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**Oksana V. Portna<sup>\*</sup>, Natalia Yu. Iershova<sup>\*\*</sup>,  
Andrii A. Grytsenko<sup>\*\*\*</sup>**

## **Social Responsibility of the Financial Sector in the Information and Network Economy: The Example of Systemically Important Banks in Ukraine and Comparison With Banks in Other Countries of the World**

<sup>\*</sup> V.N. Karazin Kharkiv National University, Department of Management and Administration, Kharkiv, Ukraine

E-mail:

[o.v.portna@gmail.com](mailto:o.v.portna@gmail.com)

<sup>\*\*</sup> National Technical University «Kharkiv Polytechnic Institute», Department of Accounting and Finance, Kharkiv, Ukraine

E-mail:

[iershova.ny@gmail.com](mailto:iershova.ny@gmail.com)

<sup>\*\*\*</sup> Institute for Economics and Forecasting, National Academy of Sciences of Ukraine, Kyiv, Ukraine

E-mail:

[agrytsenko@ief.org.ua](mailto:agrytsenko@ief.org.ua)

**Abstract:** The article examines the problem of increasing social responsibility of the financial sector on the example of systemically important banks that operate in the modern information and network economy under conditions of uncertainty. A comparative analysis of dimensions of social responsibility of banks in different countries of the world was carried out. Based on the obtained results, the importance of social responsibility of banking structures for a wide range of stakeholders and thus for stable and successful operation of banks in the economics of information and uncertainty was confirmed. The general purpose of the study is to develop, test and suggest a comprehensive methodology for monitoring and assessing the level of social responsibility of the financial sector on the example of Ukrainian banks in conditions of uncertainty and recognizing gaps between the actual level and the desired, maximally high state of social responsibility. In our research, we considered social responsibility as a key direction towards achieving and harmonizing the strategic goals of financial institutions. The article focuses on the development of practical measures to monitor public opinions and assess the level of social responsibility of financial institutions. The research offers the following directions: 1) A comparative analysis of data for systemically important banks in Ukraine and other world

countries regarding social responsibility; 2) determination of factors that influence the activity of the banking sector; 3) determination of question-indicators applied to the level of social responsibility of banks; 4) analysis of public opinion on the level of social responsibility of banks; 5) analysis of gaps in assessments of the level of social responsibility on the example of systemically important banks of Ukraine. The study involved the methods of statistical research and expert evaluations that made it possible to suggest a methodology for determining the level of social responsibility of financial institutions on the example of systemically important banks. Higher expectations from social responsibility of banks on the part of society were also revealed. The suggested methodology involves analyzing gaps between assessments by stakeholders and the desired level of social responsibility of banks in evaluating the level of compliance with social responsibility. A comparison of the average score of the public assessment with the highest level of social responsibility of banks is visualized. The directions for improving the social responsibility policy are outlined on the example of systemically important banks in Ukraine on the basis of a comparative analysis and taking into account various experiences around the world.

**Keywords:** social responsibility, financial sector, banks, information and network economy, changes, public opinion, stakeholders, gap analysis.

**JEL Classification:** C89, D81, G21, M14.

## 1. Introduction

In the conditions of a changing environment, crisis challenges and rapid development of the information and network economy, the activities of the financial sector, including banks, are undergoing transformations. Such changes are becoming serious challenges for banks. This forces financial structures and banks to adapt their activities and meet the needs of the economy and society. The social responsibility of financial institutions, including banks, becomes an important element of the influence the financial sector has on the formation of the social environment and high social standards in society in the information and network economy.

According to the financial structuring experts of Atmos (Team Atmos, 2021), the global experience of banks that operate on the basis of social responsibility proves that large entities have historically not had very good management in terms of social responsibility. For example, many financial institutions finance a further widespread use of fossil fuels instead of alternative energy and green projects, and also actively finance businesses and thus, through their activities, they increase the gap in the level of well-being, which, in turn, promotes social inequality. This means that banks use their resources (customer money) to finance companies that have a negative impact on the environment, society, and economy. However, there is also a growing number of financial structures (banks and credit unions) that take their social responsibility seriously and implement

the forms and methods of business management that have a significant positive impact on the economy and society, especially on local communities and the environment.

The importance of social responsibility of banking structures, its specifics and role attract an increasing interest of society, customers, employees, public organizations, state structures, and a wide range of stakeholders in stable and successful operation of banks in uncertain conditions. The key principles and results of social responsibility are transmitted to society through information and networks, social communication systems, and with the comprehensive support of all stakeholders, the state, society in general, are transformed into a significant element of effective social development. The researchers of the relationship between social costs and socio-economic indicators (Halaskova & Bednar, 2020) state that developed countries urgently need to find optimal relations between economic and social components that affect the development of countries.

Monitoring of public opinion on the level of social responsibility of the financial sector, including banks as its component, becomes one of the urgent issues both in the management of financial structures and commercial banks, and in the activities of central banks as regulators since this is one of the components of ensuring stability and financial resilience of both individual banks and the entire financial system. An assessment of the degree of compliance with the principles of social responsibility by banks is a factor that contributes to the formation of a positive image, growth of the client base and, as a result, an increase in the level of liquidity and profitability. Currently, there are no uniform standards and approaches to assessing the level of social responsibility of financial institutions and there are no methods that are applied by both the regulator and commercial banks. Despite a significant amount of papers that research the degree of social responsibility of economic players in different countries and industries, there are few empirical studies that consider these issues in the context of the financial sector and banks in Ukraine in the conditions of uncertainty, especially when it comes to monitoring and assessing the level of social responsibility of banks. This study aims to provide the financial sector, including banking management, with practical support for solving these issues.

The general purpose of the study is to develop, test and suggest a comprehensive methodology for monitoring and assessing the level of social responsibility of the financial sector on the example of Ukrainian banks in the conditions of uncertainty.

This study is a step on the way towards building a theoretical and practical basis for monitoring and assessing the level of social responsibility of financial institutions and identifying gaps in the assessments of society and the management of financial structures. The results of the research will help the management of financial institutions and banks to increase their social responsibility and achieve competitive advantages.

