CHAPTER-9

Findings, Conclusion and Suggestions

Banking sector in India has undergone both evolutionary and revolutionary changes. The history of Indian banking sector reveals the fact that it was in private sector and in the year 1969 banks have been nationalized as a government policy. Subsequently, in the year 1991 the economic reforms heralded the situation in which banking sector have been opened to private people and foreign banks. With the entry of foreign banks, Indian banks are forced to shed their inertia and work creatively and innovatively to compete with private and foreign banks.

The Indian banks had the sense of adaptability and therefore, quickly they can maneuver to adopt the best practices and products of the private and foreign banks like, personal loan, auto loan, bank assurance, mutual funds, stock invests, enlarged foreign trade, retail banking, m-banking and e-banking. The present study traced the roots and methods of sustainability of banks in view of the foreign competition pressure, heightened exposure of the customers, technological revolution, regulatory authorities, new policy paradigm such prudential norms, camel compliance, Basel III compliance and so on.

In the context of the changed paradigms in the banking sector, the thesis focused on the sustainability of Indian public sector and private sector banks and also the foreign banks operating in India. The sustainability parameters are categorized into external, internal, technological, human resources, financial, social, economic and environmental for the purpose of the thesis.

The objectives of the study with which the research programme took its journey are identifying the factors that influence sustainability of the banks, analyzing the impact of the financial, technical, internal, external, regulatory, social and environmental sustainability of business performance of the sample public, private and foreign banks.
The research study carved out five objectives and five hypotheses based on a thorough review of literature objective-wise, identified the research gap accordingly. On each parameter of sustainability independent and dependent variables including extraneous variables identified and the questionnaire was prepared. Under Indian banking structure, the study opted public sector banks, private sector banks and foreign banks operating Bengaluru, Mangalore and Pune. In each sector four banks have been chosen and thus, the total sample banks were twelve. In each category of bank the top management authorities twenty, four bank managers and forty branch staff were selected on purposive judgmental and stratified random sampling respectively. Altogether 192 respondents (60 top management authorities, 12 branch managers and 120 bank staff) from twelve sample banks were selected.

Sample banks have been profiled on the basis of their age, vision, mission, goals and objectives, products and services, their nearest competitors, deposits, number of ATMs, profitability, total assets, work force strength, EPS, awards and recognitions, number of branches and so forth.

Financial sustainability, internal sustainability, external sustainability, social environmental sustainability have tabulated, analysed and interpreted appropriately by using descriptive and inferential statistics. The tools used are percentages; mean score values, standard deviation, Croanbach’s Alpha, Cross-correlation, KMO and Bartlett’s Analysis, Factor Analysis and Varimax component Rotation Matrix. The impact of banks sustainability on business performance and social and environmental performance were also analysed and interpreted. Based on the above facts, objective-wise findings are deliberated in the following paragraphs.
A. FINDINGS

Objective-1 Based Findings

To Identify the factors influencing the Banks Sustainability in the Indian Context

- The factors influencing banks sustainability in the Indian context are grouped into internal, external, financial, technological, human resources, infrastructural, regulatory, social and environmental ones.

- Competitive edge is a fact that a particular bank enjoying inherent or acquired capability in comparison to their competitors. The study revealed the fact that, on different parameters different sample banks are enjoying competitive edge. In case of public sector banks (n=4) country wide network and operation, government support, trustworthy customers, reliability of the customers towards government bank, reduced transaction cost (comparative cost advantage), safety of deposits are the competitive advantage factors.

- Private sector (n=4) and foreign banks (n=4) competitive advantage lies in retail banking / customized banking, roping high net worth individuals and corporate customers, frequent innovative products, urban centric, speed and delivery of doing business, global connectivity and the like. Each sector is robust in their own way of doing business. Comparison of competitive advantage at this juncture is unwanted in as much as the level playing fields are different. (see table 4.12)

- Long term growth and market value are the influencing factors for a bank's sustainability, irrespective of the sector to which it belongs under the study. The path for long term sustainability is conversion of mission into practice. In the process sustainable products and services are created and delivered by the banks. The pace of doing all these by the private and foreign banks is comparatively high (see table 4.13).

- One of the crucial factors found in the study is that of non-performing assets, it is more pronounced in public sector banks rather than in other two sectors.
There exists, in certain sample public sector banks, the nexus between borrower, manager, political interference and recovery agents. This is the reason for growing non-performing assets.

