



## Corporate Social Responsibility Financial Sector in Colombia, History, Evolution and Transformation

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### ABSTRACT

The purpose of this research is to understand and learn about Corporate Social Responsibility in the Financial Sector in Colombia in terms of the different issues that refer to it as the importance in the transformation and management of financial resources for the good of its interest groups and society. In general, we will see its history, evolution and transformation until today

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## **INTRODUCTION**

Through this research we make known the importance of CSR in the financial sector in Colombia as the new way of managing strategies in organizations in all aspects based on ethics as the main objective of increasing benefits, which satisfy the groups of interest or stakeholders identified with this name in corporate organizations, who are motivated by their economic returns, but it should be noted that they also express non-conformity due to the effects that are occurring in terms of environmental issues and deficiency in social development, for this reason the Financial entities have been focusing on CSR as an added value to the system in making socially responsible decisions.

At present, finance is the most important organization in the economic aspect of the Countries. In Colombia, the financial system is the main axis of the economy and generates very high active returns. For this reason, it must by obligation be the driving force and set an example in business ethics, implementing strategies through the measures that the

United Nations suggest the Global Compact these principles are based on matters of human rights, work, environment and anti-corruption enjoy universal consensus, this pact asks companies to be applied through CSR based on business ethics in the same way. These forms of business ethics are being taken by all financial organizations in Colombia in the first part towards their interest groups. This research will also focus on the CSR management of the Banco de la Agrario de Colombia.

## **LITERATURE REVIEW**

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## **METHODOLOGY**

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## **RESULT AND DISCUSSION**

### **Corporate Social Responsibility Financial Sector in Colombia, History, Evolution and Transformation**

#### **History**

Today in today's society with a view to improving these effects caused by lack of control of excessive consumption, policies designed to correct and overcome obstacles to achieve ethical CSR within organizations have been created. This evolution is divided into 3 stages described as historical moments: the first was the introductory phase, comprising the 19th century and the middle of the 20th century, arising from the difficulties and needs that arose in the

Second World War, as an effect of the revolution of worker thought. in search of decent conditions to carry out their work.(Faculty of Economic, Administrative and Accounting Sciences of the Free University, 2017)The third phase called (Faculty of Economic Sciences, 2017) "the determining phase" and is characterized by the number of obligations that surround the Government and companies in terms of their degree of social sensitivity and their contributions to the environment.

The Banco de la Republica, created in 1923 by Law 25 as the Colombian Central Bank, is the main bank of all Colombian banks and is the only entity empowered to issue the currency, the Colombian Peso, manages the country's international reserves and acts as government banker. Regarding CSR, this bank is one of the largest cultural managers in Colombia through the Library Network, the Gold Museum, the Arts Unit and other Collections, and the musical work through this network and through the various programs that plastic arts, music, among others, are derived as young talent, in relation to the environment it sponsors improvement programs in aqueducts and sewers and even in the strengthening of clean energies, and it is in this way that the bank reflects its commitment to The sustainability.

#### **Agrarian Bank of Colombia**

sanitation of public services, promotion of non-polluting clean energy, decent work, economic growth among others. In its social component, it develops labor practices that contribute to the integral development of its employees.

#### **Corporate Social Responsibility Financial System of Colombia**

CSR from the Colombian point of view in terms of international business suggests that it should be guided by actors who have a great capacity to intervene in the reality of events that ethics demands in the different applications to achieve the objectives of economic, social and environmental sustainability. warning that it should not depend on a transitional government or on political will. In other words, it is necessary for social responsibility to pass into different hands that generate new dynamics with different methods and approaches.(Agdelo de Bedout, 2008)As Blanton and Blanton (2006) suggest, joint efforts are in constant conflict over what to do and what not to do.

It should be noted that the limit of economic freedom must be taken into account.(Rodriguez, 2008)In this sense, it is observed that for the case Colombian economic freedom only finds limit, by law when demanded by the social interest, the environment and the cultural heritage of the Nation. In the law 155 of 1959, then, it is prohibited as a rule general any practice tending to limit free competition, and in Decrees 1302 of 1964 and 2153 of 1992 are stated, among other aspects, agreements and anti-competitive acts and the abuses of the market's dominant position, showing them to be unfair, and in the case of the Colombian financial sector, this issue is notable since there are entities that offer many material incentives among their interest groups, when the most important thing is to provide them with better sustainability.

In the case of Colombia, the Political Constitution in its article 333 established that the company is the basis of development and that therefore it has a social function. Financial entities are required to present social balance sheets to disclose the impact of social responsibility activities carried out in the country. (Warrior, 2016)(Guerrero, 2016) In this same sense, they point out that financial institutions must recognize their social function, which not only includes finance but also the expansion of financial services coverage to unbanked segments of the population. Surely, the widespread practice of CSR in these organizations would have contributed to lessen the impact of the financial crisis of 2007 (Argandoña, 2009).