## 2. Literature Review

### 2.1. The financial sector and banks in the modern economy

In the current global situation of uncertainty and a slower pace of the development caused by the pandemic and war, financial institutions, including banks that have systemic connections with all participants in the economy, can contribute to economic stabilization and growth. The financial sector (and systemically important banks as its part) ensures financial stability, accumulates financial resources, redistributes and provides the economy with the necessary capital, makes investments, and creates new jobs. Finances, financial relations, and financial flows act as key factors to the active functioning of the economy and society. The researchers (Haddad, Al-Qudah, Almansour & Rumman, 2022) emphasize that activities of the financial sector and banks have recently undergone changes in the operating environment around the world. Banks continue to play an important role in financing economic activity.

The researchers of commercial banks (Erina & Lace, 2013) emphasize that the banking system is an important direction of economic development in any country since it actually ensures the functioning of payments and settlements. Banks carry out and control the flow of funds, ensure the speed of their turnover, emission, including cash in circulation. Banks play a vital role in the economy of every country as the growth can be achieved if savings are effectively channeled into investment. One of the most important conditions for the economic development of any state is its effective banking system that builds a competitive modern credit and financial infrastructure with commercial banks as its important element (Žunić, Kozarić, & Žunić Dželihođžić, 2021). In the current situation, banks should try to anticipate and mitigate possible crises in order to avoid negative consequences.

The experts (Tahmida & Shakila, 2020) note that the financial sector, in particular banks, due to their credit and investment activity, have the potential of a significant multiplier effect which is revealed through the adoption and dissemi-

nation of responsible and transparent methods along the chain of value creation of financial capital. Decisions on financing and investment priorities and acceptable risks send signals to the economy and provoke rapid changes and adaptation. However, social and environmental problems remain important. Activity of banks should be transparent and efficient, including compliance with the principles of social responsibility, in order to ensure lifestyle transformations in the society for the better. Therefore, it is important to analyze and evaluate the level of social responsibility of banks since this will contribute to a deeper understanding of prospects and focus attention not only on financial but also on non-financial activities of banks and the connection between them.

Researchers of financial development and its impact on economic growth (Čižo, Lavrinenko, Ignatjeva, Danilevica & Tvaronavičienė, 2020) determine that there is a need to rethink the nature of influence of the financial sector. Other researchers point out that changes occur under the influence of many factors, for example, globalization, financial innovations, innovative financial instruments and technologies (Iershova, Portna, Tretyak, Moskalenko, & Vasyliiev, 2021). As a result, there is a change in priorities and expectations of stakeholders and the entire society regarding the economic, social, and environmental responsibility of financial institutions to society. Today, the role of society and public opinion in the activities of the financial sector and banks is increasing. For example, Vallet (2021) believes that since banks have “structural power” both in the economy and in society, their power should be regulated and controlled by society through a reliable system of social responsibility.

## **2.2. The development of modern information technologies in the activities of the financial sector and banks**

The role of information and network technologies in the information age and in the modern information economy is difficult to overestimate. Information technologies are almost completely integrated into management and business processes, organizational structures, and strategic planning. Such integration with the use of information and network technologies is considered a vital part of the management concept for increasing the efficiency of not only business in particular, but also all subjects of socio-economic life. The financial sector and banks are not aloof from these processes.

Effective communication systems are very important in modern business, especially in banking. The more transparently the firm operates, the more effectively its activity contributes to success that suggests increase in customer satisfaction,

profitability and productivity, reduced employee turnover, growth of cognitive aspect and business results (Ahmad & Aldakhil, 2012). On any given working day, significant amounts of information fuel business processes that involve participation of parties both inside and outside the corporate network. It affects business processes, strategies, organizational culture, overall efficiency and effectiveness of operations (Alhawari, 2012). Information and network technologies, i.e. the Internet, have a significant impact on companies in the financial sector and on the activities of banks in particular. This helps to achieve a competitive advantage (Hussien & El-Aziz, 2017).

Information technology experts (Dahmani, Mabrouki & Ben Youssef, 2022) conclude that the rapid spread of information and communication technologies is becoming an important factor that determines economic growth. However, the impact of information and communication technologies on added value depends on the sector of activity. In the sector of financial services, information and communication technologies produce a positive and significant impact. This sector will benefit from the use of information and communication technologies.

Other researchers of modern information technology problems (Wiredu, Labaran, Nketiah & Osibo, 2020) believe that information and network technology systems will significantly affect banking. Information and communication technologies are now becoming the highway that leads every organization to success. Therefore, in order to ensure effective and efficient functioning, banks need to implement information and network technologies in their operations and management, since modernity is associated with such information and communication and network technologies where information and its processing also become important.

In the modern information and network economy, maintaining a constant dialogue between all stakeholders of the successful operation of financial structures with the application of the principles of social responsibility is simplified, on the one hand, because the computer literacy of all participants grows, the flow and availability of information increases, while, on the other hand, it becomes a certain problem. As some researchers emphasize (Hamadi, 2011), the change in the banking environment due to the use of Internet technologies has affected banking services. From services with a high level of interaction, everyone moved to services with low or no interaction. However, communication and exchange between people is still important for society.

Financial and economic relations are given a significant role in promoting the strengthening of economic partnership (Portna, Iershova, Tereshchenko, & Kryvytska, 2021), which is important in the information and network economy.

### **2.3. Social responsibility of banks**

Many researchers are currently focusing their attention on the problems of social responsibility in general and the financial sector and banks in particular. Experts emphasize the importance of high social responsibility for the development of banks.

As noted by some researchers (Mocan, Rus, Draghici, Ivascu & Turi, 2015), the concept of corporate social responsibility (CSR) is not new in the banking sector and it has been actively implemented in activities of financial institutions. In the modern economic environment, this becomes an important optimal solution for the integration and implementation of moral principles in the banking activity. Under the conditions of uncertainty and economic instability, the financial sector and banks make efforts to keep the financial balance, operate for the benefit of customers and society and move towards development by improving the quality of products and services to meet the needs of society and attract new customers and support the existing ones, and increase motivation of employees. As a result, all this leads to increased creativity and innovativeness of banks, their activity in such aspects as participation in public life, social integration, banking reputation, etc. A high level of social responsibility provides banks with a number of advantages, for example, growth of economic efficiency, improvement of reputation and image, increase in the commitment of society, loyalty of employees, connection with society, and therefore the availability of new opportunities.

A high level of social responsibility is of key importance in the banking sector of a country. These are the conclusions reached by the researchers (Lentner & Nagy, 2020). The experts emphasize the need for eliminating the “priority order” of social responsibility areas as well as target groups. The focus of activities in the social responsibility areas is shifting from social problems to environmental protection and climate preservation as well as to the development of financial culture.

