

Article

The Social Balance Sheet as Part of the Annual Report in Financial Institutions. A Case Study: Banco Bilbao Vizcaya Argentaria (BBVA)

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Abstract: In this paper, we examine the concept of the social balance sheet (SBS) and its evolution in corporate social reports that large companies have to issue today in their yearly statements. The SBS allows companies to evaluate their compliance with corporate social responsibility during a specific period and quantify its level of accomplishment. From a methodological perspective, this research analyzed the information that should be contained in the SBS report comparing economic value added (EVA) with other social value added statements (SVA), analyzing also in detail the case of Spain's Banco Bilbao Vizcaya Argentaria (BBVA) bank as one of the pioneers in offering social reports. Along with this study, their metrics following EVA were recalculated and a more academic SVA statement was proposed for this specific case.



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1. Introduction

The social balance sheet (SBS) is any type of presentation of social accounts looking at the existing relationship between company and society and explaining what the situation actually is and what it should be ideally [1]. The SBS aims to describe the analytical cost that can generate benefits for stakeholders over the long term for the best strategic planning and for the development of brand, reputation, and corporate image [2]. The research in this paper focused on the study of a report of these characteristics issued by the Spanish bank Banco Bilbao Vizcaya Argentaria (BBVA), as this was the first Spanish entity that presented such a report during an extended period (2007–2016). The research studies the specific variables that determine if the presented SBS does in fact “show the principal positive impact of company activities on society”, as is stated by the bank (BBVA Corporate annual report, 2014).

A good analysis of the dynamics of social reports on financial institutions can be found in [3] for the specific case of Brazil. In this study, 17 institutions were analyzed, and from this sample, 11 presented SBS reports as well as their corporate social responsibility (CSR) report, and 9 followed the Brazilian IBASE (Brazilian Institute of Social and Economic Analysis) model report. The methodology followed in this study applied to the BBVA case was to analyze the presented social reports, study the EVA metrics proposed, and suggest a recalculation of the figures following the original EVA proposition from Stewart [4] as well as propose that the figures are given a social value added statement structure. Thus, the aim of the work was to provide a more thorough analysis of the documents provided

by the bank, with the objective of obtaining a more realistic measure of the EVA and the social value generated by the company.

In addition, the subprime financial crisis of 2007 that reduced investor confidence in the stability of banks created a growing interest by the financial institutions in sustainable and responsible investments issues and its visibility through the SBS with generation of positive returns. Thus, this new attention to the social impact investment features provided by the financial institutions has been growing since then. Recent papers dealing with this issue include, among others, Geobey et al. [5], exploring social finance as a strategy for generating social innovations and then financial returns; Drexler et al. [6], showing the concept of impact investing to create both financial return and measurable social or environmental positive impact; and Tajani et al. [7], implementing a model to choose an optimal combination of different social impact sectors in terms of the local community needs. The structure of our paper is organized as follows. Section 2 makes a short literature review, first on the general social balance sheet topic and then more specifically on the monetization of this social balance sheet. In Section 3, the case of BBVA and its social balance sheet evolution is presented, and in Section 4, a short discussion of this social balance sheet is carried out focused on EVA and value added statements. Finally, Section 5 presents the main conclusions derived from this research and suggests potential lines for further research.

2. Literature Review

The social balance sheet (SBS) is the specific part of the corporate social responsibility (CSR) report that measures corporate compliance with social responsibility policies. Nowadays, European countries recommend companies to provide, in addition to their yearly statements, a specific SBS reporting the corporate value contribution to the society following the European Social Business Initiative [8], dating from 2011.

The SBS report initially originated in France (French Act 12 July 1977), requiring a standard and mandatory social report for companies with more than 300 employees. In the late 1990s, the Centre des jeunes dirigeants de l'économie sociale (CJDES) developed the bilan sociétal, which can be translated today as the current social balance sheet [9], proposing that social and solidarity economy organizations (SSE) can go beyond their conventional social assessment. The law of new economic regulations from 2001 sought a better reporting structure [10], and more recently, the French Act R2323-17 [11] requires information related to employment structure (number and category of employees), remuneration and associated payments, information related to occupational health and safety, and some other data related to the type of work itself, duration, organization, etc. In 2011, The European Commission adopted the Social Business Initiative [8] in order to promote responsible businesses and tools to finance and set the appropriate policy measures. After a great number of initiatives and growing interest in impact measurement in the field of social economy [12], the European Commission's expert group on social enterprise (GECES) created a subgroup in 2012 to develop a methodology to measure the social impact of activities carried out by social enterprises and to fund €85 million in grants to those social enterprises that can demonstrate a "measurable social impact" [13]. Additionally, the European Union in its Directive 95/2014/EU stipulates that certain large companies should prepare a non-financial statement containing information relating at least to environmental matters, social and employee-related matters, respect for human rights, anti-corruption, and bribery matters.

