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## VALUE-BASED BANKING AS A FACTOR OF SUSTAINABLE DEVELOPMENT

*The banking sector is one of the drivers of economic development and is closely related to the functioning of society, the demands of which change according to its evolution. In the era of public demand for guidelines regarding the conscious conduct of business and life, the question of introducing values into banking is acute. Its transformation in the direction of introducing a personal approach and ethical principles while working with clients is being observed; awareness that the formation of close relationships is possible only on the basis of socially significant values and assessment of their impact on the environment, communities and space. That is why the implementation of a value-based approach to banking is an important and relevant topic. During the research, a hypothesis was put forward regarding the need to introduce value-based banking as one of the key drivers of sustainable economic development. A traditional set of methods for researching economic processes is used: analysis, comparison, and logical generalization.*

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## ЦІННІСНО ОРІЄНТОВАНИЙ БАНКІНГ ЯК ЧИННИК СТАЛОГО РОЗВИТКУ

*Банківська сфера є одним із драйверів розвитку економіки та тісно пов'язана з функціонуванням суспільства, запиту якого змінюються відповідно до його еволюції. В епоху суспільного запиту на орієнтири стосовно свідомого ведення бізнесу та життєдіяльності гостро постає питання щодо впровадження цінностей у банківську справу. Спостерігається її трансформація в напрямі запровадження особистісного підходу та етичних принципів під час роботи з клієнтами; усвідомлення того, що формування тісних взаємин можливе лише на засадах суспільно значущих цінностей та оцінки їх впливу на навколишнє середовище, громади й простір. Саме тому імплементація ціннісно орієнтованого підходу у банківську діяльність є важливою й актуальною темою. Під час дослідження висунуто гіпотезу щодо необхідності запровадження ціннісно орієнтованого банкінгу як одного з ключових драйверів сталого розвитку економіки. Використано традиційний комплекс методів дослідження*



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*The essence and basic norms of the functioning of value-based banking are revealed, the author's vision is formulated. The work principles of value-based banks, defined by the Global Alliance for Banking on Values, the principles of the concept of sustainable development, the practical aspects of the implementation of value-based banking based on target, ethical characteristics in the work of individual banking institutions were studied, and on their basis, the own principles of value-based banking were formulated. The main international and domestic aspects of the functioning of banks that introduce elements of value-based banking are analyzed. It was determined that in fact all the leading banks in the world banking sphere prioritize strengthening the principles of value banking in the near future. Banks of Ukraine are not lagging behind this process, and certain elements of value-based banking, such as corporate social responsibility, ESG principles, etc., are being introduced into their activities. The prospects of banking based on a client-oriented approach and the application of the principles of conscious business conduct are formulated.*

*Keywords:* value, values-based banking, purpose-driven banking, corporate social responsibility, sustainable development, eco-banking.

*економічних процесів: аналіз, порівняння і логічне узагальнення. Розкрито сутність та основні норми функціонування ціннісно орієнтованого банкінгу, сформульовано авторське бачення. Досліджено принципи роботи ціннісно орієнтованих банків, визначених Global Alliance for Banking on Values, принципи концепції сталого розвитку, практичні аспекти втілення ціннісно орієнтованого банкінгу на базі цільових, етичних характеристик у роботу окремих банківських установ і на їх основі сформульовано власні принципи ціннісно орієнтованого банкінгу. Проаналізовано основні міжнародні та вітчизняні аспекти функціонування банків, які запроваджують елементи ціннісно орієнтованого банкінгу. Визначено, що фактично всі банки-лідери у світовій банківській сфері ставлять у пріоритет на найближче майбутнє посилення принципів ціннісного банківництва. Не відстають від цього процесу й банки України, у діяльність яких впроваджуються окремі елементи ціннісно орієнтованого банкінгу, як-от корпоративна соціальна відповідальність, принципи ESG тощо. Сформульовано перспективи здійснення банкінгу на основі клієнтоорієнтованого підходу та застосування принципів свідомого ведення бізнесу.*

*Ключові слова:* цінності, ціннісно орієнтований банкінг, цільовий банкінг, корпоративна соціальна відповідальність, сталий розвиток, екобанкінг.