The researchers (Mcharo & Cobbinah, 2022) believe that social responsibility programs influence the effectiveness of activities. Companies become increasingly aware of the importance to implement and maintain a high level of social responsibility and gain competitive advantage. Awareness and a high level of social responsibility cannot only increase a company’s market share, revenue and

profit, but also attract more customers, reinforce a positive corporate image and customer loyalty, and increase interest in the company's intangible interests. Participating in community activities can help manage growing social risks.

The social responsibility of banking should be aimed at the development of collective caring thinking, a strong sense of responsibility, and creation of opportunities for employees to participate in social initiatives. Being based on strengthening trust in goals and mission, social responsibility must rest upon two conditions. This is reliability and trust as well as a sincere concern for others. Research findings show that social responsibility can positively influence people's behavior when a culture of caring for employees and others is supported (Saleh & Baroudi, 2022). Caring for employees increases both external and internal positive social effects of business (Iershova, Portna, Uhrimova & Chaika, 2022). Such a factor as a high level of social responsibility of the company affects and increases customer satisfaction (Afifah, Pirzada & Daud, 2020).

Based on the implementation of modern advanced practices of social responsibility, companies can ensure their development and economic security. After all, the social responsibility of companies is a systemic guideline for working on the plans of development and market expansion. This is explained by the increase in the degree of integration of economic processes under conditions of globalization that implies corporate transparency, social responsibility and business efficiency. The concept of corporate social responsibility provides an opportunity to position oneself as a reliable employer and business structure that successfully develops and operates in accordance with high standards and requirements of the modern market (Ushenko, N.; Blyzniuk, V.; Shumilo, I.; Filipenko, N.; & Kurbala, N., 2020.).

## 2.4. Components and elements of social responsibility

The experts suggest studying the practice of social responsibility in four dimensions: environment, society and values, transparency and government and labor issues. Such parameters and values as transparency and management, environment, and society have a rating above 50% (Andrade, Díaz & Ramírez, 2021). Social and labor issues are becoming increasingly important (Portna et al., 2021) in conditions of socio-economic crises and uncertainty.

Compliance with a high level of social responsibility has a positive effect on financial performance of banks. Efficient banks take steps to promote actions in the field of social responsibility. The greatest returns lead to improved image and

legitimacy when investments are made in areas such as human, economic, social development and environmental protection (Fayad, Ayoub & Ayoub, 2017).

After processing data obtained from banking/financial practitioners and academics in Hong Kong, the USA, and Scotland, the researcher Yeung (2011) considered societal perceptions of social responsibility in the banking practice of major Hong Kong banks and noted that the key elements related to social responsibility identified in the result of the analysis are as follows: awareness of the complexity of modern financial services; assessment of activity risks; improvement of business ethics; implementation of anti-crisis adaptive strategy in crisis conditions; care and protection of clients rights; creation of information channels in society to consider and resolve? complaints. These elements are divided into four main groups of factors that characterize the structure of social responsibility for banks: first, internal management – implementation of an adequate and meaningful strategy, effective management of processes and people; second, external management – responsibility for sustainable creditworthiness and consideration of the interests of stakeholders. Such information helps bank management to determine what needs to be done for the benefit of customers and society (Jovović, Mišnić, Pejović & Mijušković, 2023). Understanding the structural elements of social responsibility helps to implement its principles to increase customer satisfaction, expand the market share, and grow profits.

A cross-country research proves that the practice of social responsibility is changing and becoming of more importance. The adoption of new regulatory documents in this area (for example, Charter of the European Federation of Ethical and Alternative Banks) has led to an increase in the number of banks that use a socially oriented model (FEBEA, n.d.). The number of banks that call themselves "social", "ethical", etc. is growing. Thus, the practice of increasing social responsibility in Romanian banks allows improving products related to the needs of society through evolving customer loyalty and improving relations with stakeholders (Mocan et al., 2015). At the same time, Hong Kong banking institutions pay more attention to social responsibility through internal management of people and processes (Yeung, 2011). The management of the banking organization should have an appropriate policy so as to develop a positive organizational culture and socially responsible thinking in their employees. The structure for projects in the areas of social responsibility within NLB Group in 2019 (Youth Sports and professional athletes – 38.8%; Humanitarian projects – 25.2%; Culture – 13.6%; Socially responsible mission – 8.9%; Promoting entrepreneurship – 6.7%; Employees – 6.5%) shows that NLB Group also strives to improve the quality of life in the region through socially responsible projects. The key pillars of NLB Group's socially responsible activities are caring for its employees, maintaining

integrity, promoting entrepreneurship, mentoring, supporting professional and youth sports, humanitarian activities, and protecting cultural heritage and the environment. In 2019, NLB Group successfully implemented 352 projects in various areas of social responsibility (NLB, 2019)./check references

Social responsibility receives a strong national emphasis in China, where social responsibility is brightly reflected in public policies. In the last decade, China has been incorporating the concept of social responsibility into its nation-building project, namely the Harmonious Society (Sahlin-Andersson, 2006). Due to the strong tradition of internationalism in the governments of Sweden and Denmark, the role of social responsibility can be defined as "global corporate citizenship" and perceived as a way of regulating corporate resources in the internationalist projects of their government (Midttun, Gjøllberg, Kourula, Sweet & Vallentin, 2015).

In the 21<sup>st</sup> century, the age of digital economy and active development of information and network systems (Kaczmarek, 2022), bank activities will never be competitive without meeting the needs and expectations of all interested parties and society in general.

## 2.5. Reporting on social responsibility of the banking sector

A high level of social responsibility of the banks activities also implies compliance with transparency and accountability. The research (Yeung, 2011) shows a constant and dramatic increase in the demand for accountability and transparency from both the public and private sectors.

In their study, the experts (Kouaib & Amara, 2022) prove that companies with a high level of social responsibility reporting activity invested more effectively than those with a low reporting level. Such information was of interest to both investors and other stakeholders. The researchers concluded that reporting on social responsibility affects investment decisions.

Companies are also responsible for the interests of stakeholders and society at large. They disclose their social responsibility activities through annual reports and special social responsibility reports. Like other impacts, measuring the social impact of an activity is a subjective and evaluative matter. For this purpose, the researchers applied a method of monitoring and evaluating companies with respect to their disclosure of information on social responsibility (Akin & Yilmaz, 2016).