In Italy, the Decree 254/2016 [14] implements Directive 2014/95/EU and provides for the obligation to submit an individual non-financial declaration for public interest companies that have had, on average, more than 500 employees during the financial year, being voluntary for smaller firms. However, Caputo et al. [15] shows in their research that a high degree of skepticism on the part of academics still characterizes the debate on the effectiveness of this form of regulation. Non-financial reporting is limited to an increase in the annual quantity of information provided and not by an effective organizational

change. In fact, their results confirm the existence of a qualitative increase of the non-financial declarations prepared according to the Legislative Decree 254/2016. In particular, for the banking system, Campra et al. [16] analyze the application of these regulations about non-financial reporting strategies in Italy, with implications on both accounting and corporate management policies, observing whether and how key CSR factors determine the quality of nonfinancial reporting. They conclude that it appears that the Italian banking system seems to be adjusting investment and credit products available to companies so as to support and promote sustainable business models and the long-term provision of sustainable finance.

A very interesting review of global and European states of the art of social reporting can be found in [4]. One of the conclusions of this paper is that social reporting and auditing has generated a great deal of literature and practices, however, not a specific method or initiative for measuring these activities. In a similar way, the ISO26000 standard dated from 2010 provides guidance on the underlying principles of social responsibility and the ways to integrate socially responsible behavior into the organization but not a recommendation regarding the monetization or the valuation of these policies (see [17]).

Thus, today's regulations for the SBS are still not unified among different countries. In some European Mediterranean countries, the SBS consists simply in a quantification of a company's social impact in a manner similar to the quantification of the economic added value [18], while in Nordic countries, the SBS refers principally to human capital and quantitative (employees and categories), qualitative (structure), and organizational aspects of the company. Most recent initiatives to include social reporting standards are the Social Reporting Initiative (SRI) to support all types of non-profit organizations and to reflect, structure, and report on their work in a transparent manner [19] and the Social Audit Network (SAN), a not-for-profit organization to facilitate the exchange of information between practitioners of social accounting in the social economy and the voluntary sectors [20]. In other Latin American countries such as Brazil, where there is a recommended model from IBASE (Brazilian Institute of Social and Economic Analysis), important progress has been made on both research and reporting. Some research examples can be found in [21–24], or [25]. Prieto et al. [26], studied the relationship between corporate performance and CSR initiatives in the Ecuadorian banking environment, concluding that economic, legal, ethical, and philanthropic responsibility initiatives positively affect the non-financial corporate performance of the Ecuadorian banking environment. However, in other Latin countries, development is still very poor.

Delving more deeply now into the specific case of Spain, current regulations are associated with the Sustainable Economy Act, Law 2/2011 [27], and the scope is much more limited and confined to large companies of more than 1000 employees that must provide a document indicating their characteristics, indicators, or reference models through a self-evaluation report in the area of social responsibility, specifically addressing transparency in management and good corporate governance, commitment to local communities, environment, and improvement of labor relations detailing the effective gender equality. These objectives should conform to the recommendations of the Consejo Estatal de la Responsabilidad Social Empresarial (CERSE), and large companies must submit this SBS to the CERSE.

Social Balance Sheet Report Monetization

Regarding the valuation in monetary terms of the SBS report, studies aimed to identify social and economic links between the social balance sheet, financial performance, and company productivity. After the 2000s, CSR reporting gained greater prominence, with the creation of some corporate sustainability indexes leading large companies to begin including the aspects referred to in the SBS in their financial reporting. Orliczky et al. [28] conducted the first meta-analysis of prior studies on the correlation between a company's financial performance (CFP) and social performance (CSP), pointing to certain correlation between the social results and principal accounting indicators. Mittal et al. [29] tried to link

the EVA and the CSR performance (as happens in BBVA) defending that companies creating positive EVA should be working in synchronization with CSR; however, they found little evidence of this hypothesis. Weber [30] focused on the business aspects of CSR, developing a model to measure the impact of social responsibility actions on company performance, finding no evidence of direct financial benefit from taking social responsibility policies or actions. This approach was further addressed by Saeidi et al. [31], who analyzed the impact of social responsibility on company performance in terms of competitive advantage, reputation, and client satisfaction. A statistical study was conducted on 200 Iranian companies, measuring the correlation between these elements and other financial variables such as ROE, ROI, or return on assets (ROA).