**Jel Classification:** A13, G 20, G 21, G28, O16.

## **Introduction**

Banking activity is constantly being transformed and requires the introduction of new principles, which are increasingly based on a personal approach to each client. At the same time, socially significant ethical principles become the key to stable close interaction with clients. Today, the thesis that banks should not just be intermediaries in the circulation of money, but fulfill this role in the interests of respecting the values of humanity and the planet, is increasingly heard.

New concepts that appeared relatively recently in society are sustainable development and sustainable financing, which are based on ensuring long-term economic prosperity, taking into account the fact that the world's resources are limited, and the environmental situation is deteriorating every year against the background of the growth of production and consumption. In 2015, United Nations member states adopted the 2030 Agenda for Sustainable Development (United National, n. d.), a shared plan for peace and prosperity for people and the planet now and in the future, containing 17 Sustainable Development Goals (SDG), which are an urgent

call for action by all countries within the framework of a global partnership. They recognize that tackling poverty and other ills must go hand in hand with strategies that improve health and education, reduce inequality and stimulate economic growth, as well as combat climate change and conserve oceans and forests.

Ukraine does not stand aside from this process. Thus, in 2021, the National Bank of Ukraine presented the Policy on the Development of Sustainable Financing for the Period Until 2025 (National Bank Ukraine, n. d.), which reflects a comprehensive vision of the construction and future development of the sustainable financial sector in Ukraine and is aimed at bringing the activities of financial institutions closer together to advanced global standards of integration of environmental, social and management criteria in financial services. In 2024, the updated Policy on the Development of Sustainable Financing was published (National Bank Ukraine, 2024, October 1).

Sustainable development and sustainable financing are based on defining key societal values, such as satisfying people's needs and protecting the environment. The role of the banking system in ensuring sustainable development is especially important during the last few years, when there has been an awareness that the formation of close relationships occurs not only due to the desire to obtain profits, but also on the basis of building interaction on the basis of universal values. That is why the implementation of the value system in banking is an important and relevant topic for research, taking into account the fact that in Ukraine this direction is represented only by isolated examples and needs further development.

The question of the functioning of value-based banks is not widespread in the economic literature. For the most part, the works of domestic scientists reveal the issue of assessing climatic, ecological and social risks (Krasnova et al., 2021; Bortnikov & Lyubich, 2022; Vovchenko, 2023; Shulga & Savluk, 2024; Shulga & Omelenchuk, 2024) or corporate social responsibility of business in general and banking institutions in particular (Kolosok, 2013; Dzyublyuk & Stechyshyn, 2015; Polova, 2015; Prymostka & Zaharchuk, 2016; Lunkina & Karatay, 2017; Oliinyk, 2019; Kovalenko, 2023).

It should be noted separately the work of Ivasiv (2010) on ethical banks, which outlines the principles of their work in the world and offers his own vision of their introduction in Ukraine, as well as the scientific article of Tkachenko and Khutorna (2020) on the methodology of forming and implementing bank business strategies taking into account ideas of the concept of sustainable development, transformation of the banking sector (including the value sector), determination of the financial and social consequences of the economic value of the bank's activities.

Among foreign researchers, it is worth dwelling on the writings of De Clerck (2009) regarding value-based banks; Climent (2018) regarding the comparison of ethical and traditional banking principles; Weber and Duan (2012) on social impact on society, environment and sustainable development; Weber (2011) on the mission of social banks; Serrano Pérez (2017) –

assessment of banks' commitment to the principles of social and ethical banking; Burianová and Paulík (2014) and Crane et al. (2019) on corporate social responsibility of banking institutions.

A thorough study of personal and social values is considered by Rokeach (1973), who is the author of the concept of value orientations of the individual, divided into instrumental and terminal. His research is not directly related to banking, but there is a definition of specific values of people that can be the basis for their relationship with banks.

The executive director of the Global Alliance for Banking on Values (GABV) Dr. Marcos Eguiguren Huerta, who pointed out that in value-based banking, people are above profit, the priority of bankers is the development of society and the planet, and they only get profit as a result of doing the right things in the right way (Benitez, 2017).

In the study of Feridun and Talay (2023), the role played by the principles of responsible banking (Principles for Responsible Banking, PRB) in advancing towards the goals of sustainable development was analyzed using the example of European banks. Moreover, the results of the study showed that in countries with a larger share of wholesale banks that have signed these principles, progress in achieving the goals of sustainable development is at a more advanced stage. However, this trend is not characteristic of retail banks.

