SUSTAINABLE BANKING: A ROADMAP TO SUSTAINABLE DEVELOPMENT

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Abstract

Sustainability is not a mere buzzword in the banking industry now but rather a key concept that will shape the direction of the industry in the years to come (World Finance, 2019). Thus, the study aims to ascertain various sustainable banking practices at a domestic and global levels. It also intends to identify the existing framework developed for assessing the performance of sustainable banking practices. The study makes use of exploratory and descriptive research design and is based on primary (in-depth interviews) and secondary sources of data collection. The dimensions of sustainable banking have been identified as environmental, social and governance (ESG). The research further highlights that sustainability issues focused by banks primarily involve "environmental" and "social" considerations, however, the "governance" aspect has not yet been considered by many. Moreover, the study reveals that there are no guidelines specified by the Reserve Bank of India (RBI) for sustainable banking practices in India to date. The insights gained from the study would enrich the existing literature on sustainable banking. The findings would also help in developing a new framework for assessing the performance of sustainable banking practices.

Keywords: Sustainable Banking, Sustainable Development, Sustainable Banking Practices, Environmental, Social and Governance (ESG)

Authors' individual contribution: Conceptualization — D.S., N.D., and R.M.; Methodology — D.S., N.D., and R.M.; Validation — D.S. and N.D.; Formal Analysis — D.S., N.D., and R.M.; Investigation — R.M.; Resources — D.S. and N.D.; Data Curation — D.S., N.D., and R.M.; Writing — Original Draft — R.M.; Visualization — D.S., N.D., and R.M.; Supervision — D.S. and N.D.; Project Administration — D.S., N.D., and R.M.

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1. INTRODUCTION

Sustainability is increasingly being acknowledged as central to the growth of an economy. Every economy now considers environmental protection and social justice to be its core so banks and financial institutions should create a sustainable environment that can help reap substantial benefits. Sustainable banking implies incorporating environmental, social, and ethical considerations into the banking operations and strategy to carry out its business activities thereby promoting sustainable development. Sustainable banking focuses on integrating environmental, social, and corporate governance (ESG) criteria into banking (Abor et al., 2019; Deloitte, 2017) and considers ESG as a key objective (Deloitte, 2017). The US National Academy of Sciences' Board on Sustainable Development named 3 categories of sustainability and discussed banking not destructive of nature (environment), life support system (economy), and community (people) is sustainable. The concept of sustainability extends to the triple bottom line (TBL) principle as coined by Elkington (1997) — people, planet, and profits.

The concept of social banking, ethical banking, green banking, and corporate social responsibility (CSR) come under the scope or umbrella of sustainable banking. Banks adopting sustainable banking practices enjoy a number of advantages as they are able to differentiate themselves from their competitors, improve reputation among key stakeholders and gain their support, attract new clients, capital, and market, and generate goodwill. The banking sector plays an important role in encouraging sustainable development as it is a requisite for and enabler of economic development in the economy. Banks must embrace sustainable practices (World Finance, 2019). Moreover, growing awareness among stakeholders is prompting banks to become more proactive in terms of sustainable banking (Capgemini, 2019). In the last decades, the bank's attitude towards environmental and social issues has witnessed change, and also financial sector's accountability on environmental and social issues has gained importance (Capgemini, 2018). Thus, the adoption of sustainable practices by banks has become inescapable in the banking industry due to the growing demand for sustainability.

In view of this, several research questions (*RQ*) are raised, for example:

RQ1: What does sustainable banking include?

RQ2: What are the different dimensions of sustainable banking that need to be considered?

RQ3: What are the dimensions if included in the banking activities that will make banking practices sustainable and be called sustainable banking?

RQ4: Is there any framework for assessing the performance of these sustainable banking practices?

RQ5: If adoption of sustainable banking practices is considered imperative then what sustainable banking practices are being adopted by the Indian banking sector?

Therefore, in the light of the research questions raised, the current study is conducted to explore the different dimensions of sustainable banking, to identify the existing framework for the assessment of sustainable banking practices performance, and to identify the sustainable banking practices adopted by the Indian banking sector.

The rest of the research paper is structured as follows. Section 2 provides a review of literature on the subject. Section 3 includes research objectives and research methodology adopted in the study while Section 4 presents sustainable banking theoretical background, framework, and practices. Section 5 comprises results and discussion and Section 6 covers the conclusion, recommendations, and research implications.

2. LITERATURE REVIEW

Due to the growing significance of incorporating sustainable practices into the banking business and increased academic interest in its various aspects, and also to answer the research questions raised it is necessary to study and analyze the existing literature and its growing trends that what other authors have revealed to gain insights and in-depth understanding of sustainable banking.

In the Indian context, a recent study by Kumar and Prakash (2020) revealed that the Indian banking sector has been responding relatively slower to sustainability issues. The study also highlighted that in India the public sector banks are more focused on the social dimensions of sustainability through various schemes like microfinance, gender-specific loans community development programme, etc., whereas private sector banks have adopted a relatively more comprehensive approach in addressing environmental dimensions. Similarly, Kumar and Prakash (2018) revealed that the adoption of the international sustainability code of conduct in the Indian banking sector is still in its preliminary stage. Moreover, banks are more focused on addressing social dimensions rather than other important dimensions of sustainable banking, namely, environmental consideration, development of green products and services, and sustainability reporting. Furthermore, Prakash, Kumar, and Srivastava (2018) conducted a study on 27 public sector banks in India to test the level of adoption of sustainable banking in the Indian banking sector and concluded that public sector banks in India lie in a defensive and preventive stage of the model proposed by Jeucken (2001) indicating that banks merely follow the regulatory norms and none of the banks lie under the higher level of the model in the sustainable typology. Some of the other studies in the Indian context include studies by Raut Cheikhrouhou, and Kharat (2017), Shamshad, Sarim, Akhtar, and Tabash (2018), Sharma and Mani (2013), and Rajput, Kaura, and Khanna (2013). Raut et al. (2017) evaluated sustainability from 4 perspectives concluding that the environmentally friendly management system is given less importance as compared with financial stability, customer relationship management, and internal business process. Shamshad et al. (2018) identified 11 dimensions of sustainable banking that are: 1) growing environmental concerns, 2) business opportunities, 3) lender's liability, 4) borrower's ability to meet financial obligations, 5) sustainable collaboration, 6) legal and environmental compliance, 7) green products and services, 8) sustainable reporting system, 9) banking structures and sustainability, 10) sustainability of bank's service channel, and 11) rural sustainability; and revealed that legal and environmental compliance is the most important factor of sustainable banking driving the other factors. Sharma and Mani (2013) revealed that the public sector bank's contribution in CSR is overall the highest but still more emphasis is required and foreign banks and private sector banks still lag. A study by Rajput et al. (2013) revealed that the main barriers to adopting sustainability by the Indian banks include business risk failure and lack of RBI directives. Moreover, the gaps identified by the Indian banks include awareness and responsiveness on the sustainability issues, international guidelines, and frameworks, policies material to banks operating in India, training, and development of relevant skills within bank's employees. However, the latest study by Mendez and Houghton (2020) has identified 3 major hindrances to sustainable banking which include uncertain bankability, non-transparency sustainable capital flows, and no universal mechanism for matching green investment demand and supply.

