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## THE IMPORTANCE OF SOCIALLY RESPONSIBLE BUSINESS OF THE BANKING SECTOR FOR ACHIEVING SUSTAINABLE DEVELOPMENT: THE EXAMPLE OF THE REPUBLIC OF SERBIA

### Abstract

*The strategic approach to socially responsible business is necessary for increasing competitiveness and achieving sustainable development goals. Banks as intermediate financial institutions play a significant role in respecting all principles and mechanisms of socially responsible business. In modern business conditions, sustainable banking has become a global phenomenon. The concept of sustainable development effects the banking reorientation towards provision of new banking services and creating new, green, banking operations. Green banking contributes to achieving both profit and expanding social and environmental goals. Therefore, the focus of this paper is on the analysis of the development level of green banking and finance in the Republic of Serbia, as part of the strategy of socially responsible business and sustainable development of banks in Serbia. The goal is to point out the current level of development of social responsibility and environmental awareness of banks and their clients, on the activities that banks conduct environmentally, but also on the development of green banking development in the domestic financial market.*

**Keywords:** *sustainable development, social responsibility, green finance, banking, the Republic of Serbia*

**JEL classification:** *Q50, G21, O1*

## ЗНАЧАЈ ДРУШТВЕНО ОДГОВОРНОГ ПОСЛОВАЊА БАНКАРСКОГ СЕКТОРА ЗА ОСТВАРИВАЊЕ ОДРЖИВОГ РАЗВОЈА: ПРИМЕР РЕПУБЛИКЕ СРБИЈЕ

### Апстракт

*Стратешки приступ друштвено одговорном пословању неопходан је за повећање конкурентности и остваривање циљева одрживог развоја. Банке, као*

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*интермедијане финансијске институције, имају значајну улогу у поштовању свих принципа и механизма друштвено одговорног пословања. У савременим условима пословања, одрживо банкарство постало је глобални феномен. Концепт одрживог развоја утиче на преоријетацију банкарског пословања ка пружању нових банкарских услуга и креирању нових, зелених, банкарских послова. Зелено банкарство доприноси остваривању како профитних, тако и ширих друштвених и еколошких циљева. С тога, фокус овог рада је на анализи нивоа развојености зеленог банкарства и финансија у Републици Србији, као дела стратегије друштвено одговорног пословања и одрживог развоја банака у Србији. Циљ је да се укаже на тренутни ниво развијености друштвене одговорности и еколошке свести банака и њихових клијената, на активности које банке спровode у циљу очувања животне средине, али и на перспективе развоја зеленог банкарства на домаћем финансијском тржишту.*

**Кључне речи:** *одрживи развој, друштвена одговорност, зелене финансије, банкарство, Република Србија*

## Introduction

Given the fact that human's irresponsible behaviour against nature has reached unexpectedly large proportions, the question that arises is at what price is society, generally speaking, ready to test the limits of endurance of this planet? It is more than clear that the diversity of environmental problems leads to the focus primarily on the problem of sustainability of the planet and the necessity of determining certain rules of human behaviour.

The joint efforts of national governments, corporate sectors and individuals can be influenced to find constructive solutions to reduce destructive effects of business activities on the environment. As a result, responsibility, sustainable development and environmental protection at the global level have gained key importance. Also, in today's corporate environment, social responsibility is a critical component of a company's operations.

Banks' role as key intermediary financial institutions is critical in this regard, because they are also expected to consider the impact of their operations on society and the environment. Given that they belong to the service sector of the economy, banks have long been exempted from this requirement, because it was considered that their operations do not have a significant impact on the environment. However, what largely determines the need and obligation of banks to incorporate environmental management systems through their operations, and perform a systematic assessment of the impact of their clients' operations on the environment, is precisely the relationship of clients themselves to the environment. Furthermore, one of the preconditions for social responsibility to be considered as one of the aspects of bank distinction by implementing various operations in this field is the high degree of competition among banks on the domestic market. Because the increased process of globalization, followed by deregulation in the financial sector, and the most recent global economic crisis, have considerably impacted market competition, social responsibility innovations are becoming increasingly important.