Analyzing the direct impact of social responsibility policies, Wood [32] provided a method for measuring CSR using a set of criteria with tables of key indicators and examples for the measurement of social responsibility. He concluded that the empirical research in this area was focusing on corporate responsibility (or irresponsibility) practices but not on the direct impact (or monetization) that these practices may have on stakeholders or society in general. Following this, many other empirical studies have been conducted analyzing direct company actions and their impact on society. In particular, Lin et al. [33] studied Taiwanese companies, analyzing their R&D investments as the strategy for sustainable development, using the ROA indicator to measure the company profitability. Mishra and Suar [34] analyzed Indian companies studying their CSR policies in comparison to their financial performance evaluated again with an ROA indicator and measuring non-financial performance with questionnaires quantifying employees, clients, investors, suppliers, environmental sustainability, etc. Lima Crisóstomo et al. [35] evaluated Brazilian companies using their accounting information, studying the distribution of value among stakeholders based on economic value added (EVA), using a set of indexes to measure the social contribution of stakeholders. Galbreath and Sum [36] analyzed Australian companies using an empirical model based on surveys, focusing on ROI, ROA, growth in sales, and profits, finding no evidence of a direct relation between social responsibility and company performance except in certain cases. Kalender and Vayvay [37] searched social and environmental indicators of Turkish companies and presented social responsibility as the fifth pillar of the traditional Balanced Scorecard from Harvard BSC [38]. Quarter et al. [39] cited expanded value added statement (EVAS), social return on investment (SROI), and the Global Reporting Initiative (GRI) as examples of social accounting reporting and auditing (SARA), sometimes monetizing social value. Wnuczak (2018) applied the concept EVA in the performance measurement of cultural institutions, leading to the concepts of social EBIT (SEBIT) and social value added (SVA). More recently, Prieto et Al. [26] linked the CSP with ROE/ROI indicator analyzing the contribution of financial and non-financial CSR initiatives, while Ramos and Santos [40] studied the characteristics of publications about social balance in Brazil and its influence on the business environment, concluding that companies use SBS not only to highlight social transparency and environmental information but also in the construction of strategic planning with sustainable competitive advantages.

3. Social Balance Sheet Report Evolution in BBVA

BBVA was founded in 1857 and is today one of the three largest financial institutions in Spain, having direct operations in more than 30 countries, especially in Latin America. In 2007, the company presented its first annual CSR report, highlighting social responsibility and the dedication to improving it as one of its key corporate principles. This document indicated the main objectives of the bank in its commitment to social responsibility, including excellence in the performance of principal business activities, the development of “social business opportunities” to create value for both society in general and BBVA, and an investment focus on companies that support social initiatives, especially in the field of education. More specifically, in the CSR Report of BBVA (2012), the bank defined their SBS report as the document that evaluates a company’s fulfilment of corporate social

responsibility during a specific period of time, showing the positive and the negative impacts of the corporation's activities on society.

The bank used the EVA to measure its contribution to society, understood as the value creation for stakeholders, calculated as the sum of shareholder dividends, interests given to clients, payments made to suppliers, taxes paid, and third-party donations. BBVA then divided this measure into the generated economic value added (EVA-G) with margins, commissions, and other income, and the distributed economic value added (EVA-D) with shareholder dividends, payments to suppliers, public administration, and personnel, as can be seen in Table 1.

Table 1. Economic value generated (EVA-G) and distributed (EVA-D). Taken from Social Responsibility Report 2007, Banco Bilbao Vizcaya Argentaria (BBVA).

(Million Euros)	2007	2006	2005
SVA (Economic Value added)	27,815	21,882	18,062
Social economic value generated (SEV-G)	18,419	16,821	13,227
Net interest income	9769	8374	7208
Net fee income	4723	4335	394
Income for insurance activities	729	650	487
Other ordinary income	3099	2473	1514
Other net gains and losses	98	989	77
Social economic value distributed (SEV-D)	12,285	10,991	9463
Shareholders: Dividends	2717	222	1801
Minority interests	289	235	264
Suppliers and other administrative expenses (excluding wages and salaries)	2864	2488	2275
Society: Tax	208	2059	1521
Employees: Personnel expenses	4335	3989	3602
Social economic value retained (SEV-R = SEV-G – SEV-D)	6134	583	3763
Provisions and amortization	2725	3314	1757
Reserves	3409	2516	2006

The structure of this report remained unchanged for the following three years until 2011, when the Spanish Sustainability Act was enacted, and the SBS was officially included in the annual report. The goal now was to complement metrics of EVA, EVA-G, and EVA-D with others, showing a better evaluation of the social impact of the company. The first new indicators of the SBS are shown in Table 2, associated with benefits to people who received mortgages from BBVA, the number of small shareholders in the company, the number of jobs created, persons receiving grants, and training programs.

