

AWARENESS OF ESG PARAMETERS IN BANKING INDUSTRY AMONG USERS (A CASE STUDY OF STATE BANK OF INDIA)

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Abstract

The research aims at assessing the level of awareness amongst the customers of State Bank of India about the Environmental, Social, and Governance (ESG) factors. In view of the significance of sustainable banking, it is becoming imperative for banks to adopt ESG practices to ensure financial stability and social responsibility. This research utilizes the descriptive method of research and incorporates both primary and secondary data. From the results of the study, it can be observed that customers have a moderate level of awareness about ESG factors. While the governance factors are fairly well known amongst the customers and help them build trust, the awareness levels about environmental and social activities are rather low. It has been found out that ESG factors have a positive effect on customer loyalty. Thus, it may be concluded that although the customers' awareness about ESG factors is gradually increasing, yet much still needs to be done in this respect.

Keywords: ESG Parameters, Sustainable Banking, Customer Awareness, State Bank of India, Governance Practices

1. Introduction

In the current business scenario, organizations face the growing need to function in a responsible and sustainable way. The factors of increased industrialization, air and water pollution, inequalities within society, and poor corporate governance have forced organizations to shift their conventional attitude of doing business purely for profit-making. In this context, the importance of the parameters of Environmental, Social, and Governance (ESG) has increased significantly, especially within the financial fraternity. These parameters contribute towards an approach of assessment of organizations on the dimensions of efficient management of the environment, fulfilling social responsibilities, and sound corporate governance while performing the business activity.

Banks are significant for economic development because they act as catalysts for savings mobilization and capital allocation for investment activities. Recently, banks have expanded their traditional function from being a mere financial intermediary and are now important for sustainable development as well. Responsible lending practices and investments in green initiatives, promoting financial inclusion, and appropriate governance frameworks can all contribute significantly to sustainable economic and social stability in the future. In such scenarios, ESG factors are now a critical consideration for all activities in banks.

Internationally, there is a rising focus on ESG compliance and reporting from regulating authorities and investors. In India, organizations such as the Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI) are encouraging banks and financial institutions to start focusing on sustainable and responsible banking practices. Public sector banks have taken several initiatives concerning environmental protection and preservation, social causes and welfare segments, and governance changes. Among all public sector banks, State Bank of India (SBI), being the largest public sector bank in India, has deeply focused and implemented several ESG-related activities concerning green banking approaches, financial inclusion initiatives, ethical governance principles, and transparency at all levels of operation.

As banking institutions are putting in substantial efforts to make ESG factors a part of their functioning, it will be important to know how much users are aware of these initiatives. Since customers are stakeholders in banking institutions, it will be equally important to know how much

they are aware of ESG factors because it will be able to affect their relationship with the banking institution in different ways. It has been noticed that banking customers are more aware of conventional banking facilities than sustainability initiatives.

Problem statement: The problem identified for the present study lies in understanding the awareness level of customers about the ESG factors. Though a lot of research work, related to green banking and corporate sustainability, has already been accomplished, very few studies are found to be related to the awareness levels of customers about ESG. Almost all the previous studies are concentrated on the Environment factor, and the other factor, that is, Social, and Governance, are relatively not taken into focus. This paper will make an attempt to bridge this gap by covering all the three aspects: Environment, Social, and Governance, related to SBI customers.

The uniqueness of this research work lies in the fact that it encompasses an overall analysis of customer awareness of ESG in banking, as opposed to previous research that concentrated on only one factor, including green banking. The research encompasses an overall evaluation of customer perception with respect to environment-focused activities, social welfare activities, as well as trade and governance. Additionally, this research work will include demographics such as age, gender, and occupation, among others, to enable an understanding of their effect on levels of customer awareness. The proposed research paper is, in fact, the MBA thesis of the researcher and is an unpublished piece of work. The results of this proposed research paper can be beneficial not only for banks and policymakers but also for academicians who can understand the significance of awareness among customers for the successful implementation of ESG. Awareness can not only improve the concept of sustainable banking but also help in the development of the economy.