It is important that reporting on the actions of banks in the field of social responsibility are part of their reporting in the field of sustainable development. According to the analytics of Akin & Yilmaz, the following factors were assessed in terms of their influence on the disclosure of social responsibility: listing on the stock exchange, form of ownership and type of banks. As a result, this study reveals the differences in CSR disclosure of banks in Turkey investment banks and development banks disclose information about social responsibility less than commercial banks. A study of social practices of banks in Romania proves that they disclose more information about social responsibility and its consequences depending on the headquarters of the banks (Mocan et al., 2015). Indeed, if the bank is headquartered in Europe, the consequences of social responsibility are educational scholarships, culture and support for green economy. At the same time, with headquarters in Greece, it is more about supporting the elderly, social networks and cultural education, whereas Swedish companies tend to report more codes of conduct and press clips related to social responsibility. In fact, increasing globalization may lead to greater standardization of organizational forms and management practices, as well as lead to greater levels of convergence in social responsibility and reporting.

Under the development of information and network economy, reporting on social responsibility of banks is a simple task since information and network systems make it possible to quickly and easily publish reports and conduct public opinion polls.

Accordingly, the authors of this study made an attempt to expand previous research on social responsibility in the banking sector by selecting systemically important banks in Ukraine. At the same time, the researchers focused on measuring the level of their social responsibility. Systemically important banks in Ukraine began paying more attention to social responsibility, adhering to international codes of conduct and offering financial products that take sustainability into account. However, there is still considerable room for improvement.

### 3. Results

Social responsibility of the financial sector and activities of banks as its part is such an active social position of financial structures that allows building business processes not so much for profit maximization but with the determination and achievement of socially significant priorities and public needs in activities based on harmonious interaction and responsible coexistence of all stakeholders of financial structures — shareholders, partners, employees, consumers, business

representatives of other sectors in the economy, all government branches, communities, and society in general — through constant dialogue.

In the world economy, there is a clear tendency of financial structures and banks to increase the level of their social responsibility. The international nature of financial operations determines the fact that the task of a significant number of banks is to maximize their contribution to solving social problems (table 1).

**Table 1: Determinants for the consequences of social responsibility of the banking sector in the world**

| Country   | Social consequences of social responsibility                                                                              | Economic consequences                               |
|-----------|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Romania   | Increasing the availability of banking services;<br>increasing customer loyalty;<br>improving relations with stakeholders | Achieving goals in the field of business efficiency |
| Hong Kong | Optimization of internal management of people and processes                                                               |                                                     |
| Turkey    | Increasing public awareness of the meaning of money<br>care for their employees                                           |                                                     |
| Slovenia  | Increasing public awareness of the meaning of money<br>reputation enhancement<br>Increasing positive corporate culture    |                                                     |
| Ukraine   | Increasing the availability of banking services                                                                           |                                                     |

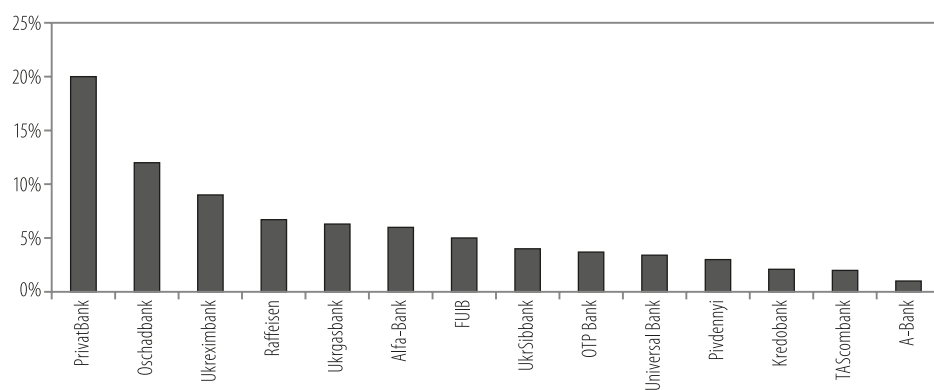
Source: Authors

Banks are more prone to reputation risks than other companies and are more vulnerable to negative reactions from stakeholders. Given the dominant role of the banking sector in the financial market structure, banks consider social responsibility an appropriate means of interacting with communities and improving their corporate image.

On the other hand, the systematization of the results obtained through the content analysis of social responsibility of the banks within the Visegrad Group (Czech Republic, Poland, Slovakia, and Hungary) (Lentner & Nagy, 2020) shed light on changes in social responsibility. Attention is paid to commercial banks that have a significant impact on the financial life of these countries. And also by strengthening the role of environmental policy, which increasingly affects social responsibility through relations with stakeholders. It turned out that changes in social responsibility are also due to ethical requirements set by shareholders.

The study of the level of social responsibility of the financial sector in the information and network economy was conducted on the example of systemically important banks of Ukraine in conditions of uncertainty. Systemically important banks in Ukraine include 14 entities with a high level of net assets, according to the methodology applied by the regulatory agency of European Banking Authority (European Banking Authority, Guidelines on criteria) (Fig. 1).

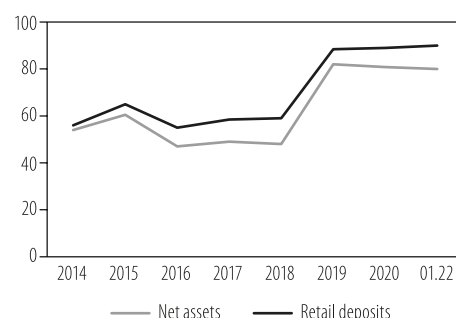
**Figure 1: Share of net assets of systemically important banks of Ukraine as of January 1, 2022**



Source: Data from the National Bank of Ukraine (National Bank of Ukraine, Systemically Important Banks)

Having characterized the financial activity of systemically important banks in Ukraine, it can be concluded that the indicators of net assets and deposits of natural persons significantly decreased in the period 2016–2018, and since 2019 there has been an intensification of activity and an increase in indicators. Such processes can result from the influence of multidirectional (both positive and negative) phenomena both in the national economy in general and in the banking sector in particular, as regards the internal factors of banking activity (Fig. 2).

