

## **CORPORATE SOCIAL RESPONSIBILITY AS PART OF COMPANY IMAGE MANAGEMENT IN BANKING INSTITUTIONS**

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**Abstract.** The scope and the predominant approaches to corporate social responsibility (CSR) are discussed, as employed by the leading Polish retail banking institutions at present, together with analyses of the impact made by CSR activities upon the business image of banks as institutions of public trust. This study was based on critical analyses of available literature on corporate social responsibility, banking and marketing, and analyses of secondary sources on CSR activities employed by retail banks. Secondary data was obtained from official CSR reports and announcements published on the webpages of selected banking institutions in Poland. The study confirmed the involvement of all banks in CSR-related activities in all four areas specified in the provisions of the ISO 26000 standard and the Global Compact initiative guidelines, namely: responsible approach to customers and markets, activities addressed to employees, support for local communities, and protection of natural environment. The analysis of specialist rankings and official CSR reports seems to confirm the strategic character of the CSR activities employed by the selected representatives of the banking sector.

**Key words:** corporate social responsibility, retail banking, company image

### **INTRODUCTION**

Over the recent years, the involvement of banks in activities related to corporate social responsibility (CSR) has followed a steady development trend. For many banking institutions, activities of this type are no longer perceived as short-term, immediate tactics, but as an important element of the company strategic orientation in the long-term realisation of specific business objectives. Due to its perceived significance, CSR activities have

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stimulated avid interest in the scientific community, with major studies by Ararat [2007], Yiannaki [2010], Islam [2012], Azim et al. [2014]. It seems that one of the more important reasons for the incorporation of CSR strategies by banking institutions is their potential for improving company competitive advantage<sup>1</sup>. One of the ways for banks to achieve market advantage is to concentrate on building a strong company brand and a positive corporate image. Studies by Sen and Bhattacharya [2001] and Fatma et al. [2015], seem to confirm that CSR activities can be a viable instrument in the realisation of the above objective<sup>2</sup>. This study presents analyses of CSR practices employed by the leading Polish retail banking institutions as part of their image-building strategies. The study was designed to test the following hypotheses: (1) the leading retail banks employ corporate social responsibility practices in all four of the key areas defined in the ISO 26000 standard and the Global Compact priorities; (2) CSR-related activities are strategic in character – they are not intended to address immediate, short-term perspectives, but designed to provide continuous, durable, long-term effects; (3) corporate social responsibility may be considered an important instrument for shaping and managing corporate identity of banking institutions, and – as such – will be referenced in formal mission statements.

## SOURCE MATERIAL AND RESEARCH METHODS

The study is based on critical analyses of professional literature on corporate social responsibility, banking and marketing, and analyses of secondary sources on CSR activities employed by retail banks. Secondary sources include official CSR reports and announcements published on the webpages of selected banking institutions in Poland. Working on the assumption that directions of CSR development in banking industry are set by the most experienced and the most successful adopters of CSR strategies (as measured by their position in various CSR rankings and by the number of awards received), the reference point for this study was structured in accordance with the expert *CSR Ranking of Banks in Poland* of 2014, and the *Ranking of Responsible Companies* for the period of 2012–2014. The analysis involved an examination of types of CSR-related activities, grouped by CSR areas, as defined in the ISO 26000 standard and in 10 principles of Global Compact. Formal mission statements were also analysed, based on the assumption that this type of document should define the fundamental characteristics of the corporate image that the company aspires to. Hence, if a company under study intends to utilise CSR activities in their brand/image management strategy, then it may be assumed that this intention will be clearly expressed in their mission statement.

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<sup>1</sup> Working on the assumption that competitive advantage represents an ability or circumstances offering clear advantage over the competition, J. Harasim identified three principal sources of such advantage: (1) the bank's corporate image and reputation, as parts of the corporate identity; (2) the quality of services; (3) modern technologies and the ability to incorporate it in practice [Harasim 2004].

<sup>2</sup> The research by M. Fatma, Z. Rahman and I. Khan was designed to identify the impact of CSR-related activities upon bank's reputation and brand value. The results clearly confirm that CSR-related activities have the effect of building and reinforcing customer trust, which in turn has a positive effect on the bank's perceived reputation and brand value.