- Sample Banks operating in India have been considerably influenced by the external forces. Navigating, complying and steering forward are the tricks of the game. Devising strategy from time to time to combat the external factors that have bearing on the sample public, private and foreign banks is the route adopted by the top management authorities concerned.

- Banks’ sustainability and performance is greatly influenced by macro-economic variables. The study captured specified macro-economic variables and their influence on the sample banks’ external sustainability. They are inflation, deflation, GDP, disposable personal income, human development index, monsoon pattern, agricultural and industrial outputs, consumer price index and wholesale price index, it has been found that inflation impacted fifty percent of public sector banks, seventy-five percent each of private sector and foreign banks under the study.

- In regard to GDP, disposable personal income and human development index affecting external sustainability of the banks, public sector sample banks were affected most. It is relatively less in private and foreign banks. It is owing to flexible changes in the strategy formulation and implementation. *(See table 5.6)*

- Of late, all over the world there is a growing consensus to combat global warming. The environmental sustainable projects are the mainstay in all sectors of the economy. Banking sector is no exception. Modern bankers have realized to fund social and environmental related projects. In a study conducted by the international finance corporation, it was found that banker’s emphasis of funding changed from economic projects to social and environmental projects.
Objective-2 Based Findings
To examine the Internal and External Sustainability of select Public sector, Private sector and Foreign Banks

- For internal sustainability of sample public, private and foreign banks, twelve parameters have been identified. They are HR sustainability, technological sustainability, infrastructure sustainability and institution building sustainability, integrated sustainability, competitive edge and long term growth of banks. Thus, there are 73 items that captures extensively the degree of Internal Sustainability of sample Public sector, Private sector and Foreign Banks under the study.

- Internal Sustainability of Banks is of paramount importance in as much as the internal strength is the pillar for embracing or external vicissitudes impinging the performance therein. The degree of impact arising out of external factors can effectively negated through internal sustainability policy measures on the banks' human resources sustainability comprising the people's competency and knowledge, human resource planning and other measures.

- Two-third of public sector banks and three-fourth of sample foreign banks top level management personnel conceded the fact that the banks shall have knowledgeable and competent in maintaining internal sustainability.

- HR functions comprising acquisition, development, utilisation and separation in three samples category of banks is more pronounced through HR policy statement. Therefore HR sustainability, it was found adequate in all three categories of banks. However the supply and demand gap of HR is huge in public sector sample banks (n=4).

- Change is the ongoing process in private sector bank and foreign banks under the study. In public sector banks, the change is happening but the rate is moderate. Complete autonomy by employees is enjoyed by the people at the middle and top level in relation to private and foreign banks in the study.
competency of the employees is the critical success factor in all three sample category banks (see table 5.4).

- Information technology and fourth-generation technology revolutionaries’ the banking sector to an un-stoppable extent. New banking products emerged on account of technology in the form of e-banking services and m-banking services. The gate-way to payments is e-banking. National electronic fund transfer (NEFT) and real-time gross settlement (RTGS) are on account of new technology.

- Banks internal and external sustainability to a large extent depends on how capable in upgrading or implementing the latest technology for service delivery (see table 5.5).

- Core banking system is a technological intervention in doing banking business for the sample banks. It helped them to have access to their account in all branches of the bank where the account is held. Emergence of core-banking system removed traveler’s cheques and gift cheques. Now a day’s money transfer is possible through e-mode or internet mode. Statement and Central governments on a number of schemes transfer the benefit (money) directly to the beneficiaries. This is called direct-benefit transfer (DBT). Technology helped to solve the issue of corruption at government offices. Thanks to the technology and on-line banking (see table 5.6).

- The research study aimed at knowing whether extended branches in all parts of India by the banks do really contribute to bottom line. This is because the success of a particular branch or a bank depends on the depth of the deposits rather than a large number of customers with meager deposits. It has been observed the Indian public sector bank per branch annual profit is around Rs. 33 lakhs whereas; it is Rs.12 Crore in case of foreign counterparts. The Government of India has given blanket cover for foreign to operate in India but international banking agreement rule says for every branch of foreign bank in India, the same amount of branches shall be
operated in the foreign soil but the foreign banks in offshore are not giving permission to operate (see table 5.9).

- For internal and external sustainability, the values and moral standards are inherently spelled out in the banks vision, mission, goals and objectives, but rarely, barring the certain banks, it is practiced. There are certain private sector sample banks which resort arm twisting and stringent penal provisions. Certain borrowers resorted to self-mortification thereby (see table 5.10).

