THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON THE FINANCIAL PERFORMANCE OF GEORGIAN BANKS

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ABSTRACT

Corporate social responsibility (CSR) is a topical issue of global importance, which is due, on the one hand, to the United Nations Sustainable Development Agenda and, on the other hand, to business awareness of it as a strategic tool. In Georgia, an activation of financial institutions in the direction of CSR has been observed in recent years. The presented paper aims to study the impact of actions taken by banks within the framework of corporate social responsibility on financial performance. The research is developed using deductive reasoning and statistical research methods, and the hypothesis is tested through correlation regression analysis. Secondary data is used in the study. The values of the correlation coefficient confirmed that the performance of CSR by the banks has a positive impact on their financial ratios: return on equity (ROE) and return on assets (ROA).

Keywords: corporate social responsibility (CSR), financial performance, business strategy, sustainable development, banking sector

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INTRODUCTION

In a market economy, when companies have to operate in a competitive environment, they have to fight to obtain and maintain a market share constantly. Corporate social responsibility (CSR) is increasingly important in positioning (Bagnoli & Watts, 2003), companies use it to differentiate themselves from other firms (Cho et al., 2019) because there is public's increasing demand for the business sector to solve social problems with the government by taking appropriate steps and not to limit itself to fulfilling the traditional role.

In these conditions, corporate social responsibility, which creates a condition for sustainable operation and growth (Peters, 2009) based on trust (Barney, 1991), becomes especially relevant (Galbreath, 2009). Corporate sustainability and responsibility, as a concept that offers directions for thinking and behaving, are increasingly recognized in the business world (Emezi, 2015). Such an approach has the potential to bring significant benefits to business as well as to society and the environment (Camilleri, 2017). Firms recognize CSR as an important business strategy (Hagberg et al., 2015).

Societies are demanding more accountability from companies for their behavior. A change in the perception and behavior of stakeholders leads to a more refined and broader understanding of environmental, social, and labor responsibilities (Emezi, C. N., 2014), which, in turn, leads to the assessment of corporations with new standards that include not only economic performance but also social investment and corporate citizenship (Kassis & Majaj, 2012).

Ignoring the concerns of stakeholders may hurt the results of the companies' activities. Accordingly, it becomes more important for business entities to consider their interests (Janowski, 2021). The UN Sustainable Development Goals make the matter even more pertinent, and the business community plays a significant role in accomplishing these goals.

Over the past two decades, CSR as a company's action plan has received much attention in most countries for sustainable development (Zhenzhen et al., 2021). Along with the development of the economy, the concept of CSR has evolved into strategic CSR (Visser, 2011). Strategic CSR is a sustainable strategic action that simultaneously ensures the creation of additional welfare for society and financial benefits for the company as a result of achieving strategic goals using CSR (Porter & Kramer, 2006). Strategic CSR is a unique positioning strategy, acting as a means of differentiating a company from competitors to achieve a competitive advantage and create a mutually beneficial situation for both the company and society (McWilliams et al., 2006).

In the last period, progress in understanding the concept of social responsibility can be observed in Georgia. Some companies, mostly large businesses, are on the path of strategic CSR, which can be considered to some extent as an impact of the Covid-19 pandemic, as it has become critically important to take into account the stakeholders' interests during the actions of companies, which has put the business in front of significant challenges, however, at the same time, it has ensured an opportunity to create social and economic benefits by understanding CSR in a new way (Kasradze & Machkhashvili, 2022).

The ability of an enterprise to continue productive work and adapt to conditions in emergencies supports not only its employees in a crisis but also provides all possible assistance to society: there are the signs of efficient business and efficient CSR (Baranova et al., 2021).

The purpose of the study is to examine the relationship between financial performance and activities implemented by the large banks operating in Georgia within the framework of CSR. To achieve the goal, familiarization and analysis of the studies were carried out in the relevant fields, development of the research design was offered, and data collection, processing, and analysis were conducted, alongside summarizing the research results and making conclusions. A statistical research method, namely a simple linear regression model, was used in the research.

The impact of CSR on financial performance is not examined in Georgia. Therefore, the results of the research are unique, and they encourage further research on this topic among academia and business representatives.

