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Comparative Analysis of Sustainable Banking in Public and Private Sector Banks in Sri Lanka

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Abstract

Sustainable banking is still an emerging concept in the world. While different World Bank organizations interpret sustainable banking differently using different dimensions, it will contribute for the sustainability and longevity of the earth by reducing the indirect negative impacts of the banking sector generated through customer activities. In Sri Lanka, attention on sustainable banking is still emerging. Thus, the objectives of this study are to analyze the strategies used in sustainable banking worldwide, to compare sustainable practices of selected public and private sector banks in Sri Lanka, to determine the advantages of sustainable banking practices to Sri Lankan banks and customers, to determine the customer perception on sustainable banking in Sri Lanka and to provide recommendations for future development of sustainable banking concept in the country. This study was commenced from June 2021 until May 2022. World-recognized standards related to sustainable banking were reviewed and a comparative analysis in the public and private banks operating in Sri Lanka was carried out using the primary data collected by interviews with sustainability officers of banks and secondary data collected from the annual reports of banks. Questionnaire surveys were conducted among 302 retail customers and 82 corporate sector customers. Information was gathered on customer perception on sustainable banking and the benefits of sustainable banking on banks and customers through these studies. The results revealed that out of 2 public sector banks and 11 private sector banks in Sri Lanka, 9 private sector banks and 2 public sector banks showed a satisfactory level of implementation. Questionnaire surveys of customers have shown that there is low customer perception towards the concept. The awareness of the concept among retail customers and corporate customers on sustainable banking is 32.12% and 9.8% respectively. 92.1% of retail customers have responded that there are benefits from sustainable banking for customers, while 78% of corporate customers have responded that there are benefits for them through sustainable banking initiatives. As per the findings, banks could gain benefits such as a good corporate image, enhanced reputation, business growth, moving towards new eras of financing, cost reduction, managing risk using the thorough process in risk management and awards. As Sri Lanka is slowly implementing sustainable banking practices it is recommended to have a regulatory approach. Under this regulatory approach, the banks will have action plans within a specific time period to develop and implement sustainable banking practices more effectively. The requirement of a rating system/ assessing tool is highlighted in this study's recommendations and this would direct Sri Lankan banking sector for better future developments in sustainable banking.

Keywords: Green banking, Environmental sustainability, Triple bottom line, Customer satisfaction, Commercial banks