- Integrated sustainability of banks under the study combines structure, task, people, technology and competition parameters. The value stream across the functions, products and services reflect banks sustainability (mean score 4.1302, standard deviation 1.0726 on a five point scale). Through prudent investment policy, banks are growing at sustained rate. It is more pronounced in respect of private and foreign banks. It has been seen that two-third of the sample banks in each sector have converted their written policies into actions (see table 5.11).

- Sustainability is a challenge and at the same times an opportunity to grow. Accordingly the sample banks heralded innovative and creative banking products to meet the growing expectations of the individual and corporate customers; thereby the banks maximized their competitive advantage. The results of banking business under the study indicate that the business case for sustainable banking is strong and imperative (see table 5.11).

- External sustainability of sample banks is subject to regulatory norms, inflationary and deflationary conditions in the economy. The varying Prime Lending Rate (PLR), Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), Repurchase Rates (Repo rate) impinges considerably on public sector banks.

- External sustainability is quite a task for public sector banks. Notwithstanding the fact, the said sample banks are striving and sustaining. In respect of private and foreign banks, flexible banking policy programmes, products and
services neutralizes the external sustainability barriers. The open interest rate regime and fluctuations did not reduce customer base in all types of accounts concerning private and foreign banks.

- Indian banks are facing competitions among themselves and further they are facing competition from foreign banks operating in India. Competition success depends on innovativeness, creativity and ability to adopt the style of functioning by the banks. Competition is very severe in the present context. Many banks are eying for the same customers in the pool especially the high net worth individuals. The public sector banks compete in getting the corporate customers as well as HNIs. External sustainability of banks is jeopardized on account severe competition in the industry. The solution part is innovative banking.

- The sample banks agreed with the fact that high net worth individuals and corporate customers are termed as cash cow customers. As per the Pareto rule (80/20 percent), the banker shall concentrate on the twenty percent of high-end customers to keep the banking survival going on. They are the top of the pyramid category. The other eighty percent of the customers are normal wholesale and traditional banking customers whose individual contribution is very meager.

- There are fifteen parameters (15 statements) which well captured the essence of meeting customer requirements by the sample public, private and foreign banks. The inter-correlations at one percent and five percent level of significance were significant with fifteen items. The variables are – in respect of sample public sector banks there is high pressure the political party’s netas to provide loans for their workers in contrast, the private and foreign banks in order to stay in the business are introducing time and again the innovative products to increase the customer base.

- The corporate customers want instantaneous services and that is the challenge for the banks in all the three categories, the customer expectations are high and are undergoing frequent changes. In the melee, the sample banks experience general and e-frauds which is threat for banks reputation and image. However, the sample banks created a brand image with a great
struggle (see table 8.10). The sampling adequacy is at 0.830 with chi-square value at five percent level of significance is 169.333.

- To meet the customer loyalty and new market demands for sustaining their market share, three-fourth of each sector sample banks are increasingly adopting global standards in risk management, international standards of openness in reporting and accountability and more effective strategies for product development. Market based mechanisms are gaining more power to stimulate investments in sustainable banking. This fact was endorsed by seventy-five percent each of the sample banks. Recognizing and measuring the benefits of sustainability is a competitive strategy and an important part of long-term shareholders’ value creation as per three-fourth and hundred percent of private and foreign banks respectively. (See table 5.8)

**Objective-3 Based Findings**

To Analyse the Financial, Technical, Human Resources, Regulatory, Social and Environmental Sustainability of Sample Banks

- Financial sustainability of sample public, private and foreign banks are very crucial. Modes of sustainability, drivers of sustainability, transaction costs, CAMEL compliance are the parameters of financial sustainability.

- Financial Sustainability of Banks under the study are captured on the parameters like number of deposits, managing non-performing assets, profitability position from year-on-year basis, spread, fund-based and fee-based activities, compounded annual growth rate (CAGR), cost of transactions, long-term results versus short-term gains, social and environmental performance and aligning of business goals with corporate goals of sample public sector, private sector and foreign banks.

- The profitability position of the sample banks do increased on account of the number of deposit schemes and spread of banking activities to several fee-based activities, mutual fund, insurance and the like. The Mean score ranged
from 3 to 4 and standard deviation at 1.0445. The net effect is increased compounded annual growth rate. The profitability of three sectors banks is also owing to reduced cost of transaction in view of advanced technology. Therefore the values are on the upper side of scale that is 4.667 is the mean score and 0.4924 is the standard deviation value.