Muller's (2023) study assesses the relationship between the concept of values-based leadership and economic success as measured by key performance indicators, including: capital adequacy, asset quality, management effectiveness, earnings quality, and liquidity management. The basis for the study was the cooperative banks of Germany, where the values were fairness, confidence, certainty, competence, reliability, individuality, togetherness, respect, partnership, responsibility and solidarity. The results showed that values-based leadership has a positive effect on economic success.

However, in the work of Kara et al. (2024) presented slightly different results regarding the influence of value characteristics on the performance of banks. This study was based on an assessment of the largest commercial banks in the US and Europe during the pandemic. The authors found a negative relationship between responsible bank behavior and stock market performance (primarily, stock value), especially during the first wave of the pandemic. That is, investors did not appreciate the efforts of banks to support customers and communities, and the responsible behavior of banks during the crisis generally reduced the shareholder value or turned out to be neutral to it. According to scientists, market participants' demand for socially responsible behavior decreases during economic crises and downturns.

A study by Chiaramonte et al. (2024) was also based on how the outbreak of the COVID-19 coronavirus in Europe manifested the impact of socially responsible banking activities on banks' risk profiles (primarily ESG). And their results proved that socially responsible banking serves as a risk hedging strategy at the peak of the pandemic.

The scientific work of Boitan and Shabban (2024) is devoted to determining the relationship between the declaration of commitment to sustainable development, the real change of the traditional banking business model towards a value model, which is based on the desire not only to achieve profit, but also long-term, sustainable social and environmental impact on local communities, the environment, and performance. The results of their research showed that the business models of those European banks that have voluntarily joined the Global Alliance of Banking Values (and therefore recognize the commitment to the implementation of a value-based model) demonstrate heterogeneous characteristics of key performance indicators (ROE, ROA, operational efficiency, risk liquidity, capital adequacy, balance sheet composition, etc.).

The mentioned scientists studied certain aspects of the value characteristics and/or functioning of banks and the banking system, and in different time periods and in different economic, political and social circumstances, and recent changes in legal and economic conditions require a clearer disclosure of the value component of banking. Even the very terminology of this concept still remains ambiguous.

The aim of the research is to study the essence of value-based banking, its principles and implementation practices in foreign and domestic banks.

In the course of the research, a hypothesis was put forward regarding the need to introduce value-based banking as one of the key drivers of sustainable economic development. To check it, the essence of value-based banking, the principles of its construction and the experience of its use in leading countries and Ukraine were analyzed, and based on the results; measures were proposed for further implementation in the domestic banking sector.

To achieve the aim, the following tasks were set: determination of the essential content of value-based banking (VOB); development of the principles of its implementation; study of the peculiarities of its functioning in foreign and domestic banks and the selection of its main components; determination of prospects for the VOB development as a basis for sustainable development of the economy.

The research is based on the study of documents of international institutions, in particular the UN, the Global Alliance for Banking on Values (GABV), as well as the National Bank of Ukraine and official websites and reports of banks, scientific publications of foreign and domestic experts. The methods of scientific research were used: theoretical generalization, to reveal the essence of value-based banking and its principles; formalization, to express VOB individual elements; induction and deduction, when formulating conclusions.

The main part of the article consists of five interrelated sections. In the first one, the VOB essence is investigated. In the second part, the VOB principles are considered and their author's interpretation is given. The third chapter is devoted to the foreign experience of the VOB development. The fourth section analyzes the VOB implementation in Ukraine. In the fifth chapter, the prospects for the VOB development are given.

## **1. Essential content of value-based banking**

The functioning of banks cannot currently be carried out on the basis of their activity a few years ago. First of all, there is a change in the worldview of its customers, regulators and society. Therefore, there is a need to reformat the interaction of all participants in banking activity, taking into account their impact on society and the surrounding world. One of these fundamentally new types of banking is value-based banking or value-based banking (VOB).

Value-based banking differs in its attitude not only to its customers, but also to general societal values, which is why it focuses on supporting local communities, women and youth, developing educational projects, cultural assets and reducing poverty.

