

RECOMMENDATIONS FOR IMPLEMENTING SOCIAL RESPONSIBILITY AT VIETNAMESE COMMERCIAL BANKS

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Abstract: *Through providing credit to businesses and people, the banking industry has created positive changes for society, which has a great impact on the sustainable development of production and business activities. Therefore, when banks not only pursue economic goals, but also pay attention to social and environmental issues, the impact of the banking industry on the economy and society will be more comprehensive and humane. The article presents the current status of social responsibility (CSR) of commercial banks in Vietnam, thereby recommending some solutions for commercial banks and State management agencies in implementing the social responsibility.*

• Keywords: CSR, commercial banks, Vietnam.

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1. Overview of social responsibility

Corporate social responsibility (CSR) was studied around the 1930s (Berle and Means, 1932). Later, Bowen (1953) mentioned the concept of CSR in the work "Social responsibility of entrepreneurs" with the idea that businesses creating products for society need to meet 4 factors: (i) Improving people's living standards, (ii) creating motivation for economic development, (iii) ensuring fairness, freedom and (iv) comprehensive development of each individual's personality. By the 1970s, CSR studies became more popular, notably the research of Harold Johnon (1971), who laid the foundation for the birth of the Stakeholder Theory. Carroll's (1979) research built a CSR pyramid model in order of 4 types of responsibilities that are not mutually exclusive, including economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility. However, Wood (1991) disagreed with Carroll's CSR pyramid model and argued that the ethical responsibility of managers must be put first, and organizations must comply with the ethical and legal standards of society.

Thus, CSR is understood as the commitment of enterprises to contribute to sustainable economic development through activities that benefit the enterprise as well as the overall development of the whole society. However, in reality, some opinions hold that enterprises do not need to have any responsibility towards society but only to shareholders and employees. Enterprises have paid taxes to the government, so the government must be responsible to society.

In recent years, the issue of CSR has received more attention in organizations, especially credit institutions. Banks are also considered a special enterprise, the difference compared to other enterprises is that banks have financial operations such as capital mobilization, lending, issuing valuable papers... Regarding the environment, banks consider themselves to be more environmentally friendly than other industries and professions because banks do not discharge toxic chemicals or spread bacteria into the environment (Tran Thi Hoang Yen, 2014). However, the bank itself must be responsible for the impact of its lending and investment decisions on businesses through credit granting operations. Therefore, within the framework of this study, based on the stakeholder theory perspective, inheriting the concept of ISO (2010), the bank's CSR is understood as the responsibility of commercial banks for the activities and impacts of commercial bank decisions on the environment, employees and society through transparency and ethical behavior to contribute to sustainable development, taking into account the wishes of stakeholders, in accordance with the law, consistent with international standards of conduct and integrated into all activities as well as implementation in the bank's relationships (Bowman et al., 1975).

2. Social responsibility in commercial banks in Vietnam

Recently, many Government policies have been implemented by the State Bank of Vietnam (SBV)

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with the aim of promoting sustainable economic growth, especially focusing on promoting the green economy such as:

Decision No. 432/QĐ-TTg dated April 12, 2012 of the Prime Minister approving the Vietnam Sustainable Development Strategy for the period 2011 - 2020; Decision No. 1552/QĐ-NHNN dated August 6, 2015 of the Governor of SBV promulgating the action plan of the banking sector to implement the national strategy on green growth until 2020; Decision No. 1658/QĐ-TTg dated October 1, 2021 of the Prime Minister approved the National Strategy on Green Growth for the period 2021 - 2030, with a vision to 2050. The Governor of the State Bank of Vietnam issued Circular No. 17/2022/TT-NHNN dated December 23, 2022 guiding the management of environmental and social risks in credit granting activities. The monetary policies of the State Bank of Vietnam in recent times have aimed to encourage investment participation in environmentally sustainable fields from financial institutions, foreign-invested enterprises and domestic enterprises, in order to reduce carbon emissions and protect the natural environment. Green banking and green credit activities are currently very important for the effective implementation of Vietnam's sustainable development strategy. At the 2021 United Nations Climate Change Conference (COP26), Prime Minister Pham Minh Chinh pledged that Vietnam would achieve Net Zero - net emissions of "0" by 2050. At the Net Zero Conference held in Hanoi on June 27, 2023, with the participation of more than 137 countries, including the United States, China, India... These countries have committed or are working towards the "Net Zero" target and account for 88% of total global emissions. Each country has set its own timeline to achieve this target, with the latest being 2035 and 2070 in some exceptional cases. Vietnam has pledged to achieve Net Zero by 2050.

In fact, the interest of bank managers in implementing CSR activities and announcing/disclosing information about CSR to the outside is higher than in other sectors. In particular, in state-owned banks such as Vietnam Joint Stock Commercial Bank for Investment and Development, Vietnam Joint Stock Commercial Bank for Industry and Trade, Vietnam Joint Stock Commercial Bank for Foreign Trade and Vietnam Bank for Agriculture and Rural Development, the average CSR score in the period 2010 - 2024 is 92.00; 86.79; 84.54 and 80.39, respectively. The interest of state-owned commercial banks in implementing CSR is higher than that of joint-stock commercial banks, which is consistent with the State's goal for the system of

state-owned commercial banks to implement the orientations and policies of the State Bank, not just the goal of making profits.

