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Economic Viability and Customer-centricity: A Sustainable Dilemma in Banking

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Abstract: Sustainability is one of the important goals of the business sector to provide service to society through various activities and it makes a positive impact economically, and environmentally on society. Business models for sustainability provide the solution for the social issues and their challenges in various areas. But the motive of business also has to be achieved by business activities. The involvement of customers in business plays a very important role in knowing the present needs of the customer and providing proper service as per the requirements of the market situation. Customer-centric is the latest discussion in the business world to understand the potential customer's preferences and to implement the strategies in business. The present study aims to study the economic viability and customer-centric for sustainable growth in the banking industry**.**

Keywords - Customer-Centric, Sustainable growth, Sustainable dilemma

1. Introduction

Sustainable banks are dedicated to fostering genuine economic expansion and funding businesses that provide goods and services with social and environmental ramifications (Dragan, 2012). Businesses are seeing a move to a reactive change mode, knowledge-based goods and services, and faster rates of environmental change and unpredictability (Al-Shammari, M.M 2021). The concept of social banking, ethical banking, and green banking falls within the ambit of sustainable banking (Prakash et al., 2018). Banks in India are increasingly aware of the same central role in achieving sustainable development (Rebai, 2014). The inclusion of customer preferences through feedback, meetings and interaction plays a vital role in the business model and sustainable growth. Survey and feedback conducted at regular intervals during the changing environment and market helps the management to implement the proper strategies in their business.

The Indian industry is concerned with reducing customer emissions and pollutants or managing the environmental effects of their operations (M. Biju et al.). Banks started to recognize the sustainable development implementation and the impact of sustainability on future generations (Roy et al., 2015). Sustainability in the banking industry can be defined as the overall improvement of the economy, society, and environment through the use of creative strategies like green finance, green credits, reduced paper use, green service counters, special financial inclusion products and services, health and education packages for the underprivileged, etc.

2. Need for the Study

Sustainable banks are those whose internal and external operations satisfy sustainable business standards and concentrate on evaluating and promoting sustainability among clients and other community members (Jeucken 2004). It is essential to meet the requirements of customers as well as for community development. It can be through the implementation of sustainable development activities within the organisation. Banks provide various services to the customer as per the requirement of the customer and it is needed in the present study of 'Economic Viability and Customer-centricity: A Sustainable Dilemma in Banking'

3. Objectives of the Study

To know the needs of customers in the present situation related to the banking services.
To understand the different strategies implemented by the banks for sustainable growth.
To understand the economic factors and customer centricity factors for sustainable development.

4. Hypotheses of the Study

1. There is no significant relation between Economic Viability factors and Customer-centricity factors for the Sustainable Growth.
2. There is no significant difference between the locality, Economic viability factors and Customer-centricity factors.

5. METHODOLOGY

The present investigation attempts to study the "Economic Viability and Customer-centricity for the Sustainable Dilemma in Banking". The normative survey method was judged appropriate. In order to address the problems raised by the study, a systematic investigation for data collecting is required. Therefore, the strategy used for this investigation is classified as a survey method. Simple random sampling was the method employed by the investigator. The Karnataka state is the target audience for this study. The sample, which comprises 204 customers, was chosen from various districts in Karnataka. To collect the required information, a Questionnaire which consist of the various factors of customer centered related to sustainable growth, was used for the study. Data collected from, various secondary studies conducted for customer-centered and sustainability used for the theoretical overview, which helps for the positive outcome of the study.

6. REVIEW OF LITERATURE

Environmental innovation is the term used to describe the process of developing new knowledge or enhanced crafts, technologies, systems, and products that are intended to prevent or lessen environmental harm (Long et al., 2017). Environmental sustainability in banking means, how the banks perform functions and the functions performed for the benefit of the environment and society. Examples include using renewable energy, consuming less paper, using less water, encouraging staff to take public transportation, restricting lending to environmentally friendly projects, and promoting eco-friendly products like micro-loans, green fund investments, eco-friendly bonds, etc. (Shamshad et. al, 2018). Innovation in the service industry is concerned about environmental issues, a recent literature review states that the concern about environment and social sustainability is very important (Calabrese, Castaldi, Forte, & Levialdi, 2018).

