

The Fundamental Goals and Principles of Sustainable Development of a Commercial Bank

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Abstract: Globalization, increased international competition, digital transformation have a significant impact on the functioning of commercial banks. At the same time, the stability of banks is the most important parameter for the development of the country's banking system. Under the influence of various endogenous and exogenous factors on the activities of banks, the time lag in which a credit institution can be in a relatively static, stable state is reduced. In this regard, the issues of ensuring the stability of the bank acquire particular relevance, which requires the development of appropriate theoretical and methodological provisions. The authors substantiated the fundamental principles of sustainable development of a commercial bank, taking into account the components of the concept of sustainable development: economic, social, environmental and institutional. Also, in accordance with the main goals within the framework of the four components of goal-setting, theoretical and methodological principles of sustainable development of a commercial bank are proposed.

1 INTRODUCTION

In the modern world, banks perform many different functions: accumulating temporarily free funds of legal entities and individuals and their placement, mediation in payments, transactions in the stock and foreign exchange markets, settlement and cash services, acquiring, virtual pooling, etc. Banks do not just accumulate financial resources, carrying out internal accumulation of funds, they ensure their continuous movement in order to ensure sustainable development of the economy, address environmental and social problems (Bespalov et al., 2019; Cosma et al., 2020; Zhixia, 2018). Banks can reduce the negative impact of environmental and climatic factors on sustainable development by reallocating financial resources in favor of green sectors of the economy (Miah et al., 2020).

At the same time, the bank is influenced by many factors of the external and internal environment, which can lead to bankruptcy, loss of stability of the organization (Bitkina, 2018; Semenova et al., 2019). In this regard, the issues of developing fundamental goals, principles and criteria for sustainable

development of commercial banks are highly relevant.


2 METHODOLOGY


The study is based on an integrated approach that considers the sustainable development of a bank as a combination of four components: economic, environmental, social and institutional. At the same time, sustainable development is seen as a value setting and the main goal of any bank.

The study is also based on the historical-genetic approach, the essence of which is the analysis of historical trends, the reproduction of the historical and social logic of the development of economic systems.

3 RESULTS AND DISCUSSION

The analysis of modern literature on the sustainable development of commercial banks allows us to single

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out two main approaches to disclosing the content of this definition: broad and narrow.

According to the first approach (foreign scientists and various organizations), the sustainable development of a commercial bank is considered from the standpoint of the main provisions of the general theory of sustainable development. It provides an assessment of four main components (economic, social, environmental and institutional) of sustainable development of a commercial bank.

Note that the first reference to sustainable development in banking was used in the World Bank's report "Sustainable Banking with the Poor: A Worldwide Inventory of Microfinance Institutions." It examined the sustainability of microfinance institutions as a new, socially oriented business model for financial activities (World Bank, 1997). However, this report does not provide a definition of the definition in question, but only describes the social services that financial institutions provided to people with low income. The monograph *Sustainable Banking: The Greening of Finance* (2001) by J. Bouma, M. Jeucken and L. Klinkers argues that banks have a role to play in ensuring environmental sustainability.

Within the framework of a narrow approach (Bulanov, 2015; Fetisov, 2003), the sustainable development of the bank is considered from the position of ensuring its equilibrium state, and further prospects under the conditions of the action of external and internal environmental factors (mainly of an economic and social nature), without paying due attention to the changes taking place in the ecological and institutional environment.

Commercial banks are complex dynamic systems, the functioning of which obeys the laws of dynamic equilibrium. They, as adaptive systems, are able to change their behavior and ensure sustainable development through managerial influences (decisions). In our opinion, operating in market conditions, a commercial bank has boundaries of a zone of stability, at each point of which the bank remains stable. These boundaries change depending on the influence of multidirectional factors: the political situation in the country and in the world; changes in the commodity, consumer and labor and capital markets; changes in legislation in the field of regulation of financial and credit relations; the policy of the Central Bank of the Russian Federation and international financial and credit institutions and others. In the long term, a bank will be sustainable if its development proceeds along the tube of the stability zone along the trajectory of sustainable development. If the vector of the bank's functioning

is stagnant, then at some point the bank may fall out of the stability zone, which will lead to its disappearance. Consequently, stability in the short term does not ensure sustainable development of a commercial bank in the future. Stability characterizes the state of the bank in the short term, and sustainable development - in the long term.

In our opinion, stability is a static state of an object, characterized by a certain number of stable values of the parameters of this object. This category is identified with invariance, i.e. maintaining any properties, parameters constant for any changes in the external and internal environment. Sustainable development is a process aimed at a qualitative and quantitative change of an object, its characteristics (parameters). Therefore, the category "sustainable development" should be viewed from the perspective of a dynamic approach. In this regard, we understand the sustainable development of a commercial bank as its ability to maintain a dynamic balance for a long time, effectively using its internal potential, adapting in a timely manner to changes in external and internal environmental factors in order to achieve its goals. Thus, according to this approach, it is necessary to ensure the successful development of the bank in the long term. In this regard, the sustainable development of a commercial bank will be considered by us as a general goal.

