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**KARMALITO Aleksei Alekseevich**

# **MECHANISMS FOR IMPLEMENTING SOCIALLY ORIENTED BANKING IN RUSSIA**

Specialty 5.2.4. – “Finance”

**ABSTRACT**  
dissertation for the degree  
of candidate of economic sciences

PhD Supervisor:  
Doctor of economics, Professor  
Kalenjian Sergey Oganovich

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**Relevance of the research.**

In modern conditions, banks perform the most important functions of social development of the state, as a result of which the society places demands on them as socially oriented institutions. The modern socio-economic policy of Russia corresponds to the National Development Goals of the Russian Federation adopted in 2024, which align with the sustainable development goals and objectives set in the Resolution adopted by the UN General Assembly on 25 September 2015, aimed at increasing welfare and employment, combating poverty, raising the educational level, improving health, and improving the institutional conditions for economic development. In this regard, banking activities in Russia must comply with the stated goals of sustainable development, which requires the use of socially oriented mechanisms to ensure the management of sustainable development of banks.

Despite the fact that the number of Russian banks that have included socially-oriented practices in their activities is gradually growing, they represent only a part of the entire set of Russian financial institutions, and therefore the need to find optimal mechanisms for the widespread introduction of socially-oriented banking into the Russian banking system remains relevant.

At the same time, the changes in the geopolitical situation after February 2022 have induced a contraction of the socially oriented agenda in the activities of Russian banks. The introduction of sanctions against the largest Russian banks, the closure of access to international financial markets, the departure of foreign banks and investors from Russia have affected the change in the outlook of many banks in relation to the development of socially oriented activities. A number of concessions made to businesses by the Russian Government in terms of restrictions on the publication of financial statements also contributed to a reduction in the participation of banks in observing socially oriented principles in their activities.

It is necessary to take into account that Russia has accumulated a substantial amount of experience in the development of socially responsible banking, which creates opportunities for a critical review of its concept, taking into account the challenges that have arisen for the country. This forms the basis for developing a sovereign model of socially oriented banking, capable of providing Russian banks with a stable position in the current economic conditions. In this regard, the relevance of studying the mechanisms for implementing socially oriented banking as a necessary condition for the development of Russian banking activities in modern conditions increases.

**The degree of the scientific coverage of the topic.**

The issues of development of socially-oriented banking have a significant methodological basis for research. The fundamental provisions for the formation of the concept of socially-oriented banking were formed by such foreign scientists as

De Clerck F., Kramer M., Laraña C., Retolaza J.L., Porter M., San-Jose L., Havel A.M. Visser W. and others.

Various conceptual approaches to socially oriented banking have been reviewed by Russian researchers, including: Aleksandrov A.V., Blagov Yu.E., Vashchekina I.V., Wittenberg E.Ya., Kumychev A.M., Ravcheeva O.V., Semeko G.V., Ternovskaya E.P. and others. The works of Benedikter R., Weber O., Bidhan P., Jackson R.D., Kirsten M., Reifner U., Ford J., Freeman R.E., Yunus M. and others are devoted to the study of the transformation of banking activities under the influence of ESG principles.

The formation of the model of socially oriented banking is examined in the works of Bykanova N.I., Bondarenko E.V., Lavrushin O.I., Kuvaeva Yu.V., Mikronov A.V., Serebrennikova A.I., Tepkeeva T.S., Chichulenkov D.A., Shevchenko I.O.

The works of Vetrova M.A., Varlamova M.P., Gerasimov A.I., Kovalev D.M., Nikonorov S.M., Papenov K.V., Smirnov V.D., Talavrinov V.A. are devoted to the features of the application of ESG principles in the Russian banking system in the context of modern challenges.

At the same time, the need to transform the model of socially oriented banking under the influence of changes taking place in the country determines the need for a more in-depth study of the mechanisms that determine its structure and functioning, which served as the basis for choosing this research topic, determined its purpose and research objectives.

#### **Area of the dissertation research.**

The content of the dissertation research relates to item 4. «Banks and banking activities. Banking system» and item 5. «Banking regulation. Banking supervision system and its elements» of the scientific specialty 5.2.4. «Finance».

**The object of the research** are the mechanisms of socially oriented banking.

**The subject of the research** are the financial and economic relations that ensure the implementation and development of mechanisms of socially oriented banking in Russia.

**The purpose of the dissertation research** consists in identifying the features of the development of socially oriented banking mechanisms in the Russian banking system as indicators of increasing the socio-economic efficiency of banking activities in modern conditions. To achieve this goal, the following research tasks are set in the work:

1. To define the features of socially-oriented banking mechanisms and to structure them based on a functional approach.

2. To substantiate the criteria for classifying a bank as being socially oriented and to systematize the financial instruments included in socially oriented banking mechanisms.