Abor et al. (2019) highlighted social responsibility and corporate governance as important issues in sustainable banking. Further stating that the key to sustainable banking is to decide a common set of principles and apply them. A survey of Nigerian banks by Deloitte (2017) highlighted that 100% of the respondent banks were engaged with the Nigerian Sustainable Banking Principles (NSBP) on some level. The top 3 priorities of the banks identified were energy, financial inclusion, human and labor rights. Another report by Deloitte, KKS Advisors, European Investment Bank (EIB), and Global Alliance for Banking on Values (GABV) (2019) showed that for financial institutions, sustainability priorities and strong financial performance together support each other. The report highlighted that commercial banks having a high score on material ESG issues perform better. Similarly, Nwagwu (2020) pointed out that though the concept of sustainable banking has gained much popularity lately, however, banks still face diverse challenges with regard to its adoption and implementation and one such prominent challenge is poor knowledge about what sustainable banking actually is and how it can be incorporated into business operations and activities to promote sustainable development. He further highlighted that the strategic role of banks in Nigeria makes them major players in driving towards the attainment of Sustainable Development Goals (SDGs) but to successfully stimulate sustainable development, banks must shift from traditional banking and integrate sustainability into their operations. Likewise, Carè (2018a) mentioned that environmental and sustainability concerns by customers led to the demand for specialized products and services and integration of climate change issues into the bank's core business. Yet another study by Carè (2018b) on the 6 most sustainable banks in Europe highlighted that banks are more inclined towards developing/creating sustainable financial products specifically green bonds. In addition, corporate governance has been identified as a major driver towards sustainability in the banking sector. Avrampou, Skouloudis, Iliopoulos, and Khan (2019) highlighted that the banking sector plays a vital role in addressing the challenges as reflected by the SDGs in order to ensure environmental quality, economic welfare, social cohesion, and prosperity and found that the overall disclosure of the European banks is considerably low on the SDGs. Nosratabadi, Pinter, Mosavi, and Semperger (2020) revealed that the components of a sustainable business model are value proposition, core competencies, financial aspects, business processes, target customers, resources, technology, customer interface, and the partner network. Further, the study revealed that business models followed by the Norwegian and German banks have higher sustainability than the rest of the countries and also that the European countries use the sophisticated financial system and are leading in sustainability. Ramnarain and Pillay (2016) discussed that though the Mauritian banking sector is understudied, still, significant links have been observed between banking and sustainable development. They underlined sustainable banking as a journey as it is an everlasting process. Further, they added that sustainability not only affects the launch of new banking products and services but also decision-making in investment. Therefore, sustainability commitments need to be on top of the bank's frameworks and strategies due to emerging challenges. Buallay (2019) explored that ESG has a positive effect on the operational, financial, and market performance of European banks. Further, Bouma, Jeucken, and Klinkers (2001) discussed that perspective and action of bank stakeholders are crucial in bringing change towards sustainable banking. Also, because of the intermediary role that banks play in an economy, their contribution towards sustainable development is potentially enormous. Moreover, Weber and Feltmate (2016) described that banks and financial institutions can play a major role in meeting social needs and financing sustainable development directly as well as indirectly through the supply chain, financial products use of energy, water, paper, and other resources, etc. Forcadell and Aracil (2017) highlighted the fact that access to finance has been pushed to the top of the UN's 2030 SDGs agenda as it helps improve the standard of living and thereby prosperity and also financial inclusion is considered as a major issue and external outcome of CSR in developing countries. The integration of sustainable banking practices into the core banking activities and operations is indicated by the transparent, clear, and responsible (TCR) approach. The findings further suggested that CSR practices undertaken by the banks produce mutual prosperity for the responsible firm (internal) as well as the host country (external). Gallagher and Yuan (2017) summarized that for international development banks in emerging markets and developing countries particularly Latin America, there is an urgency to generate infrastructure projects in order to meet SDGs, and in order to meet these goals, it is important for the banks to ensure that finance is directed in an environmentally sustainable and socially inclusive manner. Tan, Chew, and Hamid (2017) studied the rationales that motivate Maybank towards sustainable banking by considering macro-, meso-, and micro-level drivers and concluded macro-level drivers (using political, economic, social technology, legal and environment analysis) include pressure from the bank's external environment like government and non-government organizations call upon financial institutions to implement environmentally friendly and social policies; meso-level drivers include stakeholders (employees, shareholders, boards of directors (BoDs), customers, government, competitors, non-governmental organizations (NGOs), society) as driving force; micro-level drivers include pressure from bank's internal environment like its mission and vision statement, improve brand name, CSR practices, top management commitment, etc. Similarly, Carlucci, Ferreira, Schiuma, Jalali, and António (2018) stated that integration of sustainability into the banking operations and activities is increasingly necessary but at the same time extremely challenging concern faced by financial institutions today. They further identified the major determinants of sustainable banking based on centrality index as a social concern (charitable donations or support for minorities etc.), strategic positioning (reputation, image, brand value, leadership competencies, and governance models), and internal factors (information transparency, long-term vision, compliance with laws and regulations). Additionally, a study by Igbudu, Garanti, and Popoola (2018) highlighted that sustainable banking practices have a direct and positive impact on bank's loyalty and image. For applying an appropriate sustainable approach, banks should move to adopt a strategic corporate sustainability management approach. Clark, Reed, and Sunderland (2018) highlighted that SDGs and the global climate agenda raised urgency towards transmitting to a sustainable low carbon economy, and despite the increasing attraction towards the concept of green finance, the effectiveness of projects aligned with sustainable development and climate action has been stagnant. Furthermore, financing options have been expanding in order to support climate action, conservation, and sustainable development.

