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The impact of banking organization's initiatives aligned with economic, environmental, and social Sustainable Development Goals (SDGs) on the behavior of their customers

Ravichandran K K

Research Scholar, Dept of VIT Business School, Vellore Institute of Technology,
Chennai - 600127, Tamil Nadu, India.
Email: kkravi72@gmail.com

Dr. Sunny Thomas

Dean School of Law and School of Liberal Arts, Ajeenkya D Y Patil University,
Pune, Maharashtra – 412105, India.
Email ID: psunnythomas@gmail.com

Dr. Waheeda S Thomas

Dean, Management (U g) & School of Liberal Arts, Universal Ai University,
Email: waheedathomas@gmail.com

Jeena Ittoop

Research Scholar, Department of Commerce, Fatima Mata National College Kollam,
Kerala-691001, University of Kerala,
Mail: jeenaittoop1@gmail.com

Dr. Arun Lawrence

Assistant Professor, Department of Commerce, Mar Ivanios College (Autonomous),
Trivandrum-695015, University of Kerala, Kerala, India.
Mail: arun.al2451@gmail.com

Dr. Girish Bagale

Associate Professor, Department of SBM' PDSE & FBM, NMIMS University, Mumbai-400056, Maharashtra, India.
Email ID: girishbagale08@gmail.com

Abstract: Numerous economic, environmental, and social difficulties are linked to the banking sector, whether directly or indirectly. Despite being a long-held opinion, this became increasingly clear following the 2008 financial crisis, during which the sector was heavily held accountable for both economic and societal difficulties. In order to address these concerns, banking institutions have lately introduced sustainability and corporate social responsibility (CSR) management practises aligned with the seventeen Sustainable Development Goals (SDGs) set by the UN. These practises should not only satisfy the commitment of the banking industry to community and the economy, but also inspire confidence among clients who want to hold banks accountable for increased progress towards the Sustainable Development Goals. This research explores the impact of banking firms' SDG practises on their clients. A conceptual framework has been developed using PLS-SEM to outline the possible linkages between customers and banking institutions that support the Sustainable Development Goals (SDGs).

Keywords:The SDGs and the Banking Sector, Long-term viability of bankingClients of banks and the SDGsSDG's and the financial industryCustomer confidence, loyalty, and satisfaction.

I. INTRODUCTION

The banking sector has significantly contributed to the advancement of sustainable development goals in an economy, either indirectly by making decisions that are better for the environment (for example, by using green banking practises) or directly as a business (for example, by putting in place Environmental Management Systems)[1]. Several banks have clearly connected their strategy with the SDGs and prioritised environmental and social considerations in their methods. Given that financial institutions rely on financial excess for survival, it is clear that businesses continue to prioritise the pursuit of profitability as their major goal. Organisations are now taking on more taking care of environmental and social problems, mostly to boost their image and lower the chance of losing money[2].

The relevant research classifies the banking sector's interest in sustainability as a risk or an opportunity [3]. The initial strategy comprises financial institutions developing unique financial products in order to capitalise on emerging opportunities given by environmental policies and increase their profitability. Loans for energy-efficient constructions, company investments in green transition programmes (e.g., ISO 14001 acceptance, green technology adoption), circular economy programmes, and eco-friendly customer cards are examples of items in this category. The second strategy entails financial organisations implementing management practisesto keep savings safe from the risks that might come with lending [4]. The risks listed above could come from physical or government threats that businesses face in environmental problems. These risks are then passed on to the banking industry via lending practises [5]. One example is when businesses fail to follow established environmental rules. This could make it more difficult for banks to recover loans from these companies since they would be required to pay penalties, fees, and meet onerous financial commitments so that they can be sure their business follows government rules. In the same way, natural disasters and catastrophic weather hazards (such as flooding and droughts) can pose considerable risks to businesses and the financial industry. Financial organisations have included green criteria into their lending methods to protect their processes, consumer finances, and shareholder interests. This is done mostly to avoid high-risk investments in enterprises that fail to comply with environmental standards or are not resilient to harsh weather occurrences (for example, sports firms).