**Figure 2: Shares of systemically important banks of Ukraine by certain indicators, %**

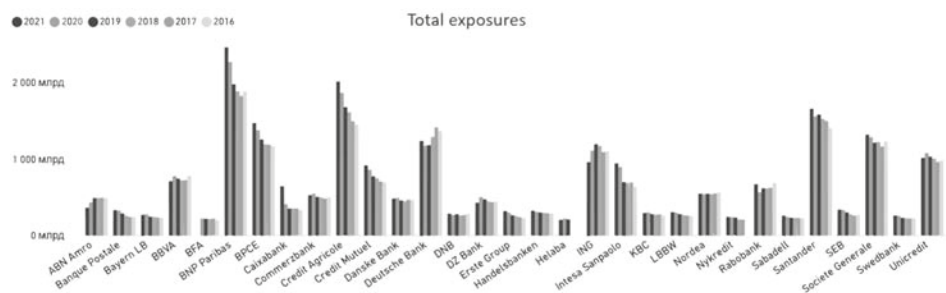


Source: Data obtained from the National Bank of Ukraine (National Bank of Ukraine, Systemically Important Banks)

According to the National Bank of Ukraine, the activity of the financial sector is characterized by stability. The sector continues to work despite high risks.

For comparison, we present the performance indicators of global systemically important world banks (Fig. 3).

**Figure 3: Indicators of global systemically important world banks**



Source: Data from the European Banking Authority (European Banking Authority, Guidelines on criteria)

Global banks that are systemically important perform activities in very significant volumes. The researchers who study the problems of ensuring the profitability of banks in the European financial market (Karadžić & Đalović, 2021) conclude that the profitability of these financial entities is influenced by a large number of factors, including internal banking and external macroeconomic factors. They also proved (Khalid & Kot, 2021) that financial position is important for stakeholders as it shows the true position of the bank, its long-term viability and the possibility of attracting new investors to the sector.

We agree with the experts' opinion (Lavrushin, Chichulenkova, & Yurevich, 2022), that trust is a vital characteristic of the banking business. Public opinion polls usually build the core of information for trust assessment.

In order to establish the public opinion regarding the factors that affect the banking sector and opportunities for its development in Ukraine in conditions of uncertainty, a survey was conducted to cover 228 clients and employees of systemically important banks in Ukraine. Thus, the majority of respondents (69 people, 30.3%) identified crisis phenomena in the economy as a significant factor. Also, 26.7% of respondents (61 people) consider the income of the population to be an important factor. The level of social responsibility of banks was highlighted by 23.3% of respondents (53 people). 11.8% and 7.9% of respondents mentioned

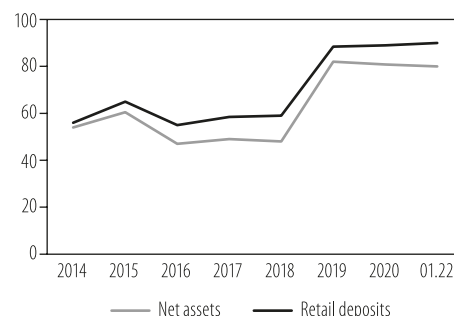
the financial conditions of a bank and the level of trust in banks, respectively (Fig. 4).

According to the results of the survey, the clients of systemically important banks in Ukraine consider various factors that affect the efficient operation of banks, especially in unpredictable conditions, as significant. Such factors as crisis phenomena in the economy and incomes of the population are beyond the influence and regulation of the banking sector. Banks can regulate the level of social responsibility, financial conditions for customers

and the degree of trust. An important factor that influences the activities of the banking sector, especially in the conditions of a crisis economy, is the level of social responsibility of the bank since it ensures and increases the social effect of the bank's activities, wide access to markets and capital through the formation of a positive image, high efficiency of employees, i.e. compliance with quality standards, support for the state, strong reputation, customer loyalty, etc. In other words, it encompasses everything that forms high standards in society and that are components of the social responsibility of banks. Its key principles and results in the information and network economy are presented? to the society through social communication systems, and with the support of the public, they are transformed into an almost mandatory element of effective social and economic development.

In order to present and compare opinions on the factors that affect the banking sector in other countries, we have analyzed relevant scientific works. The obtained results (Kattel & Shah, 2020) shed light on the factors that affect the performance of banks in Nepal and their evaluation through descriptive and inferential research methods. To compare the results, we made certain groupings (Table 2).

**Figure 4: Prerequisites that affect the activity of the banking sector in Ukraine in conditions of uncertainty**



Source: Authors

**Table 2: Prerequisites that affect the activity of the banking sector in Nepal in conditions of uncertainty**

| Influencing factors      | Specific weight | Generalization by percentages | Generalization by groups (according to Fig. 4) |
|--------------------------|-----------------|-------------------------------|------------------------------------------------|
| Reputation               | 27.2            |                               |                                                |
| Physical Facilities      | 8.4             | 37.9                          | The level of trust in the bank                 |
| Group Influence          | 2.3             |                               |                                                |
| Financial Gain           | 25.2            | 25.2                          | Financial conditions of the bank               |
| Service Quality          | 22.3            |                               |                                                |
| Convenience              | 11.2            | 36.9                          | The level of social responsibility of the bank |
| Information Availability | 3.4             |                               |                                                |

Source: Authors

Reputation, quality of service and financial benefit have the greatest influence on the opinion of the respondents. At the same time, among the three measured variables, reputation is the most significant. When comparing the results, the level of trust in the bank built the three factors has a total result of 37.9%. The level of social responsibility for foreign respondents is even more important than in Ukraine (36.9% versus 26.7%). These data correlate with the study (Ahsan Ali, Zahid Keerio & Rao Khizer Hayat, 2022) conducted using a purposive sampling technique for the banking sector in Pakistan. The authors' results proved that the three factors "security", "service quality" and "brand image" are significant. When grouped by correspondence, it is: 1) level of trust in the bank (23.7%) and 2) level of social responsibility of the bank (41.7%). That is, in conditions of uncertainty, there is considerable room for improvement of social responsibility for systemically important banks in Ukraine.

Indeed, the activity of the banking sector is greatly influenced by the reputation in the eyes of stakeholders. However, it is the participation of banks in social responsibility projects that helps them form a positive and effective image in the society.

All these factors and positive results of high social responsibility encourage banks to focus on increasing their social responsibility to build a good image among customers, increase their satisfaction and attract new clients, and therefore increase financial benefits. However, these processes will slow down without an analysis of the real expectations of customers and the general public regarding the level of social responsibility of banks.