Based on a thorough review of literature, it has been identified that various studies have highlighted a significant connection between sustainable banking and sustainable development and how sustainable banking practices undertaken by the banks can help in the attainment of the 17 UNSDGs. Despite the benefits, from improved reputation to operational benefits that sustainable bank provides and the fact that banks play a major role in sustainable development, adoption of sustainable banking practices in developing economy like India is still in its preliminary stage. Furthermore, a number of studies have been conducted on sustainable banking or sustainability issues in banking but sustainable banking in the Indian context is relatively unexplored, rather, they are more focused on green banking, CSR practices, or solely on environmental and social considerations. Thus, there is a dearth of studies that have discussed sustainable banking in India, which suggests that there is a research gap. Moreover, regional rural banks (RRBs) forming the part of the Indian banking industry in addition to public, private and foreign banks have not yet been studied by any researcher. The present study intends to fill this research gap by studying the sustainable banking practices undertaken by the Indian banking sector; hence the following research objectives have been formulated.

3. RESEARCH OBJECTIVES AND METHODOLOGY

Keeping in view the research questions raised and the research gap identified, the present study aims to achieve the following research objectives:

1) To explore various dimensions related to sustainable banking.

2) To identify the existing framework/model developed for the assessment of sustainable banking practices performance.

3) To identify various sustainable banking practices at a global level with a special focus on the Indian banking sector.

In order to accomplish the objectives formulated above, the research methodology has been adopted. The present study makes use of exploratory and descriptive research design (qualitative) and is based on both primary and secondary sources of data collection. The primary source includes in-depth interviews with banking professionals while secondary sources include annual reports of banks, business responsibility reports, research papers from national and international journals, articles from magazines and periodicals, books, research reports of various organizations like Deloitte, Capgemini, and various websites.

In order to study sustainable banking practices were undertaken by the Indian banking sector, a thorough understanding of this sector was required. The Indian banking sector majorly comprises of public sector banks, private sector banks, foreign banks and regional rural banks (RRBs). At present, there are 12 public sector banks, 22 private sector banks, 45 foreign banks, and 43 RRBs in India, which constituted the population of our study. To identify various sustainable practices in the Indian banking sector, a stratified random sampling technique has been used. Based on the aforesaid categorization of the banks in India, 4 strata were created: stratum 1: public sector banks; stratum 2: private sector banks; stratum 3: foreign banks; stratum 4: RRBs. In order to give equal opportunity of selection of banks under each stratum, 2 banks were drawn at random by the way of lottery system. Names of all the banks written on pieces of paper were respectively put in 4 containers representing each stratum and on a random basis by the way of lottery system 2 pieces of paper on which name of the bank was written were drawn from each container (stratum). The banks drawn through the lottery system from each stratum were considered for the purpose of the study. These banks include public sector banks: State Bank of India and Punjab National Bank; private sector banks: Yes Bank and Axis Bank; foreign banks: Citi Bank and HSBC; RRBs: Kerala Gramin Bank and Maharashtra Gramin Bank.

For conducting in-depth interviews of banking professionals, senior-level managers from the banking industry were approached. The survey method was used by the way of a questionnaire (see Appendix). A structured open-ended questionnaire was prepared which was duly vetted by the academicians and corporate practitioners. Once the interviews were done, the data collected was suitably consolidated. The target population of the research was the senior-level professionals from the banking industry. The researchers tried to approach 18 senior-level managers from the Indian banking industry but were able to conduct 7 interviews only due to time constraints and the current COVID-19 scenario. This methodology of conducting the research by the use of secondary and primary (in-depth interviews) sources is adequate as it is believed that for a research study, secondary data is essential and conducting in-depth interviews by the way of open-ended questionnaire provides more insights and in-depth knowledge about the subject matter. The interview method further provided a description and analysis of the Indian banks and the overall experiences of banking professionals with regard to sustainability practices.

4. SUSTAINABLE BANKING: THEORETICAL BACKGROUND, FRAMEWORKS, AND PRACTICES

4.1. Sustainable banking aspects

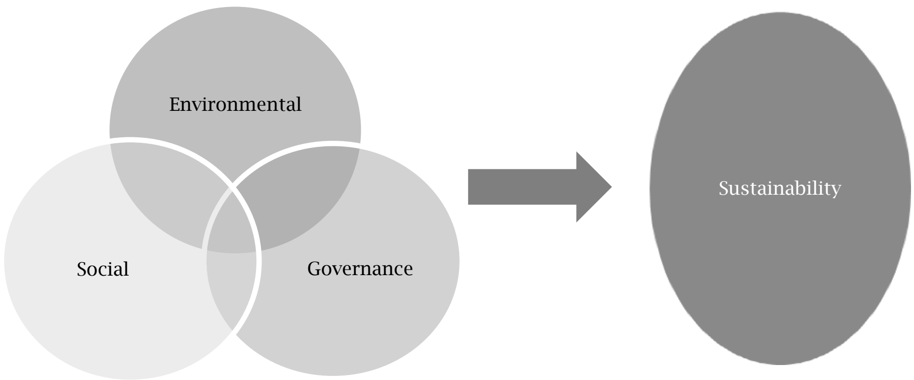
There are 3 main aspects related to sustainable banking, which are known as ESG pillars. ESG is an acronym for environmental, social, and governance. ESG factors are referred to as 3 central factors in measuring sustainability. ESG criteria are defined as a set of standards for a bank's or company's operations that socially responsible stakeholders consider. Across the globe, banks are making ESG issues a priority (World Finance, 2019).

1) *Environmental:* Environmental pillar generally evaluates the bank's effect on the natural world including ecosystem, climate, and natural resources. It relates to conducting banks operations in an environmentally friendly way while supporting customers and other stakeholders who engage themselves in environmentally friendly policies. Environmental consideration initiatives include paperless banking, conservation of natural resources, online and mobile banking, waste management, use of solar ATMs, innovative sustainable products and services.

2) *Social:* Social pillar relates to a bank's or company's relationship with their employees, customers, local communities, and society as a whole. Social development considerations include financial inclusion efforts, financial literacy, providing credit for building cheaper homes, holding educational workshops to inform the community members about the services provided by banks, sponsoring community welfare projects, donating a percentage of their profits to the local community, etc.

3) *Governance:* The governance pillar is concerned with corporate governance and corporate behavior (Brodsky, 2018). Governance considerations include a composition of the board of directors and board independence (Birindelli, Dell'Atti, Iannuzzi, & Savioli, 2018), bribery and corruption matters, shareholder rights, accounting practices, audits, internal control, etc. Governance criteria are important to be considered because of their connection to asset value whether in terms of ownership rights, regulatory and compliance risks, and other liabilities (LGT Capital Partners Ltd., 2019).