Regarding the banking sector, there is more and more talk about sustainable business in finance, green banking and environmentally oriented banking products. Accordingly, the aim

of this paper is to point out the importance of socially responsible business of banks through the development of green finance and banking and to determine the level of development of certain dimensions of social responsibility of banks in the Republic of Serbia.

Having that in mind, the structure of this paper is as follows. After introductory discussions, the socially responsible business of banks as a precondition for sustainable development will be pointed out. In the third part of the paper, an analysis of sustainable, green finance and green banking will be performed. After pointing out the business of green banks and especially green banking products, an overview of the best practices of socially responsible business of the banks in the Republic of Serbia will be given.

### **Social responsibility of banks as a basic premise for sustainable development**

The concept of sustainable development gained importance at the end of the 20<sup>th</sup> and the beginning of the 21<sup>st</sup> century. With the sharp increase in the number of inhabitants on the planet, the increasing exploitation of natural resources, the lack of joint responsibility, there is a possibility of depletion of natural resources and endangering the environment. Although the prevailing view during the 1970s was that there was no significant link between the concept of environmental protection and accelerated development, the increasing pace of economic growth, significant use and redirection of natural resources to increase production, all in the service of economic growth, showed the opposite. This misconception is a consequence of the wrong attitude that environmental protection requires a redirection of real and financial resources and thus endangers the growth of the economy (Petrović-Randjelović, Radojčić & Manasijević, 2018). However, the end of the 20<sup>th</sup> century showed that ecological protection and accelerated development of the economy are inseparable wholes, and as such, they form two basic concepts on which sustainable development is based.

The concept of sustainable development of banks involves socially responsible business, as well as business that is directed to preserve the environment. The banks are expected to actively participate in the development of corporate social responsibility and environmental protection, and in order to realize the concept of sustainable development, on the one hand, and increase competitive advantage, on the other hand (Jančetović, Janković & Cvijić, 2012, p. 56).

Sustainable development means development "that meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations General Assembly, 1987, p. 43). Because it is considered that all development must be long-term and equitable, there is a growing concern for long-term development in all areas of the economy, including the financial sector. Sustainability is reflected in the effort to ensure that corporate entities, financial institutions (banks, insurance companies, savings banks, funds), governmental and non-profit organizations operate in a way that will have positive implications for economic growth, social progress and environmental protection. (Stanojević, Mitić, Rakić, 2013, p. 438).

The concept of sustainable development refers to three dimensions - economic, social and environmental dimension (Giddings, Hopwood & O'Brien, 2002). The environmental aspect implies a requirement for the preservation of natural resources, with an emphasis on air, water, land, as well as the rational use of renewable energy sources.

Corporate social responsibility is becoming an indispensable element of sustainable development. This concept means that the company incorporates both internally and in relation to stakeholders concerns on social issues and environmental protection into its business (Kundid, 2012, p. 497). World Business Council for Sustainable Development (2000) defines corporate social responsibility as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large" (p. 8).

While some authors view sustainable development at the macro level, emphasizing that socially responsible business that includes five essential dimensions (stakeholders, social environment, economic reality, environmental protection and the aspect of voluntariness) represents the micro aspect of sustainable development, others believe that sustainable development is the basis of socially responsible business.

Due to the nature of their activities, banks are not considered as a direct polluter of the environment. Although, they still indirectly bear part of the responsibility for pollution in the situation when they borrow the money to those clients whose activities contribute to the pollution of the environment. There are also cases where banks are directly responsible for the adverse environmental impact caused by their client's business activities. In that view, they can play a key role in promoting the sustainable development by diverting attention from the traditional approach to business, which is based on profit maximization, towards a modern approach where the strategic decisions are made while respecting people, the planet and profit.

