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Activities of German Sparkassen for Sustainable Social Development: The Current State and Challenges

ABSTRACT

This paper seeks to explore the various levels and areas of activity of Sparkassen in Germany in the implementation of activities for sustainable social development and indicate the challenges facing them in the years to come. The author presents the mission of Sparkassen in Germany from the establishment of these credit institutions to the present day, a time when the concept of social sustainability plays a pivotal role and ESG reporting has become mandatory. As public financial institutions with deep local ties, Sparkassen prioritize community well-being, inclusivity, and long-term regional development over profit maximization. Their operations are guided by the principle of serving the common good, which they achieve through financial education, support for local initiatives, and ensuring access to essential banking services in underserved areas. The concept of sustainable development is examined with particular focus on the social dimension. The article highlights the growing expectations for financial institutions to address societal challenges such as inequality, poverty, and financial exclusion. Sparkassen are uniquely positioned to respond to these demands due to their structure, history, and local orientation. Empirical data from the Deutscher Sparkassen- und Giroverband (DSGV) and ESG reports

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confirm that Sparkassen consistently perform better than other banking groups in areas like employee well-being, support for families, customer satisfaction, and community involvement. Despite a reduction in physical branches and staffing, Sparkassen have increased their tax contributions and community investments between 2019 and 2023. However, challenges remain, particularly in improving gender diversity at leadership levels and adapting to digital and regulatory transformations. The study concludes that Sparkassen exemplify a sustainable banking model that balances financial stability with strong social responsibility. Their long-standing commitment to regional support, financial inclusion, and stakeholder engagement positions them as key contributors to resilient and cohesive local communities in Germany. As ESG standards become more integral to financial governance, the Sparkassen model provides valuable insights into aligning banking practices with sustainable development goals.

KEYWORDS: Sparkassen; social; sustainable development; CSR

INTRODUCTION

Today, the sustainable development of enterprises has become not only an ethical and environmental requirement but also a factor building a competitive advantage. Activities to protect the environment and support employees and local communities are now seen as strategic investments, despite the need to give up some profits in the short term (Oželienė, 2017; Zhou, 2022). The implementation of the Sustainable Social Development Goals requires the integration of many factors, i.e. strategy, management style, environmental and social awareness, as well as external conditions: macroeconomic situation, legal regulations, and availability of financing (Pieloch-Babiarz et al., 2021]. Currently, credit institutions are obliged to publish non-financial reports covering areas such as environmental, social, and corporate governance, and they do so in order to meet regulatory requirements on the one hand and to improve their image among customers on the other. Many scientific studies devote attention mainly to the environmental activities of credit institutions (services, products), while the following study will be based on an analysis of the impact of Sparkassen in Germany for the benefit of society.

Savings banks play a key role in the German financial system, acting as a public institution with a local character. Their activities are closely related to the idea of supporting saving and financing local communities and enterprises. Sparkassen are credit institutions for which the social mission plays a paramount role, and the generation of profit only serves to maintain business activity. Established at the turn of the eighteenth and nineteenth centuries, savings banks remain one of the pillars of German banking to this day, maintaining their original functions, although adapting to changing economic and technological conditions.

The aim of the article is to show the various levels and areas of activity of Sparkassen in Germany in the implementation of activities for sustainable social development and to indicate the challenges for the next years of activity. The paper presents the mission of Sparkassen in Germany from the establishment of these credit institutions to the present day, a time when the concept of social sustainability plays a key role and ESG reporting has become mandatory. It also highlights the importance of Sparkassen in building relationships with stakeholders and supporting local communities. The article is theoretical and empirical and is based on the literature on the subject and data on Sparkassen activities in Germany for sustainable social development.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CSR): A CONCEPTUAL VIEW

The modern world is facing growing environmental and social problems, which are increasingly making visible the limitations of the hitherto dominant model of development. Climate change, environmental degradation, air and water pollution, desertification, the depletion of natural resources, and growing social, economic, and political inequalities pose significant threats to the future of humanity. In this context, the idea of sustainable development is becoming all the more important, calling for more resilient, fair, and sustainable societies and economies (Grosseck et al., 2019].