Another significant feature of this body of material that could be classified as a benefit or a disadvantage is the impact that banks' sustainability policies have on their customers. Banking institutions are routinely chastised for their risk-based approach, owing to their responsibility for the efficient operation of the social and economic systems, as well as the effects that environmental problems have on those systems in a roundabout way.Banking institutions have been held accountable for social and economic inequality, particularly right after the financial crash of 2008 [6]. Financial institutions' operations frequently cause severe disruptions to the entire operation of social, economic, and environmental systems. Banking companies have sustainability and CSR policies to mitigate risk-related issues. The two principles share social fairness, environmental management, and economic efficiency. The banking industry uses CSR and sustainability strategies under the opportunities-based approach to improve their reputation by addressing problems that are sensitive to society and seem to affect customers and consumers who want to support an economy that is more responsible and kind.

Many financial businesses utilise ESG approaches to manage environmental and social risks, and identified a positive correlation between ESG information and the performance of 46 Middle Eastern, North African, and Turkish banks[7]. Environmental data has been linked to market returns, while corporate governance data has been linked to accounting performance metrics. Similarly, while Buallay admits that ESG information positively benefits bank economic performance, it is vital to note that different forms ESG factors affect performance measurements. Corporate governance affects ROE, but environmental information affects ROA and Tobin's Q. It is worth noting that the banking industry places a high value on corporate governance, as well as environmental and social considerations [8]. Financial institutions want to know about corporate governance so that they can get better at lending money and avoid the risks that come with bad business management.

II. RELATED WORKS

Sustainability management practises can potentially impact and transform the operations of an organisation. Numerous organisationsprioritised meeting the expectations of their shareholders through the early adoption of sustainability management practises. This approach is commonly known in the literature as a "business case," wherein companies

implement sustainable practises with the aim of optimising shareholder value [9]. In recent times, there has been a notable expansion in the scope of stakeholders beyond shareholders to encompass the community, the workers, the customers, the owners, and any government or non-government groups. The effect of managing an organization's sustainability practises on stakeholder decisions is significant due to the direct and indirect impact that business operations have on their sustainability [10].

In a similar vein, the finance industry could potentially serve as a catalyst for sustained expansion [10]. Despite their limited direct influence by investing in businesses and projects that care about the environment, banks play a big role in supporting sustainability issues related to the natural environment and social equality. In order to have less of an effect on the environment, banks have made it easier for people to borrow money, created new goods that are better for the environment, and changed how they run their businesses to meet sustainability goals. This means that banks and other financial companiesactively and inadvertently advance sustainability concerns by means of novel lending protocols and products that incentivize borrowers to embrace sustainable behaviours.

As of now, the predominant focus of current banking literature has been the examination of the potential impact of green lending practises and new sustainability goods that banks are putting out can affect how customers make decisions. Still, not much thought has been put into how the sustainability practises of companies in this field affect the choices that users make. Because of the current social and economic problems, the business world has started to use Corporate Social Responsibility, Environmental Management, Sustainable Development Goals (SDGs). Clients who oppose CSR practises constitute a negligible portion of the banking industry, per [11]. Additionally, consumers exhibit a preference for different interpretations of social responsibility, indicating that they place personal concerns ahead of social issues. The promotion of their ethical and legal obligations, in addition to resolving customer-centric issues, is of particular concern to banking institutions.

This indicates that the impact of the numerous sustainability management practises and SDGs implemented by banks on consumer behaviour may vary. Consequently, it is anticipated that the significance attributed to objectives predominantly linked to individuals' personal and societal concerns will exert a more pronounced influence on the banks' perceived image. In addition to benefiting from an improved reputation, these banks derive loyalty from matters of non-personal socioeconomic significance. The subsequent research hypotheses are formulated in light of the aforementioned information:

H1a: The positive impact of economic-related SDG prominence on the perceptions of financial institutions by customers.

H1b: The correlation between the applicability of socially relevant SDGs and customers' perceptions of financial institutions is positive.

H1c: The positive impact of environmentally linked Sustainable Development Goals (SDGs) on consumers' perceptions of financial institutions.

H2a: The economic relevance of the Sustainable Development Goals positively influences bank client loyalty.

H2b: The loyalty of bank clients is influenced by the value of socially relevant SDGs.

H2C: The environmental relevance of the Sustainable Development Goals positively influences bank customer loyalty.

