

Digital Transformation in Banking Led a Support towards an Environment, Social and Governance (ESG): A Review Study

Munnu Prasad, Nethravathi K.** and Rakshita Allappanavar****

ABSTRACT

Digital transformation in banking via technology-driven transformations, “green” practices in line with the ESG principles, has transformed banking like nothing else. This study is based upon a literature review and primary data of the form of personal interviews with key officials dealing with various functions, to examine the feasibility of such changes and its impact on ESG goals. Although based on a small sample size, the findings reveal that digitization enhances decision-making processes across all levels of banking management, supporting sustainability initiatives and fostering societal development. Digital tools have transformed the way banking services are accessed, leading to growth in the industry and responsibility towards the environment. The use of secure, efficient, and confidential digital systems fosters trust and inclusivity, allowing the banking sector to address the changing needs of society more effectively. ESG principles incorporated into daily operations make digital banking a catalyst for sustainable development, not only for the industry but also for the environment and society.

Keywords: *Digital Transformation; Banking; Support; Environment; Social; Governance.*

1.0 Transformation Mode from Tradition to Digitalisation

The role of traditional management was complex in understanding and it’s functioning, where the concern towards the environment, social and governance was very low.

**Corresponding author; Assistant Professor, Department of Commerce and Management, School of Allied Healthcare and Sciences Jain (Deemed-to-be) University, Bengaluru, Karnataka, India (E-mail: munnuprasad.r@gmail.com)*

***Assistant Professor, Bachelor of Management Studies, Jain University, Bangalore, Karnataka, India (E-mail: nethrarajendra@gmail.com)*

****Assistant Professor, Center for Management Studies, JAIN (Deemed to be University), Bangalore, Karnataka, India (E-mail: rakshitha.ma.23@gmail.com)*

The universal demand in the sustainability and reduction of carbon-footprint was high in nature (Taneja, 2015). The introduction of technology towards the development and growth of the business was not concerned much in the tradition period of business, slower the changes and the involvement of digitalisation started and the user benefited in the changes. The change from tradition to digital concept was increasing in the good pace.

2.0 Concept of Environment, Social and Governance (ESG)

The term “Environment” has become the core of global discourse on sustainability because it is a universal need to address the urgency of climate change. Global leaders are actively setting priorities for strategies and initiatives in order to mitigate climate change and promote a sustainable future. The environmental concept applies not only to sustainability factors but also to organizational factors, both internal and external. Internal factors relate to elements within the organization: its culture, cooperation, and coordination, elements that mainly generate sustainability. Externally, the two factors will include the market environment and the perception of the stakeholders about the organization. Environmental factors in organizations are also important, such as sustainability initiatives, renewable energy, reduction of greenhouse gas emissions, climate risk management, water conservation, recycling processes, emergency preparedness, and energy efficiency (Manchanda & Abidi, 2024).

Social factors are equally important, both inside and outside the organization. Inside the organization, social factors are related to employee well-being, with a specific focus on health and safety. Organizational culture is an important factor in determining working conditions. Therefore, working conditions have to be suitable and supportive in order to work towards diversity and inclusion for benefitting employees. This provides employees with a chance to engage with such a system in order to put forth their creativity and contribute toward innovations. It also goes far beyond the boundary of the company in terms of social responsibility with corporate social responsibility (CSR), which is currently gaining recognition even by start-ups and medium enterprises (PwC, 2024).

Governance is an increasingly complex and dynamic aspect of organizational management. In the current world, governance practices have become flexible, with ethical standards changing according to the need of the time. Organizations now look for board diversity and stakeholder engagement, thus ensuring that every stakeholder’s voice is heard. Governance practices also increasingly identify and reward high performers, promoting motivation and excellence within the organization.

3.0 Role of Digital transformation in Banking

The COVID-19 pandemic brought about significant transformations across various sectors, with the banking industry undergoing substantial changes in its operations, particularly in receipts and payments (e.g., deposits and withdrawals). During and after the pandemic, customers benefited immensely from the adoption of digital banking solutions. Digital tools such as UPI, QR scanning, digital finance platforms, and other facilities revolutionized banking by streamlining processes, reducing tedious manual tasks, and introducing smart applications in the digital era. These advancements not only enhanced convenience for customers but also supported better decision-making and facilitated immediate problem-solving, proving to be a pivotal shift in banking operations.

4.0 Research Methodology

This review study examines literature and integrates both secondary and primary data. The primary data involved personal interviews conducted with 10 high-level and mid-level bank officials. The sample size was therefore restricted to 10 participants.

The objective of the study is to assess the feasibility of digital transformation in banking and its support for ESG (Environmental, Social, and Governance) principles. The study is geographically confined to South India and spans a specific time period. For confidentiality reasons, the names of the interviewed officials are not disclosed.

