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SOCIAL RESPONSIBILITY OF THE BANKING BUSINESS: CHALLENGES AND PROSPECTS

Abstract. In the scientific article, by taking into consideration newest literary sources and variable factual materials, there are examined challenges of corporate social responsibility in bank business and perspectives of development in Georgia. More concretely, purpose of research is revealing of challenges and factors hindering the development of corporate social responsibility of bank business in Georgia. It is also aimed to offering of corresponding recommendations on the basis of analysis of received results, as in the bank business, so at systemic level.

There was established that development of social corporate responsibility in the bank business requires popularization within the country scales and positioning as important component of economical development of the country, what is expressed in strengthening of the role of significance of corporate social responsibility and involvement of society as a whole.

Keywords: Corporate Social Banking Business, Corporate social responsibility, Social banks, Banking business, Social Finance, ESG Forms.

Introductions: Corporate social responsibility is a new challenge of modern world interest toward which was deepened in 2007–2010, after the world faced global economic crisis. In result of this crisis, social bank and social finances became important tendencies among customers of banking business (Vanishvili Merab, et al., [1]).

Crisis has transformed social banks from niche institutions to large, publicly apparent players. This success is conditioned by assuring of bank clients in the West that social bank is less speculative and more responsible, ethical and society-oriented way for keeping of money than traditional bank. After the crisis many people think that social bank is less egoistic and takes more care of general progress or interests of society than commercial bank.

Within the last 10 years corporate social responsibility became natural characteristic of banking business and banking business succeeded in perception of social responsibility as its main principle, in

result of which there were formed aims and methods of environment protection, society-oriented activities. Corporate social responsibility became the best solution for integration of moral principles in nowadays economy into banking business.

Corporate social responsibility and social banking business in Georgia is comparatively new, although developing conception which is characterized by increasing tendency and is integrated into everyday life of society. It's growth is basically expressed in the mean and mostly in the large business, among them in the large banking subjects which have special attitude toward conception of corporate social responsibility and develop various methods in their everyday activities or long-term strategic aims (Otinashvili Ramaz, Vanishvili Merab [1]).

In the modern world, which is full of various challenges, and when the world is globally involved in competition chain, corporate social responsibility assists the business to maintain trust of employ-

ees, society, investors, to develop long-term purposes, which will be globally directed to the welfare of society.

From this standpoint it is especially interesting to observe development of social responsibility of banking business in Georgia, particularly, challenges it faces and perspectives of development.

Results and discussion: studies have shown that corporate social responsibility in Georgia is developing from 2004 and growing interest toward it is revealed every day. According to the data of 2021, Georgian financial sector basically consists of commercial banks. There are fifteen commercial banks on the market which possess 95% of the full assets of financial sector. Besides, concentration level is also high- particularly, two largest banks (Bank of Georgia, TBC Bank) own 70% of full assets. Besides, despite of the fact that share of microfinancial organizations is quite small, they play an important role, especially in financing of small and mean businesses and availability of finances in villages.

From presented 15 commercial banks, the mission of 12 banking subjects is carrying out of socially liable business so that to find areas of common interests with society and stages of development, to be able to create tools which cause in people the sense of reliable partner, offer to micro-, small – and mean business provision by sustainable financial services.

There shall be noted attitude of Georgian Government from the standpoint of assistance with development of social responsibility. Despite of the fact that the State is not directly involved in the management of conception of social responsibility, separate governmental initiatives and programs are directly or indirectly connected to and support introduction and development of social responsibility in Georgia. Important governmental initiatives are: “Purposes of sustainable development and Georgia”, “Green economy”, “EU Associations Agreement”, “Business and human rights – Georgian governmental action plan for protection of human rights”, “Tax benefits for charitable activities”.

Georgian governmental initiatives within the frameworks of social responsibility also include the “Code of Corporate Management of Commercial Banks” which supports effective functioning and sustainability of banking sector and financial sector in general, improvement of investors trust and stable and effective functioning of the banking sector.

Nowadays, strengthening of the role of financial sector in sustainable development of the country in Georgia is supported by National Bank of Georgia. It develops the framework of sustainable development, within frameworks of which calls participators of capital market to take into consideration environmental protection, social and governing (ESG) issues and management of risks connected to them for financial stability and sustainable development of economy (Vanishvili, Katsadze, et al., [6]).

In 2021 commercial banks were first asked to fill in ESG (Information in ESG forms review key performance indicators of Georgian financial system in direction of ESG (Key Performance Indicators, KPIs) forms. There analysis and research have shown that ESG practice existed in banks are different. Small part of commercial banks is quite forward from the standpoint of management of ESG and sustainable development and they also have other social and environmental policies. From the other hand, there still are banks which do not have ESG policy yet. Although, some of them are in the process of development of the same policy, and some of them plan to introduce ESG practice in the nearest future.

In connection to ESG reports of banking business “sustainable development in Georgia, report 2021“, there is also noted that based on the data of 2021, majority of commercial banks in Georgia do not have explanation of green loans or system of their classification and correspondingly they do not possess data on green loans. Only six from fifteen banks submitted data on green loans. Besides, from the mentioned six banks majority do not have official explanation or classification system of green loans and have in their reports only data of loans issued for financing of projects

connected to energetic efficiency and renewable energy (Vanishvili & Katsadze [6]).

On the basis of all the mentioned we can note that despite of higher than average development of social responsibility in the bank sector, they still do not have correct explanation toward green loans.