Value-based banking, focused on sustainable development and ethical banking, represents all banks that use money to support economic, social and environmental development. In general, these banks are similar to others, they also offer a wide range of services – from standard accounts to investment management and venture capital funds, and also strive to be efficient and profitable. What sets them apart from traditional banks is how they do it: where customers invest, how they manage the lending process, how they support local communities and the environment, and how they treat employees and customers.

Currently, there is no clear VOB definition in the literature and it is often equated with ethical banking or purpose-driven banking. In general, they are similar, but only if we assume that the bank's goals are development based on ethical and value characteristics.

De Clerck (2009) defines VOB as a general term that encompasses alternative, ethical, social, sustainable, solidarity and development banking that offers products and services that are based on non-financial principles and have a positive impact on the environment, people, culture and society as a whole.

Having studied the opinions of leading scientists in this field (De Clerck, 2009; Shrum et al., 1990; Rohner, 2020, 2022; Climent, 2018; Weber, 2011; Serrano Pérez, 2017; Ivasiv, 2010; Tkachenko & Khutorna, 2020), we suggest that *value-based banking* should be understood as a model of client-oriented banking, the mission of which is to ensure transparent and inclusive management based on the norms of socio-ethical, environmental, cultural and educational values.

Unlike conventional banks, VOBs make a profit by investing in ethical projects with social or environmental impact, directing funds to those high-performance industries that promote equality, environmental sustainability, reinvestment, etc. In terms of revenue streams and products offered to customers, such banks focus on traditional banking and refrain from speculative activities, underscoring their commitment to supporting the real economy.

In modern realities, the successful operation of the banking business and its further development depends not so much on the ability of banks to adapt to changes in the environment, but on their activity in the development and

implementation of innovations. New technologies provide those degrees of freedom and choice that were previously unavailable to bank clients – convenience, speed, control and independence. These forces banks to constantly update their technologies, products, management system, improve the qualifications of employees and rethink approaches to labor motivation. However, innovation should also be based on the observance of universal human values.

Today, scientists often refer to the definition of values provided by the Indian sociologist R. K. Mukherjee: Values are "socially approved desires or goals that are internalized through the process of conditioning and socialization. They generate subjective preferences, standards and aspirations".<sup>1</sup> (Mondal, n. d.). That is, values established in society actually become certain norms of people's behavior, and therefore guidelines in the activities of economic relations subjects, including banks.

However, *values* have their own characteristics that affect the construction of the "bank-client" relationship:

- they are personal, therefore the bank cannot impose the values of one client on others, and in order to remain value-based, it should build an individual trajectory with each client;
- individual people's values shape their perception of the world in general and banking in particular, therefore the bank's orientation should take into account the groups of clients who choose this bank for service;
- they change over time and under the influence of experience, so banks should be ready for reorientation in relationships with specific customers.

Since 1981, The European Values Study Foundation together with the World Values Survey Association has been conducting the World Values Survey (WVS). During this time, 7 waves of research took place in the form of surveys in different countries. The WVS time series shows how the values of a particular country/society have changed over time (WVS, n. d.).

7th Wave (2017–2022) explored cultural values, education, health and safety, social tolerance and trust, beliefs about gender, family and religion, attitudes to poverty, and emerging themes related to issues of equity, moral principles, corruption, responsibility and risk, migration, national security and global governance. The latest 8th wave of the survey began in January 2024, runs until 2026, and includes issues such as political trust, authoritarianism and populism, migration, climate change and family planning.

We do not set an aim in this research to investigate changes in the values of different countries, but we note that the set of questions in the survey already provides a certain guideline for banks to develop their own development strategies.

## 2. Principles of value-based banking

In 2009, ten pioneer banks founded the Global Alliance for Banking Values (GABV), which today unites banks in more than 45 countries that use

<sup>1</sup> Quotations from foreign sources are given in the authors' translation of the article.

finance to ensure sustainable economic, social and environmental development. GABV currently identifies six principles of CSP (GABV, n. d.):

- 1) social and environmental impact and sustainable development are at the heart of the bank's business model;
- 2) relying on the community, serving the real economy and creating new business models to meet the needs of both parties;
- 3) long-term relations with clients and direct understanding of their economic activity and related risks;
- 4) long-term, self-sufficiency and resistance to external shocks;
- 5) transparent and inclusive management;
- 6) all these principles are built into the culture of the financial institution.