Professional literature and publications of various organisations provide many definitions of corporate social responsibility. The European Commission has defined CSR as the responsibility of enterprises for their impact on society<sup>3</sup>. In the approach adopted by the PN-ISO 26000 standard<sup>4</sup>, CSR is defined as responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour. In addition, the ISO 26000 defines core subjects of social responsibility, namely: human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development, and organisational governance. The Global Compact program, initiated by the United Nations in 1999 as a platform for global business cooperation in support of corporate social responsibility development, provides no formal definition of CSR. However, it outlines a set of ten principles to be followed by any organisation intent to meet their fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption, and to further the development of CSR among organisations<sup>5</sup>. The above definitions were analysed to determine key areas of CSR application, shared between all the aforementioned organisations. These are: (1) activities focused on responsible approach to customers and the market; (2) activities addressed to employees; (3) activities in support of the preservation of natural environment; (4) activities addressed to local communities and the society. The above division will serve as basis for analyses of specific CSR activities employed by selected banking institutions in Poland.

The issues of social responsibility and building a positive corporate image are of particular importance for commercial banks, since they represent a sector of public trust. Under market economy, the banking institutions incorporate both commercial activities and ancillary services for the public good. The commercial dimension of banking refers places this type of institution in the role of an actor in the market system, acting on behalf of the owners (shareholders), representing their interests and ensuring the survival of the company on the market. The ancillary dimension, on the other hand, reflects a bank's role in the social system and its duty to act for the greater good of individuals and of the society at large [Korenik 2009]. Each of the above roles requires a different set of activities addressed to various stakeholder segments [Gostomski 2009]: (a) shareholders – value-based management; (b) customers – supply of moderately priced products designed to facilitate business operation or improve the quality of life; (c) bank employees – attractive jobs and support for personal and team development; (d) the society – financing proenvironmental undertakings, support for culture and education, charity involvement.

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<sup>3</sup> [http://ec.europa.eu/growth/industry/corporate-social-responsibility/index\\_en.htm](http://ec.europa.eu/growth/industry/corporate-social-responsibility/index_en.htm) (accessed 05.09.2015).

<sup>4</sup> PN-ISO 26000 is a standard designed in 2010 by the International Organisation for Standardisation as a set of guidelines for organisations for the application of principles of corporate social responsibility and environmental protection. It is addressed to all types of organisations and is not subject to certification.

<sup>5</sup> For more on this, see <https://www.unglobalcompact.org/> (accessed 10.10.2015).

As already mentioned, the scope of CSR activities employed by banking institutions is one of the key elements that determine the company's corporate image. Keller [1993] defines corporate image in terms of the brand's public reception, reflecting their brand awareness and the shape of brand associations formed in their conscious minds. It must be noted that brand image is a direct result of the bank's brand identity building strategies and activities. In this approach, brand identity represents a desired brand reception pattern formed by the bank as part of an intentional strategy of brand building [Żyminkowski 2003]. General elements of this desired image are typically expressed by banks in their formal mission statements [Żyminkowski 2003]. Consequently, it may be assumed that the mission statement is an instrument for building a bank's brand identity, i.e. the organisation's behaviour, institutional communication and visual presentation. Thus, if CSR activities are to be perceived as one of the intentional methods of building the bank's corporate image, it would be safe to assume that this intention will be expressed – at least in general terms – in the bank's formal mission statement.

## RESULTS AND DISCUSSION

The analysis of *Ranking of Responsible Companies* reports<sup>6</sup> for the period of 2011–2014 suggests that financial institutions are increasingly more intent on communicating their CSR practices to the public. Their growing involvement in CSR practices was also confirmed in the analysis of *CSR Ranking of Banks in Poland*<sup>7</sup> for 2014, with top scores awarded to Bank Gospodarki Żywnościowej (BGŻ), PKO BP and Bank Millennium. Results of studies on social involvement of Polish enterprises are also published regularly in the *Ranking of Responsible Companies* annual reports<sup>8</sup>. In the years 2012–2014, top eight positions in sectoral rankings of banking, financial and insurance companies were occupied regularly by: ING Bank Śląski, Citi Handlowy, Bank BPH SA, Bank Zachodni WBK, BGŻ SA, PKO BP (with the exception of 2014), and Bank Millennium. This suggests a long-term involvement of the above institutions in CSR activities in all major areas of their application. Furthermore, BGŻ SA, PKO BP and Bank Millennium received highest scores in the industry ranking organised by *Gazeta Bankowa* magazine. In view of the above, the aforementioned institutions seem to fit the description of the leading banks in terms of their involvement in CSR activities. Consequently, it was concluded that the study of CSR involvement in the banking sector would be based on case studies of three of the above banks.

