis and restructuring took place under international benevolent conditions. The new Central Bank Law and the Banking Law reduced political intervention greatly and established a fair competitive environment. Kaytaz and Gul (2014) argue that having experienced the 2001 crisis was one of the reasons why Turkey recovered from the 2008 recession relatively quickly.

The banks are classified as deposit, participation (Islamic), investment, and development banks. There are 31 deposit banks and they have almost 92% of total banking assets (Bank Association of Turkey, 2001). Seven of these 31 banks own 73% of the banking assets; they are classified as large-scale banks.

This chapter analyzes the CSR practices of these seven large banks. Three of them are state-owned banks. The board of directors is appointed by the government. These banks have economic and social responsibilities assigned by law. Ziraat (Agricultural) Bank is the main channel for distributing subsidized loans to farmers. Halkbank (People's Bank) is specialized in SME loans. Vakifbank (Foundations Bank) is established by charitable foundations, most of which dates back to Ottoman era. The state owned banks are expected to behave like any other profit-oriented bank. However, on top of this, they have to perform some social duties. They have 28% of the total banking assets (Bank Association of Turkey, 2001). The four private banks own 45% of the bank assets. The largest is Isbank with 13.29% of total assets. Its ownership is a special case. It was the first national private bank in Turkey after the founding the Turkish Republic in 1923. Majority shareholders are its employees and pensioners. A part of the shares is owned by a political party, but dividends go to some public cultural institutions. The other three

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