The role of banks and financial institutions in preserving the environment is twofold. First, banks are obliged to act ethically and socially responsibly towards clients, as well as towards employees and other stakeholders. Second, no less important role of banks is to ensure that companies, as their clients, adapt their practices to the preservation of the environment through their operations, performing the function of service providers. In that way, they are encouraged to offer funds under more favourable conditions, and for the adoption of green technologies, the implementation of projects that will have a long-term beneficial impact on the environment and social welfare, as well as to adopt green practice by innovating products, and using sophisticated green technological solutions (D'Monte, 2010).

## **Sustainable, green finance and green banking**

Generally speaking, there is no unique definition of green finance in theory. The growing importance of the concept of green finance in the contemporary conditions confirms also a multitude of terms used to denote the same phenomenon. In this regard, the term green finance with sustainable development can be explained by the concepts of sustainable finance, environmental financing, greenhouse gas emission reduction financing and climate change.

The trend of "greening" finances for the last decades is the topic in the world, created from the need for profit to maximize, but to make it difficult and maintain environmentally and socially responsible business in parallel. In this regard, the policy of green finances involves reorienting from profits as primary, if not the undertaking activities, to goals that incorporate sustainable development, socially responsible business with the inevitable realization of profits (Rakić, Mitić & Rasopović, 2012, 173).

Respecting the deductive approach, socially responsible banking, or green, ethical banking, environmentally friendly banking can be seen as a segment of socially responsible, sustainable finance. It can be said that it represents the decision of banks to provide products and services only to clients who take into account the consequences of their actions, both from the social aspect and from the aspect of an environmental impact (Bouma, Jeucken & Klinkers, 2001). Similarly, "sustainable banking can be interpreted to mean the process whereby banks consider the impacts of their operations, products and services on the ability of current or future generations to meet their needs" (UNEP FI, 2007, p. 41). The trend of banking through green financial architecture is actually nothing more than a starting point for positioning modern banking in an area characterized as a triad of economic prosperity, environment and orthodox financial sector, which can be seen in Table 1.

*Table 1: Conceptual framework of green finance and banking*

| <b>GREEN FINANCE AND BANKING</b>   | <b>FINANCIAL SECTOR</b>  |
|--|--|
| <ul style="list-style-type: none"> <li>✓ Financing green companies and technologies</li> <li>✓ Development of green products</li> <li>✓ Considering environmental risks for credit assessment</li> <li>✓ Efficient emission of green securities</li> </ul> | <ul style="list-style-type: none"> <li>✓ Development of new financial products and technologies</li> <li>✓ Improvement of the risk management system</li> <li>✓ Lending to multiple sectors and technologies</li> <li>✓ Efficient issue and trade of securities</li> </ul> |
| <b>ENVIRONMENTAL PROTECTION</b>  | <b>ECONOMIC GROWTH AND DEVELOPMENT</b>   |
| <ul style="list-style-type: none"> <li>✓ Green industry and technology</li> <li>✓ Legislation for a better environment</li> <li>✓ Active trade in the "carbon" market</li> </ul>   | <ul style="list-style-type: none"> <li>✓ Development of new technologies</li> <li>✓ Designing efficient market trading patterns</li> <li>✓ Development of eco-friendly industry</li> </ul>   |

*Source: Authors' review based on Noh, H. J., 2018*

Sustainable-green finance can be broadly defined as the totality of financial resources and assets in banks, investment funds and insurance companies, as well as their flows, which are aimed at achieving environmental, social and economic goals, i.e. Sustainable Development Goals (SDGs) defined by the United Nations Development Program (Staub-Bisang, 2012).

The factors that influenced the "greening" of finances are numerous. They result from the use of increasingly modern and sophisticated information and communication technologies that significantly increase people's opportunities, enable them to be informed about the latest events at the moment when they happen, making clients more picky, capricious and emancipated. Modern technologies provide additional opportunities in terms of mastering multifunctional knowledge, skills and expertise, a faster information flow, increasingly innovative eco campaigns supported by leading media, developing environmental awareness of the population against current issues of environmental destruction, but also the adoption of regulations by governments and their implementation through programs of environmental protection (UNEP FI, 2007).