2. Review of literature

In this regard, the researcher shall conduct a review of existing literature on awareness, perception, and adoption of ESG and green banking amongst customers to carry out a research in an effective and systematic way. This will prove to be beneficial in gaining insights into past researches and their gaps and forming a basis for the current research on SBI customers.

Ajay Kumar Ganguly, Subrata Chattopadhyay, Subhajit Bhattacharya (2024). Analyzing the Awareness of Green Banking in Indian Context. Summery: From the existing research carried out on green banking, it has been found that green banking practices have a positive effect on the satisfaction levels, behavioural intentions, as well as loyalty of the customers towards the banks which support green practices. The significance of the study is evident in the fact that awareness and satisfaction of the customers are considered important mediating variables in the success of green banking.

Aneesh Raghunandan, Shiva Rajgopal(2022).Do ESG Funds make stakeholder-friendly investment. Summery: Previous studies reveal that although ESG-focused financial institutions and funds claim to support environmental and social responsibility, their actual practices often do not fully align with these claims. Research indicates that ESG ratings are largely influenced by voluntary disclosures rather than real environmental and social performance, raising concerns about transparency and credibility. These findings highlight the need for greater stakeholder awareness to critically understand and evaluate ESG initiatives in the banking and financial sector.

Kamurthi Ravi Teja and Chuan-Ming Liu (2024).ESG Investing: A Statistically Valid Approach to Data-Driven Decision Making and the Impact of ESG Factors on Stock Returns and Risk. Summery: Existing literature evidence suggests that ESG factors are significant risk and return drivers, and that companies with high ESG risk tend to have lower returns and higher risk. Researchers have also found that investors exhibit a risk Premium discount when it comes to companies with high ESG risk. This indicates that investors favour entities with lower ESG risk as companies with lower ESG risk display superior risk and return efficiency.

Graham S. Steele (2024).Banks and ESG. Summery: The available literature indicates that ESG issues form part of contemporary banking and express the vast values of society in regard to the environment, social responsibility, and governance. This study argues that bank incorporation of ESG factors is legally defensible and supportive of risk management, regulatory compliance, and financial stability, amidst political and legal resistance. One notices from this debate that clarity and awareness are required among the stakeholders of banks over the role and legitimacy of ESG practices in the banking sector.

Akhila K H, Dr.G Nedumaran(2024).Customer Awareness And Gratification On Green Banking Products And Services Of State Bank Of India In Thiruvananthapuram Of Kerala.Summery: From

research studies conducted on green banking, it has been found that banks following environmentally responsible and socially responsible principles have been successful in spreading moderate to high levels of awareness and attitude perceptions amongst their customers. It has been emphasized in research studies that age, education, and income levels have been important determinants for customers getting awareness about green banking.

Mahek Raval. ESG Integration in Banking: Navigating Principles, Risks, and Regulations. Summery: Research studies on ESG integration in Indian banking suggest that the implementation of environmental, social, and governance frameworks in Indian banking has been prompted by regulatory necessities, risk management, and the ability to comply with the increasing demands and expectations of consumers. Research work has clarified that ESG methodologies ensure financial stability, societal value, and sustainability, notwithstanding the issues associated with implementation and technological changes.

Magomed Tashtamirov (2023). The place of sustainable development in ESG risks formation in banking sector. Summery: In existing literature, it has been highlighted that ESG risks are emerging as an important concern for banks and are impacting the traditional financial risks of banks, including credit risk, market risk, liquidity risk, and operating risks. Research has revealed that banks that take into account ESG in their frameworks of managing risk experience improvements in transparency, regulatory requirements, and stability of their financial position.

