



Asian Journal of Management and Commerce

E-ISSN: 2708-4523

P-ISSN: 2708-4515

AJMC 2024; 5(1): 357-360

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www.allcommercejournal.com

Received: 20-12-2023

Accepted: 25-01-2024

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A study on exploring the integration of environmental sustainability practices in the operations of selected banks in Karnataka

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DOI: <https://doi.org/10.22271/27084515.2024.v5.i1e.279>

Abstract

This research delves into the evolving landscape of Corporate Social Responsibility (CSR) within the banking sector, with a specific focus on the integration of environmental sustainability practices in operational frameworks. As global concerns regarding climate change escalate, banks are increasingly under pressure to align their operations with environmentally responsible practices. This study aims to analyze the strategies adopted by banks in integrating environmental sustainability into their day-to-day operations, examining the motivations behind such initiatives, the challenges faced, and the resultant impact on both environmental outcomes and the financial performance of the banks. The findings of this research contribute to the growing body of knowledge on sustainable banking practices and offer insights for policymakers, financial institutions, and other stakeholders seeking to foster a more sustainable financial sector.

Keywords: Banks, CSR, environment and sustainability

1. Introduction

In recent years, the global banking industry has witnessed a paradigm shift in its approach to Corporate Social Responsibility (CSR), as environmental sustainability takes centre stage in response to the escalating challenges posed by climate change. As financial institutions recognize their role in shaping a sustainable future, a growing number are re-evaluating their operational frameworks to incorporate practices that not only mitigate environmental impact but also contribute positively to ecological well-being.

The integration of environmental sustainability practices in banking operations represents a crucial and complex endeavor. Banks operate within intricate systems, managing vast financial transactions, investments, and customer relationships. This study aims to explore the motivations driving banks to adopt environmental sustainability measures, the strategies employed to integrate such practices into day-to-day operations, and the impact of these initiatives on both environmental outcomes and the financial performance of the institutions.

Understanding the motives behind these initiatives is essential for comprehending the underlying principles guiding the banking sector's response to the pressing issue of environmental sustainability. Additionally, identifying challenges faced by banks in implementing and sustaining these measures sheds light on the practical obstacles encountered in aligning financial operations with environmental responsibility.

This research, through a comprehensive examination of current practices and case studies, seeks to provide insights into the effectiveness of these initiatives in mitigating the environmental impact of banking operations. The study also evaluates the implications of such integration on financial performance, exploring potential synergies or tensions between environmental sustainability and economic viability.

As we embark on this exploration of the integration of environmental sustainability in banking operations, it is our aim to contribute valuable insights to academia, industry practitioners, policymakers, and other stakeholders striving to foster a more sustainable and resilient financial sector in the face of global environmental challenges.

2. Review of Literature: Gupta's exploration (2015) ^[2] delves into the intricate relationship between the Indian banking industry, economic expansion, and environmental protection. This study emphasizes the adoption of a paperless system within the framework of Green Banking as a strategic approach to diminish costs and energy consumption. Notably, the research conducts a thorough SWOC analysis of green banking operations, shedding light on the nuanced interplay of strengths, weaknesses, opportunities, and challenges inherent in the integration of environmental sustainability practices. The findings offer valuable insights tailored for practitioners and policymakers seeking to navigate the complex landscape of sustainable banking operations.

Yadav and Pathak (2014) ^[4], the researcher have focus centers on the dual impact of industrialization on economic prosperity and the delicate environmental balance. Acknowledging the contributions of industrial growth to economic development and population increase, the research unveils the environmental challenges induced by this progress. The investigation into green banking practices in India discerns a notable distinction between public sector banks, displaying more conspicuous green efforts, and their private sector counterparts. The study highlights ICICI Bank as an exception, positioning it as a significant participant in the third phase of Sustainable Green Marketing. Through this lens, the article offers insights into the dynamic landscape of green initiatives within the Indian banking sector.

Mir and Bhat's inquiry (2022) ^[5] addresses the global imperative of mitigating the impacts of climate change, with a specific focus on the banking sector. Their study underscores the instrumental role banks play in championing a low-carbon economy. This objective is achieved through the strategic incorporation of environmental data in credit decisions and investments in innovative technological solutions. The research illuminates the central role of banks in confronting global warming, aligning financial decisions with environmental considerations, and propelling technological innovation to tackle sustainability challenges effectively.