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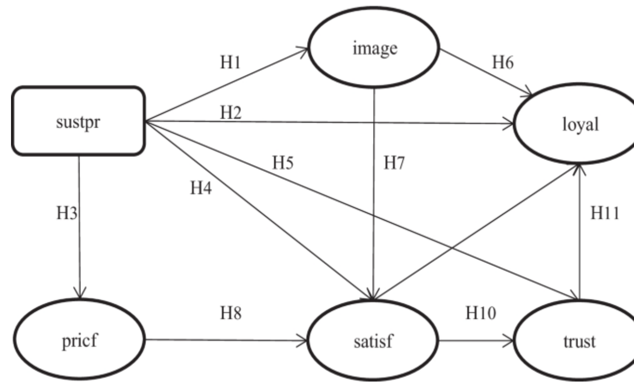

Fig.1.1 denotes getting customers to care about sustainable growth is important.

By integrating sustainable management principles into the process of formulating organisational strategies, businesses are able to gain a competitive advantage and take advantage of possible market developments. This involves attaining financial gains and expanding market share and acquiring new customers in order to obtain a competitive advantage [12]. This approach has led to the implementation of diverse pricing policies across numerous types of organisations. Under alternative conditions, organisations formulate their pricing strategy with customer expectations and financial limitations in mind, taking into account their purchasing power and the significance they attribute to sustainability performance.

It has been found by researchers that the CSR strategies of the banking sector have an impact on customers' perceptions of equitable pricing. Likewise, they find a positive correlation between the CSR initiatives of the sector and the likelihood that customers will patronise institutions. Investigating whether consumers' perception of fairness in service pricing is influenced by the level of importance they attribute to their bank's engagement would thus be an intriguing endeavour[13]. This certification of the case will additionally furnish banking institutions with a justification for any erroneous invoicing. Nevertheless, due to the highly managed nature of the financial services industry, the subsequent hypothesis shall be examined:

H3a: The positive impact of economically significant SDGs on customer assessments of the fair pricing policies of banking institutions is evident.

H3b: The visibility of socially connected SDGs positively influences customer assessments of the fair pricing policies of banking institutions.

H3c: The visibility of environmentally linked SDGs positively influences customer perceptions regarding the equitable pricing policies of financial institutions.

A company's prosperity is intrinsically linked to the satisfaction of its customers. Financial institutions endeavour to maintain client satisfaction as a means to foster continued partnership and expand their clientele through acquisition. In this regard, CSR and sustainability management are indispensable for strengthening the bonds between institutions and their customers. In order to elucidate the possible connections between consumer satisfaction and bank investment in CSR initiatives, scholars formulate a series of hypotheses. While acknowledging the critical impact that banks' corporate social responsibility (CSR) strategies will have on consumer satisfaction, certain contractual elements (such as increased interest rates or reduced interest payments on lending) will continue to be significant determinants. establish a favourable link between customer happiness and bank CSR activity utilising a sample of 624 Saudi banking customers. In the same way, a sample of Pakistani consumers responded favourably to bank CSR initiatives, as found in reference.

A significant information asymmetry exists connections CSR, banking sustainability, and consumer awareness initiatives. Client support for these initiatives would be unattainable should they remain unaware of these projects. Therefore, it is imperative that they be informed of them. Consequently, the culmination of customer satisfaction will encompass a multitude of attributes that contribute to the particular outcome, such as proactive characteristics. Furthermore, the cumulative impact of these elements will also have an effect on the overall satisfaction level, particularly when this is a pivotal determinant for clientele and decision-making procedures. The scientific literature is deficient in its examination

of the aforementioned matter, specifically the empirical evaluation of the correlation between bank sustainability and overall satisfaction. The majority of research in this field is devoted to mobile banking and e-banking, both of which qualify as sustainable practises [14]. A research hypothesis is proposed in light of the aforementioned information:

Communication regarding the roles of banks has thus far centred on either sustainable responsible investments or corporate social responsibility practises; however, sustainability must be more dynamically integrated into the operations of banking institutions. Due to the global financial crisis, during which banking institutions attempted to reestablish their legitimacy and credibility, or as a worldwide trend towards incorporating sustainability into business operations, this probability has become more apparent. In a similar vein, scientific research indicates that prior to the financial crisis, there was little investigation into sustainability practises within the banking industry. However, this is beginning to change, as it appears that these practises are also an attempt to regain their reputation. Moreover, considering the societal transformations brought about by periods of pandemics, a more fluid integration of the functions of banking institutions in sustainable development is permissible. This framework places significant emphasis on the importance of actively engaging in social progress and prosperity so as to earn the trust of both consumers and employees as stakeholders.