Archana Saxena, Rajesh Singh, Anita Gehlot. Technologies Empowered Environmental, Social, and Governance (ESG): An Industry 4.0 Landscape. Summery: Recent studies underscore that quality and transparent data in the realm of ESG is critical in the assessment of organizational sustainability and the Sustainable Development Goals. Studies reveal that inconsistencies in organizational ESG reporting affect the trust of stakeholders and that new technologies in the digital age of innovation may enhance the quality of organizational ESG reporting with the aid of artificial intelligence and big data.

3. Objective of the Study

The present study is undertaken with the following objectives:

- To analyze the various ESG parameters in banking industry.
- To examine the awareness of various ESG parameters among banking users.
- To study the awareness of ESG parameters on banking users.

4. Research methodology

Research methodology was used to refer to a strategy or logical plan that was followed to conduct research in a systematic manner. This included an approach to data collection, analysis, and interpretation to solve the research problem effectively. The selection of a proper research methodology ensured research results' reliability and accuracy.

4.1 Research Design

This study utilized a descriptive research design to examine how SBI customers were aware of, perceived, and responded to ESG initiatives. It further examined how aspects such as age, education, and location were associated with their awareness and perception of SBI's sustainable banking products.

4.2 Sample Design

The sample design provides an explanation of the population, sample, and method of sampling employed.

Universe: SBI customers from identified branches in urban and rural areas who were aware of ESG initiatives.

Population: SBI customers from urban and rural areas.

Sample Size: The sampling size for this research paper is 100 SBI users.

Sampling Unit: SBI account holders aged 18+ in Amravati were identified as sampling units.

Sampling Technique: Simple Random Sampling was used to ensure equal probability for each user.

4.3 Data Collection Tools

The research relies on primary as well as secondary sources for conducting an accurate analysis.

Primary data: The primary data was collected directly from the respondents using a structured questionnaire and personal interview.

Secondary Data: The secondary data was collected from various sources like research journals, reports, articles, etc.

4.4 Statistical Tools Used

To understand the basic characteristics of the respondents, descriptive statistics (percentage, average, frequency distribution) were used. Graphs and charts were also used to present the findings clearly.

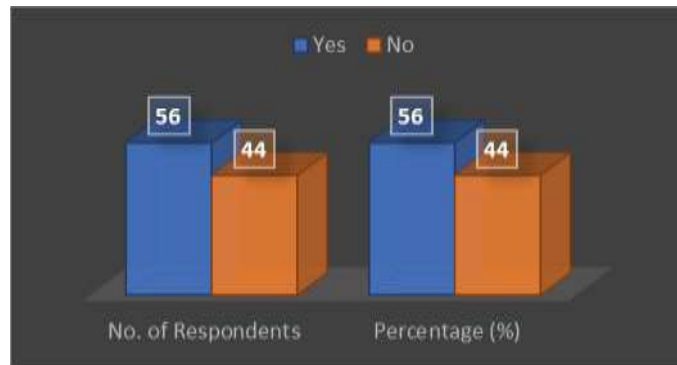
5. Data Analysis and Interpretations

1. Analysis of ESG Awareness of respondents

Table no. 1 – Classification of ESG Awareness of respondents

Awareness of ESG Concept	No. of Respondents	Percentage (%)
Yes	56	56
No	44	44
Total	100	100

Graph no. 1– Classification of ESG Awareness of respondents



Interpretation:

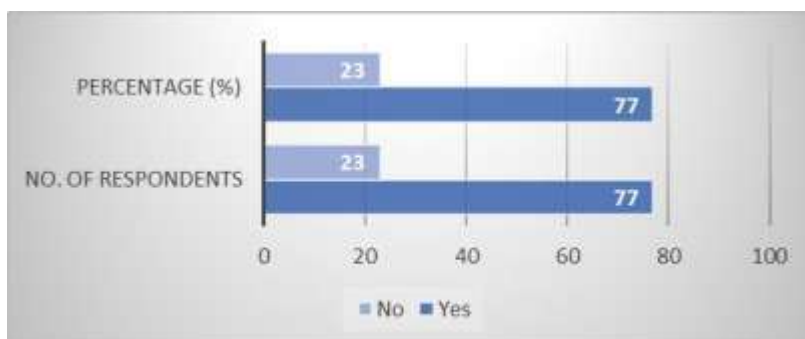
From the above analysis shown in Table no.1 and Graph no.1, it was discovered that 56% of the total respondents know what ESG means, while 44% of the total respondents do not know about ESG. It can be seen that more than half of the respondents know about ESG; yet, there is still a considerable number of respondents who lack awareness of ESG.