- The difference between public sector and private sector along with foreign banks is that the former is having money finding it difficult to identify the lucrative investment portfolio as they are concentrating on traditional wholesale banking, whereas the private and foreign banks are catering to corporate customers. The major chunk of business is fee-based, mutual fund, insurance, auto loan, vehicle loans, medical tourism so on and so forth. All the three banks are maneuvering to maintain financial stability.

- The study identified drivers of financial sustainability in relation to public, private and foreign banks. The parameters are interest rate fluctuations and maintenance, managing competition and bottom-line, pricing of banking products, retaining high-profile customers, addressing banking frauds, dealing with unprecedented banks liability and claims, political intervention, strategy development and operative aspects of banking business and risk management.

- Addressing banking frauds is tough for public sector sample banks. It is moderate for private sector sample banks and because of checks and balances the banking frauds is less pronounced in foreign banks, it is also due minimal number of foreign banks operating in India (see table 4.3).

- Global competition and banking sector vulnerability to financial and non-financial risk is moving towards northern side. 90 to 95 percent of the sample respondents in three sectors confirmed this fact (see table-4.3). Thus, the drivers of financial sustainability of sample banks play a dominant role in the present context.

- It was found in public sector banks that, HR infrastructure need to be strengthened. The work-load is high on the employees in view of the shortage of the staff. In private sector and foreign banks the effective human resource planning ensured them to have right number of employees, right kind of employees at right place and at the right time. Therefore the banking
service productivity has increased and cost per transaction has reduced as against the public sector banks.

- All the three categories of banks are updated in banking technological upgrading is concerned. The responses ranged from 50 percent to cent percent under the study. The public sector means score is 3.1667 and standard deviation is 1.267. The corresponding scores for private sector and foreign banks are 4.333 and 0.6513, 4.167 and 0.5149 (see table 4.5) respectively.

- Sustainability of banks extends to environmental and social compliance. this combines both business environmental factors and natural environmental factors. Banker has to comply with political, legal, technological, economic, social, cultural and natural factors. The eco-system of bank comprise business environmental segment too.

- The banker found new products to invest in renewable energy projects, energy efficiency, cleaner production processes and technologies, biodiversity conservation, to micro finance services targeting women and low income housing borrowers. This embarks on the great social and cultural concern. Banks are shouldering the responsibility of social progress and environmental protection with safeguarding economic interest too (see table 7.5).

- As far as environmental and social risks factors are concerned, the sample banks are cautiously managing these risks through effective strategies. Banks are in the practice of assessing the risk factors arising out of loans given to social and environmental related projects. The systematic investment appraisal is done by the committee consisting of analysts.
Objective- 4 Based Findings
To Analyse the Impact of overall Sample Banks Sustainability Practices on their Performance

- The main impact of sample banks’ sustainability is that it contributed to greater and higher long-term financial returns. This was possible on account of extending loans and advances to the sustainable projects and businesses. This fact was emphasised by the top level management authority respondents in public sector (60%), private sector (65%) and foreign banks (75%). the average mean score stands at 3.9844 and the corresponding standard deviation is fixed at 1.0459 (see table 8.2).

- The aim of sustainability of the sample banks in all the three sectors is concerned is to manage the risk and accordingly reduce the bank specific micro and macro environmental variable risks. The average mean score for the statement is 3.1302 and the standard deviation is 1.3762. Sustainability is possible for the banks under the study only when they concentrate on new products and services development in order to meet the ever changing requirements of the customers-both individual and corporate (mean score 3.0833 and standard deviation 1.4805).

- The integration of environmental and social management systems into business strategy of sample banks lead to tangible benefits including new lines of business, new clients, greater access to financing, greater shareholder value, improved reputation and goodwill for all the twelve banks under the study (mean score 3.3333 and standard deviation 1.3394) (see table 8.3).

- The inter-correlations among the parameters under technological sustainability paradigms of banks are significant as evidenced by cross-correlation results for seven items. The variables such as linking Aadhar card to customers bank account enabled the sample banks to transfer the funds of the social schemes of the government directly to the beneficiaries under Direct Benefit Transfer, alert messages, pass book extract and statements on the customers cell phones enabled the banking business to
sustain, technological infrastructure in banks under the study reduced the cost per transaction by the use of NEFT and RTGS.