Figure 1. Linking ESG considerations to sustainability

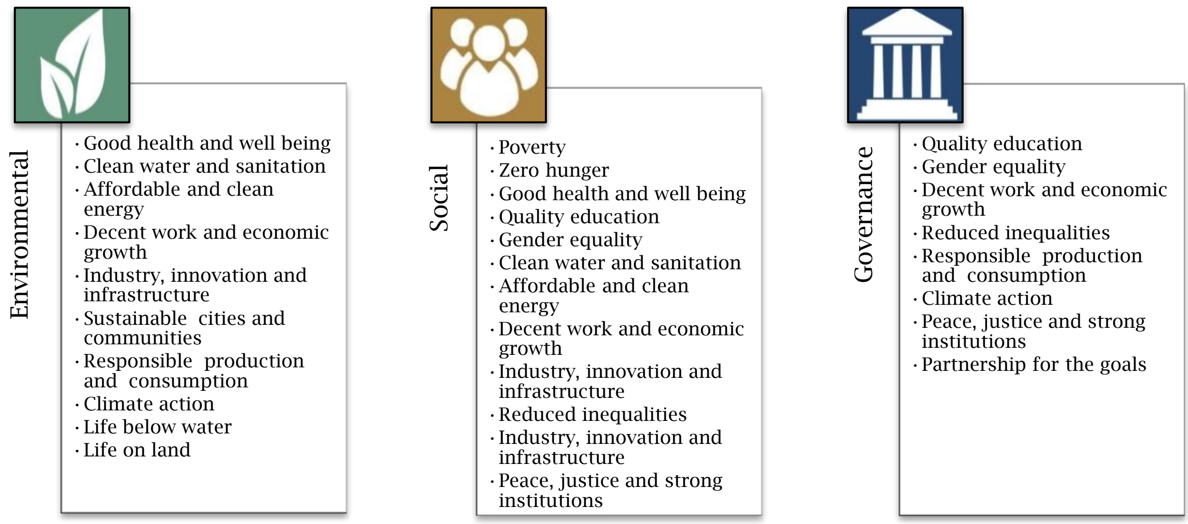


The ESG issues are considered as non-quantifiable issues having medium to long-term effects on business operations (Cremona & Passador, 2019). ESG is considered as a strategic product bringing in more profit and having a positive impact on the performance of banks. ESG factors can be used to evaluate banks with respect to sustainability. ESG challenges are crucial for banks and banks can act as a true catalyst for the promotion of sustainable economic development.

Figure 2 shows a graphical representation of ESG considerations mapped to the 17 SDGs relevant to most of the sectors. It is comparatively easy for organizations to identify and align environmental and social considerations but the alignment of governance function is rather indirect and many times linked to existing environmental and social considerations. The figure shows the goals which can be considered under each term of the ESG pillar. For instance, poverty can be measured while keeping it under the social considerations or the goal of life on land can be kept under the environmental considerations; the goal of partnership for the goals is the governance consideration, and so on. While there are certain goals that can simultaneously be considered under all the 3 criteria, i.e., environmental, social, and governance.

SDGs adopted by all the United Nations Member States in 2015 address global challenges concerning poverty, hunger, health, education, gender equality, water and sanitation, energy, climate change, peace and justice. These 17 SDGs are inclined towards a better and more sustainable future and call for action by all the countries in a global partnership. The 17 SDGs are all interrelated and recognize that development must balance environmental, social, and governance sustainability and these goals are intended to be achieved by the year 2030.

Figure 2. A representation of ESG considerations mapped to the 17 SDGs or allocation/attribution of SDGs into ESG dimensions

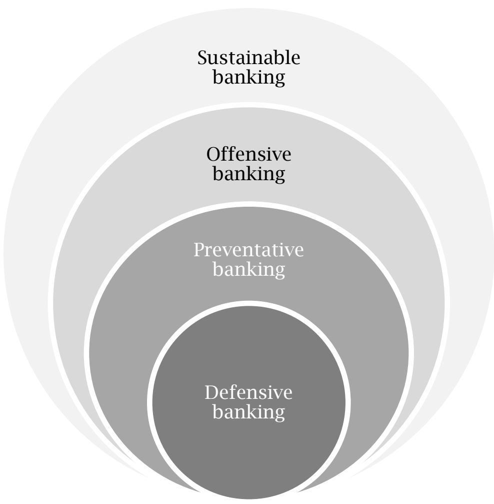


Based on various aspects of sustainable banking (ESG dimensions), authors have proposed numerous models/frameworks assess the performance of sustainable banking practices. These models are discussed further.

4.2. Existing models/frameworks for assessing the performance of sustainable banking practices

In order to understand the actions taken by banks towards sustainability, Jeucken (2001) proposed a sustainable banking model. In this model, he identified 4 stages, which normally each bank is required to go through. However, some banks may never reach the holistic final stage as these stages continue to evolve as a result of changes in stakeholder's expectations. Each successive layer contains the preceding inner layer excluding the first layer, i.e., defensive banking. In other words, the last sustainable banking stage contains the characteristics of preventative as well as offensive banking. Banks develop from defensive (inner layer) to preventative to offensive and ultimately to sustainable (outer layer) as depicted in Figure 3.

Figure 3. Typology of banking and sustainable development



Source: Jeucken (2001).

The first stage is characterized as defensive banking in which banks are non-active. They try to oppose environmental considerations as they may affect the interests of banks directly or indirectly. The second stage is characterized as preventative banking in which potential environmental cost savings and eco-efficiencies practices are adopted by the banks. Preventative banking becomes inevitable as government or NGOs directly or indirectly put restrictions on the activities of banks through legislation or social pressure, etc. The third stage is characterized as offensive banking, which considers their external activities in addition to internal activities to promote sustainability. Banks strive to achieve sustainable development by the way of developing and marketing environmentally friendly products and also incorporating social considerations. They continuously look for win-win situations. The fourth and the last stage is characterized as sustainable banking which embraces win-win solutions for banks as they are not only able to reduce cost but are also able to create sustainable competitive advantage in the market. The banks look for the highest sustainable rate of return rather than the highest financial rate of return while being profitable in the long run.

The model proposed by Jeucken (2001) to measure the performance of sustainable banking practices adopted by banks provides for universal application and is the only model found in the literature that quantifies the activities of banks with regard to sustainable development. The performance indicators used in this model are categorized into 5 groups. Based on these indicators, a comparative analysis of the sustainable banking performance of 34 international banks was conducted.