Taking into account the principles of GABV, the principles of sustainable development (Halamka & Teplý, 2017), the principles of responsible banking (Principles for Responsible Banking, n. d.) and taking into account our own work, we offer a list of principles that, in our opinion, are basic for value-based banking (*Table 1*).

*Table 1*

Principles of value-based banking

Principle	Description
Customer orientation	The client is the highest value, therefore the bank should be aimed at meeting the needs of clients and providing high-quality services, work to improve relations with clients and solve their problems
Inclusivity	Providing access to services for corporate clients and all strata of the population, taking into account their lifestyle, capabilities, remote location, availability of technical means of communication, prevention of discrimination on any grounds
Product awareness	Providing customers with clear, transparent and accessible information about products and services, their cost and conditions
Security of client data	Ensuring the reliability and confidentiality of the client's personal data
Social integration	Taking into account social aspects and the impact of activities on the public, promoting the development of socially responsible business
Stability	Ensuring economic stability and risk management to prevent losses and maintain customer confidence
Formalization of the value mission, its integration into the corporate culture	The existence of a clearly defined mission based on the identification of values that the bank considers acceptable for itself, and which contribute to economic development and the well-being of customers, shareholders and employees. One of the bank's missions should be the fight against poverty and inequality in access to basic services (education, health care, adequate working conditions and wages, availability of loans and payments). In addition, the bank should develop an employee value proposition (EVP) as a reward in exchange for their loyalty to the bank
Transparency	Public coverage of the bank's value guidelines and regular reporting on their implementation
Interaction with communities	Activities in accordance with ethical standards, compliance with legality and avoidance of conflicts of interest, honesty and transparency; prevention of corruption and the use of illegal methods for obtaining profit; avoiding cultural risks associated with changes in cultural values and traditions
Compliance with ESG norms	Substantial understanding of climate, environmental, governance and social risks (ESG), identification of their impact on the ecosystem, economy and financial sector, development of internal standards for their management

*Source:* compiled by the authors.



According to the *Table 1*, the principles are mostly based on environmental and social factors, which include everything from gender equality, anti-ageism, anti-bullying, racial diversity among managers and staff in general to integration programs, hiring and compensation practices, environmental impact, climate, environment. Social factors are closely intertwined with the concepts of moral and ethical risk. At the same time, the concept of moral and ethical rules adopted by society depends on the country where the banks are located and may be manifested in different ways in different countries. In addition, such banks in their activities aim to use the Environmental and Social Standards of the European Investment Bank and the Performance Standards on Environmental and Social Sustainability of the International Finance Corporation (IFC Performance Standards on Environmental and Social Sustainability).

Another element of the operation of value-based banks is the implementation of corporate social responsibility (CSR), which means that they take responsibility for their impact on the social and environmental environment, carrying out their activities taking into account the interests of not only their shareholders, but also communities, in which they work and function.

CSR can have various aspects, such as job creation, responsible use of resources, reduction of emissions of harmful substances, development of social programs for employees and the local community, support of responsible entrepreneurship, etc. This is an important element of modern business, which enables banks not only to achieve financial success, but also to become socially responsible players in society.

Banks that adhere to all, and not individual, VOB principles are the so-called ethical banks, which are guided not only by economic, but also by ethical principles. For example, they can: attract funds purely for investing in social projects that reduce social inequality or support the activities of public organizations and charitable foundations or ensure environmental cleanliness; provide access to financial services to people with low incomes or those with credit history problems, enabling them to store money and receive financial services at reduced rates. Examples of ethical banks are Triodos Bank, Amalgamated Bank, Charity Bank, Ecology Building Society and others.

The activity of value-based banks increases the level of trust of citizens, encourages new customers, works as advertising and, in turn, brings profit. The European Federation of Ethical and Alternative Banks (FEBEA), the Institute of Social Banking (ISB) and the International Association of Investors in the Social Economy (INAISE) were created to develop the principles of such banks.

### **3. Foreign experience in the development of value-based banking**

The VOB development in the world becomes possible due to a change in the way of thinking and approach to business, when banks realize their role

in creating a sustainable and fair world, work to ensure the highest standards of security, service quality and social responsibility.