- Under the study inter-correlation results indicate that among seven independent variables, five of them were wielded significant influence on the five dependent variables forming sample banks business performance. Linking of Aadhar card to customers bank account for Direct Benefit Transfer, use of internal technology such as note counting machines, computers, printers and currency checking machine, reduction of cost per transaction, technological up-gradation and maintenance of the servers influenced significantly the increased market share in sustainability driven factors, increased shareholder values, better access to capital from international financial organizations and followed by new business development through innovative products and services and reduction of risk (see table 8.7).

- There exists significant inter-correlation among independent variables with high significance at one percent level of significance are – the sample banks having sustained mutual fund, insurance, housing, factoring, merchant banking, venture capital, foreign trade and other deposit schemes; banks have expanded their operations considerably both fee based and fund based services, banks have remarkably over the years increased the enough off-shore branches; banks have substantially increased deposit mobilization through various schemes. (see table 8.8).

- The sample banks are adopting best practices to measure and assess the social and environmental risks in their projects and at the same time are publishing sustainability reports. There is a need to increase banks credibility and reputation by addressing the social and environmental concerns. Thus, five independent variables are highly inter-correlated. The remaining four parameters are moderately inter-correlated in so far as social, economic and environmental compliances are concerned (see table 8.13).
B. CONCLUSION

With the above objective based findings and banks sustainability paradigms in the present context in mind, this research study aimed to build and expand on the previous research and provides for greater insight into the specific issues and drivers within the banking sector on sustainability. The thesis results as well as more detailed investigation of twelve sample banks, that help to strengthen the business case for sustainable banking in sample public, private and foreign banks and to show how progress has been made in the implementation of financial, internal, external, technological, regulatory, infrastructural, institutional, social and environmental sustainability helped to conclude the thesis as follows

- It can be concluded that sustainability is the undercurrent for the banks survival - be it in public sector, private sector or foreign banks category. Under the study, Sustainability means different things for different banks. For public sector banks sustainability means balancing liquidity, solvency and profitability, at the same time enforcing or implementing government sponsored socio-economic schemes. The priority sector lending is the foremost obligation of the public sector banks. Under such circumstances, maintaining sustainability for them is an uphill task. Nevertheless, the public sector banks under the study are striving hard to sustain the sustainability. Three-fourth of the sample public sector banks \( n=4 \) are successful in achieving the financial, internal, external, technological, infrastructural, institutional, social and environmental sustainability in spite of the competition they face from private sector banks and foreign banks.

On Banks Sustainability

- The sample private sector banks and foreign banks definition of sustainability is different in that they aim at retaining the top-notch and high Networth individuals (HNIs) apart from corporate
customers. They do retailing banking with innovative and creative products to meet the requirements of high-end and corporate customers. Naturally, they earn enough returns and thereby the sustenance is managed. The flexibility is the cause for the innovation, creativity, customized banking in case of the sample private and foreign banks (n=8). This apart, banks have to comply with regulatory norms of RBI and accordingly the Basel-III, Prudential norms, capital adequacy, management, efficiency and liquidity (CAMEL) provisions are to be met.

- The nature, need, value creation process, sources of, types of, drivers of, measurement of, significance of, benefits of, models of, business cases of banks sustainability have been perused. It also expounds the structure of Indian banking, Indian banking now and then, changing landscape of, paradigm shift of, key-challenges of, government schemes of Indian banking have been revisited.

**On Financial Sustainability**

- The financial sustainability is the crucial aspect for all other sustainability of the sample public, private and foreign banks. Financial sustainability is achieved under certain modes, at the same time, attending to the drivers of sustainability. The regulatory norms of the Reserve Bank of India, technological paradigms impacts the transaction cost of the sample banks.

- Financial sustainability hinges upon number and branches of the particular sample bank, creditworthiness and solvency of the borrowers, spread, that is, interest given and taken by the banker, yearly profitability, income from fee- based, fund-based, and multifarious banking activities, managing non-performing assets, concentrating on long-term gains and profits, maneuvering social and environmental projects, aligning the branch performance with...
the corporate goals and objective of the sample banks form modes of sustainability.

- The financial sustainability is driven by interest rate fluctuations guided by market forces of supply and demand for short-term and long-term funds. Not only this, the level and type of competition, pricing of the banking products, satisfying and retaining cash-cow individual customers and corporate customers, combating e-frauds and the political interventions by the parties especially in the rural branches duressig the branch managers to part with money as loans. These drivers of financial sustainability will make or break the sustenance of particular branch of a particular sample bank.