2. Analysis of Awareness of SBI green banking initiatives

Table no.2– Classification of Awareness of SBI Green Banking Initiatives

Awareness of SBI Green Banking Initiatives	No. of Respondents	Percentage (%)
Yes	56	56
No	44	44
Total	100	100

Graph no. 2– Classification of Awareness of SBI Green Banking Initiatives



Interpretation:

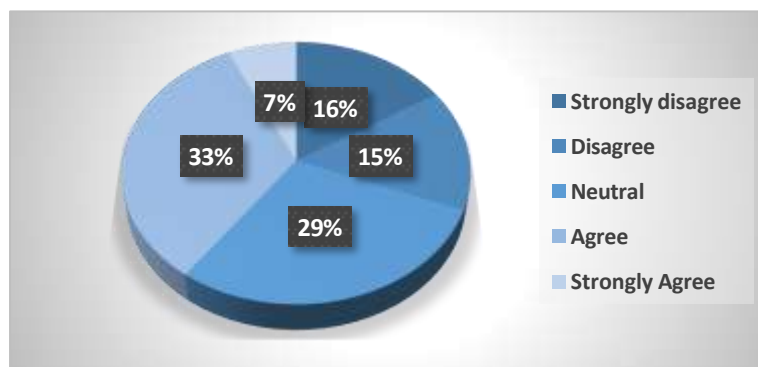
From the above analysis shown in Table 2 and Graph 2, the study revealed that there are 56% of the respondents who are aware about green banking schemes of State Bank of India, whereas 44% are unaware of the same. From this data, it can be seen that even though a majority are aware, there are also several who are unaware of the same.

3 Analysis of Transparency of SBI environmental information

Table no.3 – Classification of Transparency of SBI environmental information

Awareness of SBI Environmental Initiatives	No. of Respondents	Percentage (%)
Strongly disagree	12	12
Disagree	10	10
Neutral	34	34
Agree	32	32
Strongly Agree	12	12
Total	100	100

Graph no.3– Classification of Transparency of SBI environmental information



Interpretation:

From the above analysis shown in Table no.3 and Graph no.3, the study found that 32% of the respondents agree and 12% strongly agree that SBI provides clear information about environmental initiatives. On the other hand, 34% of respondents remain neutral, while 22% disagree or strongly disagree. It can be noted that although a significant number of respondents

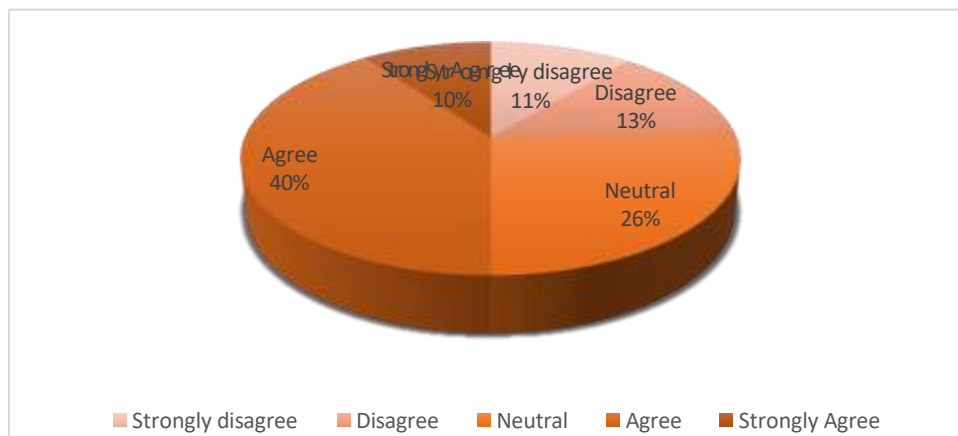
perceive transparency, a large proportion remains uncertain. This indicates mixed opinions regarding the clarity of environmental information provided by the bank.

