

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Diploma Thesis

**Corporate Social Responsibility as a marketing tool:
comparison between two selected companies**

Aigerim Birnazarova

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

Bc. Aigerim Birnazarova

Economics and Management

Thesis title

Corporate Social Responsibility as a marketing tool: comparison between two selected companies

Objectives of thesis

The objective is to study the theoretical basis of corporate social responsibility, analyze the activities of the Mol Bulak Finance, in the Kyrgyz Republic, compare them with the CSR experience of Mercedes Benz Czech Republic and make recommendations on improving the application of CSR tools in the marketing strategy of both companies.

Methodology

In the thesis, the following research methodology will be used:

Questionnaire will be conducted amongst the company's Facebook subscribers, interview with a PR-manager of the company, appropriate published data, media content analysis, observation, open sources.

The methodology will replicate that used by Ing. Babirli Nilufar (CULS) in 2016 in order to make the comparison

The proposed extent of the thesis

Approx 60 – 70 pages

Keywords

Corporate social responsibility, CSR, marketing, Kyrgyzstan

Recommended information sources

Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause, Philip Kotler, Nancy Lee, 2005

Handbook of Research on Marketing and Corporate Social Responsibility, Ronald Paul Hill, Ryan Langan, Edward Elgar Publishing, 2014



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The Diploma Thesis Supervisor

Ing. Richard Selby, Ph.D.

Supervising department

Department of Management

Electronic approval: 25. 3. 2019

prof. Ing. Ivana Tichá, Ph.D.

Head of department

Electronic approval: 25. 3. 2019

Ing. Martin Pelikán, Ph.D.

Dean

Prague on 26. 03. 2019

Declaration

I declare that I have worked on my diploma thesis titled “Corporate social responsibility as a marketing tool: comparison between two selected companies” by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any third person.

In Prague on 24.3.2019

Birnazarova Aigerim

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I would like to thank prof. Richard Selby for his advice and assistance during my work on this thesis.

Společenská odpovědnost firem (SOF) jako marketingový nástroj: srovnání mezi dvěma vybranými společnostmi

Souhrn

Tato diplomová práce se zabývá implementací nástrojů sociální odpovědnosti firem ve vybraných společnostech. Autorka porovnává nástroje SOF, které používají dvě společnosti: Mercedes Benz Česká Republika a Mol Bulak Finance v Kyrgyzské Republice.

Teoretická část práce odhaluje teoretický aspekt pojmu společenské odpovědnosti firmy: její vymezení, historie její vývoje, typy a přístupy a přínosy z jeho implementace pro společnost.

Pokud jde o praktickou část, obsahuje přehled pozadí obou vybraných společností, aby bylo možné si představit, s kterými typy společností se zabýváme. Dále autor analyzuje nástroje SOF implementované oběma společnostmi a jejich možné výsledky. Tato část je podpořena rozhovory s manažery obou společností a průzkumy provedenými pro stoupence Facebook stránek obou firem.

V závěru autor navrhuje doporučení ke zlepšení předsudků SOF pro obě společnosti s možností výměny zkušeností.

Klíčová slova:

Společenská odpovědnost firem, SOF, marketing, Mol Bulak Finance, Kyrgyzská Republika, sociální média, podnikání, vzdělání, životní prostředí, rozvoj podnikání, reklama, Mercedes-Benz Česká republika

Corporate social responsibility (CSR) as a marketing tool: comparison between two selected companies

Summary

This Diploma thesis concerns the implementation of corporate social responsibility (CSR) tools in the selected companies. The author compares the CSR tools used by two companies: Mercedes Benz Czech Republic and Mol Bulak Finance in the Kyrgyz Republic.

The theoretical part of the Thesis reveals the theoretical aspect of the term of the corporate social responsibility: its definition, history of its development, types and approaches and benefits from its implementation for the company.

As for the practical part, it comprises of an overview of the background of both selected companies in order to have an idea which types of companies are we dealing with. Further, the author analyses the tools of CSR implemented by both companies and their possible outcomes. This part is supported by the interviews with the managers of both companies and surveys conducted for the followers of the both companies' Facebook pages.

In conclusion, the author proposes recommendations on the improvement of the CSR presence for both companies with the possibility to exchange experiences.

Key words:

Corporate social responsibility, CSR, marketing, Mol Bulak Finance, Kyrgyz Republic, social media, business, education, environment, business development, promotion, Mercedes-Benz Czech Republic

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I. Introduction

In the past decade, the corporate social responsibility has evolved from being a beneficial but optional tool to a fundamental strategic mechanism due to the increasing competitiveness on the market, rapid technological progress of the economy and the increasing role of intangible factors of economic growth, directly related to the company's business reputation. To succeed in the market, it is now not enough to create a quality product, you need to be able to distinguish it from other similar products. This is achieved with the help of brand.

Managing the brand and business reputation of a company is one of the most important areas of modern corporate management, because none of the companies is protected from any scandal or an unfavorable market situation. Therefore, protecting a business by building a positive reputation is an important task. This is the purpose of corporate social responsibility. It contributes to effective corporate governance and the development of corporate culture, significantly greater resilience in crisis situations and greater opportunities for restoring market positions.

The CSR involves people and environment. People are the heart of every business, no matter the sector. When the company is fair to its employees, customers and communities it works in, they believe in this company. So one of the aims of the CSR is to invest in improving human lives now and in the future.

The companies, focusing on the environmental issues in their CSR practises, adopt evidence-based sustainable practises, trying to minimize the impact of its main production activities.

As Sir Richard Branson, the founder of “The Virgin Group” Company once said, “Young people today want to see change. They want a better world”. And young people are considered the target group of most of the businesses nowadays.

Companies with a higher purpose tend to be more profitable than those that just think about the bottom line.

II. Aims and methodology

Objectives:

One of the objectives of this diploma thesis is to study the theoretical basis of corporate social responsibility in order to understand the overall meaning of this term. At the same time, the tools of corporate social responsibility will be studied on the example of two selected companies: Mol Bulak Finance in the Kyrgyz Republic and Mercedes-Benz in the Czech Republic, in order to make a comparison. This will be achieved by analyzing the activities of both aforementioned companies. And the last objective of this paper is to make recommendations on improving the application of CSR tools in the marketing strategy of both companies, according to the outcomes of this research.

Research questions:

- What are the CSR tools for the company's organizational activities?
- How do the CSR strategies differ in two companies of different countries?

Main methodological tools:

During the conduction of this research the following tools of methodology will be used:

- interviews with the PR-managers of Mol Bulak Finance company and Mercedes-Benz Czech Republic in order to understand the focus of the marketing strategy of the company;
- surveys among the subscribers of the Facebook pages of both companies to understand how do people evaluate the efficiency of the companies' CSR activities.

III. Literature review

3.1 Principles of corporate social responsibility

The topic of corporate social responsibility is one of the most relevant and discussed both in scientific circles and among business and political elites. There are changes that require a higher level of adaptability of production to social changes. In this regard, the theoretical foundations of management and its tools are being reinterpreted.

There are two interesting points about this: firstly we do not necessarily agree with each other about what is socially responsible; and although we claim to recognize what it is or is not when we are asked to define it then we find this impossibly difficult (Corporate Social Responsibility, David Crowther & Güler Aras, 2008). Thus, there is no universally accepted definition of corporate social responsibility (CSR) of business in international practice, which makes it possible to understand the term corporate social responsibility for each in its own way.

One of the early definitions of corporate social responsibility, given by Barnard (1938), state, that CSR “analyses economic, legal, moral, social and physical aspects of environment”.

The European Commission defines the CSR as following (2002, 347 final: 5): “...CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.

According to David Crowther and Guler Aras (2008), “the corporate social responsibility is concerned with what is – or should be – the relationship between global corporations, governments of countries and individual citizens”. The authors explain, that on the one hand, the definition is about the relationship between a corporation and the society, but on the other hand, a relationship between a corporation and its stakeholders is also covered in the concept of the corporate social responsibility.

The World Business Council of Sustainable Development (1998) makes the following definition of corporate social responsibility: “continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large” (World Business Council, 1998).

The International Business Leaders Forum mentions that «the concept of the corporate social responsibility emerged in the latter half of the 20th century». The Forum has its own definition for CSR, which is «Corporate social responsibility means management and

relationship building with partners to improve the image and increase credibility of the company»¹.

Thus, it can be argued that corporate social responsibility is the broadest and most universal concept describing the social activity of companies. CSR is a concept according to which a business, in addition to complying with laws and producing a quality product/service, voluntarily undertakes additional obligations to society.

If we look at the history of the emergence of problems, then in modern economics, it is widely believed that the concept of CSR appeared in the 90s of the last century, together with the recognition of globalization as the dominant trend of global development. However, this is not entirely true.

In the process of evolution of the concept of CSR, its three main interpretations were formed. Back in the early 70s of the 20th century, a theory arose in the west that explained the significance of the relationship between business and society, the main concept of which was the thesis that if a company does not evade taxation, it establishes an acceptable level of wages and fulfills the conditions for labor safety and protection ecology, then such a company conducts good business practice, and therefore is socially responsible.

For the first time, the main tenets of this theory, called the theory of corporate egoism (the classical approach), were presented by the Nobel laureate Milton Friedman, who wrote in the New York Times in 1971: "...there is one and only one social responsibility of business to use its resources and engage in activities designed to increase its profits so long as it stays in the rules of the game, which is to say, engages in open and free competition, without deception or fraud."

M. Friedman (1971) also noted that the fight against poverty is not a function of private business, but it is just a matter of state. He added that the aim of a business is to earn money for shareholders and customers within the law and it does not have any other duties. According to Friedman, managers who have goals other than profit maximization assume the role of non-elected policy makers. That is, without having a legitimate right and sufficient competence, managers are trying to resolve issues and determine the ways of development of society, the problems which should be resolved by politicians.

¹ <https://www.csr-online.cz/en/what-is-csr/14-questions-answers-about-csr/>

The main disadvantage of the classical approach is considered temporary limitations. If a company in the short term incurs additional costs, in the long run it benefits from improving its corporate image and developing relations with the local community.

The second point of view, called the «theory of altruistic corporate social responsibility», is directly opposite to the theory of M. Friedman and appeared simultaneously with his publications. The basic idea is that a business should take care not only of profit growth, but also make the most accessible contribution to solving social problems, improving the quality of life of citizens and the community, as well as preserving the environment. The authorship of this theory belonged to the Committee for Economic Development (CED, 1971). The recommendations of the Committee emphasized that corporations are obliged to make a significant contribution to improving the quality of a customer's life and companies cannot stand aside from social problems, as they are open systems, actively participating in lobbying laws and other government decisions, sponsoring various parties and social movements. It is also stated that «...business must recognize that the pursuit of profit and the pursuit of social objectives can usually be made complementary». This is explained both the side of the business and from the side of society: «From the standpoint of business, profit can be earned by serving public needs for social improvements as well as for goods consumed privately. From the standpoint of society, public services can be improved by enlisting the efficiencies of business organizations through the opportunity for profit» (CED, 1971).

There is also a third theory, which can be called the «theory of rational egoism» or «rational selfishness» (in journalism it is also called the American approach). As part of this approach, the need for social investments and programs is recognized as a guarantor of a favorable social environment for its employees and territories of its activities, which creates conditions for the stability of the company's profits. Thus, the social responsibility of a business is “good business”, as it reduces long-term losses in profits. By spending money on social and philanthropic programs, the company reduces its current profits, but in the long run creates a favorable social environment and, thus, sustainable profits in the future. The difference of this theory from the previous one can be the lack of depth of dialogue in cooperation with stakeholders in the framework of solving social programs. In general, one has to talk about the necessary minimum and only, and not about the introduction of the social component into the strategy and philosophy of doing business by studying and meeting the expectations of interested parties, taking into account the economic interest of the company as an equal participant (Hancock 2005).

In addition to the identified varieties of the concept of socially responsible business in the 1990s, an integrated approach to social responsibility began to take shape, in which the charitable and social activities of companies began to increasingly concentrate around a specific area that was directly related to the main activity of the organization. This approach to understanding the meaning of social responsibility of business received the name of socially important activities (or socially anchored competences), and most importantly its dignity lies in the fact that it mitigates the contradictions between the interests of the company and society, using the whole set of available companies, tools, and social programs are not considered as sources of inefficient costs.

Some experts perceive socially responsible behavior, primarily in an ethical sense, others as a concept of legal responsibility. So of interest is the concept of A. Carroll's social responsibility for business, which is presented in the form of a pyramid. Carroll's definition of CSR was as follows: «Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time» (Carroll 1979, 1991)

Figure 1 below presents a graphical depiction of Carroll's Pyramid of CSR.

Figure 1. Carroll's pyramid of CSR



At the base of the pyramid lies economic responsibility, which is determined by the function of the company, which it carries out in the market for goods and services, allowing it to meet the needs of consumers and, consequently, make a profit. As Carroll (1979) stated: «the

economic responsibility is a baseline requirement that must be met in a competitive business world».

The second level - legal responsibility - implies the law-abiding business in a market economy, its compliance with the expectations of society, enshrined in law. It is expressed as following: «Businesses are expected and required to comply with these laws and regulations as a condition of operating» (2016, Carroll International Journal of Corporate Social Responsibility).

The third level is ethical responsibility, which requires business structures to meet public expectations, not specified in legal documents, but based on existing standards of morality. This is originally stated as following: «ethical responsibilities embrace those activities, standards, policies, and practices that are expected or prohibited by society even though they are not codified into law» (2016, Carroll International Journal of Corporate Social Responsibility).

Philanthropic (discretionary) responsibility encourages the company to actions aimed at maintaining and developing the welfare of society through voluntary participation in the implementation of social programs. As it is mentioned in Carroll International Journal of Corporate Social Responsibility (2016), «...philanthropy historically has been one of the most important elements of CSR definitions and this continues today».

Meanwhile, Richard L. Daft (2010) identified only three components in the assessment of the company's overall social responsibility: economic, legal and ethical. Economic responsibility implies that any commercial organization, first of all, is the economic unit of society, which is responsible for producing the goods and services it needs and maximizing the profits of shareholders. In the limiting case, the economic responsibility of a company comes down solely to maximizing profits. Legal responsibility is understood as the need for an organization to follow the rules established by society, the achievement of its economic goals within the framework of the law. As Stephen P. Robbins and David A. Decenzo (2003) mentioned in their work: «Social obligation is the foundation of a business's social involvement. A business has fulfilled its social obligations when it meets the economic and legal responsibilities and no more. It does the minimum that the law requires. A firm pursues social goals only to the extent that they contribute to its economic goals».

Organizations deliberately violating the law deserve the lowest rating for this criterion (deliberate deliveries of defective goods, invoicing the client for non-produced work). Ethical responsibility is socially useful actions that are not provided for by laws or do not meet the direct

economic interests of the company. In order for the organization's behavior to be ethical, its managers must adhere to the principles of equality, fairness, impartiality and respect the rights of employees. How unethical are solutions that enable a person or the entire organization to benefit at the expense of other people or society as a whole. Antonio Argandoña (2004) points out that «these norms do not give rise to strict responsibilities, such as the legal and ethical responsibilities, but are accepted for reasons of interest (to avoid blame or social rejection, for example)».