**On Regulatory Sustainability**

- Adding fuel to the fire or adding salt to the injury, the Reserve Bank of India frequently announces repo-rates, prime-lending rates, statutory liquidity requirements; cash reserve ratio, open market operations, margin-money requirements, Basel-III, prudential norms, capital adequacy and the like. The sample banks are meekly complying on these norms and rules.

**On Internal Sustainability**

- The internal sustainability of sample public sector, private sector and foreign banks encompasses human resource sustainability, change management, e-banking, m-banking, technological, infrastructural, energy resources, institution building and integrated sustainability. Internal sustainability of banks is very significant to retain the level of human resources and technological competency. It is also important to deepen the roots of the banking system of the sample banks by giving room to flexibility. By being flexible, the sample bank manages the changing dimensions of Indian banking
system. Besides this, internal sustainability enabled the accomplishment of competitive edge and long-term growth of all the three categories of banks under the study.

**On External Sustainability**

- The external sustainability is equally significant as that of internal sustainability of banks. The changing technology, intense competition, high expectations of the customers, inflationary and deflationary conditions, agricultural, industrial and services sector growth necessitated the banks to evolve, implement and evaluate long-term strategy and tactical plans. Maintaining external sustainability is a herculeant task for the sample bankers.

- The global warming, un-employment, poverty, rural-urban divide, ozone-layer depletion require banks to go for social and environmental projects lending. The repayment risk is very less and that reduced the level of non-performing assets. The international financial corporation in their mega study concentrated on social and environmental related projects lending of 46 countries. The developed countries are more into social and environmental related project lending. In our country too the public sector banks to a larger extent and private and foreign banks to some extent are lending to these neglected sectors. It also amounts to banks social and environmental responsibility. As a rule banks have to comply with environmental and social norms of the RBI and Government of India. In fact they are bringing social and environmental compliance report to acknowledge the fact that, they are very much concerned about the issues in these sectors.
On Impact of Banks’ Sustainability

- Finally, it can be concluded that the thesis based on the descriptive and inferential statistics, a thorough analysis, and interpretation based on the statistical tools of Mean score, percentages, standard deviation, Cronbach alpha, cross-correlation, KMO Bartlett and Rotated component matrices, the modes and drivers financial sustainability, technological intervention, innovative banking products, transaction cost, meeting the diverse customer requirements, social, economic and environmental sustainability constructs are tested to present the real life scenario of the public, private and foreign banks sustainability in the competitive era.

- The impact of banks sustainability on its business performance and social and environmental performance is measured by using cross-correlation of independent variables influencing the dependent variables. The financial, technological, human resources, regulatory, internal and external sustainability parameters of sample public sector, private sector and foreign banks influenced long-term returns, reducing risks, new business development, developing innovative and creative banking products, increase of market share, reputation, brand value, access to capital from international financial organisations and increasing shareholder value.

- The sample banks sustainability also influences a strong business case for sustainable banking to integrate social and environmental issues with business of the bank. It also impacts the lending towards social and environmental related projects for the purpose of social progress and environmental protection. It is observed that in the coming future social and environmental projects lending will assume centre stage because it is necessary to balance social equity and environmental protection.
Considering risk alone will not be enough to generate new markets and profits. However, pursuing sustainability related, market opportunities do not automatically mean that a bank will reduce its social and environmental risks. Therefore a balanced approach is the need of the hour. Hence, a bank has to strike a balance between business project lending and socio-environmental projects lending for long-term sustainability.

C. SUGGESTIONS

After an in-depth study of the topic “Sustainability of Banks in India – An Analytical Study” in the form of review of literature, identification of research gap, research issues, independent and dependent variables, formulation and testing of hypothesis, profiling of sample twelve banks – four each from public sector, private sector and foreign category, analysis and interpretation of financial sustainability, internal sustainability, external sustainability, social and environmental sustainability, enumeration of major findings on the topic, drawing appropriate conclusion, the study offers the following objective based constructive suggestions to the bankers, customers of the sample banks, regulatory authorities, policy makers, government, board of the public, private and foreign banks under the study among others.

The study hopes that this thesis will be useful to emerging market banks that want to increase their competitive advantage by pursuing a sustainability strategy and in the process create long-term value for themselves and their clients.