This model was completed in the year 2012 and presented as the SBS for the period 2012 to 2014 under the title "Social Impact". This document, provided in Table 3, sets out the indicators in four broad sections, contribution to social development and welfare, generation of wealth for stakeholders (mainly dividends, taxes and salaries), job creation (direct and indirect), and final contributions to society through direct investments. Certainly, with this information, the data provide a comprehensive overview of the social contribution of the bank, although it is difficult to quantify these actions in monetary terms and their impact on the bank's profitability.

With the year 2015, a new stage of reporting began, with social responsibility now incorporated into the business strategy of the company and articulated in a new policy focused on guaranteeing transparency in relation to clients, in the generation of long-term value for all stakeholders, and in the integration of social and environmental opportunities in the business model. New indicators were added, as can be seen in Table 4. However, with these changes, the classical SBS report followed with EVA indicators, and monetizing the

activity was eliminated. It was now replaced by a special entry in the Annual Report under the chapter “Society”, having the specific items of the SBS dispersed within the report. Metrics for economic value added, generated and distributed, appeared within a specific annex in reports for 2015 and 2016 before being finally removed from the 2017 report.

It should be noted that, during the period 2005–2015, the entity was listed on the prestigious Dow Jones Sustainability Index, as was Banco Santander. However, in 2016, despite a period of high scores, the bank was displaced by other smaller Spanish entities such as Bankia. After this event, the information generated by the company looks poorer in terms of quality, and information appears less quantitative. Generally speaking, over this period under study (2007–2017), it can be said that BBVA worked to develop reputational tools to communicate its SBS and CSR related actions with a high degree of compliance with applicable regulations. In addition, the main metric to measure the benefits to society during this period is the EVA, particularly the distributed EVA that is analyzed in this article.

Table 2. Initial social balance sheet (SBS) presented by BBVA. Taken from BBVA Annual Report, 2011. Impact of BBVA on society: social balance sheet.

Number of people living in homes financed by BBVA	4.7 million
Clients in Spain with new credit conditions adapted to their needs	105,000
Entrepreneurs in Latin America financed with microcredits from the BBVA Microfinance Foundation	948,500
People with deposits receiving an average interest of 863€ (millions of people)	2.7 million
People with investments managed by pension fund administrators of the Group in Latin America (millions of people)	13.3 million
Small shareholders receiving an average dividend of 490€	935,406
Jobs created in 2011	3200
Total taxes paid and collected by BBVA (mill€)	8012
Total payments to 6654 suppliers in 2011 (mill€)	5498
Attributable profit after tax dedicated to social programs (%)	2.50%
Children receiving education grants in Latin America	61,436
Persons receiving financial literacy programs	814,483

Table 3. New social balance sheet presented in 2013 report, taken from Responsible Banking Report BBVA 2013.

	2013	2012	2011
Contribution to social development and welfare			
Number of people who live in homes financed by BBVA	4,939,731	4,742,622	4,744,654
No. of families with difficulties in meeting their loan repayments that BBVA has helped through new financing conditions adapted to their needs	139,709	117,481	n.a.
No. of SMEs supported or financed by BBVA	348,445	321,918	300,759
Number of micro-enterprises and self-employed people supported or financed by BBVA	1,117,411	999,107	993,489
No. of entrepreneurs in Latin America financed via microcredits by the BBVA Microfinance Foundation	1,493,709	1,293,514	948,508
Total microloan volume of the BBVA Microfinance Foundation (million euros)	861	887	n.a.
Number of people with mobile banking account in Latin America	1,973,407	1,810,530	944,592
Number of banking correspondents in Latin America	27,722	22,756	19,684

Table 3. Cont.

	2013	2012	2011
Wealth creation			
Total taxes accrued and collected by BBVA's business activity (million euros)	9848	9408	8012
Total investment in technology and innovation (million euros)	891	866	833
Economic value generated (million euros)	21,112	22,120	20,055
BBVA's share of total economic value generated in the countries where it operates (%; weighted)	0.5%	0.5%	0.5%
Number of individual shareholders	994,846	1,008,099	967,175
Average dividend received per individual shareholder (euros)	1100	1066	1057
Job creation			
Net jobs created at BBVA	619	3773	32
New permanent hires	6493	7045	7734
New permanent hires under 30 years old (%)	51	50	50
Number of people hired through the "Yo Soy Empleo" (I am employment) program	3397	n.a.	n.a.
Number of people employed by SMEs and micro-enterprises financed or supported by BBVA in Spain	1,364,883	1,387,070	1,459,575
Number of disabled people or at risk of exclusion employed by companies supported by BBVA	892	694	504
Contributions to society			
Investment in social programs (million euros)	97.1	81.3	74.2
Net attributable profit allocated to social programs (%)	4.4%	4.8%	2.5%
Number of financial literacy program beneficiaries	256,359	251,637	123,768
Number of basic financial skills acquired by beneficiaries of the financial literacy program	829,643	689,881	413,596
Number of recipients of integration scholarships in Latin America	92,264	62,887	59,986
Number of beneficiaries of education for society programs (million)	1.5	1.2	1.1
No. of beneficiaries from BBVA Microfinance Foundation activity in Latin America (million)	6.0	5.2	3.7

Table 4. Social balance adaptation in 2015, taken from Responsible Banking Report BBVA 2015.