3. To build a model for assessing the significance of macroeconomic factors in the activities of banks in order to identify risk zones for integrating socially oriented mechanisms into a bank's risk management system.

4. To develop and test the methods for assessing the socio-economic efficiency of a bank using socially oriented banking mechanisms.

**Theoretical and methodological bases of the research** are based on the developments of Russian and foreign researchers in the field of socially oriented banking. In proving and substantiating the author's conclusions, fundamental provisions and conceptual approaches to the formation of a model of socially oriented banking were used, which made it possible to identify problems in its formation and development in Russia and propose ways to overcome them.

In the course of the study, a systems approach, methods of content analysis, a method of comparative assessments, structural and factor analysis, statistical methods, including correlation-regression analysis and the least squares method were used.

**The information base of the research** included official data from the Bank of Russia, statistical data from Rosstat, materials from the UN on sustainable development and the environmental finance initiative, materials from the study of the Russian Union of Entrepreneurs and Industrialists, a study by Deloitte & Touche CIS, rankings and ratings from the RAEX agency, and reports on the socially oriented activities of Russian banks: Sber, VTB, Gazprombank, Rosselkhozbank.

**The scientific novelty of the research** consists in developing a scientifically based methodic approach and practical recommendations for the use of socially oriented banking mechanisms in Russian banks, integrating them into the risk management system, and assessing the socio-economic efficiency of a bank's activities.

Scientific results obtained by the author personally:

1. The features of socially oriented banking mechanisms in Russia are determined as a set of tools and methods for implementing banking activities aimed at ensuring the participation of banks in the country's socio-economic development in accordance with the national sustainable development goals and revealing the opportunities of combining commercial activities and providing socially oriented services, which requires banks to mobilize resources to ensure balanced economic,

social and environmental development along with meeting the real needs of recipients of banking services.

The mechanisms of socially oriented banking are identified and structured based on functional criterion parameters that determine the place and role of each mechanism in the process of banking activities focused on long-term development, including: organizational mechanisms (optimization of bank management, ensuring transparency); financial mechanisms (attracting resources, investment mechanism); social-value mechanisms (interaction with clients, interaction with territories of presence) (item 4 of the Passport of scientific specialty 5.2.4).

2. The criteria for classifying a bank as socially oriented are substantiated, including: the share of income from socially oriented services in the total operating income of the bank; the number of responsible financing and investment instruments that ensure the bank achieves a long-term positive social effect; the level of development of the risk assessment system that complies with the principles of sustainable development; indicators of the bank's social responsibility (transparency, corporate governance standards, commitment to long-term development, the level of interaction with clients, investors and shareholders).

The characteristics of socially oriented banking instruments are determined, which formed the basis for their systematization into three main groups: socially oriented loans; debt financing in the form of issuing green, social and adaptation bonds; socially oriented instruments for attracting depositors' funds, where the social effects obtained from the use of these instruments act as a criterion feature of systematization (item 4 of the Passport of the scientific specialty 5.2.4).

3. A model has been developed for assessing the significance of macroeconomic indicators (the Central Bank's key rate, inflation, GDP, and the exchange rate) for banking activities and their impact on banks' equity capital using the least squares method. The model has shown a high degree of sensitivity between GDP, the exchange rate, and the volume of banks' equity capital. External risks that affect banking activities in the context of modern economic challenges have been identified. The model has identified the most significant risk zones for banks, which are formed under the influence of the most significant factors (GDP, exchange rate) as identified by the author. A mechanism has been developed for integrating socially oriented banking tools into the risk management system. The mechanism ensures increased financial stability of the bank, mitigation or overcoming of the negative effects of the crisis, and increased resilience in the face of sanctions pressure. The following tools are included in the structure of the integration mechanism: conservative liquidity management methods; borrower assessment methods based on socially oriented criteria; diversification of funding sources; limitation of speculative transactions; rejection of excessive risks. risk insurance (item 4 of the Passport of scientific specialty 5.2.4).