Recently, more and more authors are inclined to the concept of stakeholders, which proves the need to take into account the interests of all who are to some extent affected by the activities of the enterprise. The term "stakeholders" means "interested persons" or "partners", as well as groups, without the support of which an enterprise cannot exist. Among the groups of stakeholders that are affected by the business and, in turn, affecting the success of the company, there are usually six main groups: shareholders, employees, consumers, suppliers and other business partners, residents, the environment. Other groups of stakeholders that indirectly affect the business, but are closely related to the main ones, include: government and management bodies (all levels); some non-governmental environmental organizations; trade unions and workers' representatives; families; banks and other lenders; future generations.

Considering that the notion of "stakeholders", in accordance with the approach of R. Friedman and D. Reed, can be used in a broad and narrow sense, we will make a reservation that we use this term in a broad sense, meaning any identifiable group or person which may affect the achievement of an organization's goals, or on which the achievement of an organization's goals may affect (D. Crowther, Guler Aras, 2008).

This approach assumes that companies can become more profitable due to the stable relations built as a result of cooperation with stakeholders, establishing a dialogue with them, taking into account their needs when making decisions. Therefore, in recent times they have been talking not so much about the fact that companies should make a profit, but also about the level of welfare of workers, the organization of a dialogue with stakeholders, measures to protect the environment. The main reason for the recognition of the concept was the recognition that the business is influenced by the external environment in which it is forced to operate (Mallin 2009).

The approaches described above do not exhaust all research in this area. Such a significant variety of approaches used in interpreting the social role of business indicates a continuing process of development of this concept.

Summing up the development of concepts in the field of CSR, it should be noted that, despite all the many positions reflecting the content of corporate responsibility, all the theories can be united into three groups: economic, humanitarian, and stakeholder.

From the point of view of the economic approach, the CSR motive is maximization of profits for the company. In this regard, social investments should be beneficial first of all to her. The approach from a position of humanitarian understanding of CSR assumes that the enterprise has equal social, civil and moral obligations in relation to all interested parties, aimed at increasing the welfare of society. In the 20s century CSR is implemented on the basis of the stakeholder approach. The essence of this approach lies in the emergence of a new balance of interests of the enterprise, in which the interests of various social groups play an increased role (A. Argandona, 2004).

Thus, having familiarized with the main approaches in the considered concept, within the framework of this work we will use the following definition: CSR is a voluntary interaction of a company with stakeholders in social, economic and environmental programs, bringing benefits not only to business, but to all participants of interaction.

It should be noted that the subject of CSR is a commercial organization (the terms "company", "enterprise", "corporation" in this context can be used as synonyms), understood as an integral system of production relations, functioning, for the sake of achieving economic goals and being part of environment, including many components on which its existence depends. A socially responsible enterprise takes following actions: creates attractive jobs, pays the "white" salary, creates high-quality goods and services, pays all taxes in compliance with the laws, repays loans on time, enters international stock markets, demonstrates good business practice, establishes reliable relationships with suppliers and distributors, prevents possible negative consequences of its activities (for example, in the field of ecology), improves territory, supports social well-being, and contributes to the formation of a civil society (Alford, H. and Y. Shcherbinina, 2006).

The CSR object has a complex structure in accordance with the stakeholder approach - the company is responsible for the nature and results of its activities to shareholders, employees, managers (as a special category of employees), creditors, consumers, suppliers and business partners, the local community, government bodies and authorities.

Foreign theory and practice allow us to distinguish three elements of the social responsibility of business:

- a) economic (information about suppliers and consumers of products, staff - salaries, pension contributions, social benefits, company relations with the state - taxes and society - donations and other charities);
- b) environmental (information on the use of raw materials, energy, water, what emissions and wastes are accompanied by production);
- c) social (organization and safety of work, respect for the rights of workers, the responsibility of the company for what it produces - from the elementary security of goods to the obligations of proper advertising) (Alford, H. and M. Naughton, 2002).

A socially responsible company should implement in its activities a number of principles confirming its position in the field of CSR (D. Crowther, Guler Aras, 2008):

- the principle of consistency, ensuring the effectiveness of the implementation of the functions and areas of CSR in the corporate governance system;
- the principle of complexity implies coordinating the activities of the enterprise in three areas of sustainable development: economic, social, environmental;
- the principle of integration assumes that, on the one hand, CSR is integrated into the main activity of the enterprise, on the other, it implies responsibility to the society as a whole, as well as to individual members (stakeholders);
- the principle of accountability consists in accountability to stakeholders and society as a whole, as well as compliance with the obligations assumed and the standards applied;
- the principle of innovation measures and technologies for their implementation means continuous improvement and harmonization due to the high dynamism of the external environment;
- the principle of openness of all actions of an enterprise in the field of CSR and the adequacy of the reporting of enterprises to their composition and content;
- the principle of cooperation, involving the association of the company as with other companies, associations, unions, and directly with various stakeholders to solve the socio-economic problems of the country and other administrative and territorial entities (D. Crowther, Guler Aras, 2008).

Thus, our studies of the concepts of different authors in the field of CSR allow us to draw the following conclusions:

- still in the world there is no single definition of CSR within the framework of this work, the following definition will be used: CSR is a voluntary interaction of the company with the

stakeholders within the framework of social, economic and environmental programs, bringing benefits not only to business, but to all participants in the interaction;

- the whole variety of approaches to the concept of CSR can be grouped into three groups: economic, humanitarian, stakeholder;
- the CSR object has a complex structure in accordance with the stakeholder approach, and the subject is a commercial organization that performs a number of socially important roles for the society;
- the principles of CSR determine the main activities of socially responsible companies, the implementation of which confirms the organization's intentions in this area.

3.2 Models of corporate social responsibility

According to A. Crane and D. Matten, there are two major models of corporate social responsibility in the world, American and European models. The third one, British model, is the combination of the first two models, and the Canadian model is largely similar to the American one.

The American model of CSR has a history from the XIX century. Due to the nature of American entrepreneurship, based on the maximum freedom of the subjects, many spheres of social relations are still self-regulating. This includes the employee-employer labor relations (bilateral agreement), voluntary medical insurance. At the same time, America has developed numerous mechanisms for the participation of business in the social support of society through corporate funds aimed at solving a variety of social problems at the expense of business. The main ones are:

- pension funds for employees (providing workers with pensions from companies and firms);
- funds for the payment of additional (except state) unemployment benefits;
- funds payment of benefits (pensions) for disability;
- funds for payment of sickness benefits related to temporary disability (A. Crane, D.Matten, 2004).

By the end of the last century, about 200 thousand various plans and programs for the social protection of workers, including about 60 thousand pension funds, functioned in corporate enterprises in the private sector of the US economy. The scale of the insurance of hired labor on these funds is also quite impressive. Thus, pension plans covered more than 60 million workers and employees of companies and firms, sickness insurance plans - about 75 million, disability

pension plans - more than 15 million workers, and additional unemployment benefit plans - more than 6 million industrial workers (A. B. Carroll, 1999).

The activity in this direction is initiated by the companies themselves, while providing for the maximum independence of the latter in determining their social contribution. Responsible social behavior and social investments of corporations are encouraged by appropriate tax breaks that are fixed at the legislative level (for example, income tax, deduction of the amount of charitable contributions from the tax base). Social investments are understood to mean material, technological, managerial, financial, or other resources of companies, directed by management to implement social programs designed with due regard for the interests of major internal and external stakeholders, in areas that are beneficial to society the organization will receive a certain social and economic effect.

Thus, the United States provides a classic example of the implementation of CSR with minimal direct government (that is, through the adoption of appropriate laws) intervention in this process. Government regulation based on economic incentives forms the basis of the American CSR model, which is fully justified for many years.

In continental Europe, corporate activities are generally governed by the norms, standards and laws of the respective states. One of the main features of this CSR model is its state regulation. Therefore, this model is often referred to as hidden forms of CSR. In many European countries, compulsory medical insurance, pension regulation, environmental protection activities of enterprises are legally established.

A. Crane and D. Matten distinguish the two models by four criteria: economic, legal, ethical responsibility of business and their charitable activities. Comparison of European and American models for the above factors are presented in Table 1 (A. Crane, D. Matten, 2004).

Table 1 - Comparative characteristics of CSR models according to A. Crane and D. Matten

| Indicators | American model | European model |
|-------------------------|---|--|
| Economic responsibility | Focus on compliance with advanced principles of corporate governance, decent remuneration and consumer protection | Legally established framework of conduct (35-hour working week, the minimum wage, regulation of overtime working week) |
| Legal liability | Not a high level of statutory corporate behavior rules | Clearly and deeply developed rules of running a business |
| Ethical responsibility | The trend of prevalence of local community support | High taxes and high level of state social protection |
| Charity (philanthropy) | It covers various spheres (including culture, art, education), is carried out through charitable foundations. | Large taxes on charity, responsibility for financing all spheres of society's life lies with the state |

Source: A. Crane, D. Matten, «Business Ethics: A European perspective», 2004

As A. Crane and D. Matten state, Economic responsibility in the United States focuses on profitability and responsibility to shareholders, the European model considers CSR to be additional issues of responsibility to workers and local communities. Legal liability is the basis for any form of social responsibility in Europe. European business considers the state as an institution that enforces the adopted rules of conduct, and in the United States such state intervention is regarded as a violation of business freedom. If in the USA the ethical responsibility of a company is determined by the level of support by the corporation of the local community, then in Europe a high level of social protection is provided by a “coercive way” - through high taxes. The concept of charity is understood by American companies very broadly and extends not only to the sphere of art, culture, but even university education. In European countries, the rather heavy tax burden caused all responsibility for financing these areas to be transferred to the state.

Thus, compared to the American, the European model is characterized by a well-developed business rules and strict CSR legislation. State and local governments in the West play an active role in the development of CSR.

The British CSR model combines elements of the first two: along with the typically European attention of the state and society to the social activities of organizations, there are elements of the initiation of social programs by private companies.

As it can be seen from the Corporate Social Responsibility Report 2008/2009 by British Library, the British model is characterized by such signs as:

- active development of the independent consulting sector in the field of CSR;
- close attention of the financial sector to projects in the field of CSR (there is a tendency of growth in the number of socially responsible investment funds (SRIF));
- increased media interest;
- a large number and variety of training courses in the field of CSR.

It is also important to note the active participation of the government in the development of CSR, which manifests itself in such forms as the creation of public-private partnerships (PPP) in the educational sector, supporting initiatives in the field of CSR through co-financing projects, providing tax incentives, promoting initiatives to meet national standards.

A number of legislative acts establish a preferential tax treatment for companies that conduct their business in a socially responsible manner and adhere to the principles of business ethics, especially in matters of energy use, recycling of industrial waste. (J. Lozano, L. Albareda, T. Ysa, H. Roscher, M. Marcuccio, 2008). At the same time, the business itself takes the initiative to implement projects in the field of CSR (that is, the principle of voluntariness is fully respected).

It should also be noted that the British government has established the position of minister for CSR and the Times newspaper publishes weekly corporate social responsibility indexes. The general trend for the latter two models is their latent form with a gradual movement towards an open model.

Also of considerable interest to the study is the Canadian model, which is largely similar to the American one. In Canada, many organizations collaborate with the Canadian National Quality Institute, which implements a special Canadian CSR standard — a model of excellence in quality and a healthy workplace. J. C. Marques in «Canada's Corporate Social Responsibility (CSR) Policy» (2012) explained that the Canadian model was improved and developed on the basis of the best achievements of the American, European and Australian models of CSR. The criteria for the model of excellence in quality and a healthy workplace were the company's performance indicators developed by Canadian specialists, which should have a positive trend over a period of three to five years.

According to the results of research by Canadian organizations for compliance with the principles of CSR, Canadian Excellence Awards (CPS) are awarded. Organizations that become owners of CPS surpass other companies in the value of shares and other business results. In these organizations, there is less staff turnover, the number of absenteeism and sick days, higher degrees of staff satisfaction with their activities and, as a result, higher labor productivity². Experience of research activities of the Canadian National Institute for Quality says that the development of a system of social responsibility of business not least means concern for the health of employees, the physical and spiritual well-being of consumers, and socio-economic relations with all interested parties³.

As for the implementation of CSR activities in the Czech Republic, according to Pavel Adamek («Corporate Social Responsibility Education in the Czech Republic», 2013), «in the Czech Republic at the beginning was the impulse of most companies involved to focus purely on philanthropic donations. Over the time, a number of companies have steadily been growing and companies engaged in a remarkable range of activities». The harmonization of Czech legislation with European laws, and the membership of the Czech Republic in the European Union give a number of opportunities to promote the CSR practises. In 2003, the Sustainable Development Council of the Czech Government (SDCG) was established as a standing advisory body of the Government for sustainable development and strategic management. In order to get into public awareness and gain the competitive advantage in the future market while the business is implementing the CSR practises, the following CSR actors were founded: Ministry of Human Rights and Minorities (www.vlada.cz), Ministry of Labour and Social Affairs (www.mpsv.cz), Ministry of the Environment (www.mzp.cz), Ministry of Industry and Trade (www.mpo.cz), Business Leaders Forum (www.blf.cz, www.csr-online.cz), Association of Fair Business (www.korektnipodnikani.cz), Czech Society for Quality (P. Adamek, 2013).

If we look at the situation in the Kyrgyz Republic, nowadays local companies there have long gone beyond the ordinary charity and modern foreign forms of social responsibility are increasingly adopted, investing part of the profits in socially useful initiatives. Many positive examples of companies investing money and intellectual potential in solving environmental and social issues, energy efficient technologies, innovative projects, educational, training programs.

² <https://canadianbusinessexcellenceaward.com/>

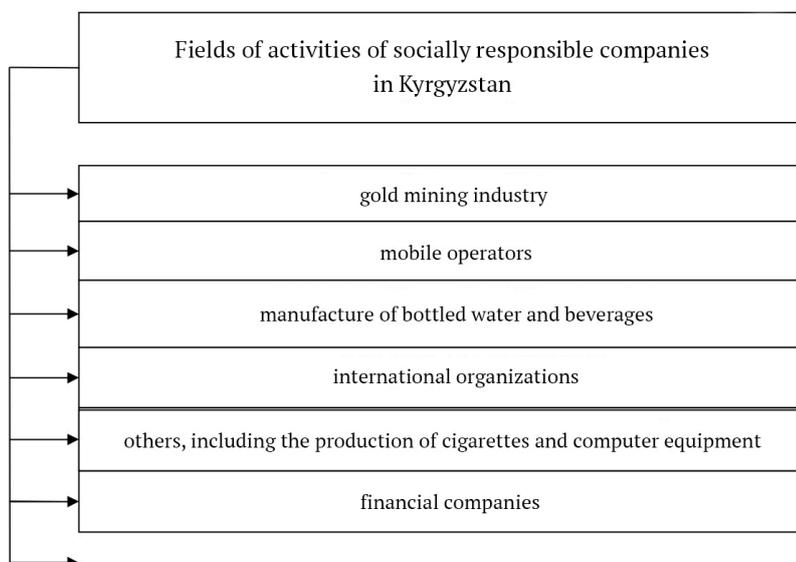
³ <https://excellence.ca/>

True to get a "stamp" about CSR, companies need to conduct an external assessment and non-financial audit of their activities. While this practice is not yet common (A.E.Imakeeva, 2015).

However, in April 2011, the Committee on Sustainable Development and Corporate Social Responsibility was created in Kyrgyzstan in order to establish an equitable dialogue and cooperation of the business community with large segments of society and stakeholder groups in order to resolve business issues on social, economic and environmental issues, as well as strengthening recognition of the role of business of Kyrgyzstan companies in the development of the country (A. Arstanbekova, 2014).