		2015 Target	Progress 2013–2015
Education	Number of beneficiaries of the financial program	3,000,000	4,140,346
	Number of SME companies from growth program	8000	5348
	Number of SME companies with education programs		120,559
	Number of grants for underprivileged children	200,000	215,171
	Number of beneficiaries of other education for society programs		110,752
Social impact products	Consolidate the presence of Microfinance Foundation in Latin America	To increase the number of participants	419,287
	Number of grants for creating jobs (Yo soy empleo)	10,000	10,000
Shareholders and investors	Synthetic index	1st/2nd position in index	1st position in index
Eco-efficiency	Percentage of reduction in CO ₂ emissions per person	−6%	−16%
	Percentage of reduction in paper consumption per person	−3%	−43%
	Percentage of reduction in water consumption per person	−3%	−23%
	Percentage of reduction in electricity consumption per person	−3%	−14%
	Percentage of people working in certified buildings	33%	33%

4. BBVA Social Balance Sheet Discussion

To evaluate the social balance of BBVA, it is necessary to evaluate and quantify the monetary effect of each item defined in their SBS. The starting point for this as the principle indicator is the EVA, and particularly the structure of the EVA generated and distributed to stakeholders that the bank uses to measure social impact. Originally, EVA originated as a trademark of Stern, Stuart & Co. in 1993 and was first defined by Stewart (1991) as:

$$EVA = NOPAT - (Debt + Equity)_{Book\ Value} \times WACC \quad (1)$$

where NOPAT is the net operating profit after taxes (i.e., EBIT after tax), debt and equity were calculated at book values, and the weighted average cost of capital (WACC) is the expected cost of the resources used for the upcoming year. In particular, WACC is calculated as the weighted average cost of equity and debt after tax at market values.

$$WACC = \frac{K_e Equity + K_d(1 - t)Debt}{Equity + Debt}_{market\ value} \quad (2)$$

Fernández [41] linked this concept in terms of corporate returns, indicating that, as return over invested capital (ROIC) is the NOPAT or the non-leveraged profit over the invested resources, then EVA can be redefined as

$$EVA = (Debt + Equity) \times (ROIC - WACC) \quad (3)$$

Thus, EVA measures the difference of profitability between the asset return and the cost of the resources used, adjusted to the specific amount of capital used. This allows the mix of both accounting and market value figures within a single indicator. In terms of absolute units, this value added can also be measured as the discounted cash flows of future EVA flows [42]

$$FV_{market\ value} = (Debt + Equity)_{book\ value} + \sum_{t=1}^{\infty} \frac{EVA_t}{(1 + WACC)^t} \quad (4)$$

where FV is the firm value (equity plus debt), measured at market values. A good example of the use of EVA to measure CSR profitability can be found in Mittal et al. [29] on 50 different Indian companies.

However, the EVA calculations used by BBVA follow a different approach of value added elements, as this figure is estimated with the sum of shareholder dividends, interests given to clients, payments made to suppliers, taxes paid, and third-party donations. This indirect focus of value added estimations can be found in Arangies et al. [43] claiming for a value added standard. In this paper, a value added statement is proposed in the form of

$$VA = S - B \quad (5)$$

where the value added created by the company is the difference between the sales (S) and the bought-in materials and services (B). Regarding its contribution to the different stakeholders, it can be also seen as

$$W + EBITDA = W + T + I + D + DEP + R \quad (6)$$

Where the distributed value added (VA) is the sum of wages (W), taxes (T), interests (I), depreciations (DEP), dividends (D), and retained earnings[®]. This approach can have some similarities with the IBASE (some report examples can be found in <https://ibase.br/9alancenco-social/>) Brazilian reports, where social balance structure is defined with the sum of internal and social elements to evaluate the social impact and not EVA. Some other authors such as Bassi and Vicenti [44] proposed this SVA term regarding the ability to generate different outcomes in different corporate social dimensions following an index

structure focus or Wnuczak [45] as an adaptation of the EVA to the specific case of cultural institutions with some other inputs. Other authors such as Rajnoha et al. [46] prefer to use a cost accounting model that excludes those parts which are neutral for company as well as all interest-free current liabilities (Horvath [47]), considering only individual costs (material, salaries, depreciation, energy, and others) on a value added index to study the cost flow of the total production process in the whole value chain.