Table 1. List of indicators to assess the performance of sustainable banking (Jeucken's model)

Communication	***Generic published information***	***Generic financing***	***Special products***	***Social issues and charity***
Environment policy	Quantitative data about internal environmental care	Environmental risk analysis	Environmental loans	Credit cards/cheques for gifts benefitting nature and the environment
Environment reporting	Qualitative data about internal environmental care	Sector exclusions	Sustainable investment funds or advice	Community involvement and sponsoring
The World Business Council for Sustainable Development (WBCSD) membership	Objectives for internal environmental care for the future	Adherence to the World Bank guidelines for financing	Environmental leasing	Internal socio-economic aspect
Signatory to the United Nations Environmental Programme (UNEP) declaration	Quantitative data about external environmental care	Adherence to OECD guidelines	Environmental savings product	
Signatory to the International Chamber of Commerce (ICC) declaration	Qualitative data about external environmental care		Environmental damage insurance	
ISO 140001 certification	Objectives for external environmental care for the future		Environmental venture capital	
Global Reporting Initiative (GRI) 2000			Microcredit	
			Debt-for-nature swaps	
			Climate products	

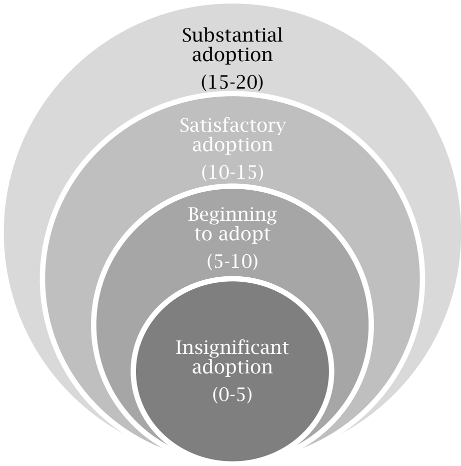
Scholtens (2006) established that banks indeed affect sustainable development/CSR and Scholtens (2009) developed a framework for assessment of international banks' CSR conduct and identified 29 indicators that were classified into 4 groups. The developed framework was applied to 32 international banks to assess the CSR performance of the individual banks.

Table 2. List of indicators to assess CSR performance of banks (Scholtens's framework)

Codes of ethics, sustainability reporting, and environmental management systems	***Environmental management***	***Responsible financial products***	***Social conduct***
Sustainability report	Environmental policy	Socially responsible investing	Sponsoring
ICC Business Charter Sustainable Development	Supply chain management	Socially responsible saving	Community involvement
UNEP Finance Initiative (FI)	Quantitative environmental management targets	Sustainable financing	Training and education
Equator Principles	Transparency of environmental performance	Microcredit	Diversity and opportunities
Global Compact	Environmental risk management in lending policy	Environmental advice services	Feedback from employees
"Who Cares Wins"	Exclusion of specific sectors	Climate products	Business ethics
	The World Bank guidelines	Other sustainability products	Dow Jones Sustainability Group Index
	OECD guidelines		FTSE4Good

A categorization similar to that of Jeucken (2001) based on the level of adoption of sustainable banking practices was provided by Kumar and Prakash (2018). The 4 stages were identified as:

Figure 4. Typology of banking and sustainable development



The insignificant level of adoption (score: 0–5) represents the reluctance of banks to voluntarily adopt sustainable banking practices. The beginning to adopt stage (5–10) represents that banks start adopting internal environment management along with consideration of social welfare programs. The satisfactorily level of adoption (10–15) represents that banks actively adopt a number of environmental management (internal and external) practices along with social welfare practices. The last stage of substantial adoption level (15–20) represents that banks understand as well as incorporate the dimensions of sustainability and play a crucial role in promoting sustainable development. Further, a sustainable banking performance framework (SBPF) was developed and 40 indicators from different dimensions of sustainability in the banking sector were identified while taking into consideration the indicators suggested by Jeucken (2001) and Scholtens (2009) and broadly classified them into 5 groups where specific indicators represent specific adoption tools. Specific points are allocated to each indicator in the groups and the final score of each bank is computed. This particular framework was applied to 42 Indian banks to evaluate the sustainable banking performance and found that 70% of banks scored points less than 10 indicating that the level of sustainable banking practices adopted in India is still in its preliminary stage. The indicators are as follows.

Table 3. SBPF indicators (Kumar and Prakash's framework)

Sustainable products and services	*Environmental management dimension indicators*	*Social development dimension indicators*	*Internal socio-ethical conduct*	*Sustainability code of conduct, reporting, ESG indexing*
Sustainable financing	Certified environmental management system (ISO 14001)	Community involvement program	Policy and procedure concerning anti-corruption	Sustainability report disclosure
Climate fund	Sector-specific exclusion	Charity and sponsoring	Policy and procedure concerning human rights	Business responsibility report disclosure
Environmental loan	Environmental risk management in lending policy	Financial literacy and financial counselling	Policy on business ethics/values	Environment policy
Microfinance	Quantitative target about environment care initiatives	Training and skill development program	Policy on labor practices	GRI membership
Sustainable advocacy services	Adoption of environmentally friendly technologies	Community consultations	Gender equity and diversity	Signatory to Equator Principles
Green mortgage		Targets for community investment		Adherence to UN Global Compact principles
Socially responsible investment		ISO 26000 certification		Signatory to UNEP FI
Financial inclusion		Health care and sanitation program		Adherence to National Voluntary Guidelines (NVGs) disclosure (country-specific guidelines)
Venture capital for environmental saving product		Access points for financial services in low populated or remote areas of the country		BSE Greenex indexing
Green bond		Improved access to financial services for disadvantaged people		Member of Dow Jones Sustainability Index

Keeping in view the indicators suggested under different frameworks by each author, the adoption level of sustainable banking practices can be assessed. This has been discussed under the following sub-section.

4.3. Sustainable banking practices at global level with special focus on the practices adopted by the Indian banking sector

Globally, several standards, guidelines, and principles have been followed to address the issue of sustainability in the financial sector. Major international initiatives include United Nations Environment Programme Finance Initiative (UNEP FI), Equator Principles (EPs), Global Reporting Initiative (GRI) standards, ISO 14000 family, etc. The main objective of these initiatives is to motivate the financial sector to contribute to sustainable development. The EPs is a risk management framework adopted by banks and financial institutions for ascertaining, evaluating, and managing the environmental and social risk associated with project financing.