Design business performance based sustainability models in banking industry including social and environmental management system (SEMS) that goes beyond written policies into action, such as allocating human and banking resources for implementation and training employees. The policy is a necessary but not sufficient step for implementing a strong management system. Other elements should reflect institutional structures and operations of the sample banks.
Objective-1 Based Suggestions
To Identify the factors influencing Banks Sustainability
in the Indian Context

- The sample public sector, private sector and foreign banks is suggested that
  the volatility in the external forces influencing the sustainability of banks must
  be monitored further effectively. This is because the inflationary, deflationary,
  regulatory, technological factors change in the manner more rapidly on
  account of the turmoil in the other developed and developing countries. The
  case in point is currency and economic crisis in Germany, Grecoce, Japan and
  Turkey.

- The external factors are subject to rapid changes, the learning banks
  immediately shall adapt to the changing circumstances caused by political,
  legal, technological, competition and customer, regulatory authorities and
  general economic conditions.

- The public sector banks (n=4) is suggested to increase the level playing field
  by further introducing innovative and creative products as done by private
  and foreign banks. For example 24/7 bank employees attending to the rich
  and needy customers as the middle class disposable personal income is
  increasing rapidly.

- The Government of India must deal with iron hand on the delinquent bank
  managers who are hand in glow with certain high profile borrowers and that is
  leading to erosion of sample public sector banks wealth. The Government of
  India must exhibit the names of big defaulters especially the willful defaulters
  who favour crony capitalism.

- Banks and other financial intermediaries that use these strategies will gain a
  competitive edge. They will also strengthen their positions by contributing to
  the macroeconomic development of their countries or regions, facilitating
  their integration into the international financial community, and serving as
  models of best sustainability practice that others can follow.
There is a urgent need that the 75 percent sample banks (n=12) are suggested to comply with Basel-III and gear up themselves for Basel-IV in order to ensure the continued sustainability.

Objective-2 Based Suggestions
To examine the Internal and External Sustainability of Select Public Sector, Private Sector and Foreign Banks

- Banks shall have a vigil over these fluctuating external and macro-economic variables. They should have adequate cushion to absorb the shocks emanating from these vicissitudes. All the three sample category banks endorsed this fact and expressed their concern over these external parameters.

- It has been observed that customer expectations and preferences are undergoing changes; the enlightened banker shall meet their new found needs and expectations, lest the banker suffers in maintaining the sustainability. The expectations of the customers are not linear rather they are non-linear diversified and vivid. If that is so, the banker is really catered to these changed expectations.

- It is suggested for sample banks that HR competency need to be monitored in view of changing technology and skill-sets. The rapid technological changes made certain jobs redundant and therefore the training institutes of the banks shall concentrate more on hands-on experience of the trainees in addition to theoretical orientation.

- For external sustainability, the banker must have a separate business environmental committee. It shall be an advisory committee to advice on changing paradigms in external factors influencing the functioning of particular sample bank.

- The regulations of the regulatory authority shall not be too rigid or too flexible and it should be in accordance with the changing times. The banks shall
upgrade and modernize the technology to reap the further reduction in transaction cost.

**Objective-3 Based Suggestions**

**To Analyse the Financial, Technical, Human Resources, Regulatory, Social and Environmental Sustainability of Sample Banks**

- It is suggested that the sample public, private and foreign banks shall revise their investment portfolios. It has been observed that, the majority of ten out of twelve sample banks which are having excess funds but do not have the safe, secured and profitable avenue to invest. It is suggested further that the sample banks need to emulate the best practices of the global banks and adopt those practices for safely and profitably channelize the huge fund available with them.

- Banker must have the expert committee including financial analyst to study the demand and supply dimensions of fund requirements and consciously fix the interest rates. Interest rates are sensible a small percentage of increase or decrease would significantly affect the customer base of the sample banks. Therefore, they are suggested to have sensible interest rate policy keeping in mind the borrowers needs and psychology.

- The sample banks are suggested to think global and act local. It is the time that consolidation of banks must be undertaken to increase their capacity and depthness. This is because Indian banks must figure in top 50 global brands in banking industry.

- It is suggested to undertake continual improvements to ensure that sample banks’ (n=12) commitment to sustainability goes beyond compliance with legal requirements and remains effective as a tool for gaining competitive advantage.

- It is suggested to bring on board and support dedicated managers and social and environmental departments, staffed by experts with appropriate
academic background and experience and responsible for implementing social and environmental controls.