4. Analysis of Perception about SBI Social responsibility program

Table no 4– Table showing Perception about SBI Social responsibility program

SBI Social Responsibility Programs	No. of Respondents	Percentage (%)
Strongly disagree	12	12
Disagree	17	17
Neutral	28	28
Agree	31	31
Strongly Agree	12	12
Total	100	100

Graph no.4– Graph showing Perception about SBI Social responsibility program



Interpretation:

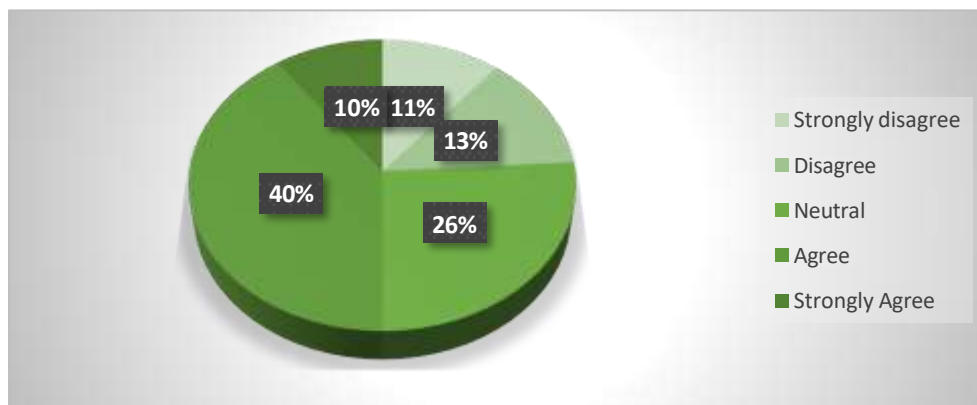
From the above analysis shown in Table no.4 and Graph no. 4, it can be seen that 31% of the respondents are in agreement with and 12% are strongly in agreement with the idea that SBI supports social responsibility programs. But 28% of the respondents have remained neutral on the matter, while another 29% disagree or strongly disagree with the idea. It can be seen that whereas some of the respondents recognize the bank's contribution towards social responsibility, others do not.

5. Analysis of Role of governance practice in building customer confidence

Table no.5– Table showing Role of governance practice in building customer confidence

Governance Practices and Customer Confidence	No. of Respondents	Percentage (%)
Strongly disagree	11	11
Disagree	8	8
Neutral	25	25
Agree	37	37
Strongly Agree	19	19
Total	100	100

Graph no.5– Graph showing Role of governance practice in building customer confidence



Interpretation:

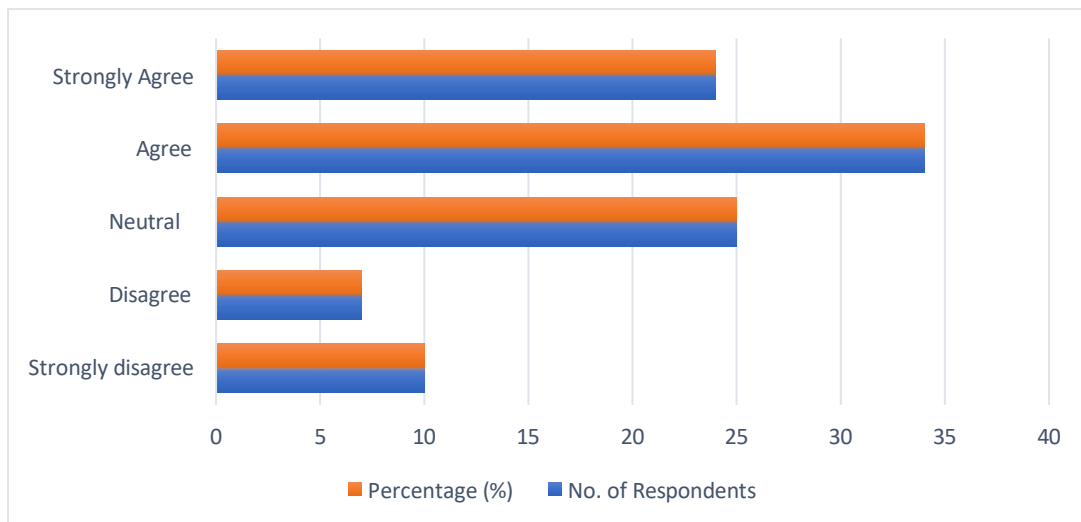
From the above analysis shown in Table no.5 and Graph no.5, it has been revealed that out of all the respondents, 37% of the respondents agree while 19% of the respondents strongly agree that governance practices contribute to creating customer confidence. Meanwhile, 25% of the respondents are neutral while a small number disagree on this matter. It can be seen that most of the respondents view governance practices in a positive light.

6. Analysis of Level of ESG Awareness among SBI users

Table no.6– Classification of Level of ESG Awareness among SBI users

Level of ESG Awareness among SBI Users	No. of Respondents	Percentage (%)
Strongly disagree	10	10
Disagree	7	7
Neutral	25	25
Agree	34	34
Strongly Agree	24	24
Total		100

Graph no.6– Classification of Level of ESG Awareness among SBI users



Interpretation:

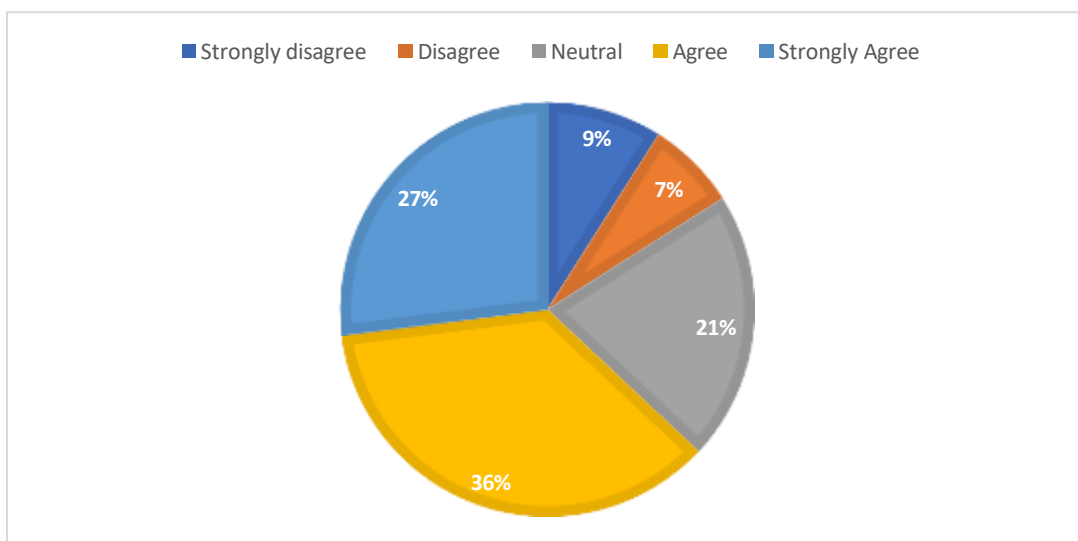
Based on the analysis presented in Table no.6 and Graph no. 6 above, the research concluded that 34% of the respondents agreed while 24% strongly agreed that there is awareness of ESG within the SBI. Nevertheless, 25% of the respondents were neutral, while 17% disagreed and strongly disagreed. Clearly, it can be observed that even though most recognize the existence of ESG awareness, many are still unsure.