Some authors (Jeucken & Bouma, 1999) identify as many as four successively related phases that banks need to go through in order to adopt the sustainability postulate and operationalize it by establishing a social and environmental management system within their business model. These are (Jeucken & Bouma, 1999) :

1. Defensive banking – banks are currently resisting environmental rules because they are incompatible with their profit-driven operations;
2. Preventive banking – banks include environmental issues and risk management efforts into their regular business activities due to many driving forces.;
3. Offensive banking – banks take into account the consequences of both their internal and external activities, develop and market environmentally friendly projects, focus on financing renewable energy projects, invest in environmental projects and disclose various reports based on environmental performance; and
4. Sustainable banking – all bank activities are now sustainable; despite large profits, they do not invest in environmentally harmful business; the goal is no longer to attain the highest financial rate of return, but to achieve the highest sustainable rate of return.

In line with the previous points, banking that supports economic growth while reducing the pressure on the environment, taking into account social issues, management aspects, reducing risks related to the financial system, can be considered the next stage in the development of banking activities (Rakić et al., 2012, p. 184).

## **Green banks and green banking products**

In order for a bank to qualify as “green”, it is necessary for it to include the environmental aspect in its business, to employ the staff who are qualified to perform green investment activities, to encourage the preservation and protection of the environment, to comply with legal regulations in the field environmental protection of the jurisdiction in which it operates as well as to raise the environmental awareness of the community in which it operates through its activities.

Different banking entities are at different levels of operationalization of a socially responsible green banking, according to which they become skilled to the smaller or greater extent of ethical elements, and some aspects of their business remain deprived of “green” regulation, controls and reporting. In this sense, they cannot be characterized by green (alternative, specific) banks, but they are certainly not even traditional (exclusively profit oriented) banks. Using the three-phase model of green banking development, it is possible to distinguish the following types of “green” banks (Figure 1):

1. Banks that carry out socially responsible activities;
2. Banks that implement the social and environmental management systems; and
3. Socially responsible banks, as well as appropriate subtypes, the characteristics of which are clearly given below (Jeucken & Bouma, 1999, p. 30).

Figure 1: Types of socially responsible, green banks

| Banks that carry out socially responsible activities  | Banks that implement social and environmental management systems   | Socially responsible banks   |
|---|--|--|
| <ul style="list-style-type: none"> <li>• Socially responsible projects and environmental protection projects</li> <li>• Application of information technologies, ATMs, employee care</li> <li>• Activities without great impact on the environment</li> </ul> | <ul style="list-style-type: none"> <li>• A standardized approach that is declared through the commitment to socially responsible business</li> <li>• Adoption of Equatorial Principles, IFC Standards, ISO 9000, ISO 14000, ISO 14001, TQM</li> <li>• Differentiating the services they will provide competent monitoring of the behaviour and business of their clients, providing help and support for their clients</li> <li>• The task of the system is to ensure that sustainability plays a central role at all levels of decision-making</li> </ul> | <ul style="list-style-type: none"> <li>• Ensuring the protection of the social environment (specialized banks to provide assistance to vulnerable groups through self-employment, humanitarian organizations, etc.)</li> <li>• Ensuring environmental protection (placing funds in energy efficient projects)</li> <li>• Socially responsible banks (incorporate both aspects, sustainable banks)</li> </ul> |

Source: Authors' review based on Jeucken & Bouma, 1999, p. 30

Green banking is actually a classic banking business which, due to the growing needs of the modern economy and sustainable development, conditioned by the improvement of banking techniques, has undergone certain improvements and modifications. They are becoming numerous and diverse, enabling banks to increase their market share, increase profits, improve employee satisfaction, gain customer loyalty, improve business reputation through positive media coverage, strengthen relationships and partnerships with environmentally minded stakeholders. The classification of the most important environmental banking products and services, as well as their grouping into certain units, places them in four groups: business with the economy and investment banking, retail banking, asset management, and insurance (Petrović – Randelović, Radojčić & Manasijević, 2018, p. 147).

