

Report on
Enhancing bank loyalty through the practice of sustainable banking

By
S.M. Modasser Hossain
17104184

An internship report submitted to the Brac Business School in partial fulfilment of the
requirements for the Degree of
Bachelor of Business Administration

Brac Business School
Brac University
January , 2022

© 2022. Brac University
All Rights Reserve

Declaration

It is hereby declared that

1. The paper which is being submitted is our original work while completing degree at Brac University.
2. The paper does not show materials that are formerly published or written by another party, except where this is properly mentioned through precise referencing.
3. The paper does not hold things which has been accepted, or submitted, for any other institutional degree.
4. We have acknowledged all main sources of help.

Student's Full Name & Signature

.....

S.M. Modasser Hossain

17104184

Supervisor's Full Name & Signature

.....

Ms. Nusrat Hafiz

Lecturer, Brac University

Co-Supervisor's Full Name & Signature

.....

Ms. Tania Akter

Lecturer, Brac University

Letter of Transmittal

Ms. Nusrat Hafiz

Lecturer,

Brac University

66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report

Dear Mam,

With due respect, I'd like to inform you that I've completed my internship report on Increasing Bank Loyalty Through Sustainable Banking Practices. This work is based on my knowledge of banking theory.

I appreciate all of your help and advice while I was writing this report, and I did my best to prepare it as it is today by utilizing my banking industry knowledge. I honestly hope you will give my work a thumbs up, and I am available to answer any questions or concerns you may have about it.

Sincerely yours,

.....

S.M. Modasser Hossain

17104184

Brac Business School

Brac University

Acknowledgement

It's an excellent occasion for me to write about the practice of sustainable banking because of the upcoming changes the world is about to face. While preparing the report, we had to go through many research documents and books that allowed me to understand the topic better. It is a special example of my working life, which enabled me to create the report for my internship.

In the beginning, all credit goes to Almighty ALLAH (SWT), for letting us have this wonderful experience. And special thanks to my family members who has supported me constantly through many ups and downs. I would very much like to appreciate several people for their help, opinions, ideas, instructions, aid, and directions for formulating this report.

I also want to show my gratefulness to Ms. Nusrat Hafiz, Lecturer, Brac University, who always was honest and helpful regarding this study and to put it in a conclusion. It would have been much tough for me to complete without her tremendous expertise and counsel. I am grateful for the ongoing assistance during the entire internship.

I would also like to thank Ms. Tanzin Khan, Lecturer at Brac University, for her guidance and knowledge. Mr. Om Prokash Dey, First Assistant Vice President, United Commercial Bank PLC, Uttara Branch, who has supported me as my host organization supervisor to prepare the report. I also want to use this occasion to express my appreciation to United Commercial Bank, PLC, Uttara Branch, official and materials for providing their support when needed. My internship program would not be so beneficial without their excellent counsel and assistance.

Finally, thanks to the Brac Business School, for the wonderful cooperation that they have had. Thanks from the bottom of my heart. Thanks to everyone. And of course, all my gratitude to ALLAH (SWT), the Most-Merciful, the All-Wise.

Executive summery

The report on the internship is written as part of BBA program of Brac University. This paper is about 'Enhancing bank loyalty through the practice of sustainable banking'. The purpose of this report is to let the reader understand the practices or the initiatives that are important for the sustainability of the environment and society. The objective of this report is to get an insight of the precautions that should be undertaken or already been taken by the banks which is influencing bank loyalty.

Table of content

Declaration	03
Letter of Transmittal.....	04

Acknowledgement.....	05
Executive Summary.....	05
Student Information.....	06
Internship Information.....	06
Period and Organization Name	06
Information of the Supervisor (on-sight).....	06
Introduction.....	07
Literature Review.....	08
Methodology.....	08
Results & Analysis.....	09
Discussion.....	10
Recommendation.....	11
Conclusion.....	11
References.....	12

Student Information

I am S.M. Modasser Hossain. Id 17104184. I am a student of Brac Business School and my major was Human Resource Management and minor was Marketing.