Known as the "GE of India," the Tata Group, which is expected to generate around $106 billion in revenue and employ over 750,000 people by 2020, offers an intriguing example of how to strike a balance between the demands of stakeholders and the pursuit of sustainability and business performance (Mithas, 2019). Zingales (2020) prescribes a modified Friedman doctrine to maximize shareholder welfare, which can result in desirable social outcomes. Green banking, or banking with an environmental management system, avoids funding environmentally damaging businesses. In contrast, sustainable banking includes environmental, social, and governance (ESG) components and controls the social and environmental effects of banking operations for sustainable development. (Weber and Feltmate, 2016). If the organisation wants to be customer-centric, robust statistical methods and tools are required to assess and make decisions. Stronger competitive differentiation from other products and increased client retention for the services can be attained with the use of customer experience management (D. Malhotra 2017)

The application of a customer-centric strategy, which inherently entails a relationship strategy, is pertinent as a competitive tool since it fosters customer loyalty by attending to their requirements, which benefits both sides (Daniel Palacios-Marques et al., 2016). The business model's core is rarely user-centered. The user's involvement is then viewed as an addition to an already-existing, more product-focused business plan (J. Tolkamp 2018 et al,) Sustainability is a key business concern of our day (Jagdish N. Sheth et al. 2011).

7. THEORETICAL FRAMEWORK

Sustainability is the strategy that integrates the ESG concern and follows the international standards on sustainable development. Businesses that lack the core values of sustainability and accountability have cost many nations, particularly developing nations, the stability of their financial and trade systems, keeping their citizens in abject poverty (Dyllicks, 2015). External pressure and regulatory environment affect the banking industry for the adoption of sustainable banking practices (Valentina et al., 2010). The corporate world focuses on sustainability because of the accountability of the stakeholders in the company's affairs. National regulations and encouragement by various projects are the main forces behind sustainability (Oyegunle and Weber, 2015).

7.1 Customer Centricity

Sustainable growth and customer centricity are reflected based on the customer's actions and preferences. It is necessary to implement different ways to become customer-centred and for sustainable development. Technological advancement and implementation of advanced services help to attract customers and to offer customer-centred services.

Innovative Technologies and Diversified Offering: Sustainable development has prioritized using technological advancements to increase the efficiency of resources and decrease waste (Anantharaman, 2018). Many studies state that innovative technologies and diversified offerings to the customers help customer centricity which leads to sustainable developments. It is characterized as the creation of new knowledge and artefacts (Troyer, 2005). Adopting the latest technology and innovations helps to find the requirements of customers and for the diversified offering to such needy customers.

Tailored experiences based on data insights and Flexible engagement options: Customer-centric banks anticipate the customer needs and their difficulties before implementing a new product or service rather than introducing the common product or service. This will enhance the confidence and trust among the customers. Banks provide a seamless experience to their customers through mobile applications, customer service through branches, real-time message alerts and allied services.

Seamless Multi-Channel Experiences: Multi-channel services through mobile applications and websites are essential in today's world to retain customers and to provide better services in this competitive world. Multi-channel services provided by the banks help with the paperless and online real-time services to the public. Banks can ensure the consistency of services by providing multichannel facilities to the customers. Conducting a survey among the customers helps to detect the issues faced by the customer and the preferences of the customer about the new services or products. In the technological data-driven world, multiple services can be provided to the customer with the help of Artificial Intelligence.

Obsess over customer needs and Personalisation: Banks conducting survey, research, customer centric activities and facilities which helps to collect the present information of the customer and their needs. The change in the customer taste and preference affect the organisations and they are forced to do innovative services to their customer. By observing customers needs it will detect the customers preference about new product and new services. Customer-centric leaders understand that personalization is no longer optional; it is essential. In an era of data-driven insights and advanced AI-powered technology, businesses have the tools to deliver customized experiences that meet customers where they are, offering them precisely what they need when they need it.

