

# *Experience and Enlightenment of Commercial Banks' Performance of Social Responsibilities*

Ke Liu\*

*Jiangxi Branch of Construction Bank, Nanchang, Jiangxi, China*

*\*Corresponding author*

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**Abstract:** Although the domestic commercial banks have greatly improved their social responsibility performance compared with the previous initial stage of development, they are still facing the defects of imperfect relevant laws and regulations and lack of unified evaluation standard for social responsibility performance. This paper first compares the current situation of domestic commercial banks' social responsibilities performance by referring to the excellent experience of overseas banks, and then analyzes the performance of China Construction Bank, Industrial Bank and Jiangxi Bank in fulfilling their social responsibilities based on the case study of overseas Citigroup, Mizuho and HSBC, and finally puts forward some suggestions on the commercial banks social responsibilities performance.

## **1. Experience of Overseas Commercial Banks in Fulfilling Their Social Responsibilities**

In overseas countries, corporate social responsibility (CSR) has been developed for three centuries. Commercial banks actively promote the social responsibility management mechanism of the industry in standardizing and effectively fulfilling social responsibilities, which not only promotes the development of social welfare undertakings, but also regulates and standardizes the business activities of the industry.

### **1.1. Citibank**

As one of the world's largest commercial banks, Citibank is also the initiator and executor of the "Equator Principles", and has always been an industry leader in the concept and approach to deal with social responsibility issues. In order to maintain the ability of sustainable development, the Group has set up a special social responsibility management body within the Group to disclose the social responsibility report separately from the financial report of the enterprise, so as to make the report more detailed and specific and the reporting subject more professional.

The report on social responsibility released by Citigroup indicates the specific measures taken by Citigroup to fulfill its social responsibility. Citigroup considers the project-related interests from the perspectives of investors, employees, customers, communities, regulators and so on to balance the interests. In 2018, the overall satisfaction of employees in Citi China reached 91.1%, reflecting Citi's

continuous progress in building a world-class team, a moral culture index of 95.2% showed that employees' moral standards were very high, and the management effectiveness and diversity index were both 91.3%. All of these are the best proofs of Citi's efforts in attaching importance to ethical standards, responsible finance, leadership development and diversified corporate culture.

## 1.2. Mizuho Bank

The year after Mizuho Bank joined the Equator Principles, Mizuho Bank specially formulated the *Handbook for Implementing the Equator Principles* to guide its global operations. To make the Equator Principles more suitable for the actual situation in the region, Mizuho Bank has selected 38 industries that have more contact with the Bank in project financing and are related to the Equator Principles, and organized a number of experts in the financial and environmental fields to set up a Sustainable Development Office inside the bank to make the sustainable development run through the whole business of the bank, making the Office a permanent department of the bank. [1]At the same time, the Sustainable Development Office defines the environmental responsibilities of various departments within the bank, regularly supervises and verifies the performance of the responsibilities of various departments, and publishes the environmental report of the bank to the public in a quarterly manner. [2]

Committed to rooting the concept of social responsibility in the construction of corporate culture, Mizuho Bank believes that wealth and social responsibility are inseparable, and undertaking social responsibility is also an important driving force for enterprises to create new value and develop. At the Fortune Forum, Toyoki Oka, the chairman of Mizuho Bank, suggested that enterprises should actively participate in social activities as "corporate citizens", not only providing continuous financial services to customers, but also paying attention to the business training of staff and developing corporate culture, paying attention to social welfare, participating in volunteer activities, including support for disasters and earthquakes, and sometimes international cooperation. Only when it is implemented from all aspects can a large enterprise fulfill its social responsibility and promote the common development and progress of the bank and the society.

## 1.3. HSBC

HSBC has a Social Responsibility Committee under its Board of Directors, which was renamed the Sustainable Development Committee and is composed mainly of non-executive directors and experts in the fields of environment, society and science. Over the years, HSBC has been committed to promoting environmental protection around the world and is actively involved in social affairs[3]. In October, 2005, it became the first large commercial bank in the world to achieve carbon neutrality, setting up a positive image and putting more resources into social responsibility activities. Besides, HSBC has also set up corresponding sustainable development departments in headquarters, countries and regions, which is a three-dimensional working mode that has helped HSBC achieve far better social responsibility than other commercial banks. Furthermore, it has been honored as the world's best bank for many years.