- To manage both risks and opportunities strategically and comprehensively, banks need to integrate a systematic approach—a social and environmental management system (SEMS)—into their processes and operations. Building and operating an effective SEMS entails several processes that must occur in parallel, it is suggested.

- Transform the assessment of sustainability risks into the creation of business benefits. Work with clients to improve their social and environmental performance rather than simply rejecting potentially risky investments by the sample banks.

- Make social and environmental considerations part of overall market assessment and project appraisal. In choosing their approach, banks should define priority areas and focus on them. Avenues for engagement can include:
  - Market research into sustainability-driven sectors
  - Partnerships with communities, NGOs, and related organizations
  - Identifying demand among existing customers for products with Social and environmental components, such as affinity credit Cards “Green or social trusts”.

- To continuously improve, banking institutions need to not only incorporate better standards in social and environmental risk management but also expand their view of what generates long-term value for themselves, for their clients, and for society. This requires tapping into new opportunities and markets to yield greater environmental, social, financial, and economic benefits. As this study has demonstrated, banks will need to build their capacity to experiment with new financial products and services.

Such a move to achieve greater long-term value is expected to be driven from both inside and outside banking institutions. From the inside, successful implementation of management systems that include organization-wide
awareness, employee involvement, and effective stakeholder engagement will help attract and strengthen human resources.

- From the outside, innovation will be increasingly driven by higher industry standards; greater competition; market incentives, such as market globalization and trade standards; government regulations and the growing importance of stakeholder groups and their ability to communicate their views using worldwide means of communication and connectivity. While industry-led initiatives are expected to be the main driver for the banking sector in embracing a new sustainability agenda, governments are expected to support this process by requiring greater disclosure as well as providing incentives for financing in sectors such as carbon finance, sustainable energy, and cleaner production, which are increasing in importance under a variety of international and regional priorities for sustainable development.

- The technical, human resources, regulatory, social and environmental sustainability suggestions are note fully covered elsewhere in the suggestions part of the thesis.

**Objective-4 Based Suggestions**

**To Analyse the Impact of overall Sample Banks Sustainability Practices**

- It is suggested that financial sustainability in the form of maintaining modes and drivers of sustainability parameters shall concentrate on balancing all stakeholders’ goals. Merely fulfilling the shareholders and investors goals shall not suffice; the sample banks must meet and achieve all stakeholders goals for balanced and sustained development.

- It is suggested that interest rate fluctuations need to be addressed systematically by having interest rate fixation committee as the advisory role for the bankers, especially the public sector banks.

- Reduced transaction cost arising on account of technological innovations in the form of RTGS, e-banking and m-banking can further be taken to rural areas. Tapping the rural areas could add to the banker’s sustainability, it is suggested.
The RBI and Government of India must tell the sample private and foreign banks to go to rural areas extensively and also form a part of the growth engine of India. The presence in important cities and capturing corporate customers are the business practices of private and public sector banks, they must be cajoled to go in to the rural areas of Karnataka and India to benefit of our rural brethren.

It is suggested that all the three categories of banks shall on a large scale adopt and lend loans to social and environmental projects to reduce poverty, un-employment, environmental degradation, cultural degradation and to increase social progress and environmental protection.

Thus, the study comprehensively covered banks sustainability paradigms encompassing financial, technical, regulatory, infrastructural, human resource, institutional, social and environmental sustainability of sample public, private and foreign banks. The study is unusual and unique in that the previous studies in our country covers one or two sustainability parameters but the present study covered eight sustainability paradigms. The study findings and suggestions will go a long way in contributing to academic and research review of literature and honestly help the policy makers and the bankers.

Directions for the Future Research

Sustainable banking is a continuous process. It will always be a journey, never a destination. A bank may get close to reaching its sustainability objectives, but because we live in a dynamic world with ever-changing internal and external forces, it will never achieve all its objectives. Success criteria will change, and new challenges and new goals will emerge. However, as long as a bank takes care of all the sustainable factors in all its operations, it will be able to keep on top of its sustainability commitments.

Sustainable banking is a fertile ground for further research. Therefore, the following topics are suggested for the future researchers.

- Technological Sustainability and its Impact on Banks Performance – A Comparative Study of Public Sector and Foreign Banks in India
- Social and Environmental Sustainability of Banks - A Comparative Study of Banks in Developed and Developing Countries
- Sustainability of Banks in phase of Consolidation of Banks – A Study in India.
- Entry of Private Corporate Banks and Sustainability of Indian Public Sector Banks