At present, 105 financial institutions have officially adopted the EPs. The GRI standards represent best practices reporting economic, environmental, and social impact to the public. Sustainability reports prepared in accordance with these standards provide information about the organization's positive or negative contribution to sustainable development. ISO 14001:2015 series standard sets out the criteria for an effective environmental management system used to enhance its environmental performance and can be certified to. International Finance Corporation (IFC) World Bank Group works with the financial institutions to introduce ESG standards and to promote stability and sustainability of the financial sector in developing countries. IFC facilitated a global network on sustainable banking — the Sustainable Banking Network (SBN) formally established in September 2012. SBN is a body of financial regulators and banking associations committed to moving the financial sector towards sustainability. UNEP FI was established in 1992 and over 200 financial institutions across the world have signed the UNEP FI Statement of Commitment. UNEP FI has championed the Principles for Responsible Banking called a series of principles that will help set a global benchmark for sustainable banking. It is an initiative of UNEP FI in collaboration with 130 banks from 49 countries in 2019. These 6 principles align the banking sector with the UNSDGs and with the Paris Climate Agreement.

Various emerging market economies have established their own policies and guidelines to address the issue of sustainability in banking and also guide financial institutions towards sustainable banking. For instance, China introduced Green Credit Guidelines in 2012 and KPIs in 2014, Ecuador introduced the Sustainable Finance Protocol in 2016, the Central Bank of Nigeria (CBN) introduced The Nigerian Sustainable Banking Principles (NSBP) in 2012, South Africa launched Principles on E&S Risk Management in 2014, the Association of Banks in Cambodia (ABC) released the Cambodian Sustainable Principles in 2018, the National Bank of Georgia (NBG) published the Roadmap for Sustainable Finance in Georgia in April 2019, Nepal Rastra Bank launched Guideline on Environmental and Social Risk Management (ESRM) for banks and financial institutions in 2018, the Sri Lanka Banks' Association (SLBA) launched the Sri Lanka Sustainable Banking Initiative in 2015 and the Roadmap for Sustainable Finance in Sri Lanka in 2019, the Kenya banking industry adopted the Sustainable Finance Initiatives (SFI) Guiding principles in 2015 and also released Green Bond Guidelines developed as a part of Kenya Green Bonds Programme in 2019, the State Bank of Vietnam (SBV) issued directives on promoting green credit growth and managing environmental and social risk in credit extension in 2015 and has also approved a scheme for green bank development in 2018, etc.

Like other international banking sectors, banks in India too are adopting sustainable banking practices. Sustainable banking practices adopted by some of the Indian banks have been discussed below.

YES BANK

YES BANK (https://www.yesbank.in/) adopts strategies that link sustainable development with stakeholder value by incorporating sustainability considerations in its core business strategy. Yes Bank is the first Indian bank to launch green bonds in 2015; committed to mobilizing USD 1 billion by 2023 and USD 5 billion till 2030 towards solar projects; has the highest number of ISO 14001:2015 certified green facilities globally; launched first evergreen retail deposit product on World Environment day in 2018 — *Green Future: Deposit*; support "The Green Good Deeds" campaign launched by the Indian government. The first and the only Indian bank listed on Dow Jones Sustainability Indices (DJSI) for 4 consecutive years (2015–2018); support the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), a signatory to UNEP FI principles and UN Global Compact and also follow GRI sustainability reporting principles; selected in FTSE4Good Emerging Index in 2017 and 2018; won "Golden Peacock Award for Sustainability" in 2018; has aligned and mapped its organizational activities with 16 out of 17 SDGs.

Axis Bank

Sustainability is an integral part of Axis Bank's (https://www.axisbank.com/) ethos. The bank is guided by a strategy that focuses on profitable and sustainable growth while influencing positive economic, social and environmental value creation for the stakeholders. Axis Bank supports "Go Green" initiative of the Ministry of Corporate Affairs; saved approximately 2.2 million sheets of paper through Saksham initiative and 9162 tCO_2e emission through internal resource efficiency initiatives; launched India's first certified, dollar-denomination green bond by an Asian bank, raising USD 500 million in 2016 and launched Green Bond Framework in alignment with Climate Bonds Initiative's Standard; enhanced sustainable financing portfolio and lending to low carbon infrastructure, renewable energy generation and waste management sectors; adheres to the GRI standards and International Integrated Reporting Framework for sustainability reporting; included in FTSE4Good Emerging Index; focuses on creating sustainable livelihood, promoting education and skill development through financial literacy and inclusion programs, promoting environmental sustainability through tree plantation and energy efficiency initiatives; is inclined to play a larger role in supporting India to achieve its SDGs target by aligning organizational activities with 13 out of 17 SDGs.

State Bank of India (SBI)

SBI (https://sbi.co.in/) understands that foundation for creating long-term value for all the stakeholders is growing business sustainably and takes into account the bank's environmental and social impact. SBI is the first bank in the country into the green power generation by installing windmills for the captive use; "Yono SBI" launched in 2017 as a digital initiative of the bank won the "Mobile Banking Initiative of the Year — India" in 2018; installed Green Channel Counters; won "Green Bond Pioneer Award" for being the largest new emerging markets certified Climate Bond issuer in 2018; launched SBI Green Fund to contribute to sustainability such as tree plantation, water conservation, and waste management, contribution to COVID-19 relief fund; announced India's first SBI Green Car Loan to promote purchase of electric vehicle; launched SBI Green Home Loan to promote green housing to reduce carbon emissions and promote renewable energy; provides financial assistance to fulfil educational goals, has set up 338 Financial Literacy Centres (FLCs) to provide financial knowledge; established 151 Rural Self Employment Training Institutes (RSETIs) to mitigate the issue of youth unemployment and underemployment; the only public sector bank in India to publish a sustainability report in accordance with GRI standards while referring to Principles of Integrated Reporting (IR) Framework and National Voluntary Guidelines (NVGs); aligned its key sustainability initiatives with the specific SDGs target.

Punjab National Bank (PNB)

PNB (https://www.pnbindia.in/) believes in sustainable development thereby ensuring that its business model incorporates environmental and social issues and that businesses throughout their life should provide goods and services that are safe and contribute to sustainability. PNB adopted the "Green PNB" initiative; promotes the use of renewable energy by financing potentially viable renewable energy projects; promotes wind energy and solar energy usage in urban and rural areas; has certified Green building having 5 stars GRIHA rating. It has been a pioneer for initiatives in financial inclusion and financial literacy; established 12 Farmers Training Centres (FTCs) providing free cost of training on agriculture and allied services, entrepreneurship development programs and 55 RSETIs and 2 Rural Development Centres (PNB Initiative) providing skill up-gradation to rural population to undertake self-employment; won "BFSI Digital Innovation Award 2019" and "IBA Banking Technology Award 2020".