Researchers, working on the topic of CSR in Kyrgyzstan, note that currently the process of institutionalizing of corporate social responsibility is taking place in the country. Corporate social programs are at different stages of their evolution, which largely depends on the company's sustainability in the market, the size of its assets and other economic indicators. As a rule, among socially responsible enterprises are dominated by large or held in its market segment of the company, often with the participation of foreign capital. Currently there are about 30 socially responsible companies. Figure 2 below shows the compiled rating of fields, in which the socially responsible companies are concentrated (in descending order).

Figure 2. Fields of activities of socially responsible companies in Kyrgyzstan



Source: A. E. Imakeeva, «The development of social responsibility of a business in Kyrgyzstan», 2015 (translated from the Russian language).

A. E. Imakeeva (2015) points out the following areas where the CSR practises are implemented in Kyrgyzstan:

- professional development of employees;
- occupational safety and health programs, as well as reducing social tensions;
- support of local economic development and social infrastructure.

Thus, summing up the CSR models, it is important to emphasize that in order for corporate social responsibility activities to actually bring tangible economic benefits, it is necessary to take into account the particular social, political and economic conditions prevailing in the country where the corporation operates. Having studied the models of CSR in continental Europe (which is also applicable for the Czech Republic), USA, Canada, the UK and the Kyrgyz Republic, we can draw the following conclusions:

- all models can be divided into two types: open (USA, Canada) and hidden (continental Europe, UK, the Kyrgyz Republic), differing in the degree of regulation of this sphere by the state and autonomy, initiative of business in this area;
- recently, there is a tendency of movement of hidden models to open (there is an initiative from the private sector in the field of social problems, which is not characteristic of hidden models);

In conclusion, in the Czech Republic, the CSR model started developing earlier than in the Kyrgyz Republic, where it is just beginning to take shape. This position of Kyrgyzstan is explained, first of all, by the short term of applying the concept of CSR in modern domestic enterprises, while the Czech enterprises were impacted by their European competitors and other European companies which already started using CSR tools.

3.3 Motivation for implementation and problems of CSR assessment

One of the most important prerequisites for implementing CSR in enterprises has become the increased interrelation between public opinion and the level of sales. Attitude to a particular product or brand was now determined not only by the quality of the product itself, the effectiveness of advertising, but also the general image of the company, including the degree of its responsibility to partners, employees, the environment, society as a whole. A classic example of a catastrophic decline in sales due to poor public reputation is Nestlé, which suffered at the end of the eighties due to an ill-conceived policy of promoting milk formulas in developing

countries. Negative public opinion led to the actual boycott of all Nestlé product lines in Western Europe and serious financial losses for the corporation⁴.

J. Graafland and C. Mazereeuw-Van der Duijn Schouten (2012) distinguished two major groups of motives for introducing CSR in enterprises:

a) Extrinsic motives, when the enterprise contributes into CSR for a long-term financial performance. The empirical studies conducted by Orlitzky (2003), Posnikoff (1997) and Waddock and Graves (1997) found a positive correlation between CSR and profitability of the company or CSR and shareholder value (Tudway and Pascal, 2006). CSR can help the company to gain their customers' loyalty and even attract more customers, increasing sales and market share (Miles and Covin, 2000).

b) Intrinsic motives include all the intentions to implement CSR with a non-financial purpose. This means that a company practising CSR, is not seeking for other additional benefits as a result, except for those directly related to the CSR impact purpose. Management's personal values can also play a significant role in promotion of the ethical values and socially responsible changes (Hemingway, Maclagan, 2004).

The economic benefits of CSR arise from the increased activity of the company in the environmental and social areas and the resulting synergies and manifest themselves in such areas as finance, marketing, sales, reputation management and risk. In addition, taking into account the actively growing trend of socially responsible investment (implies that investors make decisions to support those companies that not only have good profitability indicators, but also differ in responsible behavior in relation to the environment, local community development and not participating in the production of certain types products that adversely affect the health of the population), it can be said that following the concept of CSR significantly expands the possibilities for attracting resources, as well as reducing their cost. Ultimately, this translates into improved business sustainability, and, consequently, an improvement in the company's performance in the long term (J. Graafland, C. Mazereeuw-Van der Duijn Schouten, 2012).

In addition to the company itself, employees and the state as a whole benefit from the introduction of the principles of CSR in the enterprise. For employees, this is, first of all, social security, a worthy financial situation, and as a result, an improvement in the moral climate in the team and confidence in the future (Amba-Rao, 1993).

⁴ <https://www.businessinsider.com/nestles-infant-formula-scandal-2012-6#nestl-was-accused-of-getting-third-world-mothers-hooked-on-formula-2>

According to Amba-Rao (1993), the benefits of CSR for the state are as follows:

- a) Compliance with legislation. A socially responsible business is interested in fulfilling all legislative norms, pays official salary to employees, that is, no additional costs are required for “hammering” in taxes and other payments, in particular, contributions to the Pension Fund, which makes it possible to solve the problem of pension payments in the future.
- b) Reducing government spending on social services and environmental protection. The environmentally responsible behavior of the enterprise allows you to save the environment, which reduces or at least does not increase the incidence of the population and, accordingly, the government's spending on health care. Solving the social problems of the local community, where the company operates, by business, also makes it possible to substitute budget funds with corporate ones, which, in conditions of a limited budget, is undoubtedly a positive thing.
- c) Reducing social tensions. Providing a socially responsible company with favorable conditions for employment stabilizes the situation.

However, despite all the advantages of implementing the concept, in the Kyrgyz Republic there is a number of barriers that hinder the widespread introduction of CSR principles and practices. The following main problems were identified during the Research conducted by the corporate development agency "CSR Central Asia"⁵:

- Lack of state support and motivation from the state (lack of tax benefits and preferences, other advantages in relation to socially responsible companies);
- Lack of systematic and conceptual promotion of CSR (there are no CSR manuals, awareness campaigns to increase business awareness, a common glossary on CSR, etc.);
- The current political, social environment, which increases the list of problems and the level of expectations from business in society and the unreadiness of business to systematically participate in CSR programs;
- Weak participation of the civil sector in determining the priorities of the social programs of business, as well as in monitoring their effectiveness. Lack of sustainability (and experience) of the NPO sector through interaction with the private sector in the field of social investments;

⁵ http://csr-ca.com/wp-content/uploads/2017/06/2014_%D0%9E%D0%B1%D0%B7%D0%BE%D1%80-%D0%9A%D0%A1%D0%9E_%D0%9A%D0%A0.pdf

- Insufficient level of professionalism of the media in covering social issues.
Insufficient coverage of CSR topics in the national media;

As for the Czech Republic, the following barriers can be pointed out (Ministry of Industry and Trade of Czech Republic, «National action plan for CSR in the Czech Republic», 2016-2018):

- 1) the direction of the resources for social needs reduces the impact of the principle of profit maximization;
- 2) the growth of non-compensable costs. Funds allocated to social needs are costs for the enterprise. Ultimately, these costs are transferred to consumers in the form of price increases, hence their lack of competitiveness;
- 3) social expenditures reduce production investment programs.
- 4) lack of immediate results - there is no quick and obvious result from CSR implementation, and considerable effort is required to focus on the long term. It will not be possible to get immediate benefits immediately: to achieve a high-quality result you need at least five years.

Thus, we looked at the main barriers to introducing CSR principles in Czech Republic and Kyrgyz Republic, saw that they mostly overlap with global ones.

Apart from the aforementioned barriers, there is a problem faced by researchers is the problem of measuring corporate social activity. CSR is a multilateral process involving multiple actors and therefore difficult to assess. Accurate measurement of the impact of CSR remains a problem, on which most companies and supporters of this approach continue to work, but the positive effect — reducing energy costs, increasing productivity and strengthening the brand — is already evident (D. Crowther, G. Aras, 2008).

Some companies independently develop assessment systems that include analysis of quantitative and qualitative indicators and, accordingly, reports, others use western equivalents, and some adapt foreign standards to their own economy.

Reporting standards and ratings provide a quantitative and qualitative assessment of the activities of companies in the field of CSR and open up opportunities for intra- and inter-industry comparative analysis. Thus, they stimulate competitiveness, which means more active development of socially responsible activities. In this regard, governments should actively participate in activities aimed at improving the reporting and rating methods, both at the national and international levels (N. K. Kakabadse, C. Rozuel, L. Lee-Davies, 2005).

For example, the Social Ministry of Denmark has created a Social Index, due to uniformity in assigning ratings, ensuring comparability of the degree of involvement of various companies in CSR related activities. The ministry also supports the development of social reporting and auditing at state-owned enterprises, institutions and administrations by developing managerial, communication and training tools that can later be used in business⁶.

In turn, the UK Department of Commerce and Industry has developed special awards for companies implementing CSR activities. Those awards serve as a stimulus for enterprises to gain broader social recognition in the community and enhance the performance of its brand.

Summarizing the theoretical aspects of CSR, we can draw the following conclusions:

- so far in the world there is no single definition of corporate social responsibility; within the framework of this work, the following definition will be used: CSR is a voluntary interaction of the company with the stakeholders within the framework of social, economic and environmental programs, bringing benefits not only to business, but to all participants in the interaction;
- the CSR object has a complex structure in accordance with the stakeholder approach, and the subject is a commercial organization that performs a number of socially important roles for the society;
- the principles of CSR determine the main activities of socially responsible companies, the implementation of which confirms the organization's intentions in this area;
- there are two major CSR models used in the world: American and European model. While Canadian model is similar to the American one, British model has a lot in common with the European model;
- recently, there is a tendency of movement of hidden models to open (there is an initiative from the private sector in the field of social problems, which is not characteristic of hidden models);
- both Czech Republic and Kyrgyz Republic use the European model;
- the application of the principles of CSR in enterprises brings benefits both to employees and to the state as a whole;
- the barriers we have considered for the implementation of CSR principles in domestic enterprises coincide with the global ones;
- at the moment, the only way to measure CSR returns is social ratings and non-financial reports.

⁶ http://csrgov.dk/danish_responsibility

IV. Practical part

4.1 Overview of Mol Bulak Finance, Kyrgyz Republic

LLC “Microcredit Company Mol Bulak Finance” is a microfinance organization which provides consumer loans, short-term loans for customer needs, as well as loans for the development of small and medium businesses. It was established in 2005 in the Kyrgyz Republic with the aim to provide loans for women. The main advantage of Mol Bulak Finance from the first days was that loans are issued without a collateral.

All the loans offered by the Company are presented in the Appendix 1.

At the beginning of 2008, the mission, vision and values of the Company were formed, and a business philosophy was developed and presented to employees. The Company's mission and values are aimed at improving the lives of citizens, their financial and social well-being.

The Company's high goals are achieved by a team of like-minded people who are united by a common value system. The Company's values underlie relationships with customers, employees and society as a whole. The values are:

- Honesty and integrity
- Humanity (good heart) and professionalism (smart head)
- Efficiency and commitment to excellence
- Benefit to people and sincere gratitude of customers
- Smile and friendliness

Mol Bulak Finance strives for their business to be ethical, decent, fair, benefiting people who, in turn, sincerely appreciate them for timely and relevant assistance in resolving their financial issues.

A truly significant event for the Company was the entry of the domestic brand “Mol Bulak” to the international level: today in Russia and Azerbaijan there are independent financial structures that are unique to the markets of both countries and that unite the brand “Mol Bulak”.

In 2011, more than 30 offices were opened in various regions of the Russian Federation: Moscow and the Moscow Region, St. Petersburg and the Leningrad Region, Irkutsk, Chelyabinsk, Tyumen, Surgut, Khabarovsk, Rostov-on-Don, Yuzhno-Sakhalinsk, Vladivostok, Voronezh, Murmansk, Tver, Tomsk, Ufa and in other cities. The company adheres to the policy of equality and provides loans to both citizens of the Russian Federation and citizens of Uzbekistan, Tajikistan and Kyrgyzstan, working in Russia.

Nowadays the company operates in all regions up to the most remote and hard-to-reach villages of Kyrgyzstan.

In year 2013 Mol Bulak Finance is launching a number of social projects. In 2013, the following projects were implemented: the project "Migrant's Handbook" and the project "Uzbek-Russian Phrasebook". The Handbook describes the main requirements of the law to the legality of the stay and work activities of migrants in the Russian Federation, provides information on where to get free legal assistance, and also provides tips on various areas of life and adaptation in Russia. The company distributed 100,000 Handbooks in national languages among labor migrants for free. And sponsoring the creation and release of an Uzbek-Russian Phrasebook has become an aid to migrants from Uzbekistan in their adaptation to the Russian-speaking environment.

In 2014, on the initiative of Mol Bulak Finance, the development of "Migrant's diary" began. It contains information related to the rules of stay of a foreign citizen in the Russian Federation, addresses and phone numbers of institutions providing free legal and medical assistance to migrants, as well as useful tips on finding housing and work. In addition, the Company participated in national communities and diaspora meetings, charity events, and provided aid to orphanages.

In 2015, Mol Bulak Finance has more than 200,000 clients and about 700 loan specialists. The same year the Company launched an Internet portal for foreign citizens in the Russian Federation www.molbulak.ru, which operates under the motto: "All help for migrant workers!" Thanks to this unique large-scale project, migrants online and free of charge were able to obtain information on legal issues and requirements for their stay in the Russian Federation by writing a request on the general portal www.molbulak.ru or by calling the toll free hotline number 8 800 555 93 48.

In 2016, the main message of the Company was the slogan "For the benefit of people". Mol Bulak Finance is committed to building long-term partnerships with its customers based on mutual respect and trust. In view of this, the Company actively uses in its activity 7 principles of client protection, designed to ensure the protection of their rights and interests:

- Product compliance with customer needs and capabilities
- Preventing over-indebtedness of customers
- Transparency
- Responsible pricing
- Fair and respectful attitude towards customers

- Confidentiality of customer data
- Fair complaint handling and resolution mechanisms

In 2017, Mol Bulak Finance became the winner of the First All-Russian competition of socially significant projects implemented by MFIs (Microfinance Institutions). It won the nomination for the Best Project of a Microfinance Organization in the Field of Improving Financial Literacy of MFI Clients.

In 2018 the Company took part in more than 30 socially significant events in Russia, and in Kyrgyzstan, it was one of the sponsors of the World Nomad Games - 2018.

4.2 Overview of Mercedes-Benz, Czech Republic

Mercedes-Benz is a worldwide international car brand and a production division of Daimler AG, a German multinational corporation specialized in the production of cars.

The parent corporation of Mercedes-Benz is headquartered in Stuttgart, Germany, and currently employs over 280,000 staff members all over the globe. Daimler AG was established back in 1926, and is mostly owned by institutional investors. The group of companies is among the global leaders in terms of the total car production output.

In 1999, the company was restructured and made part of DaimlerChrysler under the name Mercedes-Benz AMG. Since then, the brand Mercedes-Benz has been developing its core products currently known to the market and popular among the company's target customers.

Nowadays, the company has its factories located in Europe (Germany, Austria, Serbia, Spain, United Kingdom, etc.), Asia (Thailand, Vietnam, Malaysia, Jordan, etc.). Africa (Algeria, Nigeria, South Africa, etc.), South America (Argentina, Colombia, etc.), and North America (United States, Canada, etc.) (Mercedes-Benz 2016).

In addition to the provision of brand Mercedes-Benz products to the market, the corporation is also engaged in a wide range of corporate social responsibility activities, including the sponsorship programs for sports events, charity fundraising campaigns, involvement in a range of environment protection and education programs, and a wide range of other corporate social responsibility activities which the company believes to form the backbone of its business activities (Mercedes-Benz 2016).