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<sup>6</sup> The reports are published annually by the Forum of Responsible Business (Forum Odpowiedzialnego Biznesu), as part of research on trends of CSR development in Polish enterprises.

<sup>7</sup> The report was produced by the Social Rating Agency (Agencja Ratingu Społecznego) in cooperation with *Gazeta Bankowa* magazine, as an instrument for public evaluation of banks in their approach to the concept of corporate social responsibility. For detailed information see <http://wgosporadce.pl/projekty-bankowej/13304-ranking-csr-w-bankach-w-polsce> (accessed 11.10.2015).

<sup>8</sup> The ranking is published by *Dziennik Gazeta Prawna*.

For Bank BGŻ<sup>9</sup>, the fundamentals of CSR policy are based on activities designed to support sustainable development in all the operating areas, and expressed as a 3×P principle: people, planet, profit<sup>10</sup>. BGŻ declares their use of and consideration for all key areas defined in the ISO 26000 standard. Since 2008, the bank has been involved in the realisation of a consistent CSR strategy. The bank's activities are strongly rooted in the principles of sustainable development, with emphasis on employees, local communities, customers, and the natural environment (Table 1). In their recent mission statement, BGŻ accentuates the significance of CSR-related elements of their corporate identity: "Our mission is to offer, in a responsible way, a wide range of innovative financial solutions to help our customers change the world they live in and increase their support for local economy"<sup>11</sup>.

PKO BP is intent on reaching their business objectives through sustainable development and in response to the varied needs of their employees, the market, the society, and the natural environment (Table 2). Their CSR policy is a long-term design and perceived as a factor of strategic importance. The bank declares that the key elements of their business model of operation are: work ethics, honesty, cooperation, trust and respect for all stakeholders, and that their priorities of sustainable development are cohesive with the company's operating principles, corporate mission and values, and the adopted business strategy<sup>12</sup>. In their mission statement, PKO BP accentuate such elements as: sustainable development, responding to customer needs, building long-term relations with clients, providing profit stability as required by the company shareholders through prudent risk management policies, and the aspiration to become the best employer in the Polish financial sector<sup>13</sup>.

Bank Millennium approaches the CSR idea in terms of its potential for identifying and responding to the needs of their stakeholders in the process of planning and implementing their corporate business strategy. CSR-related activities and principles are defined in the formal strategy of the Bank Millennium Group for the period 2015–2017. The bank's mission is to ensure consistent realisation of corporate development and to strengthen the company's market position, with the intent of ensuring a continued increase of their value for shareholders, the provision of a broad range of quality financial services, and the ability to face new challenges posed by modern market development<sup>14</sup>. An outline of CSR activities employed by Bank Millennium is presented in Table 3.

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<sup>9</sup> In the 2014 ranking by *Gazeta Bankowa*, the company is identified as BGŻ; following a merger in 2015 with BNP Paribas Bank Polska, the bank adopted the name of BGŻ BNP Paribas.

<sup>10</sup> <http://media.bgzbnpparibas.pl/pr/276637/bank-bgz-na-podium-w-kategorii-bankowej-rankingu-odpowiedzialnych-firm> (accessed 11.10.2015).

<sup>11</sup> <http://www.bgzbnpparibas.pl/o-banku/misja-i-cele.asp> (accessed 22.10.2015).

<sup>12</sup> <http://raportcsr.pl/potrzebna-jest-cala-wioska-zeby-wychowac-jedno-dziecko> (accessed 22.10.2015).

<sup>13</sup> See: <https://www.pkobp.pl/grupa-pko-banku-polskiego/pko-bank-polski/misja-i-wartosci> (accessed 22.10.2015).

<sup>14</sup> <https://www.bankmillennium.pl/o-banku/o-banku/misja> (accessed 22.10.2015).