The concept of sustainable development was defined as a process that "meets the needs of the present generation without limiting the ability of future generations to meet their needs" (United Nations, 1987). A key feature that distinguishes this concept from previous development models is its long-term horizon, taking into account changes in the economy, society, and the environment in a multi-generational perspective (Dąbrowska et al., 2015). Sustainable development is a solution that guarantees further growth, which allows for the active inclusion of all social groups in development processes while giving them the opportunity to benefit from economic growth without environmental degradation. An important aspect of this concept is sustainability understood as maintaining justice both within and between generations, and sustainability understood as the pursuit of economic and social goals while protecting the natural environment (Rydz-Żbikowska, 2012).

Sustainable development should foster economic growth leading to improved material well-being while safeguarding social justice, security, and quality of life as a common good (Cunha et al., 2021). The implementation of this idea requires the integration of various levels of human activity, e.g., moral, ecological, technical, economic, legal, social, and political (Pawłowski, 2006; Deutsche Bundesbank, 2023).

The concept of sustainable development outlined in the 2030 Agenda is based on mutual interdependence and encompasses the eradication of poverty, the reduction of inequalities, the protection of the planet, and the promotion of social inclusion — all as integral parts of a single, unified process (United Nations Organization, 2015). Ultimate success in the implementation of this concept requires the involvement of all actors of socio-economic life — states, local governments, enterprises, institutions, and citizens (Dyllick & Hockerts, 2002; Kiełczewski, 2010; Costa et al., 2022).

Sustainable development is a pillar of a stable and healthy economy, with financial institutions playing a special role in achieving it. Societies have the right to expect banks to take active measures to reduce social inequalities, counteract injustice, and alleviate social tensions. Among these measures, the fight against poverty and the prevention of financial exclusion are also important. Therefore, the activities of banks should be in line with the principles of socially sustainable development (Łukasiewicz-Kamińska, 2014).

The idea of sustainable development is closely related to the concept of corporate social responsibility, i.e., the concept of business management within which social and environmental issues are integrated in operations and interactions with stakeholders (Blowfield, 2005) and which is based on technological and information changes (Mazur-Wierzbicka, 2021). The implementation of the concept of sustainable development, including socially sustainable development, requires the involvement of employees, the implementation of new technologies, the change of the product and service offer to ecological ones, and rationalization in resource management (Taticchi & Demartini, 2021).

The social responsibility of financial institutions is a tool and actions that take into account the human needs undertaken by these institutions in order to improve the economic and social situation of the population. It is not only charity but also a type of business (banking) that allows people from the margins of society to access products and services. Only by creating opportunities to help, including education for marginalized people, including refugees, can we contribute to the creation of long-term prosperity. Society expects social responsibility on the part of financial companies, both in a positive sense and in the prevention of negative effects of their activities. Positive should manifest itself in the creation of financial infrastructure that enables the functioning and development of individuals and companies. Preventive responsibility should consist in looking for means and ways to avoid or at least reduce the growing risks of poverty and the risk of financial exclusion (Zioło & Dzikowska, 2018).

The bank's involvement in CSR activities can be analyzed on a step-by-step basis, which allows us to capture the various forms and depth of implementation of this concept in the bank's operations. At the lowest level, there are activities that do not require significant resources, such as responsible advertising or charity work for local communities. The middle level includes practices inherent in the bank's daily operations, such as rationalization of business trips, waste segregation, use of renewable energy, or ethical treatment of employees. The highest level is the offer of products and services in line with the CSR idea, e.g., green loans, investment funds with an environmental component, or structured products supporting environmental protection (Krasodomska, 2012).

The key areas of banks' social responsibility are relations with stakeholders: employees, customers, investors, the local community, and the natural environment. Human capital plays a fundamental role in the banking sector, due to the intangible nature of the services provided. The bank is perceived primarily as an organization created by a team of qualified employees whose activities are consistent with the adopted strategy and policy of the institution. Building customer engagement and loyalty is possible only with a high level of employee satisfaction and efficiency (Filipkiewicz, 2008). Responsible customer relations, on the other hand, assume communication transparency, individualization of the offer, protection of customer interest, and development of channels of access to services, taking into account digitally or financially excluded people (Solarz, 2010).