Internship Information

After finishing all the courses of BBA program, I was assigned to a three-month internship program to work with an organization. I started working at United Commercial Bank Limited, Uttara Branch. I was mostly allocated to the credit department throughout the program; however, I also had few opportunities to work in general banking. My internship was quite a precious experience for me. Every employee was very supportive and caring. It has helped me to learn about business environment and gain experience working in a bank.

Period and Organization Name

October 2021- February 2022, United Commercial Bank Limited, Uttara Branch, Dhaka, Bangladesh

Information of the Supervisor (on-sight)

Name: Om Prokash Dey

Designation: First Assistant Vice President

Uttara Branch

Dhaka

Introduction

When the global financial crisis of 2008 hit, banks concentrated more on monetary results while ignoring other parts of business, resulting in bank failure and a severe fall in reputation. Since then, banks have been attempting to repair their blemished reputations and re-establish confidence by promoting long-term business strategies. Sustainable procedures mainly benefit the environment, society and business financial results while also having a significant impact on bank profitability. The issue of environmental protection became more serious in LDCs and developing countries, as these countries are more sensitive to the current challenges of the climate change, pollution, deforestation, and biodiversity loss. Their dependency on natural resources for financial growth and development demands the adoption of policies and plans for long-term capital usage. As a result, emerging markets are gaining responsibility in regulating sustainable banking activities, focusing on the financial end's impact on long-term growth. These country's governments are essential to the financial system's long-term reform. Bangladesh, India, Indonesia, Brazil, Vietnam, and China have already implemented a range of strategic governing and elective steps to address the threat of climate change and ecological instability. (Torre Olmo, B.; Cantero Saiz, M.; Sanfilippo Azofra, S. 2021, 13, 1298.)

Environmental impacts are increasingly being addressed in the financial industry, and the importance of greener, more sustainable financial system is rapidly being acknowledge by academics, policymakers and private firms and organizations around the world. Though there are several discussions about different perspectives on socially responsible investments and plans in different academic publications, there is very little academic publications, there is very little academic research on the role of regulations in enhancing sustainable banking practices in the least developed and emerging countries. The impact of central banks or managerial authority's policy direction, instruments, and policies on the actual performance of financial institution in emerging markets is rarely discussed.

Sustainable business models offer banks with competitive edge such as enhanced brand recognition and diversity, which attracts more valuable clients and boosts market share. Sustainable banks, on the other hand, are less likely to use their market positions to increase prices on clients. Instead, they would depend on other comparative advantages, such as emotional considerations or distinct professional standards and ethics, to increase client trust and revenue. Viable practices, on the other hand, are expensive, and it may have a negative impact on a bank's output. Sustainable acts, on the other side, enhance bank's reputation, which reduces their budgets and allows them to make more investments. Furthermore, these effort supports the banking industry's sustainability ideals, which raises the expense of rivals. As a result, it's possible that the good and efficient effects of sustainable policies on bank efficiency reduce the downside effects, making maintainable banks as effective as traditional banks.

It can not only show the link between production, proficiency, and market power, but it can also assess the threat of a bank's ability to refund its debts. Since research on the relationship between sustainability and bank stability and monetary performance are common, the connection of sustainability and bank constancy has received minor attention from academics and is still open to discussion. Viable banking can reduce risk, enhance brand image, and attract more customers. Banks that are well maintained also have more transparency and morality. Additionally, banks with more stable funding are more likely to invest in long-term projects. (Khairunnessa, F.; Vazquez-Burst, D.A.; Yakovleva, N.; Sustainability 2021)

Literature review

Due to skewed evidence, the qualitative strength of bank-led revolutions, and the general risk posed by the source of expense and risk management facilities, maintaining reputation has always been critical in banking. Later, reputational hazard intensified global banking sector's catastrophe. Many deceptions, technological failures, and the monetary risk of the 2008 financial crisis have increased customer's and other shareholder's distrust of commercial bank's objectives and activities.