LITERATURE REVIEW

In the debate on corporate social responsibility, two opposing models are discussed: the neoclassical economic model and the moral philosophy model. Suppose the neoclassical model considers profit maximization as the only obligation of the firm and indicates a negative relationship between CSR and financial results. In that case, the models of moral philosophy emphasize the possibility of creating social benefits, taking into account the interests of not only shareholders but also all stakeholders. They do not consider the positive or negative relationship between CSR and financial results to be a driving factor for action. However, there are also mixed models, according to which CSR is presented as a differentiation tool and creates brand equity by gaining a competitive advantage. According to research results conducted in developing countries by Hamdoun, Achabou, and Dekhili, the positive influence of CSR on intangible assets, such as human capital and company reputation, is considered to be the driving factor behind the positive relationship between CSR and financial performance (Hamdoun et al., 2022). According to the mixed model, social welfare, a company's revenue, and its strategic balance can all be impacted by CSR at the same time. (Prado et al., 2008).

Banks, in many countries, conduct CSR-related activities to influence their possible negative perception by entrepreneurs, especially in countries where they are the main source of financing. According to the results of the study on entrepreneurs' perceptions of banks' social responsibility conducted in Haiti in 2020, a significant and positive relationship was found between their CSR-related initiatives and entrepreneurs' perceptions (Paul et al., 2020). Therefore, it can be said that in such a case, CSR can simultaneously affect both social welfare and the bank's financial performance, as the mixed model of social responsibility considers it based on differentiation. According to the results of the research conducted in Georgia in 2007, the majority of the interviewed organizations consider CSR as a tool for forming a positive image of the company in society and mention this as the main motive (CSRDG, 2007)

At the modern stage, when the achievement of the Sustainable Development Goals of the United Nations (UN) is actively on the agenda, and at the same time, the Ten Principles of the UN Global Compact call for a principles-based approach to doing business, moral philosophy and mixed models are becoming more relevant, compared to the neoclassical economic model. By integrating Sustainable Development Goals into their core business strategy, companies gain a competitive advantage, which can become the cause for better financial results.

The development of Corporate Social Responsibility (CSR) and socially oriented banking in Georgia is in its early stages and is characterized by a growing trend, particularly among large businesses, including large banks having a strategic approach to CSR issues (Otinashvili & Vanishvili, 2020). According to the findings of a study published in 2023, small and medium-sized enterprises in Georgia name the negative impact of CSR on profitability as one of the main barriers to the implementation of social responsibility (Kharaishvili & Lobzhanidze, 2023) In most cases, companies in Georgia view CSR as an expense rather than an investment, which results in their limited involvement in social initiatives (Kharitonashvili, 2022). However, when CSR strategy is integrated with the company's core strategy, from a resource-based perspective, employee work engagement as a moderator leads to a positive relationship between CSR and financial performance (Kim et al., 2023). Investing in social responsibility activities and disclosing related issues have important consequences for creating or depleting employees as fundamental intangible resources (Branco & Rodrigues, 2006). Analyzing Generation Z's perception related to CSR, which is considered a strong supporter of CSR because of early access to information, researchers focus more on revealing the expectations of future employees than on predicting aspects of consumer behavior, unlike millennials (Gen Y). The results of a study conducted in Romania reveal that if post-millennials tend to consider the company's CSR when making a purchase decision, in the case of Generation Z, the company's CSR strategy is not considered a decision-making factor (Modreanu & Andrișan, 2022).

Based on the broad definition, scientific circles often classify CSR using the "Triple Bottom Line" concept strategy (Hagberg et al., 2015). Companies analyze and report on CSR-related behavior precisely using the "Triple Bottom Line" framework, which involves assessing business impact in three areas: people, planet, and profits (Shnayder et al., 2015).

The United Nations Global Compact, which aims to create a sustainable and inclusive global economy, calls on businesses to adopt a responsible attitude, which consequently involves integrating the Ten Principles of the Global Compact into the company's strategy. (United Nations Global Compact, 2000). It can be said that these are the basic standards that must be implemented for socially responsible companies.