JPMorgan Chase actively uses values to develop its business and provide quality service to clients, including: customer orientation, innovation, ethics and responsibility, close cooperation with the team (JPMorgan Chase, 2023). The bank is also committed to reducing its environmental impact and improving social responsibility. To do this, it attracts investors with higher sustainability standards and is actively involved in sustainability reporting initiatives such as the Dow Jones Sustainability Index (DJSI), which identifies sustainability leaders.

British international commercial bank HSBC is guided by a set of values, which include customer importance, professionalism, integrity, innovation and cohesion (HSBC, n. d.).

One of Deutsche Bank's values is "Professional Ethics", which means that the bank adheres to high standards of professional conduct in all aspects of its operations. This is to ensure the confidentiality of client information, compliance with relevant rules and laws, and the implementation of only legitimate financial transactions (Deutsche Bank, n. d.). In addition, Deutsche Bank strives to provide "Collaboration and Interaction" with customers, which is the basis of the successful operation of the bank. Another value is "Innovation", which is a key element of the bank's development strategy. The bank actively works to ensure the sustainable development of the banking sector as a whole, is involved in the development of new standards and regulatory policies that contribute to the creation of a healthy and sustainable banking system (Deutsche Bank, 2023).

However, the declaration of these values did not insure this bank against problems. So, in March 2023, its shares lost more than 1/5 of their value, and on March 24, they collapsed by almost 15%. This is due to a sharp increase in the value of credit default swaps (Malovychko, 2023). One of the reasons for this situation was too risky investing. In 2024, the bank also had a number of problems, first of all, related to the fact that its subsidiary bank did not leave the Russian Federation.

BNP Paribas declares priorities such as openness, trust, innovation and sustainability (BNP Paribas, n. d.). One example of this is the BNP Paribas Code of Conduct, which sets the highest standards of ethical behavior for all bank employees. BNP Paribas is actively engaged in sustainable development and careful use of resources. The bank has set targets for reducing carbon emissions and energy consumption, and also promotes sustainable investments and the development of green projects. In 2021, he joined the Priceless Planet Coalition initiative, which unites the efforts of consumers, financial institutions, merchants and cities in the fight against climate change.

Value-based banking is an important part of the strategy of the Spanish bank Banco Santander. The bank's values include transparency, trust, responsibility and innovation (Banco Santander, n. d.).

Value-based banking is a key element in the strategy of British bank Standard Chartered. The bank's values are: integrity, interaction, responsibility, the importance of each client, innovation and efficiency. These values are reflected in all aspects of the bank's operations, including its products, services and customer relationships (Standard Chartered, n. d.). The Bank recognizes its responsibility to the global community and actively supports social and environmental initiatives, promotes the development of the global economy and supports sustainable development, providing financial support for projects in the field of infrastructure, energy and other important sectors, and also joined the UN initiative on the principles of responsible investment (PRI).

Non-banks do not stand aside. For example, digital bank Aspiration (USA) enables customers to measure their impact on the environment through a personal sustainability score based on where they spend their money. In addition to banking products, Aspiration offers users solutions that enable them to invest in companies that are 100% fossil-free (Aspiration, n. d.). Fintech Doconomy has a similar project in the form of a carbon footprint calculator.

Along with the traditional approaches to the VOB introduction, there are banks in the world today that have become famous for unconventional and bold approaches in this area. A rather interesting example of the VOB introduction is the experience of the Bank of Australia, which is the first bank in the world to own and manage a private reserve in Western Victoria, not far from Horsham. The Bank works in partnership with several organizations to ensure that the reserve is a thriving and collaborative example of science-based conservation in action (GABV, 2022, December 21).

Amalgamated Bank, an active advocate for gun violence prevention, has proposed a new International Organization for Standardization Trading Category Code (MCC) that allows suspicious activity and illegal gun sales to be reported to authorities.

Gun crime and shootings are a longstanding social problem in America. Amalgamated Bank, based in New York, has always recognized its leadership role in the fight against gun violence. To prevent a tragedy, banks must be responsible for the first step – cutting off access to the financial system to customers who want to get guns. Amalgamated Bank's application to the International Standards Organization for a new trading category code (MCC) for gun and ammunition stores was approved in September 2022 (GABV, 2022, December 29).