Encourage bank participation in ecological operations, which include incorporating environmental safety, social accountability and economic benefit into management and commercial procedures, as a possible strategy to improve the bank's position and re-establish its reliability. Many international governments have prioritized sustainable growth, but the United Nations took one of the most significant steps in 2015 when it adopted Sustainable Development Goals (SDGs) to address several global challenges by 2030, including poverty reductions, discriminations, environment transformation, and environmental humiliation, as well as the rights of human and self-esteem protection.

Because its contribution to sustainable actions has the potential to affect the sustainability of other firms through the offering channel, the banking industry may play a critical role in achieving these objectives. Banks, for example, can be directly involved in environmental activities, such as allocating cash based on the environment risk posed by target companies or promoting socially responsible items. Banks can provide microcredit and portable banking to enhance financial inclusion and eliminate poverty. Or women's microcredit to help achieve gender equivalence.

In 2019, the United Nations (UN) released the principle of accountable banking (UNEP Finance Initiative), which banks can sign freely. Through six criteria that participant banks must apply within four years, the goal of this benefit is to upsurge offering that fund socially and ecologically maintainable monetary activities. First and foremost, banks must bring into line their marketing strategies with SDGs, the Paris climate treaty, and other nationwide and provincial contexts. Second,

banks must regularly monitor the impact of their operations on people and the environment. Third, banks must develop long-term relationship with clients and consumers, as well as promote economic activities that generate wealth for present and future generations. Fourth, banks must accurately check, participate, and collaborate with relevant shareholders to achieve society's aims. Banks must also develop active governance and a culture of responsible funding at the fifth level. Last but not the least, banks must routinely examine the six ideologies and be crystal transparent and accountable for their influences and aids to the top people's aim.

Methodology

This research is expressive in character and is also dependent on secondary data. It investigates the supervisory and policy measures of major banks that are linked to green finance. The advantage of this analysis is that the facts have already been gathered in some form and can be assessed for relevance and value before to practical usage. Periodical reports on sustainable banking in Bangladesh, websites of viable banks and non-bank monetary groups and websites of various administrations such as the World Bank and UNEP, as well as available articles in various journals and well-known papers, were also reviewed to gain information. The study utilizes a qualitative technique, with the study design involving the production, organization, and measurement of these information example for the sake of legal research. The study's scope is confined to Bangladeshi banks and non-bank financial institutions and it excludes other monetary firms such as insurance companies, investment business and capital market middleman such as brokerage firms. The questionnaire consists of three parts; demographic, bank's sustainability practice and the loyalty of both customers and hired personnel. The demographic section has gender, age range, income range, years of experience, occupation, and educational qualifications. Afterwards, the 2nd part has five items of sustainability practice in the banks and the 3rd part has four items of related to bank loyalty. We have managed to receive sixty responses from various fields including the specified ones. The questionnaire was developed in English to have an effective response from each of them and to eliminate void information

Results and Analysis

Results from the questionnaire indicates that, among the respondents there were 76.7% male and 20% were female. The age range were mostly from 21 to 30 years of age and the percentage of that is 68.3%. Following by 30 to 40 years of age, which consists of 18.3%. Also, there were 8.3% of 0 to 20 years of age group who took participate in the survey and a few percentages of 40 to 50 years of age and above. In terms of experience below 1 year has the highest percentage which is 40.7. followed by 1 to 3 years of experience, which has the percentage of 35.6. Then 4 to 7 years of experience have the percentage of 16.9 and 7 to 11 years and above make up the rest of the percentage. By occupation most of them were from banking sector, including special job holders, web developers, programmers, and government officers. After that, regarding organization, as it is mentioned already a healthy number of responses came from banking sector. Some of the banks are, UCBL, AB Bank, Eastern bank, and others. Lastly, in terms of educational qualifications 61% of them completed their bachelor's degree. 28.8% of the respondents have completed their Masters. 6.8% completed their High School and the rest of the percentage completed Doctorate Degree. Regarding the sustainable banking practices, the responses are quite relevant. Though there are several people stayed neutral but among the other 20.3% thinks that the bank has a strong response regarding sustainability practice and 18.6%