Based on the analysis of ESG reports of 2021 by the banking sector, there was ascertained that Georgian financial institutions see significance of CSR as the means of improvement of image and reputation. In majority of cases accent of banking business is directed toward creation of new products and innovations which allow them to be included in society. And they less acknowledge the fact that correctly realized corporate responsibility is the basis for improvement of financial results (Shanava & Vanishvili [2]).

Despite of the mentioned, banking business in Georgia, in relation to its possibilities, spends quite large amounts for charity and various activities beneficial for society. If some years ago such initiatives often had system-less, spontaneous character, in the last years there is noted a tendency of moving to more systemic, planned activities having sustainable results. Bank subjects pretending for the role of leaders of Georgian banking business, acknowledge that for achievement of success and maintaining of competitiveness they shall be guided by high standards of corporate social responsibility and correspondingly be accountable toward society.

In Georgian banking business one of the largest bank groups is TBC Bank, which offers to society wide spectrum of traditional financial services. Has customer-oriented business model, is always distinguished by innovation and creates projects corresponding to behavior or demands of the customers.

Purpose of TBC Bank is to manage with responsibility the environmental and social risks connected to activities of its business customers. It has undertaken an obligation to actively finance such business activities which increase positive influence over environment and economy. 83.2% of their sus-

tainable portfolio includes projects of renewable energy, 2.8% – energy-effective projects, 10.8% – projects for supporting of youth, and 3.2% – projects “women in business”.

Each activity realized by TBC Bank which is connected to corporate social responsibility of business making, from its part, is connected to the outflow of monetary means and increasing of expenses, although real result in connection to complete profitability is positive, because expenses and investments made in motivation and growth of employees and also in maintaining of customers satisfaction, finally positively influences on profitability and image of the company.

In Georgia, from 2007 there are actively conducted researches in direction of corporate social responsibility, they are basically related to the estimation of scales of disclosure of CSR novelties or new tendencies, its development level, which is generally typical for Georgian business. By researches it is confirmed that from 2007 to present interest toward the social responsibility is growing. Dynamics of its development and integration into business activity is becoming annually noticeable. Growing dynamics is basically noticed in the large and mean business.

By analysis of full or separate fragments of researches of 2007–2021 we can say an opinion that despite of positive dynamics, in Georgia corporate responsibility goes forward, although with slow tempus, in acknowledgment of the contents or conception meaning which are represented by CSR. And again, beyond of all positivity it is interesting to define the level of society awareness, while social responsibility is managed right by request of such society and in such environment where business is operating (Shanava & Vanishvili [2]).

Purpose of research conducted by is in June 2021 was to answer the main question: how is attitude of the customer and quality of awareness toward corporate social responsibility of banking business. Analysis of results has shown us that estimations of research participators in connection to contents of

social responsibility is non-homogenous: 73.3% of interviewed considers that social responsibility is “support of such actions which in prolonged period create welfare of society”, 63.2% focused on participation of the company in environmental measures/ ecology, 58.7% fixes that social responsibility is support of society with disabilities, 51.4% consider that social responsibility is support of education/ culture/ sport, and according to 41.7%, social responsibility means charity.

Analogously, non-homogenous estimations were received by us in connection to the “perception” of social responsibility. At the question: which criteria shall the company meet in order to consider it, as socially liable, 59.9% of respondents responded that within the frameworks of social responsibility the company shall offer to society product of good quality, that is safe and has a fair price.

We have to note that at the question “How many banking business existed in Georgia uses social responsibility”, 55.5% of questioned respondents think that less than 25% of banking companies apply social responsibility in their activities.

It is attention-worth fact that according to the data of 2021, the mission of twelve from fifteen commercial banks registered in Georgia is social responsibility, and society has no information in connection with this, or possess such information in a small volume.

We think that this question requires deep analysis, from the one hand, we can consider response of respondents as deficiency of information, for example, social measures are less illustrated in the media, informative magazines-newspapers, company webpages, or, from the other hand, the interest of society itself is low, to get more information on companies or organizations they come across with and every day became their customers at their own will or accidentally (Vanishvili, Lemonjava, et al., [6]).

According to the information of majority of respondents, information on social responsibility of bank organizations is not enough, and according to

the opinion of 85.8% – realization of social measures is necessary. Both components for CSR are casual-resultative and if the customer becomes more demanding toward the company, in order to get correct information on conception of CSR, to get information on realized social measures, the purpose will unconditionally bring us to the result and perception of society that companies in Georgia have less sense of responsibility toward CSR, will be changed in opposite direction.

According to the results of study we can suppose that in most cases companies perceive social responsibility as expenses and not as investments and they are less involved in social measures to be realized. 53% of interviewed considered that government less supports social measures. Here too, from the one hand, we can agree with opinion of society, while direct obligation of the State and government is improvement of social condition of society, creation of sustainable economical environment, and, from the other hand, while social responsibility is willful activity, the society itself and business shall be interested in creation of significant ecological conditions and financial availability for activities or living environment.

And finally, what about the fact that measures realized by banks are less known for society, it is wishful to make information more available via various mass spreading, internet or company webpage.

Conclusion: based on the results of study, there were made the following recommendations for development of corporate social responsibility in banking business: (1) the first purpose of banking business is development and support of economical sustainability of the country. Correctly planned and realized by them social responsibility is the basis of long-term success as inside the country, so abroad; (2) in order to increase involvement and role of the government in development of social responsibility it is needed to introduce various normative acts or laws, to introduce encouraging benefits for business; (3) business and government shall act within frameworks of social responsibility

in order to observe those three components which are unified by conception – corporate social responsibility – planet, environment, society.

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