Citi Bank

Citi Bank (https://www.online.citibank.co.in/) formulated the 2025 Sustainable Progress Strategy focusing on the 3 key pillars contributing to the world's sustainable development: climate risk, low-carbon transition, and sustainable operations. Citi Bank offers all digital services; issued first green bond for €1 billion in 2019 for funding projects like renewable energy, water conservation, energy efficiency, sustainable transportation and green building projects; is a co-founder of International Capital Market Assossiation (ICMA) Green Bond Principles; signed a statement to support the recommendations of the G20 Financial Stability Board's TCFD; provide support and finance to governments at all levels for building sustainable infrastructure such as transportation, schools, housing etc.; inclined towards investing in socially oriented start-ups and companies; one of the largest philanthropic focus areas is the workforce development; focused on integrating ethical business practices; a member of EPs since 2004; publishes ESG report in accordance with the GRI Standards, the UN Global Compact and the UN Guiding Principles on Business and Human Rights frameworks; worked with UNEP FI for developing the principles for responsible banking; aligned the UNSDGs.

HSBC

HSBC (https://www.hsbc.co.in/) is focused on playing its part and contribute to achieving UNSDGs through working on their 3 sustainability priorities: sustainable finance, sustainable supply chains, and employability and financial capability. HSBC offers all digital services; launched HSBC simply pay app for real time transactions; committed to provide $100 billion to develop low carbon technologies, clean energy and other projects that contribute to UNSDGs by 2025; source 100% of electricity from renewable sources by 2030 thereby help in financing new renewables energy projects; issued green bond in 2015 for €500 million for the first time for the funding of projects like renewables, energy efficiency, sustainable land use, sustainable water and waste management, climate change adaptation and clean buildings project; launched $1 billion bond based on the UNSDGs in 2017; green bond framework of HSBC is consistent with the principles of ICMA; named the World's Best Bank for Sustainable Finance for 2 consecutive years (2019 and 2020); helps disadvantaged young people by providing access to primary, secondary and higher education across the globe; also helps people develop the employability and financial skills; supports social enterprises; undertaken various initiatives for financial inclusion; HSBC was named on Financial Times' Diversity leaders 2020 list, Stonewall's Top Global Employers 2019 list, Bloomberg's 2020 Gender-Equality Index, Universum's Global Diversity and Inclusion Index 2019; signatory to the disclosure recommendations by TCFD and adopted the recommendations of TCFD report 2018; adopted Equator Principles in 2003; publishes ESG report; a member of UN Global Compact and GRI; aligned values, conduct and business activity to SDGs.

Kerala Gramin Bank (KGB)

KGB (https://keralagbank.com/) offers internet banking (KGB Net) and mobile banking (KGB mPay); launched "Digi bank", an account opening application through a selfie; has an online platform "Gramin Galaxy" facilitating Demat, trading, saving under a single umbrella; undertake various initiatives for financial inclusion and literacy like FLCs to counsel, educate and train the people on financial matters; conceived and implemented a novel financial literacy programme for school children; launched "Little KGB: Kids go banking" app designed for kids to inculcate banking and savings habit through stories; the process innovation winner of Infosys Finacle Client Innovation Awards 2020; took up Ottan Thullal (a classical dance form) to provide financial literacy to the people; provides micro-credit such as group loans to promote employment proving livelihood, supports NRLM program of Government of India promoting poverty reduction; won "Global Inclusion Award 2017" for financial inclusion initiatives.

Maharashtra Gramin Bank (MGB)

MGB (https://www.mahagramin.in/) provides online banking services; introduced MGB Mobile Banking; supports UPI and BHIM app; involved in tree plantation activities; emphasized on financial literacy and inclusion mission: taking technology to rural masses; provides assistance to Self-Help Group (SHG) by the way of micro-credit; supports Micro & Small Enterprises (MSE) customers; follow Banking Codes and Standards Board of India's (BCSBI) Code of Bank's Commitment to Customers.

5. RESULTS AND DISCUSSION

Some of the issues which have been identified with regard to sustainable banking in India are discussed below.

5.1. Absence of sustainable banking performance framework in India

Discussing the models for assessing the extent of sustainable banking practices adopted, there is a various model developed by different researchers. For instance, the model developed by Jeuken (2001) was first applied to 34 international banks to evaluate or assess the performance of sustainable banking practices. Further, this model was applied to evaluate sustainability in the UK banking sector by (Amacanin, 2005) and also to evaluate sustainability performance in Greece's banking sector by (Papastergiou & Blanas, 2011). Since this framework for assessment of sustainability has been limited to developed countries, so its applicability to developing countries is quite low. Moreover, the social dimension of sustainability has been completely left out in this model. The framework suggested by Scholtens (2009) was applied to 32 international banks to assess the CSR performance of the banks. The banks on which this framework was applied were similar to that of as researched by Jeuken (2001) so as to provide for comparison which means that this model was also limited to developed countries and also social issues of the developing countries were not fully taken into consideration. Additionally, this framework is more concerned with assessing banks' social responsibility whereas the social dimension is just one of the dimensions of sustainability. Sustainable banking performance framework (SBPF) developed by Kumar and Prakash (2018) derived indicators from Jeucken (2001) and Scholtens (2009) model and sustainability code of conduct. This framework attempted to incorporate all the dimensions of sustainability into banking for developing countries like India and was applied to 42 Indian banks (private and PSBs). However, the framework focusing on environmental and social considerations undertaken by the banks to address the issue of sustainability. In addition to this, the degree and the impact of the indicators were not taken into account. Besides, these indicators are adopted from a framework focused on the developed countries and the sustainable banking practices in developing countries are different from that of developed countries due to various factors. Since these frameworks for the assessment of sustainability pertain to most developed countries so there are concerns regarding their applicability to a developing country like India. Further, there are still certain parameters that need to be studied and taken into consideration.

