

DOI: [https://doi.org/10.30970/fp.3-4\(54\).2024.93101102](https://doi.org/10.30970/fp.3-4(54).2024.93101102)

JEL Classification: G 21, M 14, O 16

SOCIAL FINANCING IN BANKING ACTIVITIES IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT

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Abstract. *It is determined that in 2016-2024, social orientation has become the main aspect in achieving high results of banking activities in Ukraine. It has been established that the promising development of social investment and financing is associated with the inclusion of environmental and social risks in the assessment of the level of credit and operational risks of banks.*

Key words: *sustainable development, social responsibility, social finance, social financing, social investment, social banking, ESG risks.*

It is noted that commercial banks form the ecosystem of the social finance market and play a leading role in ensuring the effective functioning of the national social investment market. The state of social financing in banking is determined based on establishing a relationship between the level of information transparency of banks regarding their ESG policy (ESG transparency index), the level of social activity of banks (CSR index and volumes of charitable activities) and general indicators of the effectiveness of banks (assessments of reliability, stability and image). In particular, it is concluded that the banking sector of Ukraine is characterized by heterogeneity in terms of information openness. The gradual implementation of the Sustainable Development Goals in the strategy of banks' activities is noted. It is established that the strategy of social responsibility has become a key corporate strategy of domestic banks in 2021-2023. A high level of involvement of bank employees in the implementation of social projects is recorded. It is determined that charity, sponsorship and volunteering are common forms of social investment. It is emphasized that not all banking institutions publish the cost of their social projects due to unfavorable tax conditions. The inclusion in the financial stability ratings of direct and indirect, qualitative and quantitative indicators that characterize the commitment of society to banking institutions proves the importance of social financing in the development of a particular bank, the financial sector and the country's economy. It is stated that banks that are guided by the principles of information openness and corporate social responsibility in their activities have high or growing positions in the ratings regarding the level of financial stability. It is concluded that the development of social activities of banks on the basis of comprehensive partnership with the state, competitors, and clients

contributes to the formation of a positive image of the bank in society. It is emphasized that the priority task for banks is to include environmental and social risks in the assessment of the level of credit and operational risks. It was noted that conducting outreach to clients and consumers of financial services regarding the understanding and identification of ESG risks will contribute to the mitigation of ESG risks in both the financial and real sectors of the economy.

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