### **Components of CSR in the Financial Sector**

Well, let's talk about the disclosure of CSR practices, which means that organizations must publish their sustainability reports using the GRI guide code, which was created by the United Nations in 1997 as a guide for the Global Reporting Initiative, reports on the environment, as well refer to the evolution of the economic theory of shared value and in Colombia this trend is on the rise because it allows you through these guides to publish and share about your progress in CSR, it can be in your accounting or commercial results before your interest groups, users and general public.

(Jimenez & Castañeda, 2018). Shared value does not consist in sharing, distributing or assigning the results created by companies, but in involving each of the participants in the value chain in the creation of economic and social value, through the creation of clusters and redefinition of products. innovators that produce greater customer satisfaction, while respecting the environment and the communities where the companies are established. (Porter Kramer, 2011).

In the previous section, it was pointed out (DUQUE OROZCO & MARTÍNEZ BARON, 2012). Cortina (1997) to illustrate the differentiation between: internal and external stakeholders; In the first group, one of the actors to consider are the employees, who generally have interests such as the payment of fair wages, job security, professional and human promotion, and the ability to participate.

### **Financial Inclusion in Colombia**

The banking process in Colombia must be characterized so that the financial sector reaches all sectors, especially the low-income population, including small businesses so that they can advance in the dynamics of the economy and achieve quality standards, well, if We see that most of these organizations are made up of less capital compared to medium and small companies, therefore they do not enjoy the financial benefits with which they can advance in the markets, hence the importance of CSR in the system for that services are more extensive and overcome the challenges that all this entails. In turn, banking access is a key tool for developing countries, as it plays a significant role in reducing poverty, (SAIDEN, 2009)(Tafur Saiden, 2009).

In a study carried out on commercial banks in Colombia, especially the banks included in the pv Green Protocol, it is mentioned that, in addition to being economic actors in society, they also contribute more than 70% in their initiatives on credit guidelines for investment requiring companies to comply with the Pv as the main objective to include environmental developments in their processes as tax support from banks. This concept is summarized in the three fundamental

dimensions of sustainability, such as the interrelation between the economic, the social and the environmental.(Campuzano & Acevedo, 2020)(Jimenez, 2002).

Banco Agrario de Colombia also includes in its credit guidelines the Green Protocol, this statement is supported by Asobancaria, for this institution, Agrario environmental management is the set of tools defined and executed that allow it to prevent, mitigate, correct or compensate environmental impacts. generated, based on the development of the CSR culture, as a sample of these activities, it has its environmental management policies and Zero Paper policy, these policies focused on the responsibility of all sectors with the environment, opting for the rational use of resources natural resources, also contributing to changes in areas and best practices within the Bank. In this sense, the need for the participation of the financial system to comply with the SDGs is studied.(SAIDEN, 2009)For Yin (1989), it is evident that the generalization from the case study is not statistical, but rather an "analytical generalization" (p. 23).

### **Next, the Following Practical Case of Banco Agrario in the Management of Corporate Social Responsibility is Analyzed Social Management**

According to the report presented by the Bank on sustainability management of the year 2019, it says that I enhance the activity of financial skills in the rural population was developed through the economic and financial education program carefully designed and focused to develop in rural inhabitants additional to the knowledge of their rights and duties as a consumer, the correct management of finances, through information about products and services, conditions, requirements, costs, security measures and communication channels. They trained 689,769 financial consumers, with an emphasis on payment habits and culture, and also on the consequences that financial consumers incur if they do not pay their debts on time.

### **Changes in the Financial Sector in CSR**

(VARGAS, CAMPO, & OREJUELA, 2017) In order to understand the processes of change that have taken place in the financial industry in Colombia, it is necessary to turn to the notion of "Institutional change and organizational change", with specific application to the sector of banking companies. colombian

The financial sector in Colombia has been one of the organizations that has had the greatest transformations from 1990 to 2010 in the aspects of mergers, strategic alliances, integrations and in various administrative and legal forms, in the same way in the technological aspect, all of this to face changes. that have arisen from the opening towards globalization, the most important thing is that all these transformations have also generated changes in customer service, the offer of financial products in all its aspects, the expansion of the financial system to the international context through mergers . However, according to some authors(OREJUELA, 2017)(Kennedy, 1999; Webster, 1992), to speak of globalization is to legitimize the breaking down of borders for the irregular expansion of capital or to insist on the chaos of competitiveness, to generate domination, rivalries and struggles in an increasingly unequal world.