Within the framework of this general goal, several subgoals should be distinguished, i.e. fundamental goals. In accordance with the concept of sustainable development, four sub-goals can be distinguished: economic, social, environmental, and institutional.

Since commercial banks are important actors in the financial system, which in turn is a component of the national economy based on market relations, the dominant goals of banks will be the goals of the economic component of goal setting, namely: capital growth and business value growth.

Achievement of this goal is ensured by setting and achieving a number of derived goals or goals of the next level. These include:

- increasing the client base and increasing the level of customer loyalty;
- establishing long-term partnerships with influence groups (employees, shareholders, government bodies, and others);
- improving the competitive position of the bank in the banking and financial services market;
- formation of a modern infrastructure of a commercial bank and the introduction of modern technologies in order to increase labor productivity and efficient use of resources;

- increasing the economic efficiency of activities and management of the bank and its structural divisions.

The fundamental goals of banks are: formation, expansion and development of the client base, increasing the level of customer loyalty. The activities of a commercial bank should be aimed at solving the problems of customers (legal entities and individuals). This determines their loyalty, that is, their commitment to the bank, their willingness to use its services for a long time. The higher the level of customer loyalty, the greater the profit and profitability of banking.

Achievement by a commercial bank of the goal of increasing its client base is complicated by the conflicting interests of primarily two main categories of clients: depositors and borrowers. Bank depositors are individuals and legal entities. Entering into a relationship with the bank, they are interested in high interest rates on deposits with minimal terms for placing their funds. At the same time, the bank's borrowers consider the availability of credit, the speed and simplified procedure for processing documents, understated requirements (up to their complete absence) to collateral, low interest rates and long borrowing periods as the most important features of a loan product. The bank also has its own interests. For him, the quality of the loan is primarily determined by guaranteed repayment, which, as a rule, excludes quick procedures for considering applications and issuing loans, as well as their complete or partial lack of security. Consequently, the bank must carry out its financial and credit activities taking into account the economic interests of all interested parties. Its regulatory role should be reflected in the development of a reasonable economic policy and adequate mechanisms to ensure a balance of interests of partners not only in the current period of time, but also in the long term. The bank must not allow the interests of some partners and counterparties to dominate over others, therefore one of the fundamental goals of a commercial bank is to establish long-term partnerships with influence groups (stakeholders).

The owners (shareholders) of the bank are interested in the growth of profits, market value and sustainable development of the bank. It is important for managers to ensure the sustainable development of the bank in a dynamic market environment. The bank's personnel are interested in confidence in keeping their jobs, decent wages, and career opportunities. Clients are interested in the fulfillment of their obligations by commercial banks on time and

in full. Business partners are interested in the reliability of the bank, in the clear and timely fulfillment of its obligations, and trusting relations with the bank. The authorities are called upon, in cooperation with the bank, to protect the interests of society and investors. The society is interested in the bank's participation in solving national and regional problems. Thus, the establishment of long-term partnerships with influence groups based on mutually beneficial interests is the key to the successful development of not only the bank, but also its stakeholders.

Achieving the goal of increasing the economic efficiency of the bank's activities and management affects all aspects of the bank's activities and directly affects its financial condition of the credit institution (the size and quality of capital and assets, profitability and liquidity, costs, profitability and profitability), its compliance with mandatory standards and limits established The Bank of Russia, it also provides for improving the quality of management of the bank, its operations and risks.

Effective management of the bank's divisions is also of great importance for the efficient operation of a commercial bank. The bank's organizational structure directly depends on the chosen business model. But regardless of the chosen organizational structure, it must meet the following requirements: prompt decision-making, no duplication of functions, quick solution of the assigned tasks.

The second component in the system of sustainable development of a commercial bank is the social one. In recent decades, attention has increased to the problems of social responsibility of business and its role in the socio-economic development of society. The problem of socially responsible business behavior is reflected in the studies of many scientists, such as G. Bowen (1953), M. Schwartz (2003), J. Stiglitz (2020), A. Carroll (2017). The concept of corporate social responsibility provides for the observance of norms and rules implicitly defined or undefined by legislation (in the field of ethics, ecology, mercy, philanthropy, compassion, etc.) that affect the quality of life of individual social groups and society as a whole.

The fundamental social goal of a commercial bank in the system of its sustainable development is to increase its social responsibility. Its content is covered by the following sub-objectives:

- compliance with ethical standards of doing business;
- creation of favorable conditions for the life of bank employees;

- joint solution of social problems with partners and authorities.

Compliance with ethical business conduct is referred to as "fairplay". Forming the parameters of the banking product (term, interest, commission), the bank sets the conditions for working with the client or the "rules of the game". A bank focused on sustainable development must refrain from misleading customers by including hidden fees and paid services without notifying the client. Unfair behavior of credit institutions leads not only to a deterioration in the economic condition of the client, but also in the future may lead to a decrease in the performance of the bank itself, a threat to its economic stability due to the loss of confidence in it.