Georgia has a more or less stable political and economic environment, which creates conditions for the sustainable development of the business. It is a mandatory requirement in the banking sector to have an anti-bribery policy, anti-corruption and anti-money laundering policy, business continuity policy, and ethics policy in the organization. To reduce the negative impact on the environment and to achieve the goals of sustainable development, measures are actively being taken, including raising awareness on these issues. The National Bank of Georgia considers climate change within the framework of sustainable financing.

When making financial decisions, banks must take into account and disclose ESG issues. The National Bank of Georgia has taken important measures to improve the practice of protecting consumer rights in the financial sector and is monitoring compliance with legislative requirements. The process of harmonizing labor law with European standards is actively in progress based on the international commitment taken by Georgia within the framework of the Association Agreement with the European Union (Peradze, 2024). Vulnerable groups represent quite a large part of the population in the country, which makes the role of corporate social responsibility in the process of sustainable development even more visible.

The banking sector has the largest share of the financial industry in Georgia. It is formed as a two-tier system. On the top tier is the National Bank of Georgia, which supervises the financial sector in the country, and on the bottom tier are the commercial banks, which were established as universal banks. Currently, there are 17 commercial banks on the financial market, out of which 9 are large commercial banks according to the classification of the National Statistics Office of Georgia (annual turnover - not less than 60 million GEL, employees - more than 250).

The banking sector in Georgia operates sustainably in the market, being the fastest-growing sector with high profitability. Due to solid financial reserves, it is resistant to global shocks. The regulatory authority continues the convergence of the regulatory framework with Basel III, which the Basel Committee of the International Finance Corporation developed. It should be mentioned that the banking industry is highly concentrated, which results in a lack of competition. Weaknesses also include consumer's negative perceptions of banks and a low level of financial inclusion, including a lack of financial education, lack of access to finance, and insufficient development of digital channels. The appearance of fintech companies in the local market provides banks with great opportunities to introduce new business models and develop innovations, which ultimately affects performance indicators (Klus et al., 2019). The use of technological innovations in combination with socially responsible practices to strengthen financial stability and achieve sustainable development goals provides a significant advantage as well. It can potentially enhance the benefits derived from CSR activities, leading to greater bank stability (Mahdi et al., 2024). Inflation and monetary policy in the country have a significant impact on the banking sector. Its reduction is an opportunity, and its growth is a threat. The downgrading of Georgia's credit rating in the rating of the world's rating agencies is a significant threat to the banking sector, as well as the risk of overindebtedness, which may lead to an increase in the share of bad loans and the need to create appropriate reserves.

The banking sector is the main source of financing of the economy from the financial industry in Georgia. Accordingly, the role of the banking sector in the distribution of resources and sustainable economic development is significant.

The National Bank of Georgia actively supports the strengthening of the role of the financial sector in the sustainable development of the country. The National Bank of Georgia, in close cooperation with the International Finance Corporation (IFC), developed the "Roadmap for Sustainable Finance in Georgia" in 2019, which helps banks detect sustainable development issues in decision-making and shift to sustainable financing. The latter, according to the European Commission, implies consideration of environmental, social and governance issues in investment decisions.

Later, the National Bank in close cooperation with the International Organization for Economic Cooperation and Development (OECD) introduced environmental, social and governance reporting and disclosure principles, along with relevant templates for commercial banks.

In 2021, for the first time, banks published environmental, social and governance reporting with a template developed by the National Bank of Georgia, which provides the ability to assess progress through quantitative and qualitative assessment indicators (Vanishvili & Katsadze, 2022). The analysis of ESG reports published by banks shows that ESG practices are different in banks; in particular, several banks are advanced in the direction of sustainable development and ESG, although a large part of the banking sector starts developing ESG policies in 2021, and some plans to implement relevant practices shortly (Kharitonashvili, 2022). Institutional pressures have a significant impact on the disclosure of CSR-related issues In developing countries (Ahid et al., 2023). The introduction of sustainability management mechanisms to promote comprehensive reporting in developing countries has a positive impact on forming future policies and practices related to CSR (Ali et al., 2024).