7 Analysis of Impact of ESG practices on customer loyalty

Table no 7 – Classification of Impact of ESG practices on customer loyalty

ESG and Customer Loyalty	No. of Respondents	Percentage (%)
Strongly disagree	9	9
Disagree	7	7
Neutral	21	21
Agree	36	36
Strongly Agree	27	27
Total		100

Graph no. 7– Classification of Impact of ESG practices on customer loyalty



Interpretation:

From the above analysis shown in (Table no.7 & Graph no.7), the research established that there is 36% agreement and 27% strong agreement among the survey respondents that ESG practices affect consumer loyalty. There are 21% neutral respondents, and a lower percentage disagrees with this statement. The point here to make is that a greater number of respondents view ESG practices as positive factors affecting consumer loyalty.

6. Findings, Conclusion, Suggestions Findings

1. It was found out that 56% of the respondents have knowledge of ESG, while 44% of them are unaware of such concepts.
2. It can be seen that 56% of the respondents have knowledge of green banking initiatives of State Bank of India, while 44% lack information about the said initiatives.
3. The study reveals that 44% of respondents (32% agree + 12% strongly agree) believe that SBI provides clear environmental information, while 34% remain neutral and 22% (disagree + strongly disagree) do not agree, indicating mixed opinions regarding transparency.
4. Based on the findings of the study, it appears that 43% of the respondents, which include 31% who agreed and 12% strongly agreed, believe that State Bank of India encourages social responsibility initiatives, while 28% are neutral and 29% (who disagreed and strongly disagreed) are unaware of such initiatives.
5. The study indicates that 56% of respondents (37% agree + 19% strongly agree) believe that governance practices build customer confidence, while 25% are neutral and 19% (disagree + strongly disagree) do not agree, reflecting a strong positive perception.
6. It is found that 58% of respondents (34% agree + 24% strongly agree) believe that ESG awareness exists among SBI users, whereas 25% are neutral and 17% (disagree + strongly disagree) do not agree, indicating developing awareness.
7. The study shows that 63% of respondents (36% agree + 27% strongly agree) believe that ESG practices influence customer loyalty, while 21% are neutral and 16% (disagree + strongly disagree) do not agree, highlighting a strong impact of ESG on customer loyalty.

Conclusion

The findings indicate that there is moderate awareness concerning ESG parameters among the customers of State Bank of India. In addition, the study reveals that although most of the respondents are familiar with the concept of ESG and green banking, there is a significant percentage of customers who are unaware. Furthermore, it is found that the practices of good governance have a higher influence on the confidence of the customers when compared to those of environment and society due to a relatively lower level of awareness concerning these practices.

In general, it can be concluded that despite the improvement in the awareness of customers about ESG parameters, the level of awareness is not sufficiently developed, and there is a requirement for enhancing the communication strategy of the bank in this regard.

Suggestions & Recommendations

Taking into consideration the conclusions of the study, the following recommendations could be put forward:

- Banks are advised to raise customer awareness with respect to the ESG concept by applying efficient communications, for instance, by making use of the Internet, advertising, and awareness programs.
- Particular attention should be paid to the enhancement of awareness related to the environmental aspect, as it is considered to be the least known among the three components among the customers.
- Transparency should be improved by delivering comprehensible information on the ESG initiatives performed by banks.
- Customers should be actively engaged via workshops, seminars, and other interaction formats.
- Initiatives related to social responsibility should be actively promoted to increase customer participation.
- Governance practices should be continuously improved by communicating effectively.
- Efficient approaches should be applied taking into account the specific demographic characteristics of customers, such as age, education, and income.
- Integration of the ESG initiatives in regular banking operations could be recommended.

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