A green stock differs from an ordinary bond in that it indicates the obligation of the bond issuer to finance exclusively green projects, assets or business activities with the funds collected from the issue of these bonds. According to the World Bank criteria, renewable energy sources, energy efficiency, sustainable waste management, sustainable land use, biodiversity conservation, clean transportation, and climate change adaptation are all examples of green projects (The World Bank, 2015).

Green loans, unlike green bonds, should support small-scale projects for companies, small and medium-sized enterprises and households. The granting of green loans by commercial banks requires constant assessment of the company's operations, creditworthiness, categorization, disclosure of the progress of activities and control, which requires additional organizational and operational costs (Staub-Bisang, 2012).

## **Examples of the best socially responsible practices of the banks in the Republic of Serbia**

In 1987, the World Environment Commission published a report entitled "Our Common Future" and laid the foundations for the development and implementation of sustainable development policy. This report was the basis for creating a sustainable development strategy in many countries (Sovilj, 2020).

In the Republic of Serbia, the National Strategy for Sustainable Development was adopted in 2008 and defines sustainable development "as a goal-oriented, long-term, continuous, comprehensive and synergetic process that affects all aspects of life (economic, social, environmental and institutional) at all levels" (Vlada Republike Srbije, 2008, p. 2). Accordingly, it can be said that the concept of sustainable development "implies simultaneous achieving of economic growth (raising economic efficiency and productivity, modernization of technology), social progress (socially responsible business while reducing poverty, improving health care) and the environment (reducing pollution and heat, biodiversity conservation, etc.), i.e. in the synergy of these areas" (Stanojević, Mitić & Rakić, 2013, p. 438).

Comparing the banking sector in the Republic of Serbia to other sectors of economy, a slow implementation of the basic principles of sustainable development can be seen. This can be justified to some extent by the fact that banks are not direct polluters of the environment, but that through activities and business with clients, they indirectly contribute to environmental damage. The National Strategy for Sustainable Development of the Republic of Serbia does not recognize banks and the banking sector as an important component of sustainable development, except for the recommendation related to encouraging the development of electronic banking (Vlada Republike Srbije, 2008, p. 39). It can be said that the action plan for the implementation of the National Strategy for the period from 2009 to 2017, also did not adequately consider the position and possibilities of the banking sector in the context of sustainable development. According to the Action Plan, banks can finance certain projects in terms of sustainable development, such as activities related to protection against degradation and land use change, and only in the activities of building a market for long-term loans for the purchase of state and other land. It can be seen from the Action Plan that banks are enabled to implement indirect activities that will contribute to achieving the goals of sustainable development.

There are banks that operate in the Republic of Serbia, which through credit lines, finance renewable energy sources and energy efficiency. These banks include Banca Intesa, Erste Bank, ProCredit Bank, UniCredit Bank and Credit Agricole Bank, etc. In terms of the use of renewable energy sources in the Republic of Serbia, it is important to emphasize that significant efforts are being invested in implementing certain renewable energy sources. Financial support is mainly coming from foreign and European funds. In Table 2 a review of the most important activities of banks in the Republic of Serbia, which are aimed at achieving sustainable development goals, is given.