Banks, as the main participants in the financial infrastructure, determine the direction of resources and, therefore, have a great influence on sustainable economic development (Moufty et al., 2021). Sustainable lending positively affects their financial performance by reducing systemic risk and increasing reputation (Weber et al., 2015). A study in the Chinese banking system found a negative correlation between the ratio of Green Loans and the ratio of non-performing loans (Cui et al., 2018). Some studies have examined the relationship between corporate sustainability and financial performance. However, research results have varied: some indicate a positive relationship, while others indicate a negative relationship or no relationship at all.

Geetika and Shukla examine the impact of CSR on financial performance in the Indian banking sector. They point to conflicting results based on a review of studies. The study is based on the premise that in the absence of direct impact on the environment of banks, they can use CSR strategically by creating an image to get the support of stakeholders, which as a result of sales growth, affects the financial results of banks in the long term (Geetika & Shukla, 2017).

To determine the impact of CSR on the financial results of banks, the researchers introduced CSR costs as an independent variable, which includes the expenditures made by banks for the implementation of social welfare measures during the year (CSRE), and as dependent variables, Profit After Taxes (PAT), Return on Assets (ROA), Return on Equity (ROE) and Market Capitalization. It should be noted that the simultaneous use of accounting and market-based measures neutralizes the limitation of using them separately. As a control variable, Total Assets are taken as an indicator of bank size.

As a result of the research, it was revealed that the correlation coefficient between the variables is positive in all pairs, which indicates that CSR has a positive impact on the financial performance of banks. According to individual indicator observation, CSRE strongly correlates with both market capitalization and Profit After Tax (PAT).

A study of commercial banks which was conducted in Vietnam revealed that CSR has a significant impact on bank attractiveness to customers, employees, and social welfare through bank reputation as a mediating variable (My Sang et al., 2023).

Adewale and Rahmon (Adewale & Rahmon, 2014) studied whether CSR improves the financial performance of the organization in the Nigerian banking sector. Based on the data of two commercial banks from 1990-2010, they studied the impact of CSR on financial results. A simple linear regression model is used, where the independent variable is defined as cost on CSR (CSRC), and the dependent variable is Profit After Tax (PAT). Based on the obtained coefficients, the researchers rejected the null hypothesis that there is no significant relationship between the expenses incurred on the CSR and the profit remaining after paying taxes. They accepted the alternative hypothesis because the determination of the correlation coefficient between CSRC and PAT was 0.72%. According to the researchers' conclusion, companies should consider expenditure on social activities as an investment that will bring profit shortly, and CSR should also be considered by management as one of the main priorities for achieving other goals. The results of the research conducted in the Nigerian banking sector are consistent with the results of the research conducted in the Indian banking sector. However, it should be noted that, unlike the methodology of Geetika and Shukla (2017), no control variables are used in this model. The research sample consists of only two commercial Banks in 1990-2010.

A 2024 survey of China's private banking sector revealed that CSR can achieve Chinese banks' financial sustainability and significantly improve financial performance through ethical leadership, technological innovation, and government regulation (Zhu et al., 2024).

As we can see, studies show different results. There are also various approaches to measuring CSR. Researchers who have found a positive relationship between CSR and financial performance agree that CSR should be integrated into corporate strategy, as it provides a significant competitive advantage to firms (Lantos, 2001) and positively affects the financial results of their activities.

METHODOLOGY

The research is developed through deductive reasoning and aims to answer the following question: What is the relationship between the CSR of large banks operating in Georgia and their financial performance? Based on the research question, two hypotheses were formulated:

H1: The high value of the CSR index increases the Return on Equity of large banks operating in Georgia;

H2: The high value of the CSR index increases the Return on Assets of large banks operating in Georgia.

A quantitative approach and a statistical research method are used to study the relationship between CSR and financial performance. We examine the relationship between the variables and their density using the Simple Linear Regression model, which allows us to find a linear relationship by describing the correlation between variables.

We use secondary data in the research. The financial data is obtained and calculated from the annual individual financial statements of the banks for 2021-2022, and to determine the CSR indicator, the data is taken from the environmental, social, and governance (ESG) issues report of the same period, which is published on the website of the National Bank of Georgia. The study covers only 2 years of data, as banks publish ESG reports from 2021, which is a weakness of the study; however, at the same time, it creates the prospect of repeating the research after a certain period and verifying its results.