As the first international commercial bank to enter the Chinese market, HSBC has the largest network of foreign-funded rural banks in the country. It continues to take root in the county-level financial markets and provides innovative and effective financial services to customers and small and micro-sized enterprises in the rural areas to help them achieve sustainable operation. In the 30 years from 1990 to the present, the total amount of financial aid provided by HSBC to China has exceeded 1 billion yuan, and a total of about 300 public welfare programs have been launched, which have helped nearly 10 million people in 32 provinces, cities and autonomous regions, and widely supported precision poverty alleviation, involving various public welfare fields such as pension services,

protection of children in distress, community development, protection of the ecological environment, and public financial education.

## 2. Experience of Domestic Commercial Banks in Fulfilling their Social Responsibilities

Although domestic commercial banks started their awareness of social responsibility later than foreign commercial banks, their development speed is very rapid. [4] Ever since Shanghai Pudong Bank took the lead in issuing the social responsibility report in China in 2006, other domestic banks have joined in the wave of social responsibility activities. The *Declaration on the Implementation of Social Responsibility of National Joint-stock Commercial Banks* signed by 12 national joint-stock commercial banks in 2008 marks the consensus reached by commercial banks in China in terms of social responsibility. By the end of 2020, more than 25 commercial banks in China have set up relevant departments to take charge of social responsibility.

### 2.1. China Construction Bank

China Construction Bank (CCB) has full executive power in fulfilling its social responsibility. As early as 2007, it issued a bank social responsibility report, becoming the first state-owned commercial bank in China to issue a social responsibility report. It has always been aiming at building itself into a world-class banking group with the most value and creativity, and seeks to create greater value for [5] shareholders and assume corporate citizenship responsibilities to make its own contribution to society. Moreover, in order to ensure the realization of CSR, the Social and Related Party Transactions Committee was set up under the board of directors that held 9 meetings in 2020 to improve the related party transaction management system, optimize the new generation related party transaction management system, strengthen the application of related party transaction audit results, and promote the continuous improvement of the Group's related party transaction management level.

According to the financial report of CCB in 2020, CCB has been committed to infrastructure construction for a long time. It actively responded to relevant national policies, launched innovative products such as loans for services to “agriculture, rural areas and farmers”, loans for urbanization, loans under the PPP model series and loans for government purchase services, and increased support for regional infrastructure and public services. In 2020, the balance of loans in infrastructure industry of CCB was 4.33 trillion yuan, an increase of 650.435 billion yuan or 17.66% over the previous year, and the balance of loans for private enterprises was 2.89 trillion yuan, an increase of 624.200 billion yuan or 27.60% over the previous year. In addition, it has established cooperative relations with 28 provincial governments, helping 13 provinces and 10 municipal governments to implement the “Internet+ Government Service” platform and the “Internet+ Supervision” platform.[6]

### 2.2. Industrial Bank

Industrial Bank was the first commercial bank in China to announce its acceptance of the Equator Principles, making it the 63rd bank in the world to accept the Principles. By the end of 2021, the loan balance of the Fujian branch of Industrial Bank was 470.9 billion yuan, up 14.69% from the beginning of the year. At the same time, more than 400 billion yuan was invested into the province through diversified financing channels such as bond underwriting, financial leasing and trust. It has made a contribution to China's realization of the goal of the *Paris Agreement* by carrying out “green loans”, holding energy-saving and emission-reduction projects and helping the development of small and medium-sized enterprises.

## 2.3. Jiangxi Bank

According to the actual progress of social responsibility related work of Jiangxi Bank, the Bank has a relatively perfect social responsibility management system, in which the Head Office is responsible for guiding the social responsibility work of the Bank, the functional departments of the Head Office are responsible for the lead coordination, and other functional departments have clear responsibilities and clear work division. All branches' social responsibility management levels and structures are implemented according to the deployment requirements of the Head Office. Besides, they pay attention to maintaining the relationship of stakeholders and actively promote the participation and cooperation of all parties based on the analysis of market environment.