The contemporary approach to CSR also includes activities aimed at combating social exclusion. The social economy, as a paradigm based on solidarity and integration, is reflected in the practices of banks supporting marginalized people: the unemployed, migrants, people with disabilities, or non-profit organizations (Janowska, 2019). Banks can perform an inclusive function, e.g. by lending to social initiatives, supporting financial education or social entrepreneurship (e.g., microcredit).

Banks' social responsibility is also reflected in the implementation of ethical programs, social campaigns, ESG reporting, employee volunteering, and sustainable investments. An organizational culture based on ethical values – through codes of ethics, ethics hotlines, or ethical audits – is the foundation of long-term trust. Due to the nature of institutions of public trust, banks should take special care of the transparency, responsibility and morality of their activities (Korenik, 2009).

Banks' social responsibility is not limited to relational or marketing issues. It is an important element in building the desired socio-economic order, especially in the context of structural problems such as social inequalities, poverty or climate change. In accordance with the concept of sustainable development, banks should actively participate in the processes of reducing social tensions through responsible risk management, support for local development, and investments in human capital (Janowska, 2021).

SPARKASSEN IN GERMANY: EVOLUTION AND APPLICATION OF THE CSR CONCEPT

The austerity sector, which developed more than two centuries ago, is still based on the principles established at the end of the 18th century, when the Ersparungskasse was established in Hamburg (1778). This initiative was aimed at promoting austerity attitudes in various social groups, with the intention of using the accumulated capital to support regional development. The dynamic development of savings banks took place in the 19th century, when the first municipal institutions of this type were established. The model initiated in 1801 in Göttingen (Spar- und Leihkasse Göttingen) was adopted throughout Germany, with the key role played by local government units, which took over the legal responsibility for the credit unions (DSGV). In the following years, this form of banking expanded – in 1831 the first district bank was established in Schleusingen (Thuringia). Their activity was regulated by numerous normative acts, and the Act of 1838 in Prussia became a model legal act regulating the activity of savings banks managed by public law entities. An important factor in the development of Sparkassen in Germany was the connection in the 20th century with the gyro control panels, which enabled the integration of payment services, including cashless ones, and then contributed to the transformation of savings banks into universal credit institutions. Of 86 savings banks existing in 1838, in 81 cases the responsibility was taken over by public law entities, and their dynamic development resulted in the fact that at the turn of the 19th and 20th centuries (Auerbach, 2009). There were 2.7 thousand of these credit institutions with strong roots in individual regions.

The banking crisis of 1931 led to savings banks and giro headquarters gaining the status of an institution of public law, which was formally confirmed by the Act of 1934, when these banks were made equal to banks. The term "Sparkasse" was then given legal protection (Dannenberg & Donath, 2019). During World War II, the savings sector played a key role in accumulating citizens' savings, which were used for war needs. The 70s of the twentieth century were the time of the introduction of ATMs and the possibility of independent printing of information about the account balance by Sparkassen customers (Romiszewska, 2004). The process of digitization of banking services began in the early 80s of the twentieth century.

In 1972, financial services were standardized within the group, and a common logo for savings banks was introduced, adopting the characteristic red color that became synonymous with this sector of German banking (Romiszewska, 2020), and in 1975, savings banks, together with the banks of the federal countries, created a network of shared responsibility (Haftungsverbund). Before the reunification of Germany, savings banks in the former GDR were separated from the central bank to become independent public institutions. After the reunification of Germany, credit unions from western Germany became involved in the process of restructuring credit unions in the former GDR, offering both material and technical support (Romiszewska, 2004). In 1999, Deutsche Girozentrale and Deutsche Kommunalbank merged with DEKA to form DekaBank, which became the central bank responsible for trading securities within the Sparkassen-Finanzgruppe. Thanks to cooperation with the financial partners of the S-Financial Group, they can offer services comparable to those provided by large banks, despite the fact that their activities are limited to the area in which they were established (in accordance with the principle of regional operation).