5.2. Sustainable banking practices adopted by the Indian banking sector

Most of the private sectors banks like Axis, IDFC bank (the only Indian bank to adopt EPs), YES BANK, HDFC, IndusInd Bank, ICICI, and IDBI bank have adopted sustainable banking practices in accordance with one or more international standards like GRI standards, EPs, UNEP FI, UNGC principles, <IR> Framework. Other private sector banks either have not undertaken taken sustainable practices or are just in the beginning stage of adopting sustainable practices. Currently, the only PSB to publish a sustainability report in India is SBI that is in accordance with GRI standards. Other PSBs in India neither publish sustainability reports nor adhere to prominent international principles; they rather publish Business Responsibility Report (BRR) disclosing their sustainable practices. Also, PSBs emphasize more on the social dimension. In other words, in total, out of 34 banks (12 Public sector banks and 22 Private sector banks), only 23.53% of banks (1 PSB and 7 private banks) have actively adopted sustainable banking practices and the remaining 76.47% of banks are either beginning to adopt or have not adopted sustainable practices yet. Almost all of the foreign banks like American Express, Citi Bank, Bank of America, JP Morgan Chase & Co., HSBC, Bank of Ceylon, Kookmin Bank, BNP Paribas', Maybank, etc., have actively undertaken sustainable banking practices; although the level of adoption may vary. RRBs are just in the initial stage of moving towards the direction of Sustainability (mainly adopted green practices) and their initiatives are more concentrated on the environmental and social dimension than too at a very basic level. Out of 43 RRBs in India, 90.69% of RRBs have actively adopted environmental practices and among them, the best performing RRBs are Kerala Gramin Bank, Telangana Grameena Bank, Baroda Rajasthan Kshetriya Gramin Bank, and the remaining 9.31% of RRBs are still lacking in these initiatives.

Moreover, financial inclusion and financial literacy are considered to be the highest priority indicator for sustainability in India. The Boston Consulting Group, FICCI, & Indian Banks' Association (2010) in their report "Indian banking 2020" reported that financial inclusion is pursued as a crucial driver of comprehensive growth which is further required to be supplemented by rural infrastructure development. The research also identifies that environmental and social considerations are more focused on sustainability issues and governance considerations which are equally important have not been considered as a dimension of sustainability by many.

5.3. Results of in-depth interviews

The results of in-depth interviews conducted for the study suggested that sustainable banking includes ESG dimensions and all other aspects are derived from ESG. The concept of sustainable banking is at an evolving stage in India. Major practices adopted in regard to sustainable banking include the use of solar cells facilities, green buildings, loans for renewable energy (considered to be one of the important development), CSR practices, provision of schools, hospitals, etc. Discussing the future of Sustainable banking in India it was stated that things have started working in this direction; as a result banks, customers, and other stakeholders are inclined towards the adoption of sustainable banking practices. Also, in the field of renewable energy, apart from solar and wind, India is now working towards the conversion of waste to energy projects. By doing so, banks aim to achieve the broader objective of Sustainable development and thus sustainable banking can help achieve sustainable development. Moreover, it has been revealed that foreign banks and private banks are performing well in regard to sustainable banking than the public sector banks and RRBs. It has been brought to the notice that for public sector banks it is not easy to change the policies due to the regulatory framework and also sustainability is considered as a secondary issue rather than a primary issue.

Thus, based on the in-depth interviews conducted with the banking professionals, it can be stated that there is a connection between sustainable banking and sustainable development, and by adopting sustainable banking practices, banks aim to achieve the broader objective of sustainable development and hence sustainable banking is considered as a roadmap to sustainable development.

6. CONCLUSION

This study attempts to identify the various frameworks developed for the assessment of the performance of sustainable banking and also provides insight into banking practices adopted by the Indian banking sector. The study reveals that so far few Indian banks have actively adopted sustainable banking practices; however, there is still a large proportion of the Indian banking system which has not yet adopted sustainable practices. Further, the study also indicates that the Indian banking sector is yet to formulate and implement any such sustainable banking principles and guidelines as banks should move from mere compliance of mandatory CSR disclosure to adoption of sustainable banking practices voluntarily.

Based on the issues identified in the study, there are few recommendations that have been outlined: Indian banking sector especially the public sector banks should incline integrating sustainability issues in their banking operations and strategy as well. Also as per UN report 2019, public sector banks are best for sustainable development. RRBs should be encouraged to work more towards sustainable banking practices and make rural people informed. Banks are recommended to incorporate the ESG framework in their day-to-day operations as well as in strategic aspects and adopt sustainable banking practices to promote sustainable development. Regulators such as the Government of India, RBI, and the Indian Bank Association are advised to formulate certain guidelines/codes of conduct for the Indian banking sector in order to promote sustainable banking (suggested by the banking professionals). Moreover, it is recommended that a holistic approach towards encouraging sustainable banking should be followed. Each bank should understand the importance of embracing sustainable practices and should proactively take initiatives for the same. Further, various stakeholders should realize the need of adopting sustainable practices by the banks and should act as promoters of sustainable banking. The best approach to sustainability is one that meets the needs of all the stakeholders while strengthening the image of the organization.

The study has both practical as well as academic implications. The insights gained from the present study would enrich the existing strand of literature on sustainable banking in the Indian context. The findings would also help in developing a new framework for assessing the performance of sustainable banking practices. Additionally, the study would be beneficial for banks and other stakeholders to comprehend the importance of incorporating sustainability in banking operations. Moreover, similar studies could be undertaken to draw a comparison of sustainable banking practices at the international level and domestic level. The concept of sustainability index is not covered under this study which could be taken up in future studies. Future researches could also be taken upon similar grounds by applying statistical tools and techniques. Furthermore, similar studies in the future can be conducted on cooperative banks, small and payment banks which have not been considered in the present study.

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APPENDIX

Questionnaire on sustainable banking: A roadmap to sustainable development

Note: This Questionnaire is for research purposes only and will not be used for any other purpose. All the responses will be kept confidential. Thank you for taking the time to fill this questionnaire.

Q1. What according to you does sustainable banking include?
1. Environmental dimension
2. Social dimension
3. Governance dimension
4. All of the above

Please specify if there is any other dimension.

Q2. Please highlight some of the sustainable practices undertaken by your bank?

Q3. Are the sustainable practices by your bank aligned with SDGs?
1. All
2. Some
3. None

Q4. Does your bank follow any framework for assessing the performance of sustainable banking practices? If yes, please briefly explain the same.

Q5. If you could please throw some light on the future of sustainable banking in India?

Q6. Do you think Sustainable banking can help achieve sustainable development? If yes, how?

Q7. Why the banks in India are not able to focus on:
a) Environmental aspect of sustainable banking?
b) Social aspect of sustainable banking?
c) Governance aspect of sustainable banking?

Q8. In your opinion which banks are performing well or are taking more initiatives in regard to sustainable banking? Do you think RRBs are also performing well?

Q9. Various researches have shown that the implementation of sustainable banking practices in public sector banks is relatively lower in comparison to private or foreign banks. So according to you what could be the possible reasons for this? What are the challenges faced by public sector banks in adopting sustainable banking practices?

Q10. Do you think RBI or National Bank for Agriculture and Rural Development (NABARD), etc., are taking sufficient steps for the implementation of sustainable banking in India? What other measures would you recommend to RBI/NABARD in this direction?