



T A PAI MANAGEMENT INSTITUTE

MANIPAL - 576104

Research Seminar

**Environmentally sustainable business
practices in Banks**

Speaker

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F2 Class Room, TAPMI Campus

ALL ARE INVITED

Environmentally sustainable business practices in Banks

Introduction: Globally, the stress of the ever increasing population, rapid industrialization resulting in increased consumption of fossil fuels and mindless destruction of natural habitats for industrial gains, has had an adverse impact on environment in the form of air and water pollution, industrial accidents and ill health. Climate change has also contributed to the rise in ocean levels and desertification of pastoral lands. Any increase in the world's economic activity is certain to add to the stress on earth's available natural resources. Hence, there is an urgent need to look at methods to minimize the strain on the earth's natural resources and progress towards sustainable business practices by minimizing waste, green product design and technology co-operation. A natural - resource - based view of the firm suggests that the strategy and competitive advantage of the firms shall be dependent on the firm's capabilities to practice environmentally sustainable economic activities (Hart 1995). The term Sustainable is used interchangeably with green, ecological and environmental (Fraj-Andre's et al. 2009). Studies on sustainable businesses have researched and established relationships between environment and other stakeholders namely company, customer and the government. Companies manufacturing chemicals have been studied for the usage of complementary assets, in form of process innovation and implementation that helps in improving the cost advantage (Christmann – 2000). A combination of pollution prevention, product stewardship (Integrating the voice of external stakeholders in product design and development), and sustainable development (To cut down the negative impact of the economic activity of the firm on the environment), helps in establishing the competitive advantage (Hart 1995). Most of the firms referred to, in this study belong to the Manufacturing sector. In trying to understand if the green orientation is just an activity or a business philosophy, some indicators to measure the environmental culture of a firm has been studied by considering industrial firms (Chamorro and Bangil 2005). Environmental initiatives in the value chain leads to reduced production costs (Shrivastava 1995). This has been illustrated through a case study on a manufacturing firm. Environmental initiatives lead to improvement of reputation (Miles and Covin 2000) and this study has been supported with an example of forest products industry.

But most of the research is based on manufacturing sector that engage in manufacturing tangible goods (consumer and industrial) and there is hardly any research done to study the sustainability in service industry. This has been the case because manufacturing industries are assumed to be more polluting than the services sector and the latter's contribution to pollution is assumed to be inconsequential (Vargas-Vargas and Mondéjar-Jiménez 2010). Taking up the example of banks (banking and financial services) in the service industry, banks do consume

paper (stationery), plastic (Credit cards), electricity, have physical structures that consume energy, run round the clock ATM's, maintain large data centers etc. The relevant questions that arise here are – 1. Why should banks resort to environmentally sustainable practices, if any? 2. Why should such practices be studied? The primary reasons are – banks consume natural resources which add to the pressure on the environment and also because banks enjoy the affiliation of the majority population of any country. Hence the impact of banking services on the environment is huge. Both India and United States of America have a huge part of GDP contributed by the services sector and banking institutions form a sizeable portion of the services sector. Many banks have a presence both in US and India with their International branch networks. This is the primary reason as to why banks should be studied for their environmentally sustainable business practices. Research studying the sustainable business practices in banking services is scant.

Research Objective: The primary objective of this research is to study those banks that have taken up environmental initiatives and study the framework that they have adopted in the process. The framework could contain the areas of banking operations requiring alignment with the environment, inputs for these areas of banking operations like materials being used, energy being consumed, human factors and implementation issues (Unruh). The analysis of the outcome shall be based on cost- benefit analysis of the initiatives, customer satisfaction and profits. The research objective is further broken down into the following goals.1. Study the main motive for environmental initiatives of the bank and the initiatives taken up. 2. Study the implementation issues 3. Study the impact of the outcome based on cost – benefits, profitability and customers' response to the initiatives. 4. Based on the above, to develop a conceptual framework for Banks' Green Practices.

Research Methodology: Sustainable business practices have been researched more in the manufacturing sector than the services. Hence this study focuses on the service sector, with specific emphasis on banks. Only a handful of proactive banks are known to have taken up environment initiatives. Hence empirical data is limited only to a few banks. An exploratory case study based method will be adopted to arrive at a theoretical framework. The case study method (Eisenhardt 1989) is being adopted due to absence of large number of instances of banks adopting sustainable practices and limitations of time. This method enables the researcher to study the dynamics present in the contextual settings. Depending on the willingness of banks to share the knowledge with the researcher, it could lead to multiple case studies. This will involve in – depth interviews with top executives of banks and their customers.

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