

## EXPANDED ABSTRACT

### **From Saving Banks to Capitalist Societies and Foundations: a new approach on the managing and implementation of the Social Work**

This work has been carried out with the aim of analyzing the strategies undertaken by the new Foundations emerged as a result of the process of restructuration in the sector of the Savings Banks (SB), having such process the purpose of ensuring the sustainability of the Social Work (SW) that was traditionally made by those entities. Since the beginning of the international financial crisis in August 2007, a process of global economic recession starts with direct and adverse consequences to the real economy of those countries that had registered constant economic growth rates until then.

In Spain all these macroeconomic changes have affected mainly to the SBs, starting at the beginning of 2010 a process of reordering leading to a complete rearrangement of their legal nature and the aim they were intended. As a result, out of the 45 SBs existing at the beginning of 2010, only two of them continued operating in December 2016 as such (CaixaOntinyent y CaixaPollença), being the rest integrated in two private banks (BBVA y Banco Sabadell) and eight entities with a bank statute in charge of the financial performance (Kutxa, Liberbank, BMN, Ibercaja, Abanca, CaixaBank, Unicaja y Bankia).

Similar to what had been observed in other countries such as Italy or the United Kingdom, the Law 26/2013, 27 December, ruling the Savings Banks and Bank Foundations (Ley 26/2013, de 27 de diciembre, de Cajas de Ahorros y FundacionesBancarias (LCAFB))sets a historical landmark to this type of credit entities, separating the financial from the social activity and introducing a new type among the foundational institutions: Bank Foundations. It is pretended with this not only to manage the participation as stakeholders in the participated financial entity, but also the SW that traditionally was developed by the SBs.

In this context, the financial business is administrated by an anonymous society with a bank statute, and the benefic-social activity is handled by Bank Foundations (BFs) or Ordinary Foundations (OFs) defined by the amount of participation in the financial entity, and being in charge of managing the politics of social interest. Consequently, in 2016 the SW was materialized by fourteen BFs, nineteen OFs and one special Foundation, emerging as a result of the sectoral restructuring process.

Following this scenario, this investigation sets a descriptive and explorative study to analyze the structure and funding of the SW during the period of 5 years previous to the sectoral restructuring process (2006-2010) and its contrast with the new social approach resulting from the transformation of the SBs into BFs or OFs (2011-2015), and consequently aiming to establish a general overview of the new configuration of the sector and to identify the current management strategies from the economic and social point of view.

In so doing, two differentiated analyses are conducted. On one hand, a financial study of the SW is carried out to evaluate the evolution of the budgetary resources destined to finance social activities and its funding sources, analyzing in detail the new monetary flows arisen as a result of the process of sectoral restructuring and its implication in the business strategy. On the other hand, the management models applied to the SW and the progression of the different social investment areas are examined.

The legislative and sectoral analysis reveals some issues that substantially affect the SBs model traditionally known until the beginning of restructuring process in 2010. It is evidenced a deep fragmentation of the sector that affect the most characteristic elements of this type of financial institutions: the SW and its Corporate Government.

Under the traditional model, the SBs traditionally had a similar pattern in everything related to its government structure, surpluses distribution, management of the SW and its social policy. Apart from exceptions, in the decision-making bodies would participate the same groups of interest and practically the same amounts of money were destined to finance the SW, being the Saving Bank in charge of financing it almost completely by means of the modality of Own Work or Collaborative Work, preferentially through two lines of social investment: Culture and Free Time, and Social Assistance.

Once the LCAFB came into force, two types of institutions emerged to apply the social policy (BFs or OFs), existing significant differences between their business model. Firstly, considering their decision-making bodies, it can be observed a difference between their legislative frameworks, the Foundations Law for the OFs and the LCAFB for the BF, leading to the creation of heterogeneous government structures of the Foundations. A greater surveillance on the configuration of the decision-making bodies has been established in the BFs, existing a lack of control on the OFs, and thus an absence of regulation over the groups of interest that can be a member, the transparency of the entities that freely publish annual reports mentioning their corporate government, and the investment policy.

Similarly, from the social point of view, important inequalities can be found depending on the Foundation, a priori having more advantages the biggest entities with a significant participation in the credit entity. However, only 6 out of the 34 Foundations linked to Banks present a shareholding higher than the 25% of the capital, receiving the rest of them an insignificant or null contribution in the financial entity.

Thus, only a few Foundations perceive important monetary flows from the financial entities, and on the contrary, a notorious number of Foundations have an insignificant or null dividend distribution. Therefore, each entity will establish differentiated strategies based on their financial needs, being predictable the biggest BF's to carry out the most relevant social projects.

With this context, the smaller OFs must take benefit from other competitive advantages such as the specialization on specific regions, agreements with public/private institutions, and their own activities developed through social, cultural and sport centers, cultural heritage and pawnshops. So far, some Foundations have positioned in such way, resulting a SW financially much smaller compared to the period previous to the sectoral restructuring process, fully managed through the modality of the Own Work, and oriented to much more specific collectives through the Social Assistance area. The high assistance costs can be the result of optimizing the social demands with a service offer that needs to be efficient in a scenario where the monetary flows dedicated to this type of activities have been considerably reduced.

**KEYWORDS:** Foundations, Saving Banks, Social Work, Sustainability.