Table 2: An overview of green products and services of each individual bank in Serbia

| Banks operating in the Republic of Serbia | The level of implementation of the concept of green finance and banking in practice  |
|---|--|
| <b>ADDIKO BANK AD</b>                     | Donations to the RS Paralympic Committee; supports humanitarian projects, talent development, education, sports, culture; sponsorships (Atelje 212, Exit, Musicology sessions); Addiko EBank, Addiko Mobile, Addiko Chat Banking on Viber, Addiko mKredit, Addiko Business EBank Corporate, WEB SME E-banking Micro; Credit for farmers.   |
| <b>AIK BANK AD</b>                        | The overall benefit of the company is a benchmark when choosing the activities of the bank; E and M banking.   |
| <b>BANCA INTESA AD</b>                    | Implementation of the Ten Principles of the UN Global Compact, Code of Ethics, Human Rights Principles, Non-Financing of Arms Policy, Environmental Protection and Energy Efficiency Policy, Policy with Political Parties, Guidelines for the Prevention of Money Laundering and Terrorist Financing and Relations with Sanctioned Countries, Good Practice Sustainability of the parent group Intesa Sanpaolo; Awards - Special VIRTUS Award for Volunteering awarded by Trag Foundation, Award for Contribution to the Local Community awarded by the association Moja Srbija, Award of the Forum for Responsible Business and Smart Collective for the best corporate volunteering program in Serbia in 2015 for "Intesa od srca"; Employee care, e-banking. |
| <b>CREDIT AGRICOLE BANK AD</b>            | Asseco E-bank and Halcom Hal e-bank; Signatory of the UN Global Compact as a framework under which companies commit themselves to harmonizing their activities with the ten universal principles in the field of human rights, labour, environmental protection and anti-corruption, ISO 9001 quality system-Certificate, CSR activities-Villa Dobrila team for children from socially vulnerable groups, the Magic Breakfast project to collect food for children with disabilities).   |
| <b>ERSTE BANK AD</b>                      | Net and mBanking applications, mToken, Sale of apartments under construction-Green project financing, Youth current account, Cash loan for retirees; Program Step by step-development of social banking, Erste Energy Efficiency Loan from the EBRD line.  |
| <b>EUROBANK AD</b>                        | e-Banking; Medifree programs - allows users and members of their families to perform free check-ups with specialist doctors; Cash loans for retirees with life insurance included; Project financing - Merin Hill and Exing Home 65; Small business support programa.  |
| <b>HALKBANK AD</b>                        | "People first and foremost", "So many things unite us", E and M banking, Loans for energy savings, Loans for the purchase of new eco-vehicles, Subsidized loans in cooperation with the Ministry of Agriculture, Revolving Loans Fund from the EU line to subsidize entrepreneurship.  |
| <b>KOMERCIJALNA BANKA AD</b>              | E banking, KOM4PAY, Hal e Bank, Office iBank, KOMBANKBiz, mBank KOMBANKBiz; Loans for students, Loans for retirees; Loans from the COSME program for entrepreneurs and micro, small and medium enterprises in accordance with the Europe 2020 Strategy - Smart, Sustainable and inclusive growth; Loans from WB EDIF program-whose purpose is to provide support to micro clients, small and medium enterprises in the Western Balkans in order to develop and innovate; Investment loans in physical assets of agricultural holdings - IPARD incentives.  |