of the respondents think that they have a weak sustainable practice. Next, we have the initiatives that are being undertaken to benefit the environment, society, and shareholders. Among them 36.2% and 10.3% have a positive review and 13.8% and 6.9% of them have a negative review and 32.8% of them decided to stay neutral. After that, bank's capability to reduce paper usage. For which, 44.1% gave a positive feedback, while 30.5% have the negative one and 25.4% decided to go with neutral. Providing loans to environment friendly projects have more positive feedbacks than the negative ones. In percentage the positive one has 65.5% and 34.5% has the negative one. Regarding the seminars on sustainable practice, where 47.5% of the respondents have given their vote to Yes and 22% of them have given their one to No and 30.5% of them decided to stay neutral. During the service period the client's usage of online service had a 50% of regular response, 27.6% had a negative response and 22.4% thinks that the usage rate is rare. Then, we had to find out that, does they provide clean facility or not, where 81.7% of the respondents gave positive feedback and the rest of them (18.3%) thinks they do not. Utilization of the green finance was also on the list. 66.7% of the people thinks Yes and 33.3% of the people thinks No. Promotion of mobile banking has a great positive feedback, over 88%.

In terms of analysis, we are going to have a qualitative one. This analysis consists of many aspects. As regards to the statement of Visser, Mitten & Tolhurst (2007, p122); the idea of sustainable banking with social responsibility speaks about the growing view across the individuals that modern organizations have responsibilities to society beyond their obligations to stockholders or investors in the company. Additionally, the obligation to investors is to enhance long-term wealth for shareholders through generating profits for the owners. Other societal stakeholders who can be affected by the business. Consumers, employees, the overall people, government, and the natural world all bear responsibility. In general, the company's duty is to use their resources to benefit society. By also playing an important role as a part of the community and respecting the larger society expansion and increase the well-being of society, without considering the company's own profit.

According to Nyangosi, Arora and Singh (2009), electronic banking has grown in popularity in recent years. This method is widely used by all over the world and is known as 'e-banking'. This has gained so much popularity in the last decade, specially, during the seasons of pandemic that people has started to take this method for granted. Because it allows a massive range of customers to gain access and get service much quicker than before. Customers from different background have been responding to this method as one of the most reliable one. These days several banks are coming with different approach to promote mobile banking as well. Since, this type of banking reduces the pressure in the branch as well as it pulls down the rate of paper usage and produce less wastage.

Atiur Rahman (2010), in his paper, gave importance to the technology-driven, innovative, environment friendly and low-cost banking approach, which conveys a qualitative change in banking, monetary policy preparation, advance banking technology applications and the use of Information and Communications Technology to bring the services of financial sector to the doorstep of ordinary people. To make sure that everyone has the access to financial services, different steps have been taken as trade finance; digitalization of the financial sector, enhancing supply of investments such as SMEs, Green banking, and different social activities; are expected to lead the country to a much wider range of growth.

Overall, the growth of banking sector relies upon the improvement on sustainable banking. It is more crucial to have an open mind and a welcoming posture regarding the fact that our world is about to face. These days the ecological imbalance has been reaching its peak and the day is not that far when every soul would be struggling on the face of this earth. To reduce the level of stress, it is very essential to act more responsibly. Hence, the practices of ethics and norms are getting rarer day by day. As a result, the upcoming generations are about to get the life they never wished for. Instead of building a

multi-storied vanity, the administrators and shareholders should focus on building back what we have lost and save what we have left with. As it was already mentioned, every single small Green step that are being taken today would help to recoup what we have lost and go a long way towards building a more sustainable world and greener future. Because global warming is a trap that no one can escape. So, to reduce the consequences, each of the businesses must contribute a lot and the government should take appropriate initiative to save the environment and to turn this earth a better place to live.