Table 1. Areas of corporate social responsibility addressed by BGŻ (for the year 2013)

Area of involvement	Examples of activities	Instruments/Programs
Customers	customer interests: support for personal development, crisis assistance (such as credits to alleviate the effects of natural disasters), education	Agro Expert Network, conferences
	special products for social organisations	Leader – a social package
	building proper relations with customers	customer boards
	marketing communication based on four principles: responsibility, reliability, credibility and transparency	the Ethical Code of the BGŻ
Local communities	Support for the most important local institutions (schools, NGOs etc.)	sponsoring the National Philharmonic Orchestra
	investing in new talents (scholarship programs) and support for those involved in local community work	BGŻ Class, BGŻ Agri-talents, scholarships
	meetings, training programs, knowledge-sharing	“Sign me English”
	social projects with support from the BGŻ Fund	“Drive Responsibly”, “BAKCYL”
Employees	improving internal communication	communications auditing
	emphasis on work safety and hygiene	charters of Professional Risk
	observance of employee rights	work council
	employee voluntary services	“Rely on me”
	appreciation and support for employees involved in local community work	“No frontiers”
	a day off for employees willing to participate in local community work	–
	tele-working alternative (part of work assignment can be done from home)	–
	focus on long-term relationship with employees	permanent employment contracts
	emphasis on maintaining proper work-life balance	
	employee development (skill building, professional development, work results management, award and bonus policy, non-financial benefits)	programs for development and training, succession policies
acquisition and development of new talents	work placement and internship programs	
Natural environment	support for pro-ecological attitudes	Association for Sustainable Development
	financing innovations that offer energy savings and increase of renewable energy sources	bio-gas installations, windfarm energy projects
	promoting healthy lifestyle	“Bikers’ Breakfast”
	collecting electrical waste	
	rational resource management	support for paperless office projects

Source: Own research based on <http://raportypoleczne.pl/wp-content/uploads/raports/1ab4ff5665d18255237bb154db008b97.pdf> (accessed 15.10.2015).

Table 2. Areas of corporate social responsibility addressed by PKO BP (for the year 2013)

Area of involvement	Examples of activities	Instruments/Programs
Customers and the market	products adjusted to customer needs and market realities	a "Business Debut 18" package, preferential credits for students
	special care for customers with disabilities	cashpoints for visually impaired customers
	active support for institutional clients	dedicated investment credits
	emphasis on customer satisfaction	quarterly mystery shopper studies
Society	support for pro-social initiatives	"BAHK" – a blood donation programme
	educational programs	economic education for the youngest
	support for cultural events	patronage over the National Cultural Programme for the 2011 Polish EU Presidency
	support for science	sponsor of a contest on current issues of Poland and the modern world
	support for sports and healthy lifestyle	PKO BP "Let's Run Together"
Employees	observance of regulations and respect for human rights	the Corporate Code of Ethics
	developing and applying work standards	"Work Regulations in PKO BP"
	respecting the ethics of the profession, anti-mobbing practices	the Corporate Code of Ethics
	policies of employee development	periodic evaluation system, training programmes
	appreciation for individual differences and respect for individualism	–
	emphasis on employee safety and security	–
	promoting pro-ecological awareness	–
Natural environment	support for initiatives designed to protect the natural environment	programs for the optimisation of printed content, energy saving
	emphasis on reliable and cohesive communication and transparency of operation	virtual press office, reports, own publications
External communication	wide use of modern communications technologies	own TV studio, social media presence, blogging ("In the bank's eyes")
	acting as an opinion-forming centre for the entire financial market in Poland	debates and trade conferences

Source: Own research based on <http://www.pkobp.pl/grupa-pko-banku-polskiego/odpowiedzialnosc-spoleczna> (accessed 15.10.2015).