With respect to investigations carried out in the banking sector in some Colombian cities on CSR, it can be deduced that there is still a lot to be done socially, since economic interest is above social welfare due to the lack of strategies that measure the need for CSR in interest groups. (Guerrero, 2016) The research determined low and moderate evaluations in the different items of the CSR dimensions, and which led to a partial acceptance of the H5 hypothesis and to the conclusion that there is still a lack of awareness on the part of these organizations to understand that in addition to generating profits, welfare must be offered to society (Rojas and Olaya, 2009).

### **CSR Practices in the Financial Sector in Colombia**

(Orozco, Orozco, & Gómez, 2012) Studies such as Chich, Chich and Chen (2009) argue that firms and institutions exercise social responsibility practices in order to strengthen advantages over the competition; in this way, companies have less incentive to act in a socially responsible manner if there is not too much competition.

(DUQUE OROZCO & MARTÍNEZ BARON, 2012)(Orozco, Orozco, & Gómez, 2012) Humphreys and Brown (2008) carried out in their article a study of organizational processes in order to analyze how the individuals of an organization interact on relevant CSR issues in the development of policies and processes. Managing through the different appointments the personnel in charge creating responsible environments, derived from external pressures from interest groups, also including regulatory bodies and thus the financial system is positioned in CSR as an ethical bank complying with quality and management standards, social participation, transparency and quality of investment, existence of the ethical code among others.

Today organizations and their interest groups are increasingly aware of the need to implement CSR practices, we see that banks have played a simple role due to their purpose, which is to raise money for savings and credit, these activities generate an impact positive in society. As mentioned (....., 2017)(Fore-ro-Robayo, 2017)Marrugo, L. & Vargas, I. (2014), today, the adoption of Social Responsibility (SR) programs is not considered an option, it is already a necessity raised not only by company directives, but also by the stakeholders; making the organization more competitive, a situation that is reflected in aspects such as differentiation from competitors, which is linked to the search for the long-awaited sustainability and durability of the business. (2017)(Fore-ro-Robayo, 2017)ISO 26000 Standard This standard is internationally recognized for guiding and providing organizations with the necessary guidelines so that they carry out, through their corporate purpose, the necessary activities aimed at sustained performance and under the framework of CSR, facilitating economic exchange. , technological and commercial under three dimensions of sustainable development: economic, environmental and social. This standard deals with seven fundamental areas in CSR described as follows: Consumer Issues - Community Participation and Development - Human Rights - Labor Practices - Environment - Fair Operation Practices. These areas are characterized as axes of the organization.

We agree that one of the objectives of organizations, and subsequently of their managers, is to maximize economic benefits; although in this instance the ethical approach begins with incorporating responsible practices that are not harmful to the different interested groups; based on it (Chaves & Salas, 2015) (Vargas-Chaves & Marrugo-Salas, 2015) Goñi (2011) argues that this ethical approach must be linked to the objectives of the organization, without deception or traps.

## CONCLUSION AND RECOMMENDATION

Undoubtedly, being socially responsible has become a necessity for the banking sector and must be considered within its business plan. The rise and rapid evolution of the CSR issue offers stability to companies seeking a greater impact on social initiatives that for years they have been supporting themselves as public-private alliances in the development of strategies in the case of the fight against poverty. In Colombia, the poverty index in the last two years has increased categorically, therefore the importance of requiring the banking sector in its RES policies, since these are the institutions at the national level that occupy the first places in high economic profitability, without However, we observe that there is still very little that the financial sector in Colombia manages socially.

In connection with the strategic magnitudes of CSR and community, the non-existence of a clear awareness of service to the community of which they are part and receive benefits is manifested in these organizations, in the same way it happens on environmental issues, there are no strategies designed. In this case, it is necessary for civil society, represented in interest groups, clients, to be convinced that they have the possibility of rewarding or punishing a company when it deviates from the minimum models that offer good CSR practices, the In this case, punishments would consist of not consuming the product they offer (loans, savings, credit cards, among others).

Good for Banco Agrario de Colombia, which after Banco de La Republica is a manager in CSR, bringing development to the most remote rural sectors, with financial inclusion in social management, environment and human talent, among others. It has also developed large programs at the national level such as families in action and young talent. And it has committed to maintaining a balance of economic profitability, assuming long-term commitments for the entity hand in hand with the country's rural growth with the global pact that develops the issues of human rights, labor standards, the environment and anti-corruption, promoting the implementation of responsible practices for a prosperous and equitable society.

## FURTHER STUDY

This research still has limitations, so further research needs to be carried out regarding the Corporate Social Responsibility Financial Sector, History, Evolution and Transformation. In order to perfect this research and increase insight for readers

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