Mercedes-Benz Czech Republic is a subdivision of Mercedes-Benz responsible for the performance of corporate business activities in the Czech Republic. The company's target

activities include the sales of Mercedes-Benz brand cars across the territory of the Czech Republic, and the promotion of the corporation's image and brand among the Czech customers. The company is also responsible for the effective performance of marketing and advertising activities in the parent company's name. (Ing. Babirli Nilufar, 2016)

The company's headquarter is located in Prague, the Czech capital, and the main sales turnover is accounted for by the Prague division of Mercedes-Benz Czech Republic.

Apart from offering a wide range of vehicles to the Czech market, the Company provides financial services to its target customers. Namely, the company offers loan facilities to the customers purchasing its cars, which allows for the more efficient interaction between Mercedes-Benz Czech Republic and its customers, and also offers insurance services with the aim of ensuring the effective full-life maintenance and servicing of Mercedes-Benz brand cars (Mercedes-Benz Czech Republic 2016).

Mercedes-Benz's strategic focus in the Czech Republic's domestic market is to ensure steady market growth through increased sales, and thus to achieve greater market share, however always in line with the parent corporation's key values and the corporate focus it promotes on the global scale through its activities. (Ing. Babirli Nilufar, 2016)

Within the framework of its marketing and advertising focus, the strategy pursued by Mercedes-Benz Czech Republic is similar to the one applied by the parent corporation. Namely, the company promotes its image as an innovative brand dedicated to the constant improvement of the performance parameters of its brand cars, and to the effective satisfaction of all customers' needs. At the same time, Mercedes-Benz Czech Republic aims to promote its image as an environmentally friendly brand dedicated to environment protection, which is one of the global trends in the entire car manufacturing industry due to the growing concerns over environment protection in the world (Mercedes-Benz Czech Republic 2016).

Among the values declared by Mercedes-Benz Czech Republic as the key ones guiding the performance of the company's business activities, it is particularly worth noting the following:

1. Aspiration to leadership. The company's key target in the Czech domestic market of cars is to achieve the greatest share in the aggregate distribution turnover, and to make Mercedes-Benz the most popular brand of cars sold in the country;
2. Effective partnership. The company believes its suppliers and other third-party contractors to make an integral part of Mercedes-Benz's success in the market. Therefore, the company

aims to build up effective long-term partnership ties with its contractors to maximize benefits delivered to customers;

3. Market integrity. Mercedes-Benz Czech Republic aims to achieve the effective integration of all its business departments' and units' activities, their effective coordination, and the preservation of effective partnership ties across all such departments for the best synergic effect;

4. Transparency. The corporation aims to be fully lawful and transparent to both the public authorities and the customers, and therefore provides free access to all of the company's financial statements to all third-party stakeholders;

5. Diversity. This principle means that Mercedes-Benz Czech Republic aims to provide the company's customers with the widest range of products possible, and therefore offers all car models currently available from the parent Mercedes-Benz corporation;

6. Quality. Mercedes-Benz Czech Republic is dedicated to ensuring the top quality of all products offered to customers, therefore the company uses only official spare parts delivered from other Mercedes-Benz units, and ensures the most effective diagnostics of all products.

7. Responsibility. Mercedes-Benz Czech Republic positions itself as an environmentally and socially responsible company, and therefore participates in a number of CSR programs aimed at ensuring the maximization of the company's positive brand image in the eyes of Czech customers. (Mercedes-Benz Czech Republic 2016).

Thus, in the next chapters of the thesis, the research focus will be put on the investigation of both Mol Bulak Finance and Mercedes-Benz Czech Republic companies' CSR activities, and the effect they have on the companies' business results.

4.3 Overview of the CSR practices of Mol Bulak Finance, Kyrgyz Republic

The business philosophy of Mol Bulak Finance is based on the following basic principles: the beneficial social impact is closely intertwined with the achievement of high financial results, responsible lending, professional development of staff, strengthening the role of women in society and preserving the environment. These principles are implemented in all policies and procedures of the Company, communicated to each employee through training and are applied daily in work.

Social responsibility is more than just timely tax deduction to the budget, strict observance of laws and decent wages. For Mol Bulak Finance, social responsibility is a voluntary and consciously undertaken obligation to make a feasible contribution to improving the lives of employees, customers, society and the country.

The company strives to participate in the public life of the regions, take into account the interests of workers, interact with various public organizations, help talented and gifted people, it also makes efforts to reduce the negative impact on the environment, does its best to attract partners and customers to be equally responsible in protecting the environment. (Mol Bulak Finance, 2010)

Below are presented the Company's initiatives in different fields of community life.

Social impact and responsible crediting

According to CGAP (“Consultative Group to Assist the Poor”), “Microfinancing and its impact go far beyond lending to a business. Access to financial services tends to improve customer welfare, but a loan issued unwisely can lead to excessive debt”. Mol Bulak Finance abides by the principle “do no harm” in all his operations. The Company's credit policy provides a detailed study of the financial needs and a sober assessment of each client's business opportunities, to ensure that each loan will bring only positive changes to the life of a particular client.

A financial education is included in the lending process. As part of social responsibility, the company has issued a financial literacy brochure for all Mol Bulak Finance clients. The booklet on financial literacy includes rules for obtaining a loan, as well as recommendations and practical advices on how not to fall into the hands of fraudsters. (Mol Bulak Finance, 2010)

Clients receive advices on how to conduct a business when they receive each type of a loan. The company also implements other initiatives aimed at solving social problems.

"MBF-Farm" project

In previous years, under the program of social responsibility for environmental sustainable development and responsible lending, Mol Bulak Finance provided not only financial resources for the part of the population in need of social support, but also developed programs and provided tools for increasing productivity through the introduction of new technologies, increased financial literacy of the population and provided advice on sustainable business development to its clients.

The “MBF-Farm” project is one of Mol Bulak Finance’s large-scale and bright initiatives aimed at training a new business model, which allows customers to evenly distribute financial income without attracting additional borrowed funds and reduce the costs of doing business with the combination of three following components:

- increase productivity with the help of agricultural consultations;
- reducing costs, including the reduce of financing costs through raising funds from online users and their participation in the lives of villagers;
- expansion of the client base through direct access to end-users without intermediaries.

Currently, the project is a pilot project, based on an experimental greenhouse, introducing an innovative approach in the agricultural sector. The company is aware of the importance of developing the agricultural sector for the Kyrgyz Republic, as well as the fact that simply providing financial support does not solve all the problems of this complex sector of the national economy. Therefore, as part of the social mission, Mol Bulak Finance, through its innovative projects, seeks to transfer knowledge and technology to rural residents in order to increase the productivity of agricultural enterprises, farms and peasant farms.

"Mol Bulak Bilim" Project

Education is an important tool on the road to success, and it is obliged to serve and benefit not only its owner, but also his entire environment. In May 2012, the Company announced the launch of a scholarship program for children of its clients, graduates of the 9th and 11th grades of educational institutions of the Kyrgyz Republic to pay for their education in the universities of Kyrgyzstan.

In order to support the children of loyal clients (with the “gold” or “diamond” status) and to provide additional educational opportunities, in 2014 Mol Bulak Finance on a competitive basis provided 55 scholarships for training children of the Company's clients. According to the results of the “Mol Bulak Bilim” competition, 109 applications were received in total from all offices of Kyrgyzstan.

At the beginning of 2015, the Company provided 62 scholarships on a competitive basis, while not all the students reached the end of the year: the control and monitoring system is designed in such a way that the Company's management directly monitors the results of final exams, receiving data from dean's offices, and in case of getting marks lower than “good”, the student loses the opportunity to further participate in the “Mol Bulak Bilim” program.

This program involves the creation of opportunities for young people who have good educational results, but do not have financial opportunities to continue their education in a university. Mol Bulak Finance aims to help such talented young people to become promising qualified personnel for the country, providing also the opportunity for internships and employment. (www.employment.kg, 2017)

New Generation Support Fund

This Fund was established by the management of Mol Bulak Finance Company with the personal contribution of the Company's founders. In 2010, the Fund launched first pilot project - a cooperation with High School No14. As part of this project, the Fund has identified the implementation of priority areas, such as developing the potential of young people, equipping the school with necessary equipment and teaching materials, engaging students in sports clubs, creating thematic circles. In this format, our cooperation has been going on for five years.

Also, under the auspices of the Fund, many other social projects are carried out aimed at supporting and developing the potential of local youth.

"Trillionaire" Development Center

The "Trillionaire" Development Center was established in February 2014 as an educational center with the aim of implementing programs for the additional and in-depth study of foreign languages for students. Development Center is a project of the "New Generation Support Fund". The main objective of the Center is to comply with the Fund's mission and is to

provide students with additional educational programs in foreign languages and the opportunity to participate in various educational projects.

Support for the student movement of young entrepreneurs "Enactus"

The international student organization “Enactus” (formerly “SIFE”) is known worldwide for its activities aimed at engaging the younger generation in entrepreneurship in order to implement social and economic projects.

Sharing the ideas and goals of this movement, Mol Bulak Finance sponsors this organization in Kyrgyzstan, and in addition to financial support, involving successful professionals from among the Company's employees in consulting and practical assistance in implementing projects of the organization’s teams. Over the years, the cooperation of Enactus and Mol Bulak Finance has allowed young entrepreneurs to learn the basics of running a business and improve the socio-economic situation of people in need.

Support for the “Asia Mix” team on the competition of the “Club of the Funny and Inventive People”

Mol Bulak Finance consistently stands for the support of talented Kyrgyzstanis who worthily represent our country on the international arena. The “Asia Mix” team from Kyrgyzstan with their creativity and successful performances on the competition of the “Club of the Funny and Inventive People” proved that in Kyrgyzstan a huge number of sparkling talents, and the potential of young comedians exist. The audience of Russian major TV-channel, which broadcasts the competition, has tens of millions of viewers, and the competition itself is one of the most popular TV products in the entire CIS media space.

For more than 5 years, Mol Bulak Finance has been supporting the “Asia Mix” team, which offers high-quality humorous performances and is the hallmark of not only Kyrgyzstan, but also people from all over Central Asia. This creative interaction with the team was another bright and inspiring youth project of the Company, which resulted in the creation of the “Asia Mix Plus” Public Fund.

Support for the Global Shapers Community

This project is a platform for communication of young leaders of all countries in the world. In 2015, representatives from more than 20 countries from all over the world, young professionals with various backgrounds, pursuing common goals, gathered at the Conference, which was held in Bishkek, in order to work together on making the world a better place, to benefit people and other states, based on the successful experience gained in their home countries.

The movement of young leaders and reformers keeps implementing a variety of youth projects, such as the Kyrgyz Universities Fair, the “Big Brothers Big Sisters” mentoring program, various economic forums and trainings for students. And in all of them Mol Bulak Finance and its management participates as a partner or a sponsor.

Mol Bulak Kok-Boru⁷ Cup

Mol Bulak Finance Company supports the preservation and development of national sports, as well as the promotion of healthy lifestyles among the population, especially young people. That is why the idea arose to initiate and organize the tournament in one of the most popular national sports in Kyrgyzstan – “kok-boru”. This tournament has become a traditional event aimed at preserving the original culture of the people and supporting talented young athletes.

In addition, the Company consistently seeks to develop the idea of social responsibility, and therefore, 10% of the total amount of the prize fund is directed to charity.

Internal social impact

Mol Bulak Finance believes that employees are the main factor of success. In March 2008 the Corporate Policy was adopted, which maintains high standards of the corporate culture. The company invests substantial funds in the professional development of its employees. Employees are trained both within the Company and in specialized educational institutions of Kyrgyzstan and other countries.

Also, a number of corporate events are held annually, aimed at strengthening internal corporate communications, and developing personal and professional qualities of employees. During the year various team buildings, seminars and trainings for employees are held, in which

⁷ Kyrgyz national game in which horse-mounted players attempt to place a goat or calf carcass in a goal. (Wikipedia)

representatives of the Company's top management and invited professionals, including Brian Tracy and his academy, participate as speakers.

Creating opportunities for women

Women are actively involved in the decision-making process in the Company. Women are represented in the senior management team and play a leading role in daily operations.

About 80% of the Company's customers are women. The world practice of microfinance shows that women are more financially responsible and have a higher percentage of repayment. More than men, they tend to invest an increased income in the family and the future of their children.

Ecological stability

Mol Bulak Finance conducts compulsory environmental protection training for each of its employees, tries to use environmentally friendly practices of its activities and does not issue loans for environmentally unsafe activities.

Mol Bulak Finance and the UNDP Environment Protection for Sustainable Development Program of Kyrgyzstan signed a memorandum of cooperation on enhancing social and environmental responsibility. As part of the memorandum, thematic trainings were conducted for Mol Bulak Finance employees. The purpose of the training is to increase the potential of employees in the field of social and environmental responsibility for issuing loans based on the elements of strategic environmental assessment, as well as to familiarize in practice the methodological features of environmental risk assessment.

Continuing the chosen direction of environmental concern, in May 2016 Mol Bulak Finance supported the project to revive the "green lungs" of Bishkek and turn the botanical garden into a unique Central Asian mountain garden of international importance. All this took place within the framework of the festival "Green Bishkek: Revival of the Botanical Garden".

As considered above, Mol Bulak Finance in its CSR practice mostly covers the educational, cultural and sports fields and has one project in the agricultural and one in the ecological sector. It also practices charity by contributing 10% of the "kok-boru" sports competition prize fund to charitable purposes.

4.4 Overview of the CSR practices of Mercedes-Benz, Czech Republic

In this Chapter the CSR practices of Mercedes-Benz Czech Republic will be investigated in order to make a comparison with Mol Bulak Finance Company.

The parent corporation of Mercedes-Benz cover a wide range of CSR activities which can be conditionally divided into the following key fields:

1. Charity/community projects (humanitarian aid to children in Syria, humanitarian aid to the population in the Philippines suffering from the typhoon, financial aid to the population in the Balkans suffering from floods, etc.) (Mercedes-Benz 2016).
2. Arts and culture (sponsorship for the Berlin Philharmonic Orchestra and the Mecklenburg-Vorpommern Music Festival, partnership with the National Center for the Performing Arts, sponsorship for Art Beijing and the International Music Festival, support of the Prussian Cultural Heritage Foundation, sponsorship for Formula 1, etc.);
3. Education (MobileKids program for the safety of children on roads, sponsorship for the establishment of schools in African countries, own courses of technical sciences taught to children);
4. Science, technology, and environment (financial support to research institutions, cooperation with the Global Nature Fund, etc.);
5. Political dialogue (support for democracy initiatives, sponsorship for international democratic organizations, funding of political parties).

Moreover, the company also encourages the individual participation of its employees in various social programs, and promotes the staff's involvement in such activities (Mercedes-Benz 2016).

Mercedes-Benz Czech Republic is also actively involved in CSR practices as well, and tends to follow the same directions in CSR as its parent company. However, Mercedes-Benz Czech Republic's activities mostly focus on the sponsorship of cultural, art and sports events, and aim to promote the popularity of culture and sports among the Czech population. (Ing. Babirli Nilufar, 2016)

Since 2015, Mercedes-Benz has been the general sponsor of the Czech Jockey Club and has been funding all horseracing events organized by the Club. The corporation's goal in this context is to promote the popularity of equestrianism in the Czech Republic, and to

raise those sports activities' role as a type of leisure for families (Dostihovy Svet 2015).