Currently, German savings banks are a key element of the financial market, generating 17.6% of the balance sheet total of the entire banking sector (as of December 31, 2023). They operate as public utility institutions, and their main task is to support households and small and medium-sized enterprises. They operate within the Sparkassen-Finanzgruppe, which includes 12 regional savings bank associations and central financial institutions such as the Deutscher Sparkassen- und Giroverband (DSGV). Each Sparkasse operates exclusively in the territory of its founder (municipality or district), which limits competition within the sector (subsidiarity principle). However, thanks to close cooperation and a common network of services, even the smallest credit unions can offer a wide range of financial products, competing with large commercial banks.

The 21st century brought numerous changes in the financial sector, resulting in the consolidation of the sector. As a result of the merger, the number of savings banks is steadily decreasing, and the digitalization of the economy and the digitization of society are causing Sparkassen to develop hybrid channels for accessing banking products and services, as well as working on the integration of traditional platforms with digital services such as mobile and online banking. The key tasks include the implementation of projects related to open banking and the accelerated development of e-payments, especially in the context of changes caused by the pandemic and environmental aspects. These processes result in a decrease in the number of brick-and-mortar outlets and, consequently, in the number of employees in the savings bank sector. However, this does not affect the assets of this sector, which are growing regularly (Table 1).

Table 1. Development of Sparkassen in Germany
in 2005–2023.

	2005	2010	2015	2020	2022
Number of Sparkassen	463	429	413	378	361
Total assets in bn EUR	1,014	1,082	1,144	1,379	1,523
Number of brick-and-mortar outlets	14,414	18,921	11,872	12,596	11,195
Employment	260,825	248,150	230,213	200,669	191,000

Note. Compiled from DSGV financial statements.

Sparkassen's main slogan is "In der Region, für die Region", which emphasizes local roots and commitment. Their mission is based on the principle of the common good, which means that their functioning is focused on social benefits and not only on maximizing profits. They reinvest their profits to a large extent in the area of their activity through, for example, grants and support for non-governmental organizations, cultural institutions, schools, or sports clubs, as well as financing financial education programs.

They provide universal access to basic banking services, even in smaller towns or rural areas, where other banks often withdraw due to low profitability.

Sparkassen's business model and mission are similar for the entire group, but they differ in the size of the assets under management. The largest Sparkasse, i.e., Hamburger Sparkasse operating in Hamburg (1.9 million inhabitants), had assets of approximately EUR 58 billion and employed over 4,418 employees in 178 branches, while the smallest one, Stadtsparkasse Grebenstein (Hesse, Kassel district, 5.3 thousand inhabitants), managed assets with a total value of EUR 277 million, employing 51 employees in 4 branches. Only seven Sparkassen had more than 100 outlets in the area of their operation, 47 Sparkassen had between 50 and 100 outlets, the largest number (i.e., 245 savings banks) operated in 10 to 49 outlets, and 67 had up to 9 outlets.

Table 2. Ranking of the largest and smallest Sparkassen in Germany in 2022.

	Rank no.	Location	Total assets (thousands EUR)	Staff	Facilities
Hamburger Sparkasse	1	Hamburg	57,541,030	4,418	178
Kreissparkasse Köln	2	Köln	30,127,059	3,589	154
Sparkasse KolnBonn	3	Köln	28,225,709	3,479	114
Sparkasse Laubach-Hungen	357	Laubach	295,429	63	3
Sparkasse Battenberg	358	Battenberg (Eder)	278,682	46	5
Stadt-sparkasse Grebenstein	359	Gerbenstein	277,994	51	4

Note. Data from DSGV's ranking, see *Sparkassenrangliste 2022 für DSGV.de* (April 6, 2023).

Sparkassen have a significant impact on the German economy, both locally and nationally. As a business partner of enterprises from the SME sector, they affect the development of their innovation potential and, at the same time, reduce regional disparities (Gärtner & Rehfeld, 2007, p. 37). Sparkassen are connected to the region that owns them, and from a business perspective, they support it through tax revenues and the employment of employees. They are the credit institution with the highest level of Azubis in Germany (apprentices).