Measuring CSR is one of the most challenging issues. Researchers use different methods to evaluate it. Reputation indices, CSR expenditures, indices created using content analysis regarding information disclosure, Key Performance Indicators created according to the Global Reporting Initiative (GRI) dimensions, and others are used in the research.

For this study, our approach to measuring CSR is based on the universal standards of GRI.

The ESG report includes 41 categories of performance indicators, out of which 19 were selected to form the CSR index based on the research objectives (Table N1). The selection was made according to the universal standards of the GRI, which are common to all organizations (for example, how accurate and verifiable the information is, the structure of the organization, policies and involvement of stakeholders in the processes, identification of material topics, etc).

During the selection of performance indicators, the main directions of sustainable development, the ten principles of the global compact, and the main directions of the "triple bottom line" concept, which analyzes the behavior of companies regarding CSR, were also taken into account. After the selection of the performance indicators, the coefficients for each of them were calculated using the method described in Table N1, and the CSR index was formed by summarizing the coefficients.

Table 1 describes in detail the indicators selected to measure CSR with the corresponding coefficients, the sum of which, for the study, constitutes the CSR measure - the CSR index.

Table 1: Indicators for measuring CSR

ESG	Key Performance Indicators	Coefficient
	Green financing (loans)	Percentage share in total loans issued during the year
	Loan ESG screening	Percentage share from total loans issued during the year
Environmental	Loans rejected based on the ESG standard	Percentage share in diagnosed loans
	Waste management policy implemented in the following directions: reduction, reuse, recycling; composting, etc.	Positive answer in each direction - 1 p. Negative answer -0 p.
	Environmental activities	Positive answer - 1 p. Negative answer -0 p.

Table 1: Continued

	Reporting on greenhouse gas emissions	As one component - 1 p. Disassembled according to components - 2 p.
	Reduction of greenhouse gases	Existence of the target indicator - 0.25 p. Absence of the target indicator - 0 p.
	Employment of disabled people	Percentage share in the total employees of the company.
	Non-discrimination based on age	The share of employees over 40 years old in the total number of employees of the company.
Social	Taking care of the development of employees' competencies	The percentage share of employees in the company who underwent training during the year.
	Employee turnover	Percentage with "-" sign
	Evaluation of customer satisfaction	Positive answer - 1p. Negative answer -0 p.
	Recorded complaints regarding violations of human rights	Positive answer - 1p. "-" sign, Negative answer - 0 p.
	Sustainable loans	Percentage share in the total loan portfolio
	Having policies and procedures in place to ensure a healthy and safe work environment in the organization:	Positive answer - 0.1p. Negative answer -0 p.
	anti-bribery policy, anti-corruption and anti-money laundering policies, business continuity policy, ethics policy.	Positive answer in each direction – 1p. Negative answer -0 p.
Governance	Internal supervision of environmental and social policy implementation.	Existence of a special department or a responsible person in the organization - 1p. Absence of a special department or a responsible person in the organization - 0p.
	ESG strategy and policy approved by the board	Positive answer - 1 p. Negative answer -0 p.
	Existence of written procedures for the organization of meetings of the Council and other stakeholders regarding environmental and social issues.	Positive answer - 1 p. Negative answer -0 p.

Indicators based on accounting were chosen to measure financial performance. The variables selected to measure the financial performance are:

1. Return on Equity (ROE);
2. Return on Assets (ROA).

For each of them, regression was done individually.

Since our research sample consists only of banks, for our study, company size, expressed as a measure of the volume of Total Assets, was defined as a control variable.

The use of company size as a moderating variable in the study allows us to assess its impact on the relationship to be studied.

The relationship between CSR and variables measuring financial results is studied using a linear regression model in the SPSS program.

The research sample consisted of the nine major commercial banks in Georgia out of the total 15 banks that operate in the country.

The reliability of the research is determined by the fact that the linear regression model we use to reveal the relationship between the variables has been proven and time-tested to decide on similar types of cause-and-effect relationships. In addition, financial data are obtained from audited financial statements of companies, which indicates their accuracy and time reliability. However, the subjective aspects of CSR assessment should be taken into account, which is considered the main challenge of studies showing the relationship between CSR and financial results.