4. A methodology for assessing the socio-economic efficiency of a bank using socially oriented banking mechanisms has been developed and tested, based on the qualimetric measurement of the results of interaction between the bank and participants in socially oriented relations (government agencies, borrowers, depositors, investors, shareholders). Unlike existing methods for assessing social efficiency, the proposed methodology provides for a cost estimate of the indicators identified in the study, the selection of which was made by the author based on the indication of the results of applying the mechanisms of socially oriented activities of the bank. The proposed methodology has been tested based on the data of reports on achieving sustainable development of Sber, VTB, Gazprombank and Rosselkhozbank, as a result of which the level of socio-economic efficiency of their activities was determined, corresponding to the official ratings of socially-oriented banks established in Russia, which confirmed the accuracy of the indicators proposed in the methodology (items 4 and 5 of the Passport of the scientific specialty 5.2.4).

**The validity and reliability of the obtained results** are ensured by the use of fundamental provisions of the theory of finance and banking, works of domestic and foreign scientists in the field of socially-oriented banking. The conclusions of the dissertation are based on methodological provisions and regulatory and legislative documents in the field of banking and the ESG concept, confirmed by current statistical and expert data, substantiated by the use of modern scientific and methodological approaches and generally recognized tools of scientific research.

**The theoretical significance of the dissertation research** is determined by the fact that the key provisions of the dissertation complement and expand the established scientific ideas about socially oriented banking. The methodological provisions put forward in the dissertation clarify the essence and structure of socially-oriented banking by expanding the composition of its key criteria and mechanisms.

Based on the analysis of the conceptual approaches to the definition of socially oriented banking considered in the work, its basic principles and mechanisms are identified, which form the basis of the author's definition of socially oriented banking, which made it possible to present it as a socially oriented business model of banking. This can complement the theoretical and methodological basis for further research in the field of development of socially-oriented banking in Russia.

**The practical significance of the research** lies in the fact that the key findings of the dissertation can be implemented in the process of improving banking activities in terms of introducing the principles of socially oriented banking. The methodic approach to identifying risk zones in the activities of Russian banks, substantiated by the author, which allows for the application of socially oriented banking mechanisms in the risk management of banking activities, can form a practical basis for banks to develop measures to minimize risks in their activities.

The methods for assessing the socio-economic efficiency of a bank using socially oriented mechanisms developed in the dissertation can be used in the formation of a sustainable development strategy for a bank based on a system of interconnections reflecting the interaction of all participants in the relationship with a focus on the final social result, and can also be used by regulatory authorities and rating agencies when assessing the socially oriented activities of banks.

### **Testing of the research results.**

The results of the dissertation research were presented and discussed in reports at the following scientific and practical conferences: VI International Scientific and Practical Conference «Modern Directions of Development of Management, Economics and Education» (Penza, 2022); VII International Scientific and Practical Conference «Modern Strategies and Digital Transformations of Sustainable Development of Society, Education and Science» (Moscow, 2023); II National Scientific and Practical Conference «Finsider: 2023. Financial Market - New Facets of the Possible» (St. Petersburg, 2023); LXIII Conference «Topical Issues of Economic Sciences and Modern Management» (Novosibirsk, 2023); VI International Scientific and Practical Conference «Finance and the Real Sector of the Economy» (Penza, 2024).

**Publications.** 10 scientific papers have been published on the topic of the dissertation, 5 of which in journals from the list of the Higher Attestation Commission (HAC) under the Ministry of Science and Higher Education of the Russian Federation:

1. Karmalito A.A. A new model of socially-oriented banking in the conditions of modern reality. The Eurasian Scientific Journal. 2023; 15(1): 45ECVN123. Available at: <https://esj.today/PDF/45ECVN123.pdf> (Also included in the list of publications approved by the Academic Council of the Academy).
2. Karmalito A.A. ESG banking: changing priorities in Russia // Gosudarstvennaya sluzhba. 2023. No. 3. Pp. 38-45 DOI: 10.22394/2070-8378-2023-25-3-38-45 (Also included in the list of publications approved by the Academic Council of the Academy).
3. Karmalito A.A. Mechanisms for integrating socially-oriented banking into a bank's risk management system // Scientific Review. Series 1: Economics and Law. 2024. No. 4. Pp. 17-24. (Also included in the list of publications approved by the Academic Council of the Academy).
4. Blokhina T.K., Karmalito A.A. Financial products for individual investors created on the basis of financial engineering // Savings business abroad. 2022. No. 2. Pp. 42 – 47. DOI: 10.36992/2782-5949\_2022\_2\_42.
5. Karmalito, A. A. (2023). Peculiarities of the development of socially-oriented banking in Russia in modern conditions. Creative Economy, 17(3), 1013-1028. <https://doi.org/10.18334/ce.17.3.117428>

**The structure of the research** is determined by the purpose and objectives of the study and consists of an introduction, three chapters, a conclusion, a list of references of 173 titles, has a total volume of 191 pages, 29 tables and 14 figures.