SPARKASSEN AND SOCIALLY SUSTAINABLE DEVELOPMENT: EMPIRICAL DATA

The social responsibility of financial institutions, including credit institutions, is an important element in building the desired socio-economic order, especially in the context of structural problems, i.e., social inequalities, poverty, and financial inclusion. Through active participation in local development processes and investments in human capital, banks should create a range of products and services tailored to various social groups. The philosophy of Sparkassen reflects the definition of sustainability in accordance with the Brundtland definition of 1987. Sparkassen actively support changes in the economy, society, and politics that lead to improved quality of life, social balance, and intergenerational justice (Krummrich/Forndran, 2006). Social sustainability is at the root of their business model, as they were founded, among other things, to enable access to finance for various social groups. Sparkassen support the development of local communities through initiatives in the fields of culture, financial education, and volunteering. They actively work for the benefit of their employees, i.e., in the field of health services, physical and mental activity, an appropriate standard of work–life balance, and striving to achieve prosperity. Sustainability management includes business goals and measures in terms of customer service, human resources, supporting the economy, and individuals and businesses in their transformation towards greater sustainability through appropriate financial and consulting services.

The S-Finanzgruppe financial group has created guidelines for all financial institutions in the sector, in which it points to the goals and vision for sustainable development that all Sparkassen are to take into account from 2025 (DSGV, 2020). They aim to ensure social acceptance and support for regional development in the long term by offering innovative products and services in line with the concept of sustainable development. In addition, it publishes an integrated report on corporate social responsibility (environmental, social, and governance), in which it shows the types of activities for sustainable development. In the social area, they undertake activities related to financial education, such as teaching how to manage a household budget and personal finances, creating platforms that provide reliable information about banking products, and establishing and equipping technical facilities for online banking services accessible to low-income individuals. These measures also include helping to create new jobs and developing entrepreneurship, especially in poorer areas – microcredit.

Table 3. Social sustainability and community contribution (in thousands EUR).

	2019	2020	2021	2022	2023
Income-based tax payments	2,375,809	2,750,532	2,680,224	3,483,000	4,311,322
Personnel costs	16,371,354	16,039,436	11,922,090	15,825,649	12,453,257
General and administrative expenses	n.d.	n.d.	18,967,223*	11,794,323	7,988,818
Total donations, sponsoring, special-purpose income	432,413	363,690	371,421	398,743	507,973
Social	79,449	74,784	81,628	78,193	148,990
Education/Science	42,658	38,527	37,655	41,108	53,690
Culture	133,601	108,673	106,964	124,765	130,576
Sport	90,695	76,455	73,869	81,862	108,931
Economic and structural development	15,041	12,220	12,647	12,484	12,753
Environment	12,479	8,291	11,621	11,008	28,369
Other	58,490	44,742	47,037	49,321	73,181
Total contribution to the community	19,179,576	19,153,658	33,940,958	31,501,715	25,261,370

Note. Asterisk denotes administrative expenses.
Based on DSGV, Bericht an die Gesellschaft, Kennzahlen zum Bericht.

From the information published by the S-Finanzgruppe in the report on sustainable development, one can see the level of expenditure for the community, which the credit unions direct to local governments and public and charitable institutions. In the analyzed period, personnel and material expenses decreased due to the fact that from 2019 to 2023, the number of Sparkassen institutions decreased by 26, while thanks to the increase in their activities, Sparkassen paid nearly twice as much income tax in the analysed period as in 2019, contributing to the development of the region. This increase demonstrates the growing profitability of the Sparkassen Group's operations. The total value of expenditure on donations, sponsorship and targeted expenditure increased from 432.4 million EUR in 2019 to 507.9 million EUR in 2023 (by 17.5%). The main beneficiaries of the support were the areas of culture and sport. In 2023, social spending increased significantly (by 10 percentage points). Sparkassen fund organizations that help homeless people and refugees integrate by offering language courses, career counseling, assistance in finding housing, and vocational training. They also offer special financial products, i.e., percentage of all donation expenditures. The total contribution to the local community peaked in 2021 (EUR 33.9 million) before decreasing to EUR 31.5 million in 2022 and then to EUR 25.26 million in 2023. Despite the decline in value, they remain higher than in 2019–2020, confirming that Sparkassen increasingly recognize the need to support local activities leading to the well-being of society as a whole.