Table N2 presents the CSR scores for each bank included in the research sample, both in total and by ESG dimensions for two years, determined by the methodology described above. The given total scores constitute the independent variable for the study.

Table 2: CSR scores for banks

Name of Bank	Year	Environmental	Social	Governance	Total (CSR Index)
JSC Liberty Bank	*2021*	2	1,626	6	9,626
	2022	4,03	2,812	6	12,842
JSC BasisBank	*2021*	2,0244	2,924	7	11,9484
	2022	2,02	3,02	7	12,04
JSC Bank of Georgia	*2021*	4,579	1,92236	7	13,5014
	2022	4,593	1,934	7	13,527
JSC Terabank	*2021*	0	1,781	6	7,781
	2022	1,691	1,781	6	9,472
JSC ProCredit Bank	*2021*	6,3529	2,263	6	14,6159
	2022	6,3171	2,169	6	14,4861
JSC TBC Bank	*2021*	7,2631	2,801	7	17,0641
	2022	6,28	2,9518	7	16,2318
JSC Cartu Bank	*2021*	2,3667	2,1414	7	11,5081
	2022	4,0453	2,193	7	13,2383
JSC Halyk Bank Georgia	*2021*	0	1,507	4	5,507
	2022	0	2,49579	6	8,49579
JSC PASHA Bank Georgia	*2021*	6,08	0,4065	0	6,4865
	2022	4,08	2,257	4	10,337

Source: Author's finding

Table N3 presents the indicators calculated according to the annual individual financial statements, which are used in the model as a dependent variable, and the total assets of banks as a moderating variable.

Table 3: Profitability Ratios and Total Assets for Banks

Name of Bank	Year	ROE	ROA	Total Assets (GEL)
JSC Liberty Bank	*2021*	12,10518794	1,360616342	3112560000
	2022	15,26310712	1,738454481	3640590000
JSC BasisBank	*2021*	10,51318842	1,89278663	1908456000
	2022	15,74610683	2,20442804	3158960000
JSC Bank of Georgia	*2021*	23,98002416	3,284598284	22177263000
	2022	25,60763991	3,543935587	27141210000
JSC Terabank	*2021*	15,02598228	2,090146154	1380669000
	2022	13,44630222	1,948322057	1531369000
JSC ProCredit Bank	*2021*	15,6705113	2,267076989	1843431000
	2022	15,08029241	2,603447584	1720219000
JSC TBC Bank	*2021*	24,56236231	3,653641701	23679525000
	2022	23,62737358	3,510625222	27994757000
JSC Cartu Bank	*2021*	7,554019015	1,9714762	1352134000
	2022	7,398951929	1,771210109	1591906000
JSC Halyk Bank Georgia	*2021*	10,91404894	1,536317166	1002983000
	2022	9,293625337	1,468999916	984207000
JSC PASHA Bank Georgia	*2021*	-5,35167809	-0,948889562	445995000
	2022	-2,201040704	-0,436442884	518510000

RESULTS AND DISCUSSION

This chapter presents the results of the empirical research, processed using the SPSS statistical program.

Descriptive statistics show (Table N4) that the average value of the CSR Index increased from 10.89 in 2021 to 12.3 in 2022, indicating a positive trend. The increase in the minimum value of the index from 5.51 to 8.50 also indicates a positive trend, although the maximum value has decreased from 17.06 to 16.23. The standard deviation significantly reduced from 3.87 in 2021 to 2.48 in 2022. There is no significant change in the legislation related to CSR between 2021 and 2022. However, it is worth mentioning that after the National Bank of Georgia developed the principles and corresponding templates for reporting and disclosure of environmental, social, and governance issues, it became mandatory for commercial banks to submit reports, which may have an impact on the actions of commercial banks regarding the disclosure of information in reporting.