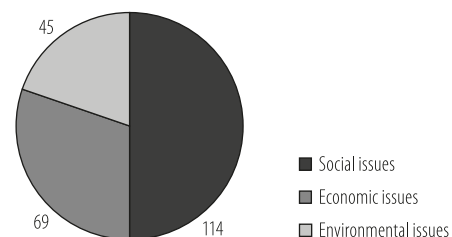
The number of components and issues of social responsibility of financial institutions and banks is vast, so it is difficult to describe in detail all relevant issues and standards. However, there is always opportunity for further research in this area since a study can cover other issues and analyze them at a different angle.

For example, researchers of the gap between customer expectations regarding social responsibility and its actual level in the banking industry that reveals and compares the hierarchy of social responsibility priorities of customers and the priorities of bank managers (Saeidi et al., 2017) come to the conclusion that the implementation of the concept of social responsibility by banking institutions is significantly higher than the average weighted estimate. That is, clients, and therefore society, have high expectations compared to the actual state of the bank's social responsibility. The aspects of social responsibility related to customers and society in general turned out to be the most prioritized for both customers and managers in the bank. Other priorities are general social responsibility, employees and shareholders.

Next, we conducted a survey on the issues of social responsibility of banking institutions that were of most interest to the public (Fig. 5).

As a result of the study, it was found that the largest number of stakeholders put social issues in the first place (114 people, i.e. 50% of the respondents), economic issues came in second place (69 people or 30.3%), environmental issues came in last place (45 people or 19.7%).

**Figure 5: Results of a survey of respondents regarding the most significant and priority issues of social responsibility of banks**



Source: Authors

For comparison, a research of some of the main stakeholders (clients) of Kathmandu banks revealed that the most important aspects for them are economic issues, such as service quality and financial benefit (81% of respondents) and social issues, such as reputation (72% of respondents) (Kattel & Shah, 2020).

The assessment of the factors that determine the choice of a bank by consumers and the degree of trust in banking relations in Europe confirmed that the largest number of stakeholders put economic issues in the first place (Järvinen, 2014).

The current paper (Mansour, 2019) presents a research of the respondents opinion surveys on the most significant problems and priority issues coupled with

social responsibility of banks. According to the results, social responsibility is an element of the bank's corporate performance in terms of "trust and commitment", "confidentiality and privacy", "operational efficiency", "cashier service efficiency" and "friendly and responsive attitude of bank staff". Self-administered questionnaires were used in Khartoum State to collect and obtain this data from 253 bank customers.

Thus, environmental issues are less identified in the course of research. Although banks have less direct impact on the environment, their indirect environmental and social responsibility can increase if they provide loans to companies that pollute the environment, produce dangerous products, or violate human rights (Decker & Sale, 2009).

Conducting a comparative analysis of dimensions of social responsibility in the practice of banks in different countries proved that the CSR model for the Romanian banking industry includes four categories of social responsibility practices. As a result of their application, banks receive significant advantages for their own system and society. The CSR model for the Canadian banking industry includes categories of social responsibility practices into three classes: philanthropy, business practice and product-related activities. A study of the banking sector in Bahrain shows that the economic component has the strongest impact on banks' image. Therefore, practicing CSR activities strengthens the relationship between the firm and its stakeholders and creates a better reputation for the firms. A summary of the published and cited empirical reports of banks' CERs, including a short summary of the respective bank records, is illustrated in Table 3.

**Table 3: Comparison of dimensions of social responsibility of banks of different countries**

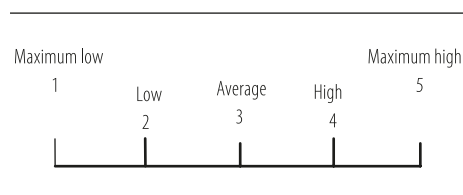
| Major banks in the country | Researched and established dimensions                                                                                                                                              | Source                    |
|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Romanian                   | environmental practices, educational practices, social practices, and cultural practices                                                                                           | Mocan et. al. (2015)      |
| Hong Kong                  | internal management – implementing meaningful strategy and process and people management; external management – accountability for creditability and consideration of stakeholders | Yeung (2011)              |
| Canada                     | philanthropy, business practice and productrelated activities                                                                                                                      | Pelozo & Shang (2011)     |
| Bahrain                    | economic, legal, ethical and philanthropic                                                                                                                                         | Al Mubarak et. al. (2019) |

Source: Authors

At the next stage of the research, all 228 respondents were interviewed and asked to express their opinion on the indicator-questions that fully reveal the level of compliance of banks with social responsibility. Based on the respondent answers, a list of indicator-questions was compiled.

To study public opinion regarding the level of social responsibility of banks, the researchers interviewed 228 stakeholders of systemically important banks in Ukraine. A research of public opinion and attitude to the problem of social responsibility of banks and its evaluation was carried out using a 5-point Likert scale (Fig. 6).

**Figure 6: Scale for evaluating the level of social responsibility of banks**



Source: Authors

Questions used to assess public opinion on the level of social responsibility of banks and the results of the research are presented in Table 4.

**Table 4: Survey results on the level of social responsibility of systemically important banks of Ukraine in conditions of uncertainty**

| No | Indicator-questions on public opinion regarding the level of social responsibility of banks           | Ranking of answers by number of points |    |    |    |    | Total answers |
|----|-------------------------------------------------------------------------------------------------------|----------------------------------------|----|----|----|----|---------------|
|    |                                                                                                       | 1                                      | 2  | 3  | 4  | 5  |               |
| 1  | Maintenance of ecological standards by banks, preservation of the environment                         | 32                                     | 53 | 76 | 41 | 26 | 228           |
| 2  | Attitude of a bank towards employees based on the principles of social responsibility                 | 29                                     | 43 | 81 | 51 | 24 | 228           |
| 3  | Attitude of a bank towards clients based on the principles of social responsibility                   | 35                                     | 40 | 73 | 58 | 22 | 228           |
| 4  | Compliance with the standards of social responsibility in economic activity (for banks)               | 21                                     | 49 | 63 | 62 | 33 | 228           |
| 5  | Relations of banks with communities in compliance with the principles of social responsibility        | 42                                     | 57 | 65 | 39 | 25 | 228           |
| 6  | Charitable activity of banks                                                                          | 38                                     | 61 | 73 | 37 | 19 | 228           |
| 7  | Image of banks as socially responsible in society                                                     | 45                                     | 57 | 58 | 47 | 21 | 228           |
| 8  | Quality of business processes and business practices based on the principles of social responsibility | 38                                     | 59 | 85 | 29 | 17 | 228           |
| 9  | Publication of transparent and timely information on the activities of banks                          | 32                                     | 35 | 40 | 60 | 61 | 228           |
| 10 | Other                                                                                                 | 32                                     | 54 | 33 | 53 | 56 | 228           |

Source: Authors

For in-depth processing of the survey results, we calculated the distribution of the components of social responsibility of banks using the method of ranks. The results are shown in Table 5.