Table 3. Areas of corporate social responsibility addressed by Bank Millennium (for the year 2014)

Area of involvement	Examples of activities	Instruments/Programs
Customers/ Market (investors, business partners)	responsible sale of products and services	the Code of Ethics in Advertising, a “Your needs” section on the bank’s website, the Code of Ethics
	ease of communication	multi-channel communication, TeleMillennium
	focus on the quality of service	a program to improve the quality of services, customer satisfaction studies
	protection of customer privacy	it improvements (both software and hardware), training
	easing the access to services for the elderly and for people with disabilities	elimination of architectural barriers to access, cash dispensers designed to be used by people with sight and motor impairments
Society	offering socially responsible products and services	the WWF Millennium MasterCard supporting the operation of the WWF Polska Fund
	pro-societal activities	“Nikifory” social programme addressed to people with mental impairments
	promotion of culture	partonage over the Planete+ Doc Film Festival
Employees	support for education	“Millennium Bankers” a work placement programme for students
	forms of employment	permanent contracts of employment, transparency in communicating employment openings, anti-mobbing measures
	working conditions	potential for individual negotiation of working hours
	employee evaluation and development	systems for employee evaluation and training, development programmes
Natural environment	employee participation	MilleForum, Intranet, the “Świat Millennium” magazine
	resource management	monitoring of water and energy consumption
	introduction of pro-ecological solutions	propagation of online printouts in place of hard-copy statements; limiting the print load
	a range of pro-ecological banking products	The WWF credit card, Green Investment Funds, Leasing Eko Energia, PolSEEF
Security of deposits	eco-education programmes	eco-guide for customers and employees
	ensuring the security of deposits	the Policy of Compliance, the Misappropriation Risk Management Programme
	risk management	Risk Committee and Risk Department
	cooperation with regulators and supervisory authorities	close cooperation with banking supervision authorities

Source: Own research based on the *Responsible Business Report 2014*, available at <https://www.bankmillennium.pl/o-banku/csr> (accessed 15.10.2015).



## CONCLUSIONS

Involvement in practical realisation of the CSR concept was confirmed consistently in all the banks under study. Activities in this area were found to be undertaken in all four of the general areas of CSR application, as defined based on the guidelines of the ISO 26000 standard and the Global Compact initiative, namely: the responsible approach to customers and the market, activities addressed to employees, activities designed to support local communities and the society, and pro-environmental actions. Analyses of specialist rankings and formal CSR reports seem to confirm the strategic importance of all activities undertaken in relation to the principle of corporate social responsibility – these actions are designed in long-term perspective (analyses covered a period of four consecutive years) and are formally expressed in banks' business strategies. Bearing in mind the specific character of banking institutions as organisations of public trust, and in relation to their ancillary role in modern economy, the corporate social responsibility of banks should be perceived as a factor of utmost significance, since it not only adds to the welfare of the society at large, but also has a beneficial effect on a bank's corporate image. Based on the assumption that the general elements of a bank's corporate identity are expressed in their formal mission statement, it seems that the observance of CSR recommendations is consistently employed for the purpose of building the desired corporate image in each of the banking institutions under study. Each such statement included some form of declaration of intent to pursue responsible methods and to satisfy the interests of stakeholders. The results of this study may be approached as part of initial research for a broader study, since the observations gathered in the course of the examination should be complemented by detailed empirical studies of banks' corporate image as perceived by various stakeholder groups, as well as careful analyses of the perceived impact of CSR activities on such an image.

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## **SPOŁECZNA ODPOWIEDZIALNOŚĆ BIZNESU A KSZTAŁTOWANIE WIZERUNKU BANKU**

**Streszczenie.** Celem artykułu jest określenie, w jaki sposób i w jakim zakresie wiodące banki detaliczne w Polsce wdrażają obecnie działania z zakresu społecznej odpowiedzialności biznesu (CSR), z uwzględnieniem ich wpływu na kształtowanie wizerunku banku jako instytucji zaufania publicznego. Wykorzystane metody badań to krytyczna analiza literatury przedmiotu z zakresu społecznej odpowiedzialności biznesu, bankowości i marketingu oraz analiza danych wtórnych dotyczących działań banków detalicznych podejmowanych w obszarze CSR. Analizowane dane pochodzą z raportów CSR oraz stron internetowych wybranych banków. W wyniku badań stwierdzono, iż wszystkie badane banki podejmują działania związane z odpowiedzialnością społeczną, we wszystkich czterech obszarach wyłonionych na podstawie wytycznych normy ISO 26000 i standardów Global Compact. Są to działania związane z odpowiedzialnym podejściem do klientów i rynku, działania adresowane do pracowników oraz społeczności lokalnych, działania zmierzające do ochrony środowiska naturalnego. Analiza rankingów specjalistycznych oraz raportów CSR wskazuje na strategiczny charakter aktywności podejmowanych przez badane banki.