The establishment of a distinct and inherently positive reputation within the banking sector presents an inherent challenge, considering the dynamic nature of the industry, intense competition, similarity of products, and ongoing structural transformations [14]. Additionally, it is worth noting that the banking industry is classified as a subsector of the services sector. Consequently, variations exist regarding the development and fortification of a brand. While the underlying strategy for constructing a corporate image remains consistent across product and service organisations, the execution differs and specific elements demand greater emphasis. Nevertheless, differentiations exist between service-oriented organisations and, for instance, the financial industry, which adopts an even more intricate methodology. This is supported by the challenges associated with emotionally connecting an individual with a financial institution as opposed to another company involved in a distinct endeavour. Client decisions can be positively impacted by image, which can also influence their behavioural attitudes. Customers who utilise the service have the ability to enhance their reputation by integrating the associated experiences.

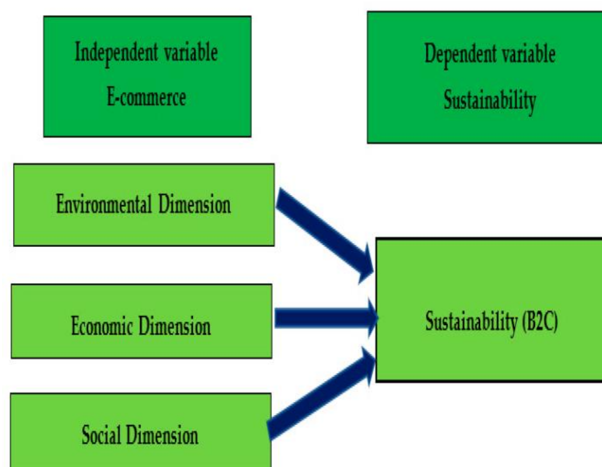

Fig.1.2 denotes framework for achieving proposed research.

III. RESEARCHMETHODOLOGY

Data collection and sample profile construction

Many financial institutions have adopted eco-friendly practises, both in the things they do every day and the things they sell, services they provide to customers. To begin, new financial solutions are developed to assist businesses in making environmentally beneficial investments, and sustainability considerations are incorporated into the financing procedure. Many metrics, such as ESG ratings and SDGs, have been proposed for assessing a company's potential to cause harm to the environment and society. The objective is to reduce the threat that banks face by financing polluting enterprises

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Griffiths 2018; Eliwa et al (2021). In addition, many financial institutions see the SDGs as an opportunity to develop new financial services and products for usage by businesses and households [15]. To this end, they seek to encourage the development and adoption of environmentally friendly infrastructure, including green buildings, eco-label certification (by standards like ISO 14001 and the EU eco-flowers label), and environmentally friendly goods and services Sachs et al. (2019; Wellalage and Kumar 2021; Kumar and Prakash (2020). Together with policymakers, investors, regulators, and firms, financial institutions can better implement environmental, social, and corporate governance challenges through partnerships, investments, and loans that support sustainable development (SSE initiative). The second category includes financial institutions that have adopted sustainable practises (such as the SDGs) to reduce their negative impact on the environment. To this end, several financial institutions have adopted practises such EMAS, energy management, waste management, CSR, and sustainability reports Pérez and Rodrguez del Bosque 2012; Pérez et al. (2013). Numerous studies Aras et al. 2018; Nizam et al. (2019), among others, have discovered a correlation between sustainability disclosures, bank profits, and sustainability practises. Some academics are interested in studying the effects of banks' eco-friendly practises on their clientele Poolthong and Mandhachitara, (2009).