Ensuring the harmonious development of the individual is one of the basic provisions of the Concept of sustainable development. In this regard, one of the sub-goals of the social component of the goal-setting of sustainable development of a commercial bank is to ensure favorable living conditions for the bank's employees, which implies proper working conditions, decent wages, opportunities for professional and career growth, and the company's care for its employees. These measures allow a commercial bank to reduce staff turnover, build employee loyalty to the company, and increase the competitiveness of a credit institution by retaining qualified personnel.

An important goal in the social component of the goal-setting of a commercial bank is also the joint solution of social problems with partners and authorities. This also applies to issues of charity. Credit organizations can not only make donations, but also act as a conduit between their clients and charitable foundations.

The main goal of the environmental component of goal setting is to increase the bank's environmental responsibility. Its achievement can be carried out by setting the following subgoals:

- rational use of natural resources, including energy resources, as well as resources used by the bank itself (diesel fuel, gasoline, electricity, natural gas, etc.). This goal can be achieved through the use of energy-saving technologies, optimization of the bank's logistics system, including through cashing and outsourcing.
- assistance by the bank in the implementation of projects related to environmental protection, rational use of resources, i.e. the so-called "green" financing of the economy.

The main goal in the institutional component of goal-setting is the development of the banking institutional environment. Its implementation requires the achievement of the following subgoals:

- transition to a partnership model of interaction between a commercial bank, the Central Bank and authorities. Through participation in associative structures such as the Association of Russian Banks and the Association of Regional Banks, commercial banks have the opportunity to lobby their interests in government bodies and contribute to changes in the legislative and regulatory framework.
- development of new forms of interaction between the bank and partners, assistance in the development of banking infrastructure. The digitalization of the economy, IT innovations in the financial sector, marketing technologies are changing the environment for the functioning of commercial banks, in which new institutional elements appear, such as financial and technical organizations using technologies and innovations in the field of financial services. The integration of a commercial bank with leased organizations allows us to significantly expand the boundaries of classical banking by combining banking and non-banking products, which contributes to an increase in the level of customer service and the profitability of banks.

To achieve the considered fundamental goals, the bank must be guided by the relevant principles. In accordance with the main goals within the framework of the four components of the goal-setting of sustainable development of a commercial bank, we have proposed the basic principles of sustainable development of a commercial bank (Table 1).

Table 1: Fundamental goals and principles of sustainable development of the bank.

| Level | Goals | Principles |
|--|--|--|
| The economic component of goal setting | | |
| 1 | 1.1. Building up capital 1.2. Business value growth | Capitalization of own income Capitalization of assets Business diversification |
| 2 | 2.1. Increasing the customer base and increasing customer loyalty | Customer focus Customer loyalty |
| | 2.2. Establishing long-term trust relationships between the bank and influence groups | Partnerships Reliability of relationship Trust |
| | 2.3. Improving the competitive position of the bank in the banking and financial services market | Competitiveness Competitive advantages |
| | 2.4. Formation of modern infrastructure of the bank and introduction of new technologies | Information and technical security Innovativeness Security |
| | 2.5. Improving the efficiency of activities and management of the bank and its structural divisions | Effectiveness Profitability and profitability Resource saving Motivation and stimulation of staff and business partners Minimizing risks Transparency, openness of management |
| The social component of goal setting | | |
| 1 | 1.1. Increasing social responsibility in relation to shareholders, employees, customers of the bank and society as a whole | Social responsibility |
| 2 | 2.1. Compliance with ethical business conduct | Transparency Fairness |
| | 2.2. Creation of favorable conditions for the life of bank employees | Equity remuneration Social security |
| | 2.3. Joint solution of social problems with partners and authorities | Social engagement |
| The ecological component of goal setting | | |
| 1 | 1.1. Increasing the bank's environmental responsibility | Environmental responsibility |
| 2 | 2.1. Rational use of natural resources | Saving natural resources |
| | 2.2. Participation in financing and development of projects related to environmental protection, rational use of natural resources | Green financing |
| The institutional component of goal-setting | | |
| 1 | Development of the banking institutional environment | Participation in the development of the banking institutional environment |
| 2 | 2.1. Transition to a partnership model of interaction between the bank and authorities | Partnership |
| | 2.2. Development of new forms of interaction between the bank and partners | Cooperation Integration |
| | 2.3. Development of modern banking infrastructure | Involvement in the development of the institutional environment |

4 CONCLUSIONS

We regard sustainable development as the general strategic goal of a commercial bank. This goal is multifaceted, therefore, to achieve it in real practice, it was structured into sub-goals, which made it possible to identify the fundamental goals in accordance with the requirements of the concept of

sustainable development in the following areas (economic, social, environmental, institutional): capital accumulation, business value growth; increasing social responsibility; increasing environmental responsibility; development of the banking institutional environment. To achieve them, it is necessary to implement the goals of the second level, which reflect the bank's values at this stage of

development. In accordance with the fundamental goals, the principles of sustainable development adequate to them have been substantiated.

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