DOI: https://doi.org/10.53486/sstc2026.v3.30
CZU: 005.34:336.717.061

MANAGING CREDIT RISK IN COMMERCIAL BANKS: THE IMPLICATIONS OF ESG CRITERIA COMPLIANCE

GESTIONAREA RISCULUI DE CREDIT ÎN BĂNCILE COMERCIALE: IMPLICAȚIILE RESPECTĂRII CRITERIILOR ESG

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Abstract: *Gestionarea riscului de credit în băncile comerciale reprezintă o temă de actualitate, având în vedere complexitatea mediului financiar și presiunile exercitate de cerințele de responsabilitate corporativă. Integrarea criteriilor ESG (Environmental, Social, Governance) în activitatea bancară devine tot mai importantă, întrucât acestea influențează atât evaluarea riscului de credit, cât și reputația și competitivitatea instituțiilor financiare. Scopul cercetării este de a evidenția implicațiile respectării criteriilor ESG asupra procesului de gestionare a riscului de credit în băncile comerciale, subliniind modul în care conformitatea cu aceste standarde poate contribui la reducerea expunerii la riscuri și la consolidarea stabilității financiare. Metoda utilizată a fost analiza bibliografică, prin consultarea surselor teoretice și a studiilor recente din domeniul financiar-bancar și al dezvoltării durabile. Rezultatele obținute relevă faptul că respectarea criteriilor ESG are un impact semnificativ asupra politicilor de creditare, determinând băncile să adopte practici mai prudente și să integreze factori non-financiari în evaluarea debitorilor. Totodată, conformitatea ESG contribuie la creșterea transparenței și la consolidarea încrederii publicului, ceea ce poate reduce riscul reputațional și poate atrage investiții responsabile. Concluzia principală este că integrarea criteriilor ESG în gestionarea riscului de credit nu reprezintă doar o cerință de reglementare, ci și o oportunitate strategică pentru băncile comerciale de a-și îmbunătăți performanța și reziliența pe termen lung.*
Key words: *risc de credit, bănci comerciale, criterii ESG, responsabilitate corporativă, guvernanță financiară.*
JEL CLASSIFICATION: *G21, G32, G38, M14, Q01*

INTRODUCTION

Credit risk management has long been a cornerstone of financial stability in commercial banking, yet its relevance has grown even more pronounced in the face of global economic volatility and evolving stakeholder expectations. Traditional approaches to assessing creditworthiness are increasingly complemented by non-financial considerations, particularly those related to Environmental, Social, and Governance (ESG) criteria. As banks operate in a climate where transparency, accountability, and ethical responsibility are demanded by regulators, investors, and society alike, the integration of ESG compliance into credit risk management has become both a necessity and a strategic advantage.

The significance of this research lies in its focus on the intersection between risk management and ESG standards, highlighting how compliance can reshape lending practices and influence the long-term resilience of financial institutions. ESG factors are no longer peripheral; they directly affect the evaluation of borrowers, the mitigation of reputational risks, and the alignment of banking operations with international frameworks of responsible finance.

The primary objective of this study is to examine the implications of ESG compliance for credit risk management in commercial banks. Specifically, it seeks to identify how adherence to ESG principles can strengthen risk assessment processes, foster sustainable financial performance, and enhance stakeholder trust. By combining bibliographic evidence from international studies with national-level insights and official financial indicators, this article provides a comprehensive

perspective on how ESG integration is reshaping credit risk management across diverse contexts, including the Republic of Moldova.

CORE CONTENT

The management of credit risk has always been a central concern for commercial banks, but in recent years its complexity has deepened as institutions are increasingly required to integrate Environmental, Social, and Governance (ESG) criteria into their operations. This integration reflects not only regulatory pressures but also the growing recognition that ESG compliance is a determinant of financial resilience and long-term competitiveness.

Feng (2024) provides compelling empirical evidence from 42 Chinese commercial banks between 2012 and 2020, showing that higher ESG scores are associated with lower credit risk exposures. Using a modified KMV model, the study demonstrates that investor sentiment plays a partial mediating role, amplifying the positive effect of ESG compliance on credit risk reduction. Importantly, the research highlights regional and government-support heterogeneity, suggesting that ESG integration is context-dependent and shaped by external supervisory conditions.

Complementing these findings, (Matko, 2024) investigates 87 EU banks from 2014 to 2023 and confirms that higher ESG scores generally correspond to lower credit risk, particularly in banks headquartered in the Economic and Monetary Union (EMU) and in developed EU markets. However, the study also reveals that in emerging EU countries the relationship is weaker or even reversed, underscoring the importance of institutional maturity and regulatory frameworks in determining the effectiveness of ESG integration. Collectively, these findings demonstrate the global relevance of ESG compliance, while also pointing to the unevenness of its impact across different economic contexts.