An interesting study of sustainable development in the social area is a study conducted by Zielke Research Consult GmbH, which analyzed 110 sustainability reports of German banks meeting two criteria: they had assets exceeding EUR 5 billion and employed at least 500 employees. These criteria were met by 59 Sparkassen. Various forms of reporting were included – both separate sustainability reports and included or separate non-financial statements. The study focused on three main areas of ESG (environmental, social, governance):

- Environment: the banks' activities aimed at reducing their carbon footprint, calculating CO_2 emissions and integrating environmental and social aspects into their lending policy.
- Social: Focus on accountability to internal and external stakeholders, such as employees, customers, and society.

The exact criteria are presented in Figure 1. Responsibility towards internal stakeholders was calculated based on the proportion of women in management positions, inclusion, support for families, and health management. Responsibility towards customers was measured based on customer satisfaction indicator, while commitment to society was measured through participation in social initiatives.

- Governance: The degree of implementation of responsibility for sustainable development in the organizational structure; CRR reports and the availability of ESG reports.

In addition, data on the number of employees were collected, enabling a comparison across the banks. All data were manually extracted from reports and then entered in the database. The more detailed and transparent the published data, the more accurate the analysis. The grading system was point-based, with a maximum

Figure 1. Criteria for assessing sustainable banks in the social area.

Note. Based on Zielke Research Consult (2024).

of 1 point for each criterion, and failure to publish information resulted in –1 point awarded. If the figure was below the previous year's average, the bank received 0.5 point, and if it was above the previous year's average, the bank received +1 point. Some criteria used weighted scoring (50% for actions and 50% for data).

Table 4. Results of a study for socially sustainable banks in 2021–2022 in Germany.

	Commercial banks		Sparkassen		Cooperative banks		Total	
	2021	2022	2021	2022	2021	2022	2021	2022
Share of women in leadership position	0.25	0.56	0.21	0.52	0.22	0.55	0.23	0.34
Inclusion of people with disabilities	–0.03	–0.06	0.16	0.11	–0.16	0.00	0.06	0.04
Support for families	0.77	0.51	0.66	0.58	0.50	0.13	0.67	0.48
Health management	0.77	0.65	0.87	0.87	0.58	0.48	0.79	0.73
Customer satisfaction	0.32	0.11	0.36	0.44	0.14	–0.42	0.31	0.18
Social initiatives	0.39	0.36	0.53	0.64	0.45	0.49	0.47	0.53
Total social area	2.66	2.12	2.85	3.16	1.96	1.23	2.64	2.48

Note. Based on Zielke Research Consult (2024).

The research showed that in 2022 Sparkassen achieved the best results in total in these areas, that is, inclusion of people with disabilities, support for families, health management, customer satisfaction, and social initiatives. However, compared to 2021, their performance in the area of inclusion and support for families has declined. In 2021, the Sparkassen in the social area included the Taunus Sparkasse, the Sparkasse Düren, and the Stadtsparkasse Wuppertal. The most important factors in the group of these banks were such factors as support for families, including childcare and family allowances, but also health management. An important direction for Sparkassen is to increase diversity in management positions, as this is where Sparkassen has the lowest proportion of women in management positions. In 2022, the Stadtsparkasse Augsburg and Sparkasse Vorderpfalz significantly improved their performance in the social area with regard to their social commitment through donations, social integration, work-life balance, and health management.

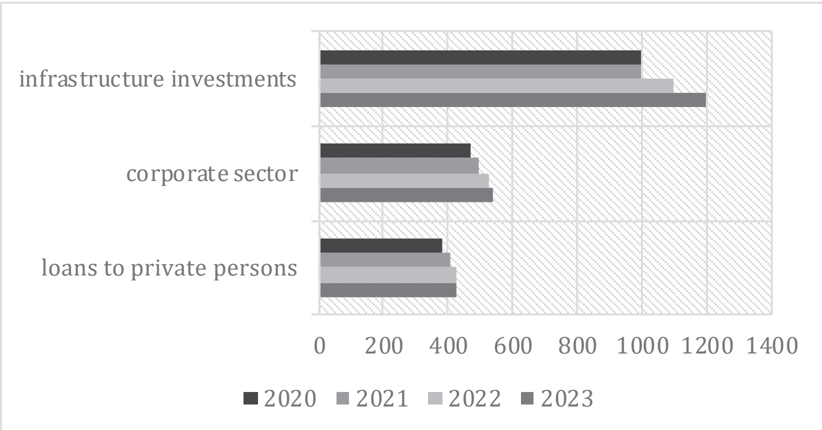
Table 5. Sparkassen in the ranking of socially sustainable credit institutions in 2021 and 2022.