In the specific case of the BBVA bank, EVA distributed figures reported by the company follow a similar approach to (6) from [43]. Due to its social approach seeking stakeholder returns, we believe that, for this case study, this statement should be called social value added instead of economic value added [4]. Moreover, we recommend some additional adjustments regarding third party contributions sponsored by the BBVA bank or other additional taxes that are included in the fiscal but not in the social report and should be included to reflect the fiscal value added distribution. In particular, as the public administration does not reflect the amount of taxes accrued by the company, the remaining taxes and fees in the tax report must be included. With regards to wages, additionally to the direct employment created and included in the total expenditures in salaries, some other social employment programs sponsored by the company such as “Yo Soy Empleo” (more information about this program can be found at the following links: <https://www.bbva.com/es/infografia-yo-soy-empleo-logra-crear-10-000-nuevos-puestos-de-trabajo>, <https://www.bbva.com/es/yo-soy-empleo-logra-crear-10-000-nuevos-puestos-de-trabajo/>). This program provides full support to small and medium enterprises (SMEs) and self-employment with assistance for direct hiring (€1500 direct help), training, and labor mediation. A reasonable hypothesis to monetize this figure would be to assume that jobs created are principally for young people and, given that the average real salary for those between the ages of 20 and 24 is €7526.91 (INE—Instituto Nacional de Empleo, 2015), we could hypothesize an average income of €11,250 euros per position created) should be included. Finally, regarding third-party contributions launched by BBVA and included in the report but not quantified in some financial years, these were estimated according to previous years. In particular, as the volume of microcredit portfolio indicates the number of beneficiaries but not the average size of the credits, a similar value to 2012 was assumed for 2011. Regarding contributions of third parties to social programs of 2015 and 2016 and given that these contributions were approximately 10% of the investment in social programs, this amount was estimated based on the average contribution over the last 3 years.

The effect of these adjustments determines what we shall call the adjusted distributed social value added (adjusted SVA-D). The adjustments in the distributed value added with regards to the one provided by the company are, on average, 24% for the period between 2011 and 2016, and these adjustments are more noticeable for the initial period close to the financial crisis due to taxes and fees paid. Along general lines, adjusted SVA-D is, on average, approximately 65% of the period margin and represents about 1.3% of total Spanish gross domestic product (GDP). These results are summarized in Table 5.

To compare these SVA figures reported by the company with a more realistic EVA estimation following [4], specific data of operating revenue as well as book and market debt/equity values is needed. Figure 1 shows similarities and differences of both SVA and EVA outputs.

These data were collected from Reuters Eikon database for the period (2011–2019). However, due to a lack of specific information regarding the cost of resources for the BBVA bank in the specific period in financial databases, in particular, debt (K_d) and equity (K_e), these figures were approximated with the Damodaran capital cost estimations for the years 2011 to 2019 [48], using the specific ones from the banking sector. The estimated EVA and its comparison with previous figures provided by the bank are in Table 6.

Table 5. Adjusted social balance sheet.

(Mill€)	2016	2015	2014	2013	2012	2011
SVA (Social Value Added)—Generated	24,692	22,246	20,724	20,906	22,120	21,615
Employees—personnel costs	6722	6273	5410	5588	5467	5311
Suppliers—other administrative costs	4211	4097	3532	3635	3466	3793
Public Administration	2132	1740	1316	405	65	285
Shareholders—dividends	1043	1145	715	733	1334	1124
Community (not incl. foundations)	33	43	54	57	46	34
SVA-D—Shared and Distributed SVA (Mill€)	14,141	13,298	11,027	10,418	10,378	10,547
Adjustments						
Community (Foundations)	60	61	53	40	36	40
Global investment in microfinance	73	29	46	−26	237	650
Other taxes (VAT, taxes, fees, retentions)	1630	1076	1869	3626	3486	2791
Impact of “Yo soy empleo”	-	-	84	38	-	-
Contributions of third parties to social programs	10	11	11	9	10	-
Training costs	36	35	39	38	-	37
Adjusted SVA-D (Mill€)	15,950	14,510	13,128	14,144	14,147	14,066
Growth	9.9%	10.5%	−7.2%	0.0%	0.6%	-
Contributions to the community	176	144	247	118	329	724
% over total	1.1%	1.0%	1.9%	0.8%	2.3%	5.1%
Adjustment over EVA Distributed	12.8%	9.1%	19.1%	35.8%	36.3%	33.4%
Gross Margin	24,653	23,362	20,725	20,752	21,824	n.d.
Adjusted EVA-D over gross margin (%)	64.7%	62.1%	63.3%	68.2%	64.8%	n.d.
Spain’s GDP (MM€)	1119	1080	1038	1026	1040	1070
%PIB	1.4%	1.3%	1.3%	1.4%	1.4%	1.3%
ROE Comm Eqty, %, FY	6.8%	5.0%	5.7%	0.5%	3.2%	7.4%
ROA Tot Assets, %, FY	0.6%	0.5%	0.5%	0.2%	0.3%	0.6%
BBVA Failed credits (MM€)	5592	5027	4754	3865	4395	4093
over/EVA-D	35.1%	34.6%	36.2%	27.3%	31.1%	29.1%
over/Gross Margin	22.7%	21.5%	22.9%	18.6%	20.1%	n.d.