Mercedes-Benz Czech Republic also sponsors the Prague Fashion Week, which is called Mercedes-Benz Prague Fashion Week. The company's aim in this context is to promote the role of fashion events in terms of culture in the Czech Republic, and to establish a cultural exchange between Czech and foreign designers. (Mercedes-Benz Prague Fashion Week 2016).

The Company also supports the Mercedes-Benz Grand BMX Championship for Czech freestyle bicycle riders, which is combined with music festivals. Mercedes-Benz Czech Republic's aims to promote the healthy lifestyle and sports among young people. (Ing. Babirli Nilufar, 2016).

Those are the corporate social responsibility practices implemented specifically in the Czech Republic by the Czech division of Mercedes-Benz corporation.

4.5 Interviews with managers of Mol Bulak Finance and Mercedes-Benz Czech Republic

The interview with the manager of Mol Bulak Finance was held based on a rundown of questions designed to examine the details of the present situation with corporate social responsibility practises in the Kyrgyz Republic, their specifics, and the conceivable future development. The interview with the manager of Mercedes-Benz Czech Republic held by Ing. Babirli Nilufar was used for comparison of the approaches of these two companies. The outcomes of the interview are presented below.

1. What does CSR mean to you?

Mol Bulak Finance: First, it all starts with the most elementary thing: the company must be very transparent. Being socially responsible means being responsible to employees, stakeholders, state and society. Being responsible to stakeholders means to build an efficient company. An efficient company means more profit for stakeholders. If there is more profit for stakeholders, then it is more taxes to the state budget. And of course, if the company is efficient, then you will be able to pay more to your employees and give them the opportunity to earn more in this company than in another. I know that in the financial field a person can work at the same position, and in one company the average employee, I'm not talking about unique employees, the average employee can earn one amount, while in another company the amount is more because in another company there are opportunities created for a person realize himself more. So, those are three elements: the company's and the manager's responsibility to stakeholders, to the state, because you pay all taxes, and to employees, because you create opportunities for them to earn decently relative to others. The fourth, this is in front of society: the product or service that the company produces must be done at a very high level. Quality is the most important thing. And the fifth element is that if you are a patriotic citizen or a patriotic organization, then you start investing in those sectors that are very relevant for the country. In our case, we fully took up the social block. We have a lot of projects aimed at education, health care, sports, by the way, at sports more than health care, because we believe more in prevention than in treatment, then culture, art, motherhood and childhood. Therefore, we allocate a certain budget and support those projects that we consider well prepared and where worthy citizens of Kyrgyzstan, and not only Kyrgyzstan, but also professionals, who can be really helpful, participate. Because the slogan of

our company is “Mol Bulak for the benefit of people”. We want to support those projects that we have identified for ourselves as interesting, and which bring real benefits. So, these five points for me make up the concept of corporate social responsibility.

2. How important is CSR for a company?

Mol Bulak Finance: As I noted above, to be effective is very important, to be profitable is very important, to pay taxes transparently is very important, because for us - whether we like it or not, whether we understand it or not, the state does a lot. It protects our borders, organizes logistics, created a system of power, provides us with passports, issues money in circulation, protects our country in economic, informational ways, provides with a pipeline, water supply, electric network. This all the state does for us and we are obliged to pay taxes, and to pay them in a timely manner, as required by law. This approach to CSR is very important to us.

We are not indifferent to what kind of society our children and grandchildren will study and develop in. Therefore, today in Kyrgyzstan we have what we deserve, that is, we are reaping the benefits of decisions taken in our state a year ago, five years ago, ten years ago. Therefore, today we must make such decisions that will significantly improve our living standards, the lives of children, adults, and all the generations we currently have.

3. Why does Mol Bulak Finance invest into CSR?

Mol Bulak Finance: This is a very interesting question. Indeed, we are a commercial organization, and like any commercial organization, we must pursue profits. But at the very beginning of our journey, we agreed that we have social projects that we want to implement and consider them a right thing to do. We want to support talented people, entrepreneurs, in those areas that are relevant and important to us. Why is it important for us? Because it is our need to share good, make gifts, that is our nature, we always must share something. The more we give to people, families, relatives, partners, companies, the more God will give us, I believe in it. This is our value, our faith.

4. How are decisions made regarding CSR?

Mol Bulak Finance: The fact is that we do not have a CSR department, there is only a PR department. Therefore, the main corporate social responsibility officer is myself. We work in five

directions, we have a certain budget and we choose partners. That is, there may be a very good idea, a right direction, but if the partner is not ready for some reasons, or is not professional enough, or is not investing enough on his part, then we may not support the project. It happens that they are both responsible and reliable, and the direction is correct, but we just run out of budget. Suppose the last few years, 90% of the resources go to projects that we have already identified in the field of education, sports and art. We already have them running. Therefore, we have a relatively small resource to which we can be flexible and which we can still distribute.

Mercedes-Benz: Our strategies in the field of corporate social responsibility activities are based on the ones generally adopted by our parent corporation Mercedes-Benz in Germany. The company aims to cover the same range of activities, and our core corporate values are the same as the ones of the parent corporation. So, overall, this is what our integrity principle stands for: we are consistent in what we do, and we aim to spread our key values throughout all our divisions. (Ing. Babirli Nilufar, 2016)

5. Does the company practise CSR in all the countries where it works?

Mol Bulak Finance: CSR works in those countries where the company operates efficiently and is profitable, so, it definitely works in Kyrgyzstan. Here it is the largest company, the most profitable, so we have more projects in Kyrgyzstan. In Russia as well, but there are much less of them. And in Azerbaijan even less, because the company is small and our corporate culture is only now beginning to take root there. When the company reaches the desired level of profitability there, it will be about the next year, we will start supporting different projects there as well. But we are starting small, as we started in Kyrgyzstan, and gradually grow.

6. What is the largest project at the moment?

Mol Bulak Finance: In the past, it was a project on “KVN” (*“the Club of the Funny and Inventive People”*), an event where teams of students from different countries compete showing *humoristic performances*). Its value was to popularize the friendship of peoples and the development of culture. It was a big project and we invested a lot in it. And starting in 2018, the sport and health of the nation are in priority. We cannot directly influence health care, but we believe that the best thing is preventive medicine. That is, physical education, sports and

proper nutrition. Promoting a healthy lifestyle becomes the number one priority. And I think this direction will be in the first place in the coming years.

Mercedes-Benz: There are quite a few. Hard to speak of one major project... Probably I should note the Mercedes-Benz Prague Fashion Week here. The project isn't new itself, and we have remained the event's main sponsor for years already. However, this project is indeed important for us, and we believe for the entire community as well. (Ing. Babirli Nilufar, 2016)

7. What is the mission and values of this project?

Mol Bulak Finance: Our project is associated with a healthy lifestyle. As part of this project, we are now organizing half marathons and marathons. This year we will go to the regions, we will have "Mol Bulak Osh Demi" marathon, and I hope that there will be a lot of races in all regions. The plan is to urge people to move more, because nowadays this sedentary lifestyle becomes a problem. In parallel, we will promote proper nutrition so that people drink more liquid, eat less fat, smoke less and drink less alcohol. We generally have halal finance. I also conduct a mentoring program, since December 1st 39 people have already quit smoking, this is in Kyrgyzstan, Azerbaijan, and Russia, including a fairly large number of company employees. And secondly, sports, that is the popularization of football in all regions. We created a children's football league, it takes the largest budget. We have formed 200 teams from 200 schools from all regions of the country. This is to ensure that children are engaged, and football is not just a game, it is a culture, discipline, fairplay, friendship, sports, a healthy lifestyle. This can become a profession, a lifestyle.

Mercedes-Benz: Cultural enrichment. Culture may take quite different forms: arts, music, even culinary. And fashion is another manifestation of culture. Fashion weeks are destined to ensure the cultural exchange between cities, regions and countries, and to provide people with the opportunity to learn more about the current trends in vogue, to know the tendencies in this field, and so on. So, the fashion week we organize is our own attempt to implement that cultural exchange. It has been growing over years, and features a great number of demonstrations made by major foreign designers, so the event is known on the European level. (Ing. Babirli Nilufar, 2016)

8. Does the company attract employees to participate in CSR?

Mol Bulak Finance: Of course. First of all, every employee who comes to Mol Bulak Finance Company voluntarily donates every month to the public fund “Apake”, which we have created to support seven directions, including the directions I mentioned above, as well as infrastructure projects. Our employees are involved in all of our races, in all formations of football teams in all regions. That is, there is full involvement and awareness of employees, and this helps us to save a lot of money. If the employees were not involved, we would not be able to do as much as we do now. Therefore, all employees adhere to this, they enjoy it and they are involved in it as much as possible.

Mercedes-Benz: You know, many people believe that corporate social responsibility activities are just another source of PR or, let’s say, advertising for a company wishing to promote its positive image in the eyes of customers. Although it is indeed true, this doesn’t negate the fact that we are truly committed to the things we declare within the framework of our corporate social responsibility practices. So, we understand that simply running our sponsorship and other similar activities is not enough, and we want to persuade people that this is the task of the entire community to ensure the better life for the next generation. So, we start with our employees. We regularly organize some short seminars, where we explain the importance of such socially-oriented activities to our staff, and where we encourage our employees to participate in them. We also organize some newsletters on specific occasions in which we encourage our employees to do the same. Finally, we may organize the voluntary collection of funds for some specific purposes, where our employees can donate right from the workplace, and the corporation thereafter transfers the funds collected. (Ing. Babirli Nilufar, 2016)

9. Is the media sufficiently covering the company's activities in CSR?

Mol Bulak Finance: I believe that it is necessary to change the law on the media, philosophy, politics, ideology. Unfortunately, the media is filled with negative information here: murders, rapes, robberies, and so on. 90% of information is negative. And we need the opposite. When we want to talk about any of our initiative, they always hide that this is a Mol Bulak Finance Company. They just say that some financial institution supported some kind of project. When others say that we have supported something, it’s all cut out. This is actually not normal, it is a very unhealthy situation, when people do not want to cover that there are companies and people who do something good, set an example to others. This is not done, and it is very regrettable and

insulting. We don't need it, but it would be useful for society. We set the example, but it is not covered properly, it is not covered at all.

Mercedes-Benz: Sure, and moreover, I am persuaded that this is one of the key factors contributing to the most effective results of our corporate social responsibility activities. Some companies have to pay for being covered in the media, but this is not our case. The events we organize are widely covered in the media because they are interesting and relevant to society. Thus, people can learn about CSR activities and about Mercedes-Benz Czech Republic more, and this allows us further improving those practices thanks to the feedback we get. (Ing. Babirli Nilufar, 2016)

10. How would you rate the effectiveness of CSR practises in your company?

Mol Bulak Finance: It depends on who we compare with. If we compare with ourselves, then, of course, there is a lot of work to be done, what to improve. If we compare with other financial institutions in the country, then I think that we have the most extensive activities in CSR. And we do not just distribute money, we do it systematically, sustainably, we create sustainable institutions, sustainable projects that are not one-time, but have been going on for years, for 7-9 years. Therefore, with respect to other companies, I think that we are definitely in the TOP 3 companies that are engaged in CSR quite actively. I should note that there are some companies that do it anonymously and this is very good, but we simply do not know them. I am sure that there are also a lot of them, but, relying on public information, we, probably, enter the TOP 3. I think we can be even more effective, we will do our best. We live and we learn. There is no limit to perfection.

Mercedes-Benz: Hard to tell, really, because this process is uninterrupted. We always review our social activities at the end of each financial year, and we make changes to them depending on how we believe some goals were or weren't achieved, how our customers and other people are satisfied with what we have been able to do, and what our further actions might look like in all those fields. As of today, we are satisfied with what the company has been able to achieve, but we never stop there, and try to further improve our corporate social responsibility practices in all respects. (Ing. Babirli Nilufar, 2016)

11. What are the company's plans for future in CSR?

Mol Bulak Finance: This year we began to create a department of strategic philanthropy, for systematization, and now we are looking for responsible people to work. This department will focus on certain sectors of the economy. For example, the focus will be on agriculture, on light industry, on production and on tourism. But it is a long way, we need more resources. But at least, we already have ideas and plans, how to expand it.

Mercedes-Benz: We will definitely continue implementing our projects already started, as we require fulfilling our initial aims. Some of them are continuous, and we even don't plan to stop them. As I already said, one of our key priorities within the framework of corporate social responsibility activities will be the implementation of MobileKids program in the Czech Republic. We also have some major plans in the field of cultural activities, and we plan to fund even more sports events already in the near future. This inspires us, and this gives us an impetus to achieve excellence in what we do. (Ing. Babirli Nilufar, 2016)

Based on the interview with the CEO of Mol Bulak Finance, it can be declared that the company considers corporate social responsibility seriously and it is highly involved into social activities. Its current priority is sports and promotion of a healthy lifestyle. The main project is in the area of sports, while Mercedes-Benz Czech Republic is currently focused on cultural enrichment. One more point, where the company representatives have completely different opinions, is about the media covering the companies' CSR activities. The CEO of Mol-Bulak Finance stated that the media in the Kyrgyz Republic does not cover any of the initiatives of the company and this situation needs to be changed. While the manager of Mercedes-Benz Czech Republic noted that the media contributes to the most effective results of their CSR activities.

In the next chapter of the research, a survey is going to be conducted among the customers of Mol Bulak Finance on Facebook.

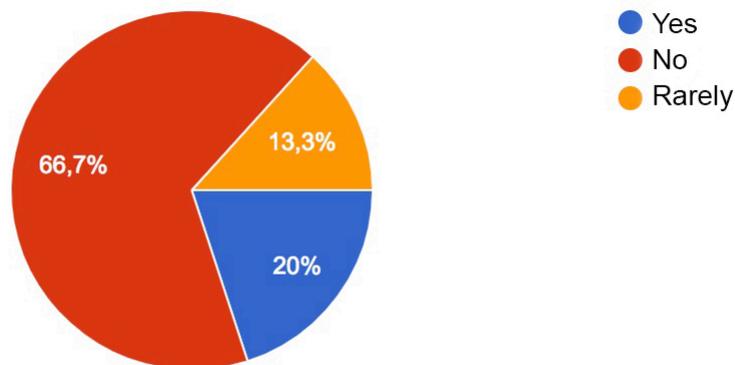
4.6 Survey among the companies' subscribers

The following survey was conducted with the aim to investigate the opinion of the company's customers through the company's official page on a Facebook social network. It includes the questions considering the customers' interests in CSR and expectations from the company, their assessment of the effectiveness of CSR practices implemented. In order to compare the results with the Mercedes-Benz Czech Republic, the results of the corresponding survey held by Ing. Babirli Nilufar (2016) were taken into consideration. The questions designed for this survey are similar to those designed by Ing. Babirli Nilufar (2016) in order to make the corresponding comparison.

The responses presented below in a form a pie chart were obtained from 32 Kyrgyz respondents, the subscribers of Mol Bulak Finance in Kyrgyzstan Facebook page. The bar chart shows the results for both companies for comparison. In the Mercedes-Benz survey 25 Czech respondents among the subscribers of Mercedes-Benz Czech Republic Facebook page took part.