Table 4: Descriptive Statistics

CSR Index	2021	2022
Mean	10.893155556	12.296665556
Std. Deviation	3.8722489974	2.4826460430
Minimum	5.5070000	8.4957900
Maximum	17.0641000	16.2318000

Source: Author's findings

The independent variable for both hypotheses is the CSR index, and the control variable is the company size (total assets). As for dependent variables, different variables are defined for each hypothesis. In particular, in the case of the first hypothesis, Return on Equity (ROE) was defined as the dependent variable, which means that for testing the hypothesis, a linear relationship between the CSR index and the ratio of Return on Equity should be tested using a linear regression model.

Table 5: Hypothesis Testing Results

Dependent Variable:	**Model Summary**			
	R	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
ROE	0,701[a]	0,492	0,424	6,39617
ROA	0,736[a]	0,541	0,48	0,87749
a. Predictors: (Constant), CSR Index, INT				

Source: Author's findings

As the summary of the model shows (Table N5), the Pearson correlation coefficient is 0.701, which indicates a strong relationship between the relationship to be studied. As for R^2, its value is equal to 0.492, which means that the independent variable explains 49% of the variation of the dependent variable.

The ANOVA test shows (Table N6), that the model is statistically significant, as the significance level is equal to 0.006, which is less than 0.05.

Table 6: Hypothesis Testing Results

Dependent Variable:	**ANOVA[a]**					
	Model	*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
ROE	Regression	593,937	2	296,969	7,259	0,006[b]
	Residual	613,665	15	40,911		
	Total	1207,602	17			
ROA	Regression	13,62	2	6,81	8,845	0,003[b]
	Residual	11,55	15	0,77		
	Total	25,17	17			
b. Predictors: (Constant), CSR Index, INT						

Source: Author's findings

The P-value for the CSR ratio is 0.008 (Table N7), which indicates the statistical significance of the relationship between the CSR ratio and Return on Equity. The P-value of the interaction term (INT) is statistically less significant. Therefore, it can be said that when the rate of Return on equity is defined as the dependent coefficient, the impact of company size becomes less significant for the relationship to be studied. As for the beta value, it is lower for INT. The coefficient is 0.296, which indicates a weak connection, and for the CSR index, it is 0.573, which indicates a positive connection of medium strength. Based on all of the above, it can be said that the change in the value of the moderator variable does not have a strong impact on the change in the dependent variable.

Table 7: Hypothesis testing results

Dependent Variable:	**Coefficients**					
	Model	*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*
		B	Std. Error	Beta		
ROE	(Constant)	-5,571	5,766		-0,966	0,349
	INT	2,551	1,627	0,296	1,568	0,138
	CSR Index	1,493	0,492	0,573	3,038	0,008
ROA	(Constant)	-1,032	0,791		-1,305	0,212
	INT	0,284	0,223	0,228	1,273	0,223
	CSR Index	0,244	0,067	0,65	3,626	0,002

Source: Author's findings.

Based on the coefficients obtained as a result of Simple linear regression analysis, hypothesis N1 can be considered confirmed and we can say that:

H1: The high value of the CSR index increases the Return on Equity of large banks operating in Georgia.

The results of our study are consistent with the results of the research conducted by Ramzan, Amin and Abbas in the commercial banks of Pakistan (Ramzan et al., 2021), by Adewale and Rahmon in the Nigerian banking sector (Adewale & Rahmon, 2014), by Bani-Khaled El-Dalabeeh, Al-Olimat and Al Shbail in the Jordanian banking sector (BANI-KHALED et al., 2021) and by Geetika and Shukla in the Indian banking sector (Geetika & Shukla, 2017). In contrast, Zhou, Sun, Luo and Liao's research on Chinese banks, where researchers consider green loans as a moderator, shows a significant negative relationship between CSR and profitability (ROE and ROA) (Zhou et al., 2021).

Return on Assets (ROA) is the dependent variable for the second hypothesis. As a result of checking the linear relationship between the CSR index and the ratio of Return on Assets for testing the hypothesis, the value of the Pearson correlation coefficient is equal to 0.736 using the linear regression model, which confirms the strong relationship between CSR and Return on Assets. The value of R2 is 0.541, which indicates that the independent variable explains 54% of the variation in the dependent variable (Table N5).