Name of Sparkasse	2021		2022	
	score	ranking position	score	ranking position
Stadtsparkasse Wuppertal	5.08	3	5.58	1
Taunus Sparkasse	5.75	1	5.50	2
Stadtsparkasse Augsburg	2.83	–	4.92	4
Sparkasse Hannover	4.25	8	4.83	5
Sparkasse Münsterland Ost	4.00	10	4.75	6
Sparkasse KölnBonn	4.92	5	4.67	7
Sparkasse Vorderpfalz	3.00	–	4.58	8
Sparkasse Südholstein	4.58	8	4.50	7
Sparkasse Freiburg-Nördlicher Breisgau	3.75	13	4.33	9
Sparkassen Düren	5.25	2	4.25	10
Sparkasse Osnabrück	0.92	–	4.25	10
Hamburger Sparkasse (Haspa)	3.33	–	4.08	11

Note. Based on Zielke Research Consult (2024).

Sparkassen finance the regional economy, thereby contributing to social welfare. They offer preferential credit terms for small films, enabling them to grow, and also help to maintain financial liquidity. They provide loans both to SMEs, which are the driving force of Germany, and also to individuals and infrastructure projects in the region (Figure 2). In addition, by offering consulting and mentoring services, they help in the development of companies, the development of business strategies, and fundraising.

Figure 2. Value of loan purposes of Sparkassen (2020–2023).



Note. Based on Deutscher Sparkassen- und Giroverbank (2024).

The Sparkassen are constantly increasing their funding for the regional economy. Local infrastructure investments account for the largest share of total loans. However, over four years, they have stepped up the financing of the corporate sector by nearly 15%. In 2023, the entire Sparkassen sector allocated more than EUR 539.3 billion for this purpose, in addition to EUR 423.4 billion in financing private customers in 2023.

SUMMARY

Nowadays, the social responsibility of commercial banks is not only an expression of an ethical, mature institution but also a strategic building of competitiveness, stability, and market trust. Banks, as participants in social life, are obliged not only to respond to the needs of the environment but also to actively shape the conditions for sustainable development, including socially sustainable development. CSR in banking should be seen as an integral part of management, combining economic goals with a social mission and environmental responsibility.

Sparkassen's activities for social sustainability are effective and have a significant impact on local communities in Germany. Thanks to their local character, they effectively implement projects for education, entrepreneurship support, social integration, and environmental protection. Their approach to CSR is sustainable and integrated into business operations, which ensures a long-term effect in stronger and more resilient local communities. Sparkassen play a key role in building cohesive, sustainable, and crisis-resilient communities across Germany.

Despite their significant role in the economy, these institutions have to deal with many challenges of the present day. Sparkassen are facing an increase in ESG reporting requirements and the creation of sustainable product solutions. They face growing and, in some cases, very specific expectations in terms of sustainability. Many customers say that a sustainable orientation is important to them when choosing a financing partner, and research by Klein (DSGV, 2020, p. 9) confirms that customers expect sustainable products from Sparkassen.

The most important tasks in social responsibility will be standardizing social indicators that show the purpose and scope of activities for local communities. Each Sparkasse operates in a different social and economic context, which means different priorities and forms of engagement. It will therefore be difficult

to create a reporting model that is adequate for the Sparkassen group. In addition, an increase in operating costs related to ESG reporting should be expected, as the collection, analysis, and presentation of non-financial data requires the involvement of resources (human and technological). For many smaller savings banks, this can be costly and burdensome in operational terms.

Customers, regulators, and local communities expect increasing transparency. Non-financial data must not only meet formal requirements (e.g., ESG), but also convince recipients of the authenticity and effectiveness of actions.

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