Discussion

From this study there are different notional suggestions can be presented. Because the primary goal of this study is to look into the perspectives of customers and employees on sustainable banking practices and their impact on bank loyalty, as well as the moderating effects of image on the relationship between sustainable banking practices and bank loyalty. As previously stated, the few observational studies available in this emerging field of study focused on sustainable banking in terms of the most appropriate sustainable model to adopt, as well as individual perceptions of the importance and performance of sustainable practices on society. As a result, approaching sustainable banking through the lens of relationship marketing lends credibility to this new field of research.

Sustainable banking practices, according to the findings of this study, have a positive impact on bank loyalty and image, implying that implementing sustainable banking sends a positive signal to bank stakeholders regarding their position and what they represent in the commercial environment. This research also shows that sustainable practices improve bank loyalty. Understanding the different factors that are in tune with the customer's view on sustainable practices is likely to serve as a competitive advantage for any bank that is focused on acquiring and consolidating loyalty through the values they offer to the market. In order to take the right sustainable approach, banks must move away from developing strategies solely for financial gain and instead adopt a strategic corporate sustainability management method that redefines strategic processes and context.

Recommendation

The authors reference in some of the possible ways based on this learning, in hope to make the banks understand the easier and more sustainable ways to handle the relationship between the environment, society and shareholders. To enhance their image in front of the people banks must follow the regulations of sustainable banking practices and keep on promoting the emergence of environment. It is very important for the banks to understand and to have a clear idea about the design that they must adopt to fulfil the criteria. An effective relationship between the bank and customers would help the society to have a less hassled place to live and the projects that influence the people to think more about the ever-green environment, which will eventually help them in near future. Moreover, the corporate culture also needs to be developed within an organized plan. Because this will help them to direct the employees about the correct way to approach the customers. This will not only help with the external factors of the bank but also help the internal factors, especially the inner atmosphere, which will ultimately help them to achieve their goals more efficiently. Effective relationship with the customer helps all three ends to make the world a better living place.

Conclusion

The origin of sustainable banking can be traced back to the primitive period when the banks served as intermediaries between capital owners and businesses. Most importantly they were motivated by a desire to help the community to maintain a healthy environment. Traditional financial service institutions started to practice sustainable banking with the management of environmental risks, which had a negative effect on financial organizations and institution. Keeping in mind about this issue they identified the business opportunities by taking environmental and social issues in consideration. In the financial sector, this sustainable approach became a market demand. Financial institutions explored positive ways of influencing sustainable development and created services and products that embedded sustainability concern. Different retail funds, institutional products, like pension plans, and other sustainable project finance based on the principles are just a few examples of the emerging products and services. This development can each the banks a good business sense. Climate financial risks could be managed to be evaded by institutions that were early adopters of this method of banking.

Reference

1. Torre Olmo, Begoña, María Cantero Saiz, and Sergio Sanfilippo Azofra. "Sustainable Banking, Market Power, and Efficiency: Effects on Banks' Profitability and Risk." *Sustainability* 13.3 (2021): 1298.
2. Khairunnessa, Fatema, Diego A. Vazquez-Brust, and Natalia Yakovleva. "A Review of the Recent Developments of Green Banking in Bangladesh." *Sustainability* 13.4 (2021): 1904.
3. Weber, O. (2012). Sustainable banking—History and current developments. *Available at SSRN 2159947*.
4. Igbudu, N., Garanti, Z., & Popoola, T. (2018). Enhancing bank loyalty through sustainable banking practices: The mediating effect of corporate image. *Sustainability*, 10(11), 4050.