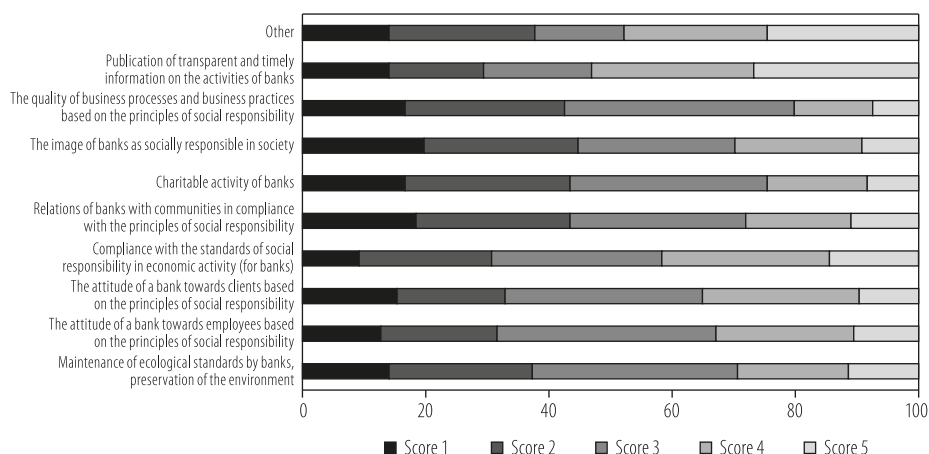
**Table 5: Distribution of indicator-questions regarding social responsibility on the example of systemically important banks under conditions of uncertainty in Ukraine, % and ranking places**

| Indicator-questions on public opinion regarding the level of social responsibility of banks | Score 1 | Score 2 | Score 3 | Score 4 | Score 5 |
|---------------------------------------------------------------------------------------------|---------|---------|---------|---------|---------|
| 1                                                                                           | 14.04   | 23.25   | 33.33   | 17.98   | 11.40   |
| 2                                                                                           | 12.72   | 18.86   | 35.53   | 22.37   | 10.53   |
| 3                                                                                           | 15.35   | 17.54   | 32.02   | 25.44   | 9.65    |
| 4                                                                                           | 9.21    | 21.49   | 27.63   | 27.19   | 14.47   |
| 5                                                                                           | 18.42   | 25.00   | 28.51   | 17.11   | 10.96   |
| 6                                                                                           | 16.67   | 26.75   | 32.02   | 16.23   | 8.33    |
| 7                                                                                           | 19.74   | 25.00   | 25.44   | 20.61   | 9.21    |
| 8                                                                                           | 16.67   | 25.88   | 37.28   | 12.72   | 7.46    |
| 9                                                                                           | 14.04   | 15.35   | 17.54   | 26.32   | 26.75   |
| 10                                                                                          | 14.04   | 23.68   | 14.47   | 23.25   | 24.56   |

Source: Authors

The highest specific weight of respondents gave 1 rank value for question (1) with a score of 3. The same is observed for components 2-8. As for questions 9 and 10 about the level of social responsibility, rank 1 was given by the respondents with the score of 5 (Fig. 7).

**Figure 7: Generalized distribution of indicator-questions regarding social responsibility on the example of systemically important banks under conditions of uncertainty in Ukraine, assessment structure**



Source: Authors

Further, based on the results of the survey, we calculated the average score for each component of banks social responsibility based on the weighted arithmetic mean. The results of calculations are shown in Table 6.

**Table 6: Indicator-questions on public opinion regarding the level of social responsibility of banks and respondents' assessment of the level of their compliance**

| No | Indicator-questions on public opinion regarding the level of social responsibility of banks           | GPA  |
|----|-------------------------------------------------------------------------------------------------------|------|
| 1  | Maintenance of ecological standards by banks, preservation of the environment                         | 2.89 |
| 2  | Attitude of a bank towards employees based on the principles of social responsibility                 | 2.99 |
| 3  | Attitude of a bank towards clients based on the principles of social responsibility                   | 2.96 |
| 4  | Compliance with the standards of social responsibility in economic activity (for banks)               | 3.16 |
| 5  | Relations of banks with communities in compliance with the principles of social responsibility        | 2.77 |
| 6  | Charitable activity of banks                                                                          | 2.73 |
| 7  | Image of banks as socially responsible in society                                                     | 2.74 |
| 8  | Quality of business processes and business practices based on the principles of social responsibility | 2.68 |
| 9  | Publication of transparent and timely information on the activities of banks                          | 3.36 |
| 10 | Other                                                                                                 | 3.21 |

Source: Authors

According to data in Table 4, the society has higher expectations for social responsibility of banks. There are gaps in the assessments of the level of social responsibility between the public and banks. Therefore, further in our research, we suggest evaluating the level of social responsibility of the banking sector based on the method of analyzing gaps in assessments.

An analysis of both tactical and strategic direction as the method of studying the gaps between the assessments of stakeholders (that is, the real level, and the desired level of social responsibility of banks in the assessment of the level of compliance with social responsibility) allows determining the discrepancy between the desired (ideal) and real level. The purpose of the analysis is to determine what gap exists between the social responsibility of banks and assessments provided by the society in order to identify the gaps and establish how to complete them.

Based on the above, an analysis of gaps between the opinions of stakeholders and the ideal (desired) state, i.e. the highest possible level of social responsibility of banks activities, was conducted (Table 7).