1. Do you regularly follow the news published by Mol Bulak Finance on the company's Facebook page?

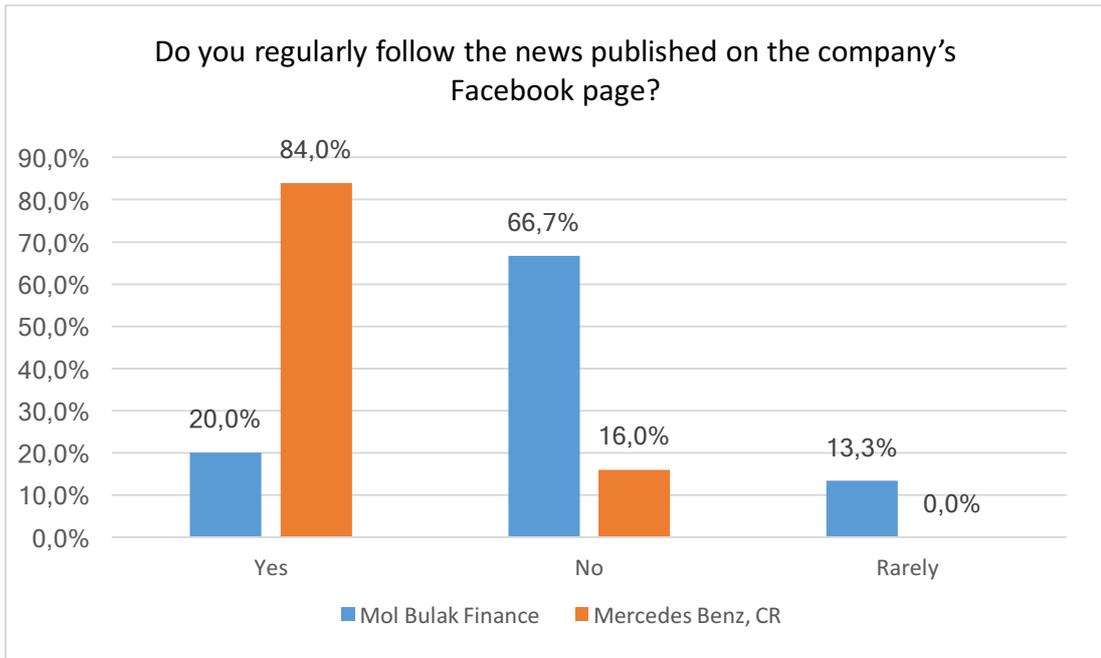
Figure 1. Answers to question 1 of the survey



Source: own creation

As Figure 1 above shows, only 6 out of the 21 respondents, or 20% of all respondents who took part in the survey regularly follow the news published on Mol Bulak Finance Facebook account, while 21 respondents are not interested in the Facebook publications of the company.

Figure 1.1 Comparison of answers to question 1 of both surveys

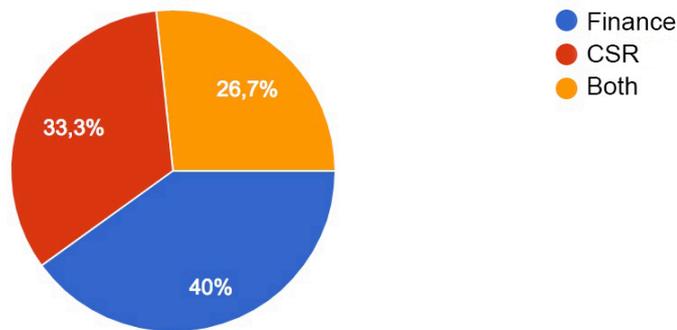


Source: own creation and Ing. Babirli Nilufar (2016)

In this comparative bar chart can be seen that the Facebook audience of Mercedes-Benz Czech Republic is much more interested in the company's activities, rather than the audience of Mol Bulak Finance. One of the reasons might be more frequent publications on the page of Mercedes-Benz Czech Republic, than on the page of Mol Bulak Finance, and subscribers of Mercedes-Benz Czech Republic are used to see them more often.

2. What is of greater interest to you: the company's operational or CSR activities (or both)?

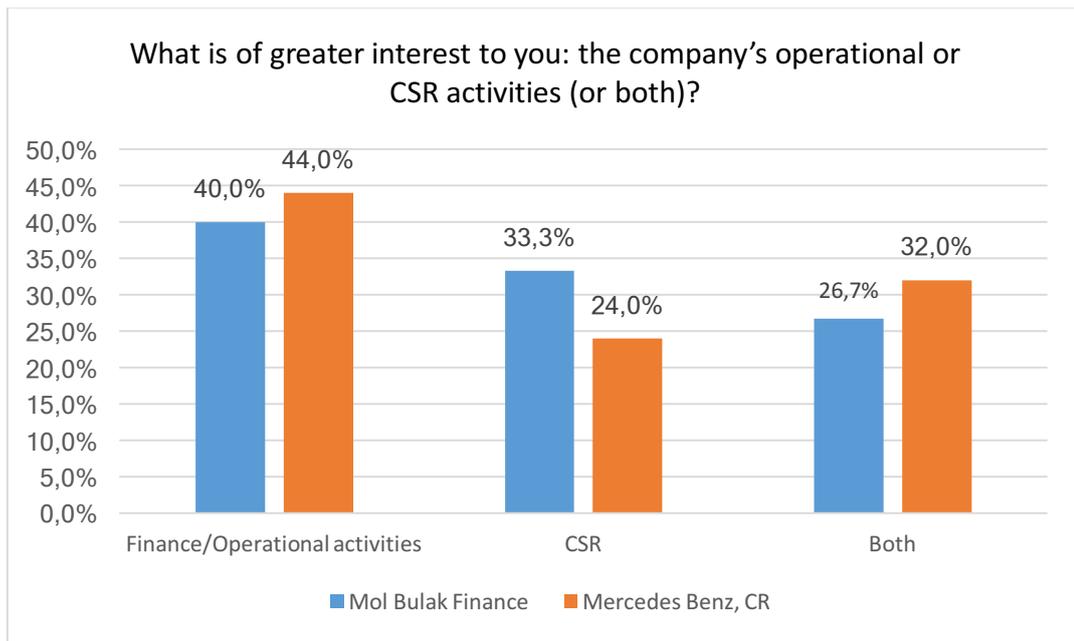
Figure 2. Answers to question 2 of the survey



Source: own creation

As can be seen from Figure 2 above, most respondents are primarily interested in Mol Bulak Finance’s operational activities (i.e. financial services) – 40% of all respondents. Most of the company’s customers are interested, first of all, in the company’s services, so it is anticipated that this share is the biggest one. What is unexpected, is that the share of the respondents, interested in company’s CSR activities is 33,3%, which proves that the company does a lot of work in CSR and shares it with its customers.

Figure 2.1 Comparison of answers to question 2 of both surveys

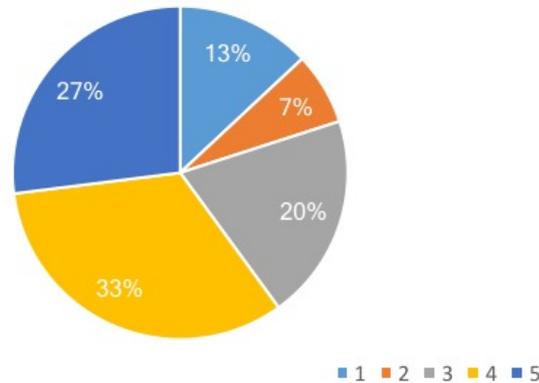


Source: own creation and Ing. Babirli Nilufar (2016)

When the comparison is made between Mol Bulak Finance and Mercedes-Benz Czech Republic, it can be seen from the chart above that this indicator does not differ much in both companies. Both companies have their customers more interested in their operational activities.

3. How would you rate the effectiveness of Mol Bulak Finance’s CSR practices on a scale from 1 to 5?

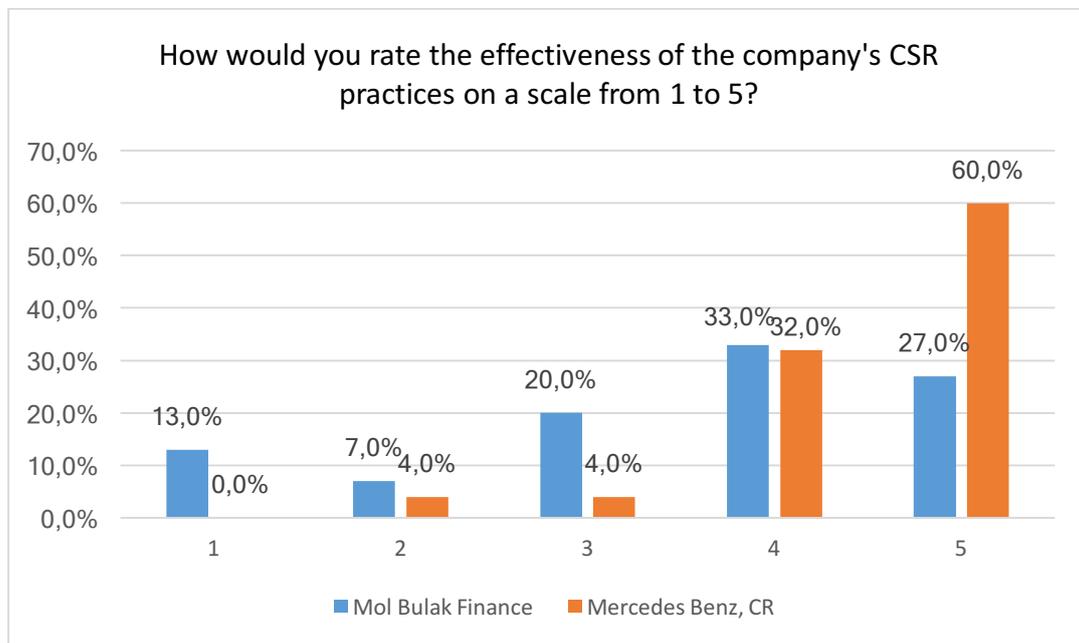
Figure 3. Answers to question 3 of the survey



Source: own creation

As Figure 3 above shows, the majority of the respondents – 33% - rated the effectiveness of Mol Bulak Finance’s practices as 4 out of 5, which is not excellent, but good. The maximum rate of 5 was given by 27% of respondents. 13% of survey participants rated the company’s effectiveness as 1 out of 5, which is the minimum. This might indicate that the company still needs to improve its CSR performance.

Figure 3.1 Comparison of answers to question 3 of both surveys

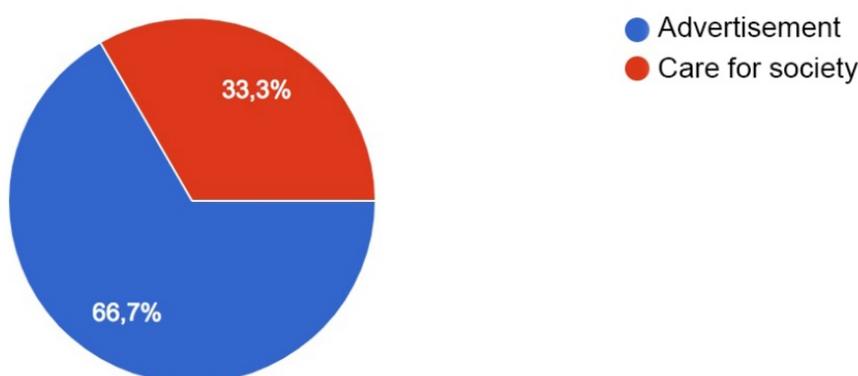


Source: own creation and Ing. Babirli Nilufar (2016)

When comparing, it can be stated that the customers of Mercedes-Benz Czech Republic are much more satisfied with the company's effectiveness, than the customers of Mol Bulak Finance. The overall rate for Mercedes-Benz Czech Republic is 5 points, and the overall rate for Mol Bulak Finance is 4 points.

4. In your opinion, what is the main driving factor behind the company's CSR activities: advertisement or care for society?

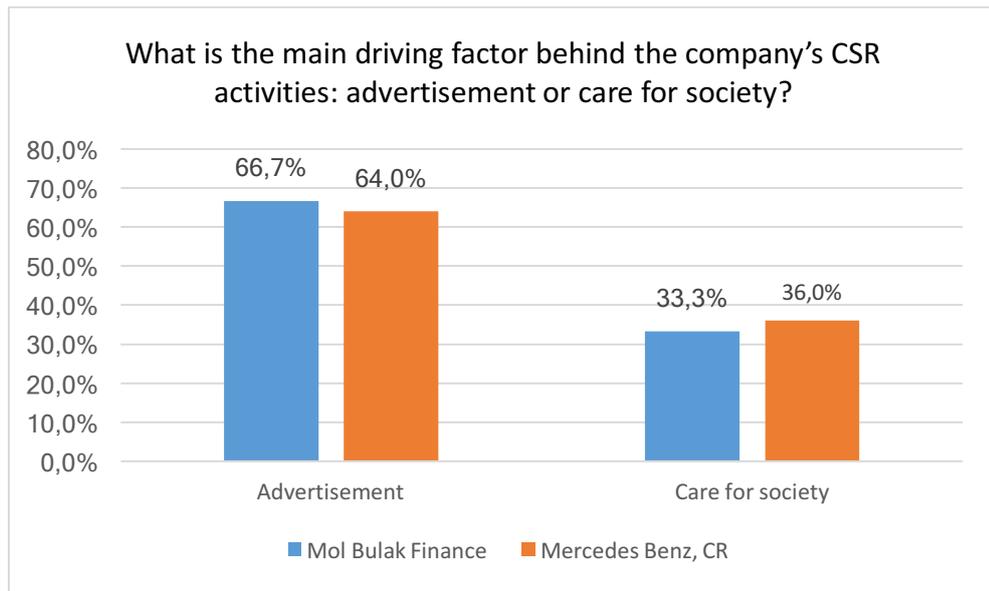
Figure 4. Answers to question 4 of the survey



Source: own creation

As can be seen from Figure 4 above, only 33,3% of the respondents (16 out of the 32 survey participants) believe that the CSR activities run by Mol Bulak Finance are mostly driven by the real care for society, while 66,7% (21 persons) prefer to think it is all designed for company's promotion. This might be caused by the insufficient interaction between the company and its customers, and probably Mol Bulak Finance should change its approach in explaining its motives for CSR to its customers.

Figure 4.1 Comparison of answers to question 4 of both surveys

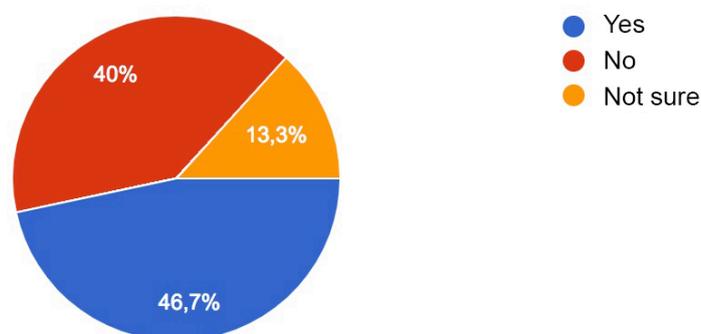


Source: own creation and Ing. Babirli Nilufar (2016)

This comparison shows that the customers of both companies have common opinions on corporate social responsibility implementation motives of the companies. However, the indicator showing care for society factor of Mercedes-Benz Czech Republic is slightly higher than the one from Mol Bulak Finance.