VDK Bank invented a unique three-sided collector coin approved by the National Bank of Belgium and the European Central Bank. The three sides represent the "triple" thinking of customer, community and planet, which is what sustainable banking really means. A study by VDK Bank of

1 000 Belgians found that 7 out of 10 Belgian depositors and investors have no idea what their bank is doing with their hard-earned money. That is why VDK Bank has launched a major campaign that encourages Belgians, and especially young people, to think more about how they can use their money to build a better future for themselves, their community and the planet. While most discussions about money tend to center around profit and loss, VDK Bank challenges this perspective by introducing a third dimension – the impact of money on society and the planet.

The client side emphasizes the commitment of VDK Bank, which provides clients with competitive interest rates on their deposits. From a community perspective, the bank ensures that customers' money is reinvested in their community and goes towards funding important organizations such as universities, schools, clinics and homes for the elderly. The community focus extends to the environment and region, highlighting the bank's commitment to local social impact. From an environmental standpoint, VDK Bank takes a strong stance against investing in fossil fuels and environmentally harmful activities (GABV, 2023).

Therefore, the VOB development is an important trend for many banks. One of its main principles is that the bank should be transparent and ethical in its actions and interactions with customers, share its knowledge and experience with them and work for the benefit of the community.

#### **4. Application of value-based banking in practice of Ukrainian banks**

In Ukraine, there is currently no full application of the VOB principles, but certain elements are being introduced, and some have been in place for a long time. Banks mostly have a developed internal bank regulation on corporate social responsibility (CSR). Today, it is one of the key indicators of success, a criterion for assessing the progressiveness of business and the commitment of its owners to European values. Banks' understanding of CSR principles became especially important and revealing during the war, when the issue of physical protection of employees and their financial support arose. In addition, domestic banks have introduced ethical norms regarding work with borrowers, Codes of Ethics in the work of the bank itself. Some banks have already developed ESG principles, introduced the concept of paperless document circulation, and are introducing barrier-free services. In *Table 2* gives examples of individual banks of Ukraine regarding the implementation of values that they declare on their websites or highlight in public reports.

Table 2

## Examples of the introduction of value-based banking in Ukraine

Name of the bank	Key directions in the VOB field	Directions for securing values
UkrSibbank	A green company for employees	IQ energy partnership; creation of a green office; encouraging employees to a green lifestyle; helping customers become energy independent
	Positive banking	Encouraging people to create and develop businesses; support of social and entrepreneurial innovations; involvement of young people in the search for modern solutions; financial education; support of projects important for society and local communities; implementation of projects to support safety, mental health and development of employees' skills
	People First	Evacuation; organization of accommodation of employees in hotels in Ukraine and abroad; compensation for housing rental costs; restoration of damaged apartments; home office organization; extended health insurance and support for mobilized employees; meetings with psychologists and group therapy
	Ethics and inclusion	Employment of people with special needs; control of fair remuneration regardless of gender; gender equality in the processes of appointment to management positions; an internal ombudsman who works with part-time employees' complaints about inappropriate behavior and disrespect; the New Way of Working work format change program; veteran support program; psychological health audit of the organization
UkrGazbank	Ecobanking	Ecocrediting at special rates; participation in the Coalition of Leaders in Carbon Pricing (CPLC) to promote investments in reducing carbon dioxide emissions; cooperation with PFAN (Private Financial Advisory Network) to invest in renewable energy projects
Oschadbank	Ecological direction	Compliance with the requirements of environmental and social responsibility in lending; support for clients who are modernizing housing to increase its energy efficiency and implementing "green technologies"
	Social responsibility	Anti-discrimination on various grounds; tolerance for people with special needs; social projects for employees; support of the country's defense capability; development of inclusive programs (in particular, "My barrier-free", support for the creation of the "Handbook of barrier-free" – the first multi-format publication in Ukraine, dedicated to the basics of tolerant communication); program of reintegration of veterans into the workforce; support of the Ukrainian cultural process
ProCredit Bank	Environmental management system	Internal environmental management aimed at the use of own solar power plants, electric and hybrid corporate cars, waste sorting systems in offices; consideration of environmental and social risks of clients; refusal to finance ethically dubious and environmentally harmful projects, in particular projects for the production of disposable plastic
PrivatBank	Responsible employer	The largest employer on the domestic labor market; employment of persons with disabilities; a full social package for employees; the "Protection" program to ensure the safety of employees and their family members
	Environmental protection	Electronic document management; environmental collection technology
	Financial literacy of the population	JuniorBank – training schoolchildren in financial literacy and programming; charity fund "It's easy to help" – help to orphanages and boarding schools, children with cancer, victims of natural disasters or terrorist attacks