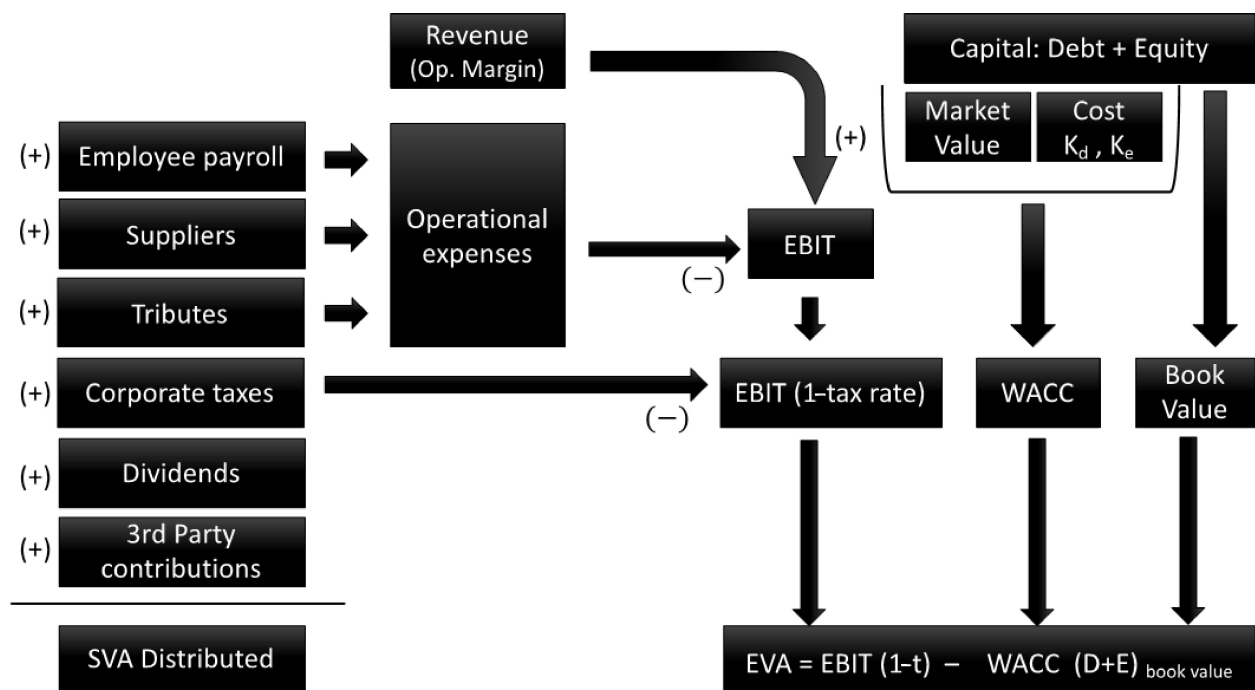


Figure 1. Social value added statements (SVA) and economic value added statements (EVA) output comparison.

Table 6. EVA estimation.