5. Have you ever visited any cultural or sports events organized or sponsored by Mol Bulak Finance?

Figure 5. Answers to question 5 of the survey

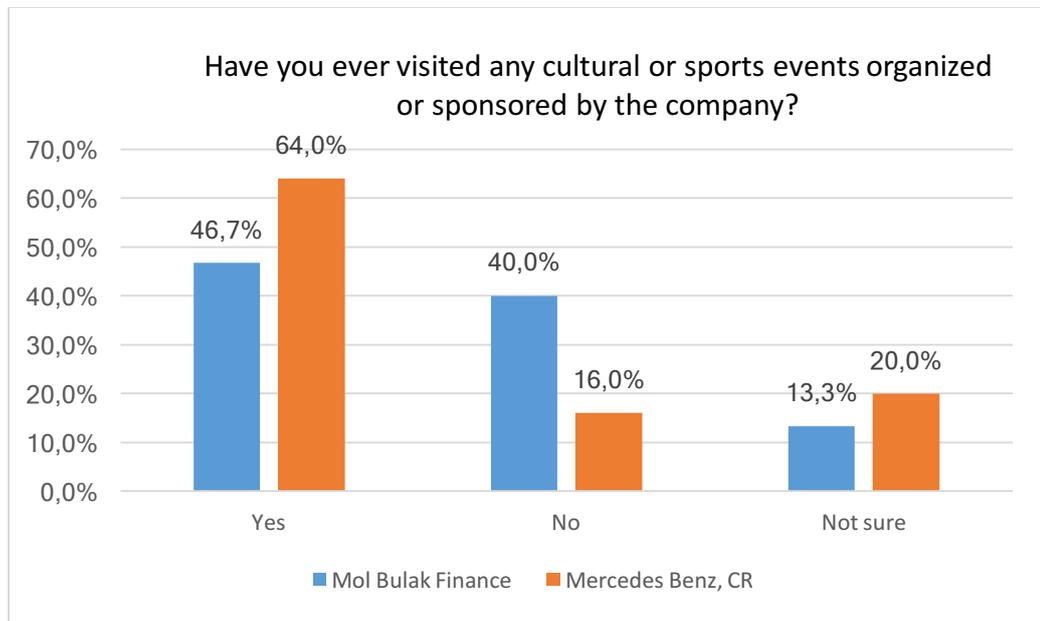


Source: own creation

Figure 5 above reveals that 46,7% of all respondents (which is 15 people) have at least once visited an event organized or sponsored by Mol Bulak Finance, while 40% (13 people) have never done so, and 13,3% (4 people) are not sure. The results might indicate

that the social events sponsored by Mol Bulak Finance are not sufficiently covered in media and the information about them is not spread enough among the Kyrgyz society.

Figure 5.1 Comparison of answers to question 5 of both surveys

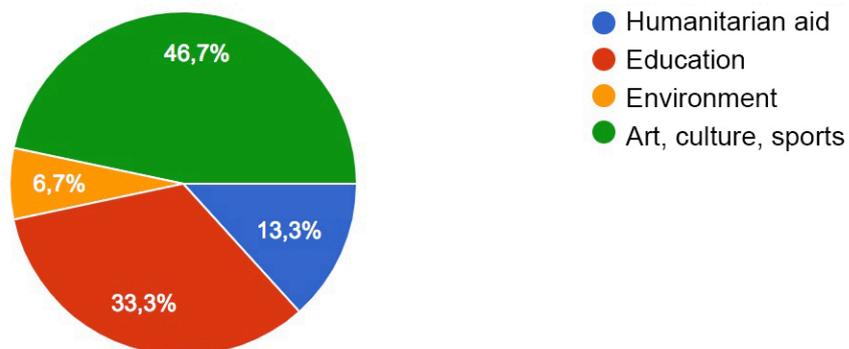


Source: own creation and Ing. Babirli Nilufar (2016)

As the chart above reveals, Mercedes-Benz Czech Republic has at 17,3% higher attendance rate at its events than Mol Bulak Finance does. This can be connected to the results of the 1st question of the survey, which also showed that Mercedes-Benz Czech Republic's subscribers follow the company's news more frequently than the subscribers of Mol Bulak Finance.

6. What field of the company’s CSR activities do you believe to be the most important?

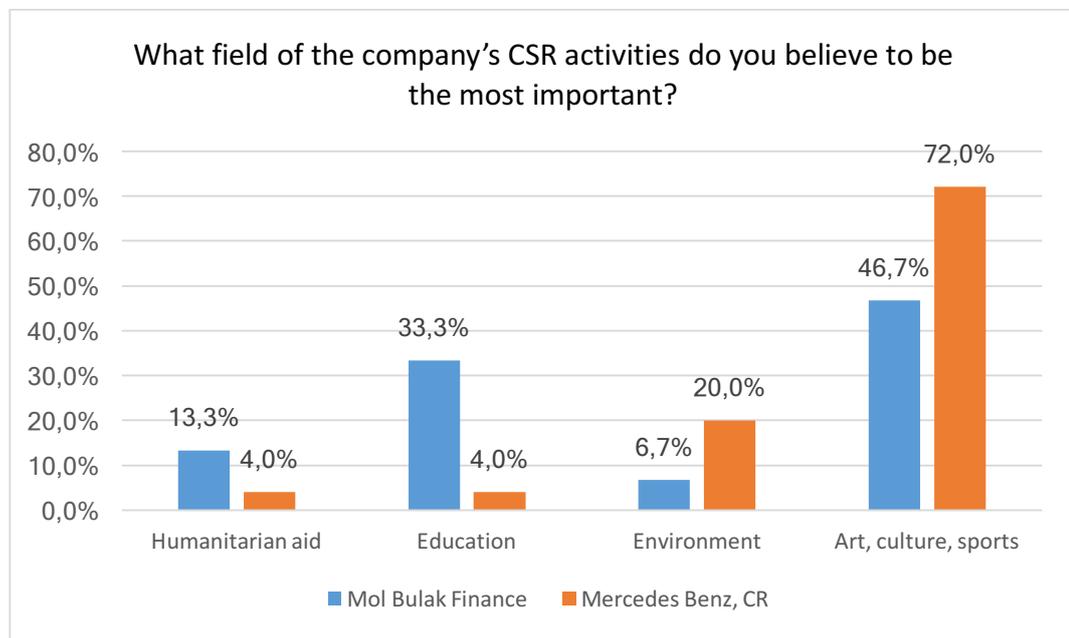
Figure 6. Answers to question 6 of the survey



Source: own creation

As Figure 6 above suggests, most respondents believe that the company's priority in CSR activities is arts, culture, and sports (46,7%). Also, a great number of respondents (33,3%) believe that education is quite an important part of Mol Bulak Finance's CSR practices.

Figure 6.1 Comparison of answers to question 6 of both surveys

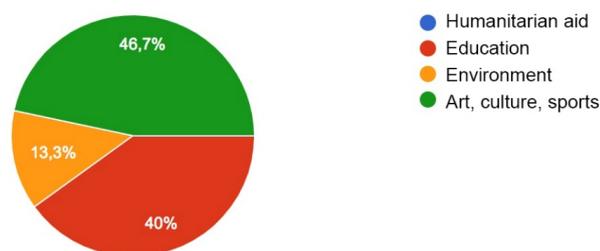


Source: own creation and Ing. Babirli Nilufar (2016)

According to the comparative graph, respondents of both companies have chosen arts, culture and sports as the most important field for CSR. As for the second place, here the opinions differ: Mol Bulak Finance's followers are education, while Mercedes-Benz Czech Republic's subscribers prefer the environmental field as a second priority.

7. In your opinion, in which fields of CSR should the company apply its major efforts in the near future?

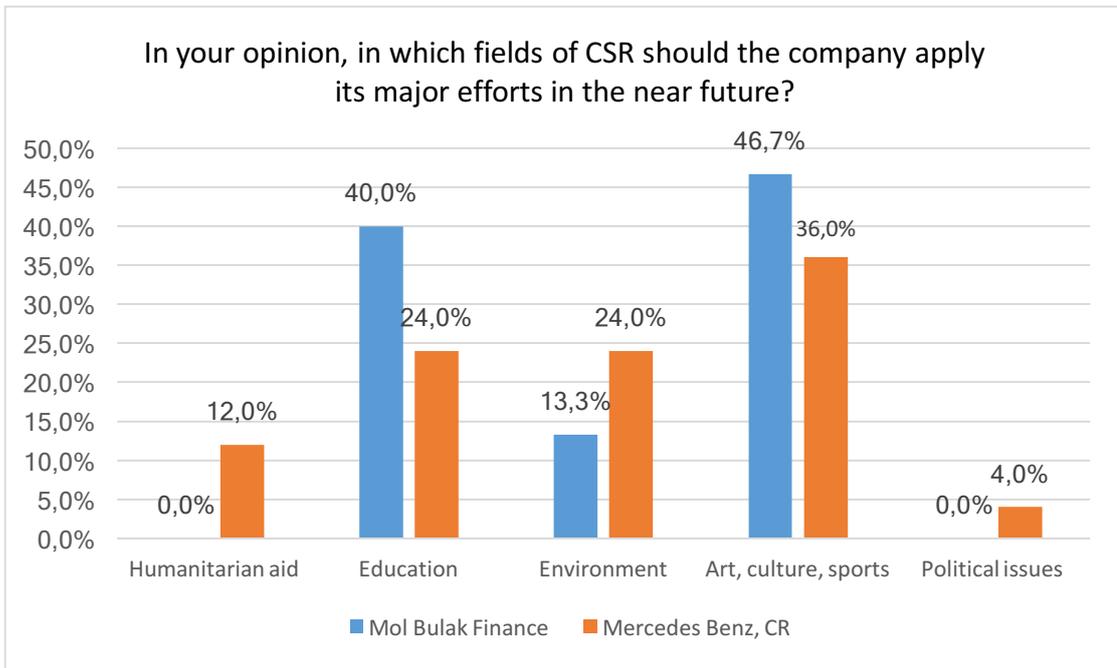
Figure 7. Answers to question 7 of the survey



Source: own creation

Figure 7 reveals, that 46,7% of the respondents believe that Mol Bulak Finance should keep focusing on arts, culture, and sports as the main field of its CSR practices. 40% believe that the company should focus more on educational projects, and 13,3% of respondents are for environment. None of replies were for humanitarian aid, while in the previous question 13,3% of the respondents consider this field important.

Figure 7.1 Comparison of answers to question 7 of both surveys

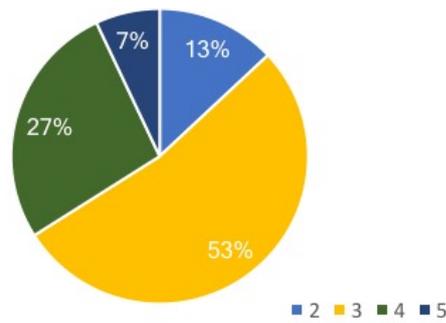


Source: own creation and Ing. Babirli Nilufar (2016)

As the bar chart shows, both companies are expected to put more efforts into arts, culture, sports field in terms of CSR. As for second option, Mol Bulak Finance's respondents mostly chose education, but Mercedes-Benz Czech Republic's customers do not have one same opinion: both educational and environmental fields got the same share of 24% each.

8. Do you believe that the company effectively considers the recommendations of the public, and namely of its customers in the process of design of its CSR practices? Please rate on a scale from 1 to 5.

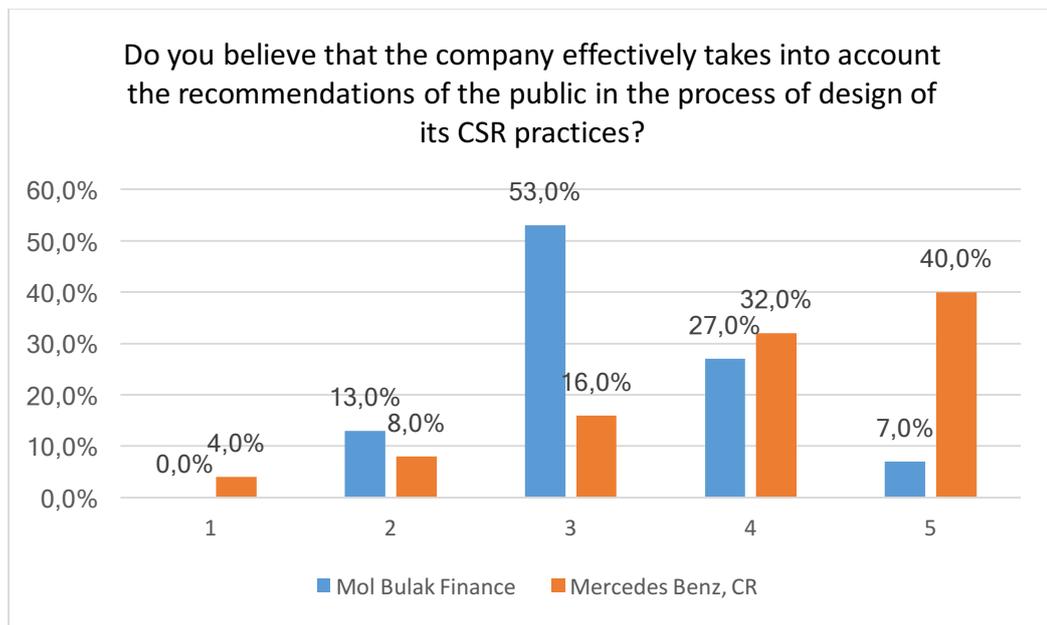
Figure 8. Answers to question 8 of the survey



Source: own creation

As can be seen from Figure 8 above, the most average answer for this question is 3, which means the customers of Mol Bulak Finance are not sure if the company takes public opinion into consideration when designing its CSR practices. Then, 27% of respondents suppose that the company considers public opinion, but only 2 people (7%) are sure that company takes their recommendations into account.

Figure 8.1 Comparison of answers to question 8 of both surveys

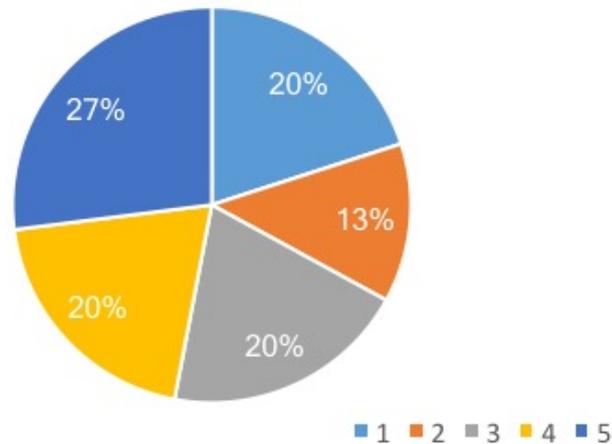


Source: own creation and Ing. Babirli Nilufar (2016)

As the chart above reveals, the customers of Mercedes-Benz Czech Republic gave the company all 5 points, meaning the company fully takes their recommendations into account. However, 4% of respondents gave 1 point, while Mol Bulak Finance was not rated at 1 point at all.

9. In your opinion, do the media effectively cover the CSR activities of Mol Bulak Finance (is there sufficient information on the company’s CSR activities in the media)? Please rate on a scale from 1 to 5.