**Słowa kluczowe:** społeczna odpowiedzialność biznesu, bankowość detaliczna, wizerunek banku

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## TRANSFORMATION OF AGRARIAN STRUCTURE OF EU COUNTRIES WITHIN THE PERIOD OF 2010–2013

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**Abstract.** The aim of the paper is to determine the size and directions of changes and degree of differentiation of agrarian structure of EU countries within the period of 2010–2013. The research is based on Eurostat data presenting number of farms in groups of agricultural land area in particular countries. The areal groups are as follows: up to 5 ha of agricultural land, 5–20 ha, 20–50 ha, 50 ha and more. With the application of chosen methods of statistical analysis of structures direction and rate of changes of the structure under investigation were compared. Basing on fuzzy classification four groups of countries of similar structure were distinguished and the types of the structure under investigation were determined for EU countries in 2010 and 2013.

**Key words:** agrarian structure, European Union, classification of countries

### INTRODUCTION

At the moment of the accession of new member countries to the European Union the level of their socio-economic development was in general lower than the “old” EU countries [Poczta and Kołodziejczak 2004], therefore the necessity of cutting down these differences and the adaptation of the economies so that they could be competitive with the EU. This concerned also agriculture, in particular the agrarian structure that in case of most new member countries was very fragmented and far from the structure of such countries as Germany, France and Great Britain [Bożek 2010]. Since the accession in new member countries significant changes of agrarian structure has been observed. They are the consequence of economic rationales as well as mechanisms introduced by Common Agricultural Policy of the European Union [Poczta 2013]. These changes are closely followed and analysed [Mierosławska 2008, Dzun 2009, Babiak 2010, Klepacki and Żak

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2013]. The aim of the paper is the determination of the range, directions of changes and the degree of differentiation of the agrarian structure of the European Union countries within the period of 2010–2013.

The main determinant of the agrarian structure is the areal structure of farms. This structure can be considered in two aspects: with respect to the shares of number of farms in distinguished areal groups of arable land in the total number of farms in the given country and with respect to the percentage of the area of arable land that is covered. The paper presents the results concerning the first capture of the research, i.e. the one concerning the number of farms in particular areal groups of arable land (the results concerning the area of arable land covered by farms in particular areal groups will be presented in a separate work). The research was carried out on the basis of the data from the internet database of the European Statistical Office – Eurostat, with regard to the years 2010 and 2013 presenting the number of farms according to areal groups of arable land in particular countries of the EU. In the research the following areal groups were assumed: up to 5 ha of arable land, 5–20 ha, 20–50 ha, 50 and more ha. With the application of chosen methods of statistical analysis of structures, the direction and rate of changes of the structure under investigation were compared in particular countries. Then on the basis of fuzzy classification groups of countries were distinguished of similar agrarian structure and types of the structure being investigated in countries of the European Union in the years 2010 and 2013.

## RESEARCH METHOD

In the paper chosen methods of statistical analysis of structures were applied. In order to determine the degree of changes that took place in the structure over a certain period the following measure was implemented [Kukuła 1989].

If  $\alpha$  is a partition structure investigated in time  $t = 0, 1, \dots, n$ , consisting of  $r$  elements, i.e.

the matrix  $[\alpha_{ik}]_{(i=0,1,\dots,n; k=1,\dots,r)}$  is given, where:  $\sum_{i=1}^r \alpha_{ii} = 1$  and  $0 \leq \alpha_{ii} \leq 1$ ,

$$\text{then } v_{t,t-\tau} = \frac{\sum_{k=1}^r |\alpha_{ik} - \alpha_{(t-\tau)k}|}{2}$$

determines the degree of changes of the structure over the period from  $t - \tau$  to  $t$ . This measure takes values from the interval  $[0, 1]$ . Its high value indicates that the structure has undergone big changes. In particular,  $v_{n0}$  enables the comparison of the structure from the initial period  $t = 0$  with the structure of the final period  $t = n$ .

The above measure was also applied in order to determine the degree of differentiation of typological groups. As a measure of inter-group differentiation (inter-group distance) the distance between the centres of gravity of groups calculated by the following formula:

$$v_{ij} = \frac{1}{2} \sum_{l=1}^r |a_{il}^* - a_{jl}^*|$$