**Table 7: Analysis of gaps between assessments by stakeholders and the ideal (desired) state, i.e. the highest possible level of social responsibility of bank activities**

| No                                                                                                | Indicator-questions on public opinion regarding the level of social responsibility of banks           | Score 1 to 5 |               | Gap  |
|---------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|--------------|---------------|------|
|                                                                                                   |                                                                                                       | GPA          | Maximum score |      |
| 1                                                                                                 | Maintenance of ecological standards by banks, preservation of the environment                         | 2.89         | 5             | 2.11 |
| 2                                                                                                 | Attitude of a bank towards employees based on the principles of social responsibility                 | 2.99         | 5             | 2.01 |
| 3                                                                                                 | Attitude of a bank towards clients based on the principles of social responsibility                   | 2.96         | 5             | 2.04 |
| 4                                                                                                 | Compliance with the standards of social responsibility in economic activity (for banks)               | 3.16         | 5             | 1.84 |
| 5                                                                                                 | Relations of banks with communities in compliance with the principles of social responsibility        | 2.77         | 5             | 2.23 |
| 6                                                                                                 | Charitable activity of banks                                                                          | 2.73         | 5             | 2.27 |
| 7                                                                                                 | Image of banks as socially responsible in society                                                     | 2.74         | 5             | 2.26 |
| 8                                                                                                 | Quality of business processes and business practices based on the principles of social responsibility | 2.68         | 5             | 2.32 |
| 9                                                                                                 | Publication of transparent and timely information on the activities of banks                          | 3.36         | 5             | 1.64 |
| 10                                                                                                | Other                                                                                                 | 3.21         | 5             | 1.79 |
| The final score of banks social responsibility calculated as a weighted arithmetic mean of scores |                                                                                                       | 2.95         | 5             | 2.05 |

Source: Authors

The lowest average score of 2.68 was fixed for the quality of business processes and business practices based on the principles of social responsibility. The high-

est score of 3.36 was found in the publication of transparent and timely information on the bank activities.

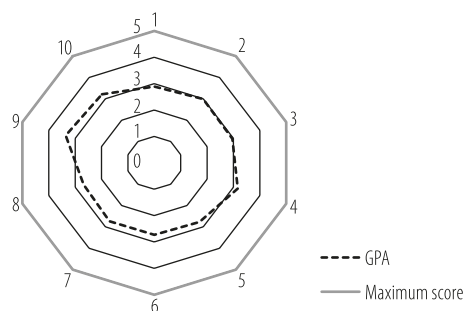
The results of a comparison of the average score of the public assessment with the desired level of social responsibility of banks made for all indicator-questions showed that stakeholders determine the level of social responsibility much lower than the banks themselves. Graphical interpretation of the results and comparison is presented in Fig. 8.

Therefore, in order to achieve high performance based on meeting the expectations of stakeholders and the public, bank management should be aware of the importance of monitoring public opinion regarding the actual level of social responsibility of banks and analyzing gaps in assessments. Such monitoring and analysis build an information basis for banks when working out and implementing a well-thought-out development strategy with respect to social responsibility.

Bank development strategies and information on gaps in public opinion assessments of the level of social responsibility and the ideal (desired) state are outlined taking into account:

- problematic dimensions of social responsibility evaluated by stakeholders based on specific indicators;
- determination of gaps between assessments of the level of social responsibility of society and financial institutions;
- determination of specific indicators of the level of social responsibility that banks need to improve in their activities;
- determination of operational and strategic measures that will increase the level of social responsibility of banks, improve its perception in the society, and also support the main interests of banks;
- development of special measures, programs, methods of action necessary to fill the gaps;
- implementation of priority areas of ensuring a high positive social effect and level of social responsibility.

**Figure 8: A comparison of the average score of the public assessment with the maximum highest level of social responsibility of banks**



Source: Authors

## 4. Conclusions

The authors conducted a comparative analysis of the CSR components in the banking sector. Various approaches to CSR classes have been identified using the example of banks in Bahrain, Congo, Romania, and Ukraine. The results of the analysis confirm the existence of the author's approaches to the classification of CSR, but, at the same time, it is possible to see their confirmation by empirical data. The results of the comparative analysis show that banks should incorporate economic, legal, ethical and environmental issues into their business. According to many methods, it is the economic component that has the strongest influence on the image of banks. But the results of the literature review established the impact of CSR on the corporate image in the banking sector. Therefore, legal and ethical responsibility strengthens the relationship between banks and their stakeholders to create a better reputation. We describe the method and approach used in this study to collect data, present results and conclusions, discuss results and implications, and suggest future research.

The authors supplemented the developments regarding the social responsibility of the financial sector in the information and network economy on the example of systemically important of Ukraine in conditions of uncertainty. The authors developed an idea of the social responsibility of the financial sector in the information and network economy using the example of systemically important banks in Ukraine. This scientific and practical offer is motivated by the fact that social responsibility of financial structures and banks becomes more acute in a society in conditions of uncertainty, crises, and social issues. The dominance of the information and network economy simplifies information communication in society.

Speaking about the models of corporate social responsibility of banks, it should be noted that they are similar in essence to the models of corporate management of non-financial corporations. But the study emphasizes that financial institutions, in particular banks, play an important role in the system of social relations not only as economic but also as social institutions. The authors of the study used scientific and practical instruments to research and assess the level of social responsibility of banks through monitoring public opinion, the high level of which is declared by the banks themselves, and determining gaps in assessments.

The comparative analysis determined a number of most relevant methods and tools for conducting research and establishing results. Discussion of the results obtained by other scientists revealed that corporate efficiency is the most important factor that influences a client's decision on choosing a bank. Other signifi-

cant factors include the bank's marketing efforts, convenience and service delivery. Such results confirm that the concept of CSR is considered a vital component of business success.

The proposed study is relevant for the managers of financial structures and banks where they seek to better understand what the public expects from the activities of financial structures, which aspects of social responsibility the society rates as high as possible, and which of them have a lower rating. The expert survey we used as the cornerstone proved that the banking system does not offer a large selection of social products and services (social accounts, mortgage or energy-saving lending). Systemically important banks in Ukraine have a wider range of banking services precisely because they are available for implementation by banks of a socially oriented type. Social innovations implemented as a part of social responsibility strategies allow banks to demonstrate their civic position. However, they are also an important marketing tool. Such a tool makes it possible to stand out, develop new products and directions, and create an emotional connection between the brand and the consumer, thereby contributing to the growth of loyalty in the society. The undertaking aimed at developing social responsibility of banking institutions is a promising innovative direction that improves the economic results of their activities.

A scientific and methodological approach can be applied to monitor and assess the level of social responsibility of financial structures and banks. The significance of practical use lies in the possibility of applying the methodology to assess the level of social responsibility and determine gaps in financial structures, banks, as well as to implement the assessment results in the development of tactical and strategic development measures.

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