However, there are two major obstacles to implementing CSR in banks. First, the obstacle is the economic aspect. Many banks think that CSR is the use of corporate resources. In addition, banks have not made much effort in determining the budget to carry out CSR. In addition, the lack of legal regulations on CSR is also an obstacle for Vietnamese commercial banks in enhancing CSR implementation.

3. Policy recommendations on CSR in Vietnamese commercial banks

For commercial banks

Bank managers need to pay attention to CSR implementation activities because it brings immediate positive impacts on operational efficiency. The more banks invest in CSR, the more they increase their asset size, increase their mobilization and lending sources, thereby increasing operational efficiency. In addition, commercial banks in Vietnam need to pay more attention to employee responsibility, which may initially be an investment and not bring immediate results; however, in the long term, it will contribute to sustainable results in the future. Finally, bank managers need to maintain this activity, especially initiatives related to products, services, and technologies to limit waste and pollution to the environment such as green banking, green credit, and developing green products and services to aim for sustainable development goals; abandon the mindset that investing in CSR activities only increases costs and reduces operational efficiency.

There needs to be a change in perception of CSR practices not only for the benefit of the community but also for the benefit of corporations and economic organizations themselves. The results of the experiments have shown that effective CSR implementation not only helps corporations and economic organizations reach more customers, but also helps increase brand value, and ultimately increase business profits. This approach will create motivation for allocating funds specifically for CSR activities, considering it as an investment in the brand.

The perspective of CSR practices needs to be upgraded not only to stop at implementing relief programs, natural disaster mitigation and health, but also to pay attention to contributing to environmental protection, in order to build long-term sustainability. In fact, it has been proven that

the score of the “community activities” indicator is higher than that of “contribution to environmental protection” in Vietnam. However, the message of protecting the living environment also brings positive effects no less than volunteer activities. Therefore, actively participating in environmental protection activities will positively affect financial performance through increasing brand value.

Protecting and respecting the living environment can be considered an investment. This is not only to comply with environmental laws but also to build a positive image of commercial banks with stakeholders. To do this, the CSR implementation department needs to be professionally trained and coached.

Long-term CSR implementation requires a strategy, careful calculation to implement regularly and focus on building the position of commercial banks. Indeed, implementing CSR in the full and practical sense is not a problem that most commercial banks are able to solve immediately, due to limited resources, such as finance, technology and human resources. In reality, it seems that commercial banks often only implement CSR when unexpected events occur, such as natural disasters, then the bank’s trade union organization still conducts money donations and voluntary work. Along with the change in thinking about CSR, there needs to be an adjustment in the implementation method to improve the CSR strategy in a professional direction.

Currently, commercial banks’ reports have presented actions to serve the community, however, they have not been presented in a complete and detailed manner. The main reason is that banks have not paid much attention to social information, and have not mentioned social information in financial reports due to the lack of mandatory regulations. Therefore, commercial banks in their year-end reports should not only pay attention to each financial indicator but also focus on the transparency of information related to CSR practices.

For the state

Continue to supplement and complete the legal framework with the current legal The State needs to supplement and complete the legal framework with the current legal framework in Vietnam as a basis for promoting CSR implementation. This supplement needs to be viewed from two different aspects: using tax rates and reporting mechanisms. With the current corporate income tax policy, it is necessary to supplement and affirm that CSR activities are aimed at deducting expenses for income tax calculation; specifically, expenses supporting environmental activities for the community. Regular and periodic

environmental activities are the catalyst to help raise social awareness of sustainability. However, the above incentive policy of the State also guides commercial banks to focus on implementing activities that benefit the community on an environmental basis. The development of a set of CSR indexes aimed at improving the capacity to assess CSR implementation in the commercial banking system in particular and enterprises in general is conducted by the management agency. From there, commercial banks themselves can know their ranking scores and have appropriate behaviors for CSR activities. The lack of reporting information on CSR also reduces the feasibility of assessing the standard of CSR implementation in commercial banks by management agencies and researchers.

To raise awareness of CSR, it is necessary to encourage propaganda for the commercial banking system and enterprises. Financial mechanisms and sanctions can make CSR passively accessible to commercial banks, while awareness from the subject will help implement CSR actively. Management agencies can organize seminars or direct dialogues to disseminate knowledge about CSR to organizations. In fact, large commercial banks have regularly implemented CSR and they have experience to share lessons on CSR application. From there, management agencies and large commercial banks can assess the overall situation of CSR application in the commercial banking system and come up with appropriate plans to support small commercial banks in implementing CSR. Applying CSR not only benefits commercial banks but also contributes to social security and improving living conditions; At the same time, combining business activities with sustainable activities will help create a positive business environment from the perspective of state management.

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