5.0 Digital Banking towards Environment, Social and Governance (ESG)

Digital Banking helped 360 degree, where, stakeholder, customers, employee and others. Digitalisation also gave a good support for ESG, where good decisions was taken (by Canara Bank - Chief Manager). The reduction in paper use played a big role digitalisation (by Director of Andhra Bank). The digitisation also supported in the concept of good governance on the transaction values and its transparency system (by Ex-director of Corporation Bank, Mangalore). It also played a great way in the social approach by the role digitalisation, the good performers are recognised and rewarded, where it played the role of motivation within the employees (by Manager of South Indian Bank). The concept of digitalisation helped greatly to reduce carbon emissions and played a role in supporting greenhouse gas (GHG) (by Yes Bank - Manager). Digitalisation made a way to towards to concern and investment approach towards Green Investment (By State Bank of India - Branch Manager).

Environmental sustainability forms one of the major contributing advantages for digitalization. The paperwork reduction has reduced the banks’ ecological footprint, according to the Director of Andhra Bank. Transparency throughout the transaction process by digital tools, which breeds trust and accountability, formed the opinion expressed by the Ex-Director of Corporation Bank, Mangalore.

Employee motivation is also on an upswing through digital systems allowing performance tracking and rewarding high performers, according to the Manager at South Indian Bank. Digitalization has also aligned with climate action by reducing carbon emissions and other greenhouse gases, according to Yes Bank’s Manager. The above concept of digital banking also promoted green investments, something that the Manager at the State Bank of India highlighted as very important.

Table 1: Impact of Digital Banking across Key Areas

Area	Impact of Digital Banking	Insight Source
Stakeholders	Improved decision-making aligned with ESG principles.	Canara Bank – Chief Manager
Environmental Impact	Reduced paper usage, contributing to environmental sustainability.	Director of Andhra Bank
Governance	Enhanced transaction transparency and governance systems.	Ex-Director of Corporation Bank, Mangalore
Employee Motivation	Recognized and rewarded high-performing employees, fostering motivation and productivity.	Manager of South Indian Bank
Climate Action	Lowered carbon emissions and supported efforts to reduce greenhouse gases (GHGs).	Yes Bank – Manager
Green Investment	Promoted awareness and investments in environmentally sustainable initiatives.	State Bank of India – Branch Manager

Source: Insights from senior officials and managers of Canara Bank, Andhra Bank, Corporation Bank, South Indian Bank, Yes Bank, and State Bank of India.

6.0 Significant Results

The study aimed to examine the major advantages of digitization for the banking industry, focusing on the integration of ESG principles in daily activities but delivering quick and knowledgeable decision-making. Adoption of digital tools and technologies has enabled quick decision-making at all levels of banking management. It has also enhanced governance through transparency in transactions and efficient audits. Digital initiatives like green investments have emphasized the environmental dimensions of sustainability,

and the reduction in paper usage has helped in promoting and maintaining eco-friendly practices. Digitization also facilitated employee motivation by implementing rewards for high achievers. Such innovations prove the potential of integrating ESG considerations into the banking industry, thereby making it a sustainable business, which makes it more efficient in operation and satisfies all stakeholders.

7.0 Implications

Banking services have particularly contributed significantly in the evolution process, mainly from the social dimension. Such practices like benefits to employees, health and safety, diversity, inclusion, among other positive activities have transformed workplace life and better employee life at large.

Digitalization has had a strong position in supporting environmental sustainability through lowering carbon footprints and enabling the implementation of schemes for the reduction of greenhouse gases due to changes in the environment. All of these are thus contributing to larger environmental preservation and sustainability goals.

Stakeholders and customers have reaped the fruits of the refreshed digital services focusing on safety and confidentiality, with the latter further gaining satisfaction through trust. Generally, the alignment of digitalization with ESG principles has resulted in the implementation of holistic changes, thereby leading to development across all dimensions of the banking sector.

7.1 Concern of banks

The banking sector has reached a stage where upgrading methods and adopting the latest technological tools is no longer a choice but necessary. However, not all investments in technology give high returns quickly; some tools can become outdated pretty fast because innovation is very rapid. Nevertheless, strategic investments in digitalization remain crucial as they contribute significantly to increased operational efficiency, better customer experience, and adapting to changing market needs (Institute for Development and Research in Banking Technology, 2024).

8.0 Suggestions

Advanced analytics can be utilized to conduct extensive research that can provide depth in understanding the operations of banking, customer behavior, and how digitalization impacts Environmental, Social, and Governance (ESG) practices. Moreover, the legal frameworks that various institutions like the IDRBT or other regulatory bodies

develop can be considered a starting point for further research, ensuring compliance with various regulatory bodies' standards and living up to the norms of technological advancements in the industry and governance protocol.

References

Institute for Development and Research in Banking Technology. (2024). Retrieved from <https://www.idrbt.ac.in/>

Manchanda, R., & Abidi, N. (2024). Consumer behavioural intention and decision-making for fintech loan: A comprehensive review and analysis. In *Banktech 4.0: The next wave of transformative banking* (pp. 41–62).

PwC. (2024). Environmental, social, and corporate governance (ESG) reporting. Retrieved from <https://www.pwc.com/sk/en/environmental-social-and-corporate-governance-esg/esg-reporting.html>

Taneja, R. M. (2015). Business intelligence in banking sector: A step forward to customer delight. *Management Guru: Journal of Management*, 2(2), 32-36.