The significance level of the ANOVA test in these cases also confirms that the model is statistically valid. The significance level is equal to 0.003, which is less than 0.05 (Table N6).

The P-value for the CSR index is 0.002 (Table N7), which means that the relationship between the CSR index and Return on Assets is statistically significant. In the case of CSR influence as Return on Equity, the P value of the interaction term (INT) is statistically less significant in the case of Return on Assets, so it can be said that when ROA is defined as the dependent coefficient, the impact of company size is less important. As for the beta value, it is less for INT. The coefficient is 0.228 In the case of the second hypothesis, the relationship is weaker for INT. The beta coefficient for the CSR index is 0.650, which indicates a positive relationship of average strength. It ought to be noted that among the dependent variables, a higher beta coefficient is observed in the case of Return on Assets, which indicates that among the presented dependent variables, the ratio of Return on Assets is more closely related to CSR, and the moderating variable has a weaker influence on it than on the ratio of Return on Equity. The strength of the relationship with Return on Assets can be explained by the different natures of bank assets, as described by Gethika and Shukla. In particular, the socially responsible image of the bank increases the number of customers and, therefore its main assets, which leads to an increase in operational efficiency (Geetika & Shukla, 2017).

As we can see, as a result of simple linear regression analysis, hypothesis N2 was also confirmed; therefore, we can conclude that:

H2: The high value of the CSR index increases the Return on assets of large banks operating in Georgia.

The results of the study are consistent with the results of the research conducted by Szegedi, Khan, and Lentner in Pakistani banks (Szegedi et al., 2020) and the results of a study conducted by Nguyen and Nguyen in Vietnam (NGUYEN & NGUYEN, 2021). Our research also coincides with the research conducted by Tulcanaza-Prieto, Shin and Lee in the Ecuadorian banking industry. According to the results, initiatives related to CSR have a positive effect on profitability indicators such as ROE and ROA (Tulcanaza-Prieto et al., 2020). The results of the study are consistent with the outcomes of the research conducted by Matuszak and Rozanska in commercial banks in Poland, which confirms the positive impact of CSR disclosure on indicators of bank profitability such as ROE and ROA. However, it should also be noted that the same study does not reveal a positive relationship with Net Interest Margin. which is also defined as an indicator of profitability (Matuszak & Różańska, 2017).

On the other hand, the results of this study contradict the results of research conducted by Kabir and Chowdhury in commercial banks in Bangladesh. According to the findings, there is a quadratic relationship between expenses of CSR and return on assets (the bank's expenses on CSR depend on the previous year's ROA) (Kabir & Chowdhury, 2023). Additionally, our outcome also contradicts the results of the study by Bani-Khaled, El-Dalabeeh, Al-Olimat and Al Shbail because the findings of the mentioned study show a significant negative relationship between the expenses of CSR and return on assets (unlike the rate of Return on capital) in Jordanian commercial banks because the expenditure incurred on CSR reduce EBIT (earnings before interest and tax) (BANI-KHALED et al., 2021).

CONCLUSION AND RECOMMENDATION

Based on the analyzed ESG reports, we can single out banks that stand out with an exceptionally high level of social responsibility; however, we also find banks that act only within the limits of the obligation that is standardized by the regulations of the sector. The entire banking sector needs to realize its impact on sustainable development and ensure mutual benefit by implementing appropriate social responsibility measures and taking the interests of all stakeholders into account.

In the Georgian banking sector, research on the relationship between CSR and financial performance proves a positive relationship between CSR and the financial results of banks. Pearson's correlation coefficients confirmed the truth of both presented hypotheses. At the same time, it should be emphasized that a stronger relationship between CSR and financial performance was observed through the regression analysis, where the ratio of Return on Assets was defined as the dependent variable.

It should also be noted that environmental, social, and governance (ESG) reporting is not the subject of audit, unlike financial reporting, which may raise questions about the objectivity of the information presented in the reporting. To ensure a more reliable assessment of results and progress, the mentioned report has to be audited.

It is recommended that banks take responsibility for conducting comparable studies within their organization. These studies should be grounded in precise data and evaluation. The results of the studies will allow them to evaluate the effectiveness of CSR measures on financial performance.

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