|   |   |
|---|---|
| <b>MTS BANK AD</b>                                  | Full application of digital banking, clients are in the centre of attention, strives for continuous offer of top quality, builds mutual trust and strong connection with users of their products and services, leading them through the world of modern banking; Corporate Governance Code-Employees, Transparency in Reporting, Suppression and Prevention of Corruption and Bribery.  |
| <b>NLB BANK AD</b>                                  | NLB loans for the purchase of new tractors; Mobile banking. Application of 4 pillars-Business responsibility (development of products that comply with social responsibility standards and transparent personalized communication with customers), Responsibility to employees (work in an inspiring environment with the possibility of continuous improvement), Responsibility towards the local community (School of Life, School of Business Skills, Awakening of Spring), Environmental Responsibility (NLB Organic Competition).  |
| <b>VOJVODANSKA BANKA AD and OTP BANKA SRBIJA AD</b> | Membership in numerous associations and non-governmental organizations, the purpose of which is to harmonize and improve business as well as promote sustainable development, Sustainable Development Reporting, UNICEF Friends Club, Cultural Heritage, Art Gallery, Corporate Volunteering, Sign Language), Diplomacy Commerce Special Award 2019, Corporate Volunteering Award 2017, VIRTUS Acknowledgment 2016, The Most Humane Environment 2015, Products for Registered Farms, Electronic Banking.  |
| <b>PROCREDIT BANK AD</b>                            | ISO 14001: 2015. Implementation of 3 pillars-Internal environmental management system (raising awareness among employees, cooperation with "green" suppliers, investing in better insulation, improving waste management, establishing the Energy Efficiency Service), Environmental and social risk management in lending (rejection of requests for credit of companies involved in environmentally risky activities); Green financing includes: Credit for energy efficiency, renewable energy sources and other environmental protection measures for companies, households). |
| <b>RAIFFEISEN BANK AD</b>                           | iCash credit - digital revolution in lending and opening accounts with video identification   |
| <b>UNICREDIT BANK SRBIJA AD</b>                     | Support for non-profit organizations, cultural creativity, sports activities, socially vulnerable groups; Consumer loans for energy efficiency. Application of Environmental Principles.  |
| <b>OPPORTUNITY BANK AD</b>                          | Sponsor of the Reforestation Action "Wherever you find a convenient place to plant a tree"; Social performance management; SMART certificate 2018; Dedicated current account for farmers; Development loans for investment funds; My own loan.  |
| <b>BANKA POŠTANSKA ŠTEDIONICA AD</b>                | Home b@nking and E-bank; Sponsorship of Ilustrofest.  |

*Source: Authors' review based on the data from the official websites of the observed banks, 2021*

It can be concluded that the "green" bank practice in the Republic of Serbia is at the very beginning of development. Most banks are familiar with this concept, understand its importance and show the desire to implement it. Their motives are not the product of the sincere desire to be responsible for social and living environment, nor part of their business philosophy. They approach it because it is what is expected of them, which will improve their image and reputation among customers in the market. In addition, clients themselves in the Republic of Serbia are not environmentally sufficiently aware, so when choosing a bank they prefer economic to environmental criteria. Regulations in the field of green finances in the Republic of Serbia are not at an enviable level. In some segments the Republic of Serbia lags

behind EU solutions on which it should rely and with which it should achieve harmonization. Most regulations are not binding in their nature but that is a matter of free choice of the bank's management body, which is in the domain of internal regulations. All this has led to the fact that banks implement only the basic level of "green" practices, with the exemption of individual banks.

## Conclusion

The importance of a strategic approach to corporate social responsibility and active investment in improving the social environment by banks is undeniably great. In this way, banks make their contribution to the development of the social community, environmental protection while meeting the needs of customers, but also encourage employee satisfaction and motivation, create a recognizable image and ensure the trust of stakeholders.

In the Republic of Serbia, the operations of banks and other economic entities are exposed to a large number of challenges and risks, so there is a need and necessity to implement socially responsible operations. To solve numerous problems, not only is the role of the state enough, but also the engagement of various economic subjects. One of them is the adoption of green banking practices, which can be characterized as a logical development trend within conservative banking, whose benefits for the environment and society in general are multiple and indisputable. By promoting green banking, banks gain a public favour, build a strong corporate image, save non-renewable resources, achieve lower emissions, develop environmental awareness among customers, achieve better market access, and improve overall customer service, while engaging in socially responsible and environmental friendly projects.

The idea of green banking refers to the commitment of banks and other financial institutions, so that all loans and other financial services and products must be in accordance with the "green" philosophy. It is concluded that it is not enough for a bank just to save on paper, treat its employees well or introduce E-banking in order to declare itself as a bank that operates in an environmentally and socially sustainable manner. Much more needs to be done, and this is precisely the reason why a small percentage of banks are in a global context said to be truly "green". The application of the concept of green banking in the Republic of Serbia is still in the beginning. In order for it to come to life, not only goal-oriented activity of banks is needed, but also great support from the state for the purpose of its efficient implementation.

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