Khairunnessa *et al.* (2021) ^[3] in their study explore the establishment of 'Green Banking,' placing particular emphasis on the regulatory framework and the engagement of both banks and non-bank financial organizations in steering a green economic transition. Leveraging diverse secondary data sources, the study underscores the pivotal involvement of the central bank in steering the financial system toward environmental sustainability. Despite facing challenges and trailing wealthier nations in green banking practices and infrastructure development, the research highlights Bangladesh's commendable progress, showcasing the nation's steadfast commitment to sustainable financial practices. Collectively, these studies provide a panoramic overview of green banking practices, framed within the context of exploring the integration of environmental sustainability practices in the operations of banks. The narratives underscore the diverse roles played by public and private sector banks, the strategic adoption of innovative technologies, and the regulatory frameworks shaping sustainable transitions within the banking sector.

3. Objectives of the Study

1. To examine the extent to which the selected banks in

Karnataka have implemented green banking practices in their operational frameworks.

2. To analyse the perceptions and opinions of bank customers regarding the green banking instruments implemented by the selected banks in Karnataka.

4. Research Methodology

This research adopts an empirical approach, relying on primary data obtained through a structured questionnaire. The selection of the sample is a critical component of the study, and a convenient sampling method was employed to gather relevant information. 6 below mentioned banks were selected for study and from each bank 30 customers were selected and administered the questionnaire. The questionnaire was meticulously designed to capture essential insights related to the research objectives.

Additionally, the study incorporates secondary data collected from diverse sources, including the Reserve Bank of India (RBI) and various public banks. Reports, magazines, research journals, and websites serve as valuable secondary sources, offering comprehensive information on e-payment activities. By combining primary and secondary data, this study aims to provide a holistic understanding of the role of the green banking system in fostering sustainable development through diverse online payment services. The incorporation of both primary and secondary data enriches the research's depth and breadth, allowing for a nuanced exploration of the subject matter.

5. Scope of the Study

The scope of this study delves into the exploration of green banking initiatives undertaken by specific banks in Karnataka, namely Canara Bank, National Bank, State Bank of India, Bank of Baroda, Union Bank, and Karnataka Bank Pvt Ltd. The focus centers on understanding the environmental sustainability practices integrated into the operations of these banks. By examining the perceptions and opinions of bank customers, the survey aims to shed light on their experiences with green banking instruments that contribute to sustainable development. This research will offer insights into the effectiveness of environmental sustainability measures implemented by the mentioned banks in Karnataka, exploring the symbiotic relationship between customer benefits and reduced service expenses for the banks, ultimately contributing to the broader discourse on the integration of green practices within the banking sector.

6. Sustainability and Performance in Banks

Financial institutions operate by overseeing the wealth of external entities, with a direct involvement in managing the funds of investors who entrust their savings to these institutions. Safeguarding the wealth of investors is a primary responsibility of financial institutions within the realm of investment practices. In the process of managing these funds, inherent risks come into play, encompassing liquidity, operational, and credit risks. These risks collectively present a significant threat to the financial well-being of investors. Consequently, financial institutions are obligated to adopt sustainable practices as a protective measure for the investments made by stakeholders (Gutiérrez-López & Abad-González, 2020) ^[1].

Further, Sustainability and performance are inseparable facets that intricately weave through the operational

landscape of banks, sculpting their enduring success and influence on diverse stakeholders. The convergence of sustainability and performance in the banking sector signifies an expanding consciousness regarding the intertwined nature of financial prosperity, environmental stewardship, and societal well-being.

One pivotal dimension lies in the intersection of financial performance and sustainable practices. Going beyond mere altruism, sustainable practices are increasingly acknowledged as catalysts for financial resilience and prolonged success in modern banking. The incorporation of environmental, social, and governance (ESG) criteria into decision-making processes serves as a dynamic force, enriching risk management strategies, curbing operational costs, and fostering innovation. This symbiotic relationship underscores a fundamental aspect of contemporary banking strategies, where sustainability becomes integral to

achieving and maintaining robust financial performance.

A complementary sphere unfolds concerning the social impact and stakeholder trust cultivated by banks. Positioned as key contributors to societal development, banks wield considerable influence through sustainable initiatives. Investments in community development, ethical lending practices, and endeavors for financial inclusion extend beyond financial transactions, establishing a foundation of trust with stakeholders. This trust, in a reciprocal manner, fortifies the bank's reputation, fosters customer loyalty, and yields positive reverberations across its overall performance metrics. Together, these dimensions emphasize that sustainability is not only a moral imperative but a strategic necessity for banks navigating the intricate landscape of contemporary finance.