Source: compiled by the authors according to (UkrSibbank, n. d.a; n. d.b, n. d.c; Forbes Ukraine, 2023, May 10; Ukgazbank, 2018, 2023; Oschadbank, 2023; ProCredit Bank, 2022, March, 2024; PrivatBank, 2023)

According to *Table 2*, among the presented banks, eco-banking remains the leading trend. And there is nothing surprising in this, since Ukraine at a high political level supported the European Green Course, according to which in March 2021 the Cabinet of Ministers of Ukraine approved the National Economic Strategy for the period until 2030, according to which the country plans to achieve climate neutrality no later than 2060. In order for Ukraine to transition to a climate-neutral economy, it is necessary to attract about 102 billion euros of capital investments by 2030, that is, about 10 billion euros every year (Resolution of the Cabinet of Ministers of Ukraine No. 179, 2021, March 3). In 2021, "green bonds" were introduced at the legislative level in the country, the funds from which placement is intended to be used exclusively for financing environmental projects. All this stimulates domestic banks to introduce VOB elements, however, mostly it concerns environmental and climate aspects.

### **5. Prospects for the development of value-based banking**

The most promising form of conducting banking business is the client-centric model. However, in the VOB framework, in the process of creating and selling banking products, the fundamental core should be a chain of value creation for all its participants.

It is difficult for Ukraine to immediately implement the transition from traditional banking to VOB at the banking level. The constant change of priorities over many years has changed the approach to traditional banking, and values that are carried out in compliance with the principles of sustainable development in the industry policy and legislation of Ukraine have come to the fore.

A set of such factors as society's awareness of social and cultural values, rational use of natural resources, clean environment, energy saving, energy efficiency; the active position of the state in supporting and promoting eco-projects; the economic interest of enterprises of various industries will contribute to the interest in eco-credits and the growth of demand for them. And such a situation will require domestic banks to include eco-banking services in their loan portfolio. That is, the demand for the service will determine its supply and further development. Therefore, lending will become a driver for the further VOB implementation in other areas of activity: transactions with securities, bonds, investments, payment services, project financing.

It should be noted that in large foreign banks, the most popular among the publicly declared values are legality, accountability, high quality of service provision and respect for human rights. Therefore, it can be hoped that, following the experience of foreign financial institutions, domestic banks will build management systems based on values. That is, value-based banking will not be a fashionable trend, but a necessary component of banks' activities.

## Conclusions

Value-based banking is a concept that is becoming widespread in the world, as it brings to the fore the main human values: the person himself, his rights and opportunities, natural resources, careful treatment of them, rational use, recycling and other socially important projects.

The VOB development is a process that became possible thanks to a change in the way of thinking and approach to business. Banks actively implement the concept of corporate social responsibility and are more aware of responsibility for their actions and consequences for society and the environment. They are able to distinguish the areas in which they provide services or deliberately refuse them, for example, targeted support for female founders, financing the development of talented young people or blocking payments on gambling sites for vulnerable consumers.

One of the main values on which the development of banking is based is trust. Banks try to win the trust of customers by ensuring the highest standards of security and quality of services. Another value towards which the development of banking is directed is innovation. Banks are constantly improving their technologies and looking for new ways to provide services, introducing new digital technologies that enable faster and more transparent access to services. They increasingly focus on social responsibility and "green" initiatives. More and more banks are refusing to invest in industries that harm the environment and are actively working on the development of sustainable environmentally friendly financial instruments.

Among the principles of VOB management, we should highlight customer relations, inclusiveness, product awareness, protection of customer data, social integration, sustainability, mission and strategy for key stakeholders, interaction with communities and compliance with ESG norms.

An important tool for the development of VOB is the evaluation of value guidelines, on the basis of which the bank can develop a policy in the field of ethical, social, and environmental management. For this, it is worth applying the value index (in general) and indices in the field of sustainable development (green customer index, green building index, green financing index, etc.), but there is a lack of information base for their calculation.

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