The Moldovan experience further illustrates the practical significance of ESG compliance in credit risk management. In 2023, MAIB became the first Moldovan bank to be evaluated by Sustainalytics, receiving an ESG risk score of 25.5, categorized as low-to-medium risk. This recognition placed MAIB among the top 38% of banks in the region and the top 45% globally. The evaluation not only reduced reputational risk but also enhanced MAIB's credibility with international investors, showing that ESG integration can serve as a competitive advantage even in smaller and emerging financial systems.

Beyond individual cases, (Bahnaru, 2024) provides a broader national perspective on ESG reporting in Moldova. His study shows that while non-financial reporting is mandatory only for public entities with more than 500 employees, many companies voluntarily adopt international standards such as GRI and ESRS to remain competitive. The research highlights both opportunities and challenges: ESG reporting improves transparency, strengthens stakeholder relationships, facilitates access to finance, and enhances reputation, but companies still face difficulties in aligning with European regulations and in investing in education and training on ESG frameworks. These findings confirm that ESG adoption in Moldova is gaining ground, driven by both regulatory approximation to EU standards and market pressures to attract responsible investment.

To complement these bibliographic insights, official financial indicators published by the National Bank of Moldova (2025) provide concrete evidence of how credit risk has evolved in the banking sector. Table 1 presents data on non-performing loans (NPLs), provisions for losses, and expired loans between 2021 and 2025.

Table 1. Report: Information regarding the financial-economic performance of banks in Moldova (2021-2025)

Indicator	Unit	2021	2022	2023	2024	2025
Balance of non-performing loans (NPLs)	mil. lei	3,460.46	3,970.42	3,547.17	3,353.84	4,289.40
NPL ratio (NPLs / total loans)	%	6.14	6.44	5.55	4.15	4.11

Provisions for losses on assets and contingent liabilities	mil. lei	4,788.50	4,696.75	4,577.04	5,034.87	5,374.84
Total expired loans	mil. lei	1,739.99	2,006.65	2,038.85	1,546.88	1,490.13

Source: bnm.md (April 9th 2026)

The data reveal several important trends. First, the NPL ratio declined from 6.14% in 2021 to 4.11% in 2025, suggesting improved credit quality and stricter lending practices. Second, provisions for losses increased steadily, reaching 5,374.84 million lei in 2025, reflecting a cautious and transparent approach aligned with ESG principles of responsible governance. Third, expired loans decreased significantly from over 2 billion lei in 2022–2023 to 1.49 billion lei in 2025, indicating stronger repayment discipline and improved monitoring mechanisms. Together, these developments confirm that Moldovan banks are gradually strengthening their credit risk management, and when viewed alongside the growing adoption of ESG reporting and international recognition of maib, they suggest that ESG compliance is becoming an integral part of the sector's strategy to reduce risk and enhance stability.

In synthesis, the evidence from China (Feng, 2024), the EU (Matko, 2024), and Moldova (MAIB, Bahnaru, and BNM data) demonstrates that ESG compliance is both a necessity and an opportunity in credit risk management. While its impact varies depending on institutional maturity, regulatory support, and market conditions, ESG integration consistently emerges as a pathway toward resilience, transparency, and competitiveness in the banking sector.

CONCLUSION

This study demonstrates that the integration of Environmental, Social, and Governance (ESG) criteria into credit risk management is no longer optional but essential for commercial banks navigating today's complex financial environment. Evidence from China (Feng, 2024) and the European Union (Matko, 2024) confirms that higher ESG scores are consistently associated with lower credit risk and greater resilience, though the magnitude of these effects varies across regions depending on institutional maturity and regulatory frameworks.

The Moldovan experience further reinforces these findings. The international recognition of MAIB's ESG performance, the broader national perspective on ESG reporting provided by Bahnaru (2024), and official financial indicators published by the National Bank of Moldova all point to measurable improvements in credit quality, repayment discipline, and governance transparency. Declining non-performing loan ratios, reduced expired loans, and increased provisions for losses illustrate that ESG adoption is not only theoretical but is reflected in tangible outcomes within the banking sector.

Taken together, these insights highlight that ESG compliance exerts its influence through multiple channels: it strengthens investor confidence, reduces reputational risk, and encourages prudent governance. While ESG is not a universal solution applied uniformly across markets, it consistently emerges as a strategic framework that enhances resilience and competitiveness.

Ultimately, the integration of ESG into credit risk management represents both a safeguard and an opportunity. It safeguards banks against systemic vulnerabilities while opening pathways to attract responsible investment and align with international standards. As sustainability becomes a defining dimension of economic development, commercial banks that proactively embed ESG principles into their risk management frameworks will be better positioned to navigate uncertainty, build trust, and contribute to a more stable and sustainable financial future.

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