Since its establishment, Jiangxi Bank has taken on the responsibility of promoting the steady growth of national and local fiscal revenue in order to promote economic development. Faced with the changing market situation, it closely follows the regional development strategies of the country and regions, such as "the belt and road initiative", Yangtze River Economic Belt, Ganjiang New District and other projects, and actively meets the credit requirements in key areas and weak links such as transformation and upgrading, infrastructure and livelihood projects. In Nanchang, 40 major projects have settled in Jiangxi Bank, and the bank-enterprise relationship has been established with it, which shows that the bank fully supports the industrial development, urban construction, social undertakings, livelihood and other related projects. Meanwhile, it also continued to support major projects such as municipal administration, railways, water conservancy and rail transit, key industries such as electronics, biology and information, and a number of key enterprises in the whole province and all cities, with a credit of about 6 billion yuan. For the renovation of shanty towns, Jiangxi province has opened 35 capital accounts, of which 80% are the agencies of the capital account for the renovation of shanty towns in Nanchang city, with 11.377 billion yuan of funds contracted and distributed by the agencies.

## 3. Conclusions

The above experience of domestic and foreign commercial banks shows that the current commercial banks generally actively fulfill their social responsibilities, have the awareness of assuming social responsibilities and have the concept of sustainable development. At present, due to the fierce competition among commercial banks, actively taking social responsibility can first make commercial banks play a better role in building their own brands, win the trust of the people, and at the same time, they can think of every stakeholder and safeguard the interests of shareholders, so as to continuously improve their competitiveness and make them achieve the goal of sustainable development.

### 3.1. Paying Attention to the Long-term Benefits of Enterprises

China's commercial banks basically have a high proportion of social capital, so banks should not only stay in the performance of economic responsibilities. At present, the media and even the bank management agencies' evaluation of the major commercial banks mostly focuses on the evaluation of the current economic benefits. In such an environment, commercial banks will choose the latter between their responsibilities and interests. The research shows that the relationship between long-term and short-term costs and benefits of commercial banks should be balanced, and long-term planning and coping strategies should be made. In the short term, banks should manage their operating costs, pay attention to capital flows, and monitor capital market reactions and similar bank behaviors. In the long run, banks should seize the background of the times to keep up with the development trend of the country, actively assume social responsibilities and establish a good corporate social

image, which is more conducive to their long-term development.

### 3.2. Strengthening the Construction of Supporting Policies

Banks will inevitably develop green finance in order to fulfill their social responsibilities. According to the research mentioned above and combined with the current situation, the first thing that needs to be improved is the bank credit system, especially the “green credit” management regulations. By strengthening the relevant supporting laws and policies, the obstacles on the road of green finance development can be reduced, and the standardization and standardization of green finance business can be promoted, so that internal and external banking supervision can be carried out from the source together, and a good start can be made for commercial banks to fulfill their social responsibilities.

### 3.3. Forming a Multi-Channel Supervision Mode

It is beneficial to realize the self-supervision of enterprises to implant CSR into corporate culture. In addition, banking associations, including government departments such as the CBRC and the People's Bank of China in addition to banking association in China, should play the role of peer supervision and help commercial banks fulfill their social responsibilities together with laws and regulations. In the future, new channels can be expanded, the propaganda efforts can be strengthened, the power of news media can be mobilized, and the masses can be encouraged to participate together, so as to form an all-round joint supervision mode of enterprises, society and government, which can make up for the deficiency of a single supervision mode to the maximum extent and effectively improve the responsibility of enterprises in fulfilling their social responsibilities.

### 3.4. Improving the Social Responsibility Reporting System

Faced with the commercial banks’ selective disclosure of social responsibility reports, in order to realize the overall standardization of their social performance, they are required to unify the disclosure contents of the reports, i.e. to publish them on the same platform and at a fixed time period, so as to better accept the supervision of all sectors of the society, better understand the actual performance of the banks, improve their awareness of self-performance, and help form a situation of mutual reference and learning among peers.

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