	ECO	IM	LOY	FPR	SAT	TR
ECO	0.922	0.142	0.186	0.075	0.116	0.150
IM	0.126	0.884	0.712	0.581	0.724	0.801
LOY	0.171	0.635	0.873	0.596	0.763	0.685
FPR	0.065	0.493	0.523	0.812	0.610	0.685
SAT	0.104	0.625	0.681	0.518	0.881	0.769
TR	0.132	0.671	0.596	0.545	0.645	0.912

Table.1.1: Signifies Fornell-Larcker and Heterotrait–monotrait ratio for economically related SDGs.

IV. RESULTS AND DISCUSSION

This research examines the potential impact of SDG-related practisesinformation about what bank users plan to do and how they feel about being loyal to a certain bank. A growing body of research supports the idea that sustainable management and the 17 Sustainable Development Goals (SDGs) help improve the image of financial institutions. This idea is now being taken seriously by the financial sector. People have a lot of negative opinions about these organisations because of the problems in the banking system that affect people's lives. This is generally agreed upon: banks' reputations have suffered a great deal since the 2008 financial crisis.

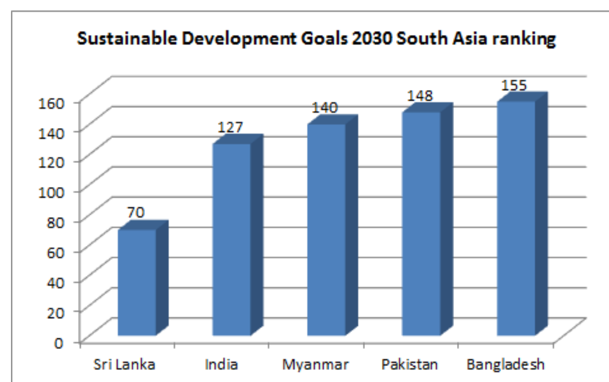

Fig.1.3 denotes sustainable development goals.

They have been held accountable for financial catastrophes, sustainable development goals compelling governments of many states to provide bailouts. This has resulted in the diversion of financial investment from other sectors of the

economy and society. In the economy, banks and their operations are frequently criticised. In recent times, banking challenges have faced scrutiny regarding their impact on social issues, given their status as major financiers of enterprises and investments that significantly contribute to social welfare and equality.

The most significant global trend observed in the logic of replication with regard to these types of issues is putting in place banking practises that are good for the earth, CSR, and the 17 Sustainable Development Goals [15]. Nevertheless, the existing body of literature is insufficient in offering empirical insights regarding the tangible repercussions of such initiatives on the conduct of bank customers. Consequently, this article addresses helps to close a gap in our understanding by investigating the impact of SDG relevance on customer loyalty, trust, satisfaction, and perceptions of banks' reputations for fairness. By reviewing the literature, this hypothetical extension attempts to paint a comprehensive picture of the connections between the SDGs and various facets of consumers' actions. Trust, loyalty, contentment, the belief that prices are fair, and the bank's reputation may all benefit from SDG measures implemented by financial institutions. There is not much discrepancy between the facts and the hypotheses regarding the impact and direction of socially and economically significant SDGs on customer behaviour. The study model, however, did not corroborate the premise that the SDGs with the greatest potential environmental impact would have the greatest confirmation of impact.

V. CONCLUSIONS AND FUTURE DIRECTIONS

This piece looks at how bank customers' knowledge of the Sustainable Development Goals (SDGs) affects how they think about and plan to use different banking services. The goal of this study was to find out how customers' thoughts, feelings, and interactions with banks change when they use strategies linked to the SDGs. Researchers looked at how well customers could understand all of a financial institution's goals as a whole to see if their actions and responses are changed by the institution's commitment to sustainability.

In general, according to the research, consumers have a good view of these actions. With the exception of satisfaction, for which no significant association was observed, sustainable awareness influenced each of the other criteria. Customers, similar to other entities, constitute a substantial group of constituents in the banking industry, and their individual perspectives and values are often factored into the formulation of consumer preferences. A bank's clientele develop a more favourable perception of the institution when they become informed of its Sustainable Development Goals (SDGs), thereby potentially inspiring other businesses to adopt more sustainable practises.Despite demonstrating how SDG practises are incorporated into consumer behaviour, this study has a number of limitations. The aforementioned limitations present opportunities for additional investigation and examination of the matter. Significantly lacking is the geographical scope of this research, which is confined to a single location.

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