Mill. €	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Revenue	31,060	29,829	29,296	27,708	24,783	22,838	23,512	24,815	23,229
Total Operating Expense	16,928	16,219	15,214	14,246	13,010	12,796	15,224	18,200	14,690
EBIT	14,132	13,610	14,082	13,462	11,773	10,042	8288	6615	8539
Tax rate	32.1%	26.3%	31.3%	26.6%	27.7%	22.6%	−1.7%	−22.3%	4.6%
EBIT (1−T)	9597	10,033	9675	9884	8515	7776	8427	8087	8142
WACC Estimations									
Market values reported									
Hist EV, FY	52,320	34,923	75,899	88,117	97,966	90,258	105,976	112,271	112,471
Hist Mkt Cap, FY	33,163	30,690	47,327	42,072	42,643	48,144	51,711	37,870	32,001
Net debt	19,157	4233	28,572	46,045	55,323	42,114	54,265	74,401	80,470
Estimated cost of resources									
Estimated industry Kd	4.71%	3.93%	3.96%	4.38%	3.92%	5.40%	3.26%	3.37%	4.79%
Estimated Kd (1−t)	3.20%	2.90%	2.92%	3.01%	2.88%	3.91%	2.52%	3.43%	5.86%
Estimated industry Ke	6.75%	6.63%	6.58%	7.15%	7.68%	7.56%	6.24%	6.52%	6.82%
WACC	6.32%	5.22%	4.67%	4.81%	5.44%	5.69%	3.78%	4.31%	6.13%
Expected return									
Net debt	12,956	−1531	21,593	37,981	47,331	39,603	51,894	72,029	78,577
Total Equity	48,724	47,110	46,344	47,364	47,290	49,098	42,194	41,430	38,165
D+E	61,680	45,579	67,937	85,345	94,621	88,701	94,088	113,459	116,742
WACCx(D+E)	2880	3550	3983	4553	4825	5352	4286	5028	7266
EVA= EBIT (1−T) − (D+E)xWACC	6716	6484	5692	5331	3690	2424	4141	3059	876
SVA (Social Value Added)—reported				24,692	22,246	20,724	20,906	22,120	21,615
Estimated EVA/ SVA reported				21.6%	16.6%	11.7%	19.8%	13.8%	4.1%
Adjusted SVA-D				15,950	14,510	13,128	14,144	14,189	14,066
Estimated EVA/ Adjusted SVA-D				33.4%	25.4%	18.5%	29.3%	21.6%	6.2%
Failed credits				5592	5027	4754	3865	4395	4093
Failed credits/EVA				104.9%	136.2%	196.1%	93.3%	143.7%	467.2%

EVA estimations generated are, on average (2011–2016), only 15% of the total SVA reported by the company and 22% of the estimations of the adjusted SVA delivered to stakeholders. Thus, there is clear evidence that the EVA estimations given by the company are not realistic according to its original formulation (1) but are more of a value added statement. In any case, it is relevant to highlight the importance of the credit management, as the volume of failed loans represents $1.9\times$ the estimated EVA ($0.22\times$ of the adjusted SVA-D). The effects of the financial crisis are also noticeable for 2011 data, since EBIT appears to be very stable, but the high-leveraged situation of the bank reduced the margin between the EBIT after tax and the expected return $(D + E) * WACC$ due to the large amount of debt held. This issue was solved by reducing the debt and improving the solvency in the balance sheet.

5. Conclusions

Throughout this paper, we attempted to analyze the concept of the SBS and the monetization of its contribution to society, using as an example the case of the BBVA bank. We analyzed how this bank tried to use EVA as a main metric to quantify its social contribution in the period of study from 2007 to 2016, breaking this figure down in terms of generation and distribution. As the bank is simply giving the list of the social elements generated and delivered to stakeholders, there is evidence of an inappropriate use of the EVA term, since the specific WACC cost and return of the used resources were not included in the analysis when comparing the figures provided by the bank and the EVA estimations made.

We believe that the approach followed by the BBVA bank to monetize its contribution to society could be correct, but some other terminology such as SVA should be used if it uses an added value statement structure [43]. This approach can be segregated into SVA-D (distributed) and SVA-R (retained). In addition, we also believe that, with regard to obtaining a more realistic estimation of its monetary contribution to society, some further adjustments can be made in order to accurately assess the ultimate impact of the company reported in the SBS. Regarding these figures provided by the bank, these adjustments (expressed as adjusted SVA-D) represent, on average, 24% of this value, principally associated with non-corporate taxes that were included in the fiscal report but not in the value added calculations.

Finally, some evidence was found that, as social value is linked to corporate productivity, banking companies should focus on their management of bad loans and credit to improve their EVA and value added figures. The management of impaired assets represents, for this case, close to $1.9\times$ of our EVA estimations and $0.32\times$ of the adjusted SVA-D. Thus, the percentage of defaults and their management is one of the key factors related to maximizing the contribution of financial entities to society.

Possible future lines of research would be to extend this analysis to other leading players in the European financial sector given that the European regulation is becoming increasingly harmonized following Directive 2014/95/EU, but countries still have their own particular laws. In addition, as training investment is a gear for future productivity, especially when compared to management and executive remuneration, another potential line of research could be to examine the relationship between investment in training and productivity. It should be noted that, in the Spanish banking sector, investment in training appears to be generally low, especially when compared to executive remuneration. This conflicts with the above, as greater investment in training generally should lead to higher employee productivity.

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