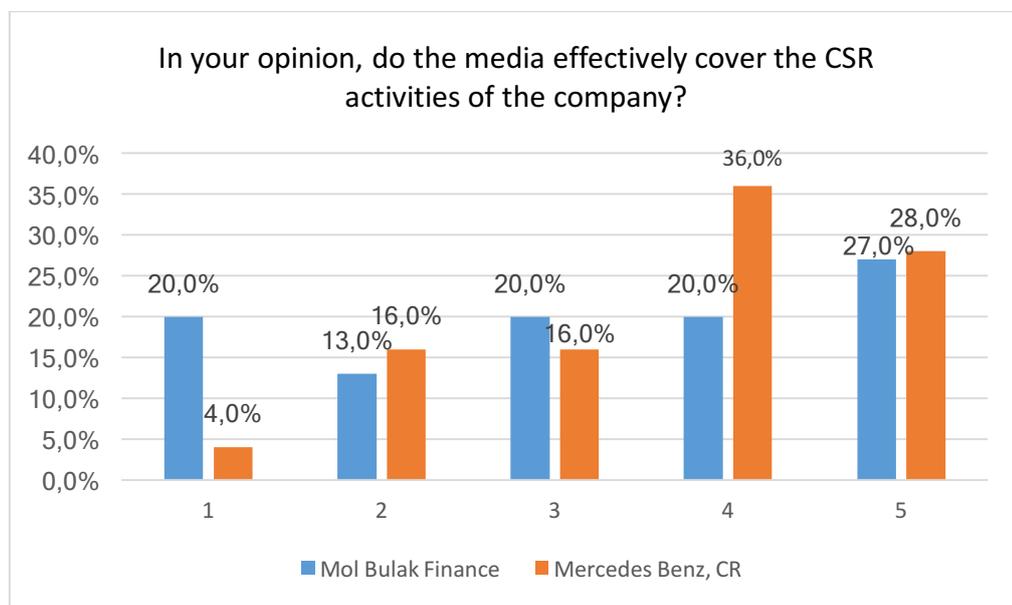
Figure 9. Answers to question 9 of the survey



Source: own creation

Figure 9 above illustrates that most of the respondents (27%) think the media sufficiently covers the CSR activities of Mol Bulak Finance. As for the points of 1, 3, and 4, they all got the same share of replies, which is 20% each. This means that the customers of Mol Bulak Finance consider the media coverage insufficient.

Figure 9.1 Comparison of answers to question 9 of both surveys

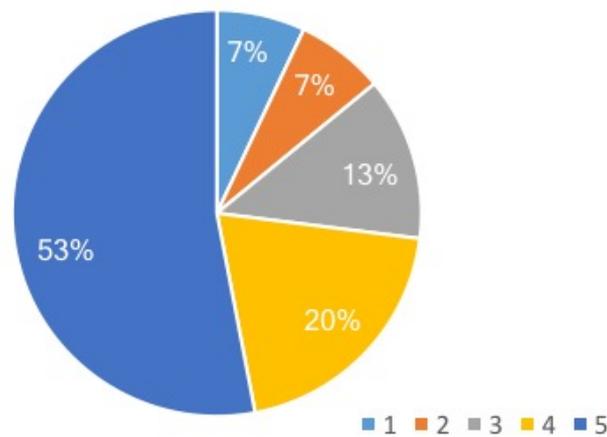


Source: own creation and Ing. Babirli Nilufar (2016)

As for Mercedes-Benz Czech Republic, 36% of the respondents rated the media coverage at 4 points, which means not an excellent but quite good coverage of company's CSR events by means of media. 1 point was given only by 4% of respondents, while Mol Bulak Finance has a large percentage of respondents rated at 1 point.

10. How much do the company's CSR practices contribute to the positive image of Mol Bulak Finance in your eyes? Please rate on a scale from 1 to 5.

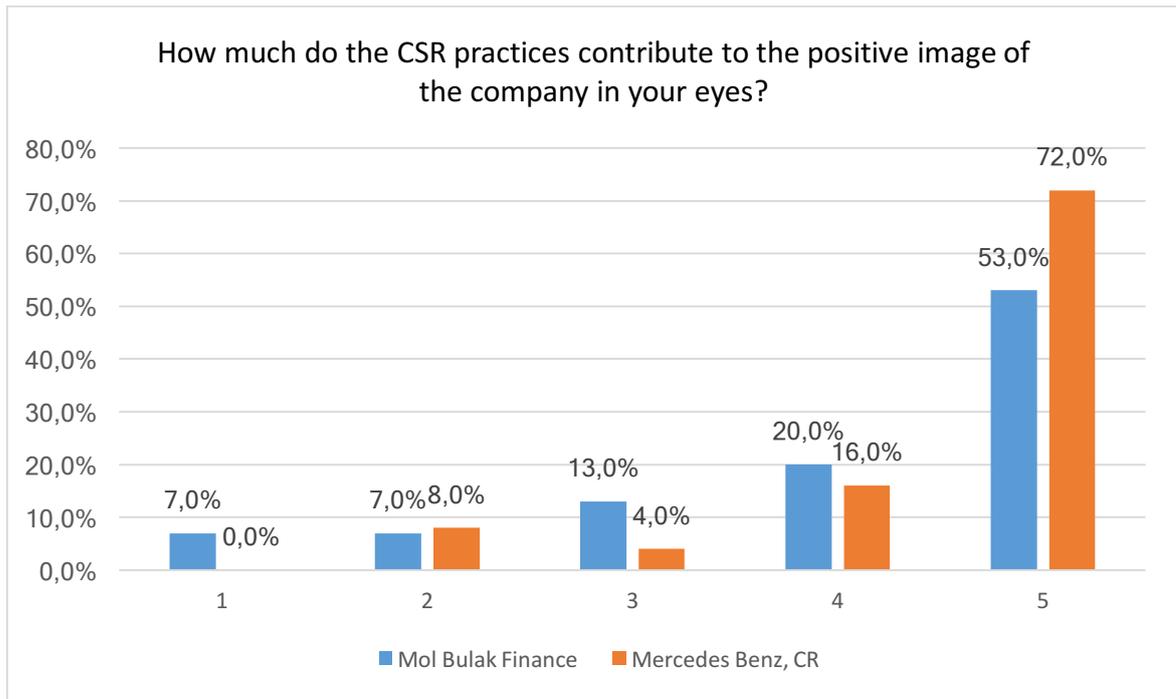
Figure 10. Answers to question 10 of the survey



Source: own creation

As Figure 10 above indicates, the majority of respondents of the survey (53%) believe that Mol Bulak Finance's CSR activities definitely contribute to the company's positive image. This shows that the company's CSR performance is highly appreciated by its customers and helps it gain their loyalty.

Figure 10.1 Comparison of answers to question 10 of both surveys



Source: own creation and Ing. Babirli Nilufar (2016)

Here it can be seen, that the same conclusion is applicable to Mercedes-Benz Czech Republic. 72% of this company's customers are sure that the its CSR practices create an overall positive image for the company.

V. Conclusion and recommendations

Due to the increasing competitiveness on the market and rapid technological progress of the economy, the corporate social responsibility has evolved from being a beneficial but optional tool to a fundamental strategic mechanism directly related to the company's business reputation. Now it is not enough to create a quality product in order to succeed in the market. The company needs to actively engage into social activities and, moreover, initiate socially responsible projects to gain the loyalty of its current and potential customers. On the other hand, the increasing necessity of the implementation of corporate social responsibility tools can serve to a company as a marketing tool, that is, an opportunity to build a socially positive image through constant active interaction with society.

The company investigated within the practical part of this research is Mol Bulak Finance, located in the Kyrgyz Republic. The CSR activities of the company were analyzed and then compared to the CSR activities of the Mercedes-Benz company in the Czech Republic, in order to specify the differences in implementing the social responsibility tools in two different countries.

Mol Bulak Finance is a microfinance organization which is actively engaged into a wide range of social projects apart from its operational activities. The Company's mission is to build successful, long-term and mutually beneficial business relationships with its customers through providing them with fast, affordable, and professional financial services. The slogan of the Company is "For the benefit of people", which corresponds with the company's socially oriented way of doing business.

The second company, which is used for comparison, is Mercedes-Benz Czech Republic, the Czech subsidiary of the global automotive giant Mercedes-Benz. This company is also well-known with its social initiatives in the cultural field.

One of the objectives of this research was to study the theoretical basis of corporate social responsibility through the literature review. It was revealed that the term of corporate social responsibility has multiple definitions, and there is no one major definition for it. As for the principles of CSR, they determine the main activities of socially responsible companies, the implementation of which confirms the organization's intentions in this area. There are also multiple models of CSR: American, British and Canadian. They mostly differ by their approach to economic, legal and ethical responsibility, as well as to philanthropy.

The practical tools of corporate social responsibility were studied on the example of two selected companies: Mol Bulak Finance in Kyrgyz Republic and Mercedes-Benz in Czech Republic. Also the research question was to determine how do the corporate social responsibility tools differ in those two countries. The comparison was made through a survey among the companies' Facebook page subscribers and the interviews with the managers of both enterprises.

The survey allowed to determine the main fields of corporate social responsibility activities, implemented by these two companies. Thus, Mol Bulak Finance is focused on sports (football, kok-boru, marathons) and healthy lifestyle and it invests a lot into educational long-term projects, such as providing scholarships to talented students from low-income families. As for Mercedes-Benz Czech Republic, the main area of its CSR activities is sports and culture. The most known social projects of the company in the Czech Republic are "Mercedes-Benz Prague Fashion Week", and "Mercedes-Benz Marathon".

As for the interview, it showed that Mol Bulak in Kyrgyz Republic is much more active than the company's branches in other countries, and only some of the projects are implemented in Russia and Azerbaijan. However, the company does not have a special department for corporate social responsibility, there is a PR department which also operates with CSR. The CSR activities of Mercedes-Benz Czech Republic are based on the ones generally adopted by the parent corporation Mercedes-Benz in Germany. The company has a good cooperation with media which efficiently covers its social initiatives. The CEO of Mol Bulak, on the contrary, assumes that the media does not sufficiently cover social activities of the company and moreover, it creates obstacles like hiding the company's name in articles about socially responsible initiatives.

The findings of this research allow stating that Mol Bulak in Kyrgyz Republic is performing quite effectively in terms of corporate social responsibility activities, and its CSR practices affect its business performance overall. However, there are multiple aspects that a company can improve. Namely, the company should work on the media content of their website and its social media profiles, where it should actively publish all the news and article which are related to its CSR activity. The company should not rely on public media which showed no interest in covering the company social initiatives, but it should make sure that more and more people know about the contribution the company does. Also, the survey showed that the subscribers consider the field of arts, sports and culture as the most important, so the company could take the activities of Mercedes-Benz Czech Republic as an example and organize cultural events like a fashion week. The Prague Fashion Week organized by Mercedes-Benz is quite popular among people, so this project could be received well by Kyrgyz people as well.

Regarding Mercedes-Benz Czech Republic, the key point that the company could work on, is the fact that its CSR activities are more perceived as promotional activities. This is due to the main type of activity, which is a sponsorship. The company should implement more own projects, being an organizer instead of a sponsor. Also, the company's subscribers chose the environmental field as the second most important for CSR implementation, so apart from cultural events, it should contribute more into environment. This would distinguish the promotional events from socially responsible ones.

Thus, if both companies are able to implement the recommendations above, they will be able to increase the benefits from their corporate social responsibility activities and improve their positive brand image in the eyes of customers. This, in its turn, would contribute to the companies' overall financial performance and could expand the client base.

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Appendices

Appendix 1. Loans provided by Mol Bulak Finance

The population, that is actively engaged in business activities in various sectors of the economy and tends to improve their welfare, needs in borrowed funds. Depending on the clients' capabilities and their needs, the Company provides access to financial products and services such as:

- Unsecured group loans;
- Individual secured/unsecured loans.

Unsecured group loans

| Loan | «Group-Standard» | «Group-Beneficial» | Group-Mugalim»* | «Group-Preferential» |
|----------------------------|---|----------------------------------|--|-----------------------------|
| Interest rate | from 35 to 38,9 % per annum* | 33,9% per annum* | from 30,9% to 36,9% per annum* | from 33 to 36,9% per annum* |
| Additional interest | from 2% to 3,9% of loan amount | from 3,0% to 5,9% of loan amount | 2,0% of loan amount | 3% of loan amount |
| Currency | KGS | | | |
| Period | from 3 to 18 months | from 5 to 18 months | from 3 to 18 months | |
| Amount | from 10 000 KGS to 200 000 KGS per loanee | | from 10 000 KGS to 50 000 KGS per loanee | |
| Guarantee | <ul style="list-style-type: none"> • Group solidarity | | | |
| Loan purposes | <ul style="list-style-type: none"> • New business launch • Current business development • Consumer needs | | | |

Requirements to loanees:

- Group of 3 to 5 people;
- Capable individuals and private entrepreneurs;
- The presence of a positive credit history.

Required documents:

- Passport (ID);

- Certificate on the family structure and Certificate from the place of residence;
- Incomes information.

**Unsecured Group loans Effective annual interest rate from 39,45%.*

| Loan | «Birge – Standard» | «Birge - Economical» | «Birge – Mugalim**» | «Birge - Preferential» | «Birge - Social» |
|----------------------------|---|----------------------------------|--------------------------------|----------------------------------|----------------------------|
| Interest rate | from 37 to 42,9 % per annum* | 35,3% per annum* | from 33,9% to 39,9% per annum* | from 35% to 40,9 % per annum* | from 12% to 27% per annum* |
| Additional interest | from 3,0% to 3,9% of loan amount | from 4,0% to 5,9% of loan amount | 3,0% of loan amount | from 3,0% to 3,5% of loan amount | 1,5% of loan amount |
| Currency | KGS | | | | |
| Period | from 3 to 18 months | from 5 to 18 months | from 3 to 18 months | | |
| Amount | from 15 000 KGS to 65 000 KGS | | | from 15 000 KGS to 30 000 KGS | |
| Guarantee | Guarantorship of 1 family member, living in the same house with loanee. | | | | |
| Loan purpose | <ul style="list-style-type: none"> • New business launch • Current business development • Consumer needs | | | | |

Individual unsecured loans

Requirements to loanees:

- Capable individuals and private entrepreneurs;
- The presence of a positive credit history.

Requirements to guarantors:

- Capable individuals and private entrepreneurs.

Required documents:

- Passport (ID);
- Certificate on the family structure and Certificate from the place of residence;
- Incomes information.

**Individual Unsecured laons Effective annual interest rate from 14,91%.*

"Businessman" individual loans

| | BUSINESSMAN-FARMER | BUSINESSMAN-ENTREPRENEUR |
|----------------------------|--|--|
| Interest rate | from 19% to 30 % per annum* | |
| Additional interest | 1,5% of loan amount | |
| Currency | KGS | |
| Period | from 3 to 36 months | |
| Amount | from 50 000 KGS to 900 000 KGS | |
| Guarantee | <ul style="list-style-type: none"> • Guarantorship; • Pledge. | |
| Loan purpose | support and development of business in the sphere of agriculture: livestock, crop, aviculture, beekeeping, harvesting and processing of agricultural products etc. | support and development of business in the sphere of services, light industry, manufacturing, etc. |

Requirements to loanee:

- Capable individuals and private entrepreneurs having active business;
- The presence of a positive credit history.

Requirements to guarantor:

- Capable individuals and private entrepreneurs;
- Source of income.

Required documents:

- Passport (ID);
- Certificate on the family structure and Certificate from the place of residence;
- Certificate on cattle and land allotment availability (for "BUSINESSMAN-FARMER" product);
- Incomes information;
- Certificates on pledge property;
- Other documents.

**Individual Unsecured laons Effective annual interest rate from 22,05%.*