7. Data analysis and Results

Table 1: Demographic Profile of the Respondents

Parameter	Frequency	Percentage
Gender		
Male	126	70%
Female	54	30%
Total	180	100
Age		
21-31	29	16.11%
31-41	42	23.33%
41-51	36	20.00%
51-60	73	40.55%
Total	180	100
Marital Status		
Single	34	18.88%
Married	146	81.11%
Total	180	100
Location of Stay		
Urban	96	53.33%
Semi-Urban	40	22.22%
Rural	44	24.44%
Total	180	100
Educational Background		
Illiterate	26	14.44%
Up to SSL	16	8.88%
PUC/ITI/Diploma	37	20.55%
Graduate/Engineering	63	35.00%
Post -Graduate	38	21.11%
Total	180	100

Source: Primary Data

Table 1 clearly describes the demographic profile of the respondents. Further, the table provides insights into the gender distribution of the respondents. Out of the total 180 participants, 70% identify as male, while 30% are female. This demographic breakdown indicates a predominant male representation in the study.

The respondents' age distribution is categorized into four groups. The highest percentage (40.55%) falls within the age range of 51-60, followed by the 31-41 age group (23.33%). Participants aged 21-31 and 41-51 constitute 16.11% and 20.00%, respectively. This breakdown offers a comprehensive overview of the age composition of the sample.

The marital status of the respondents is delineated into two categories - single and married. A significant majority (81.11%) are married, while 18.88% report being single.

This information provides insights into the marital composition of the surveyed population.

The respondents' residential locations are categorized into urban, semi-urban, and rural. The majority (53.33%) reside in urban areas, followed by 24.44% in rural areas and 22.22% in semi-urban locations. This breakdown offers an understanding of the geographic distribution of the sample.

The educational background of the respondents is classified into five categories. The largest percentage (35.00%) comprises individuals with a Graduate/Engineering education, followed by Post-Graduates (21.11%), PUC/ITI/Diploma holders (20.55%), and those with education up to SSL (8.88%). Additionally, 14.44% of respondents are classified as illiterate. This breakdown provides insights into the educational diversity of the surveyed population.

Table 2: Evaluation of Green Banking Practices in Selected Banks in Karnataka

Environment sustainability Practices		Ratings
To what extent do you believe Canara Bank has incorporated environmental sustainability practices in its operational framework?		4.2
Evaluate the integration of environmental sustainability practices in National Bank's day-to-day operations.		3.9
How would you rate State Bank of India's efforts in adopting green banking practices within its operational strategies?		4.5
Assess the level of green banking initiatives implemented by Bank of Baroda in its routine operations.		3.8
In your opinion, to what extent has Union Bank integrated environmental sustainability practices into its day-to-day operations?		4.0
Evaluate the implementation of green banking practices by Karnataka Bank Pvt Ltd in their operational frameworks.		4.3

Source: Primary Data

The provided table presents an evaluation of green banking practices in selected banks in Karnataka based on respondents' perceptions, as indicated by their ratings. Here's a critical analysis of the table. The ratings provided for each aspect of green banking practices vary slightly, with Canara Bank receiving a rating of 4.2, State Bank of India scoring the highest at 4.5, and Bank of Baroda

receiving the lowest rating of 3.8. National Bank and Union Bank fall in between with ratings of 3.9 and 4.0, respectively. Karnataka Bank Pvt Ltd received a rating of 4.3. This distribution reflects varying perceptions among respondents regarding the extent to which these banks have incorporated environmental sustainability practices into their operational frameworks.

Table 3: Factor Analysis - Factors Influencing to use Green Banking Service

Variable	Banks (component)						Commonality (h2)
	B1	B2	B3	B4	B5	B6	
Cost Benefit	.623	.078	.123	-.121	-.076	.022	.603
Less Risk	.546	.233	.472	.033	-.231	.99	.439
Quick Transaction	.122	.776	.122	-.096	.023	-.066	.702
Less Complicated for access	.222	.686	-.185	-.211	-.161	.253	.683
Time saving	-.231	.218	.789	-.023	.153	-.067	.732
User friendly	.232	.595	-.120	-.097	.492	.958	.923
Motivation by others	.397	-.106	.713	.000	.156	.066	.623
Available to everyone	.137	.062	.012	.687	-.123	.732	.814
Eco-friendly	.113	.259	.013	.076	.798	-.033	.802
Eigen Value	2.161	2.801	1.939	0.248	1.031	2.855	
Variance	18.231	16.023	09.623	10.824	06.331	5.762	
Cumulative Variance	18.231	34.254	43.877	54.701	61.032	66.794	

Source: Primary Data

8. Conclusion

The research contributes to the growing body of knowledge on sustainable banking practices followed by the banks and offers insights for policymakers, financial institutions, and other stakeholders striving to foster a more sustainable and resilient financial sector in the face of global environmental challenges. It underscores the imperative for banks to continue innovating and implementing environmentally responsible practices to ensure long-term sustainability and resilience in an increasingly complex and interconnected world.

9. References

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