Empower Customer Service Officers: Appointing customer Service personnel within the bank to regularly monitor the grievances of the customers helps to build a strong customer relationship with the bank. Since most of the services are online it is essential to clear the issues of customers at any time. A senior leadership team member chief customer officer and executive members are also required in the banks to solve the grievances of the customer. (Jan Bellens and Filippo Mastropietro, 2023). Businesses may maintain their agility and resilience in the face of change by monitoring the demands and expectations of their customers (Brent Gleeson 2024)

7.2 Economic Viability

The banking sector introduces different strategies for the economic viability of the sector by making it profitable and growing for longer periods of time. The banking industry has the ability to run for longer periods of time and has the ability to achieve desired goals by meeting customer requirements.

Use of Artificial Intelligence and Machine Learning: The use of technological advancement helps the management to incorporate innovation into the business strategies with the aim of environment-friendly services for sustainable development (Doran and Ryan 2016). Kesidou and Demirel (2012) found that a firm's technological capability is a key driver of eco-innovation. With the help of Artificial Intelligence, the bank can continuously serve the customer without any human interaction. Based on consumer behaviour, machine learning forecasts their requirements and makes product recommendations. It increases transparency and confidence among the customers. The foundation of every successful connection is still trust, which is difficult to gain and quickly lost in the contemporary work environment. Nowadays, gaining and retaining customers depends heavily on transparency in operating procedures, pricing, data privacy, and product quality (Latinia.com 2024)

Enable Micro Market: Every worldwide product-market company's business models are being significantly impacted by the digitization of markets and trends, particularly those pertaining to ICT firms' capabilities in the form of privacy and information security plans (Dezi et al., 2018). Through a thorough examination of micro-markets using data analytics and market intelligence, the bank continues to preserve its customer-centric strategies. Enabling the micro-market, the bank is able to provide a variety of services to its customers. The Bank may concentrate on suitable delivery models and coordinated distribution thanks to micro-market information. Through proper planning, resource allocation, channel alignment, and marketing in each market the Bank serves, value creation is fueled by these insights, which are used to optimize business centre locations, ATM placements, and distribution networks to better suit customer needs and market dynamics.

Focus on Ecosystems: The Bank has created sector-specific solutions in keeping with its goal of building customer-oriented ecosystems. These solutions support firms at every stage of their journey by concentrating on comprehending the subtleties of the industry and sector and attending to particular requirements. In addition to its workers, it offers complete digital solutions for supply chain finance, local and international commerce, and cash management. Through a number of programs, the Bank is concentrating on improving the ecology of cross-border commerce. It makes use of digitization to facilitate the simplicity and decongestion of client journeys. The Bank records the whole client transaction lifetime and offers cross-selling possibilities at various points in the trade transaction both inside and outside the Bank using AI-driven trade rules. Technology solutions based on robust infrastructure and in a secure setting power the whole offering.

Collaborations and Partnership: Collaboration and partnership with other organisations help to enable various services to the customers. In a secure banking setting, partnerships with digital firms and platforms that have sizable client bases and a strong track record of operational efficiency provide special chances for expansion and improving customer satisfaction and service delivery. The bank provides credit card ties up with other companies like Amazon, and Flipkart and enables the services to the customers. By expanding more quickly than the ecosystem, the Bank keeps increasing the value of UPI acquisition transactions and most of the banks tie up with these UPI transactions. Loan facilities through mobile applications introduced recently enable the services with other companies to their customers.

Environmental and Social Responsibility as Part of Customer-Centricity: Today's consumers increasingly expect brands to operate responsibly and make a positive impact on the world. By aligning with these expectations and integrating sustainable practices, companies demonstrate a commitment to values that resonate with their customers. Environmental and social responsibility are no longer separate from business goals—they're integral to a truly customer-centric approach.

8. Analysis of Data

Table 1: Relation between factors of economic viability and customer centricity

		1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
1	Innovative technologies	1									
2	Tailored experiences	.583**	1								
3	Multi-Channel Experiences	.321**	.534**	1							
4	Personalisation	.335**	.548**	.505**	1						
5	Empower Officers	.321**	.304**	.376**	.476**	1					
6	Use of AI and Machine	.310**	.447**	.476**	.569**	.442	1				
7	Micro Market	.167**	.242**	.266**	.173**	.250	.182**	1			
8	Focus on Ecosystems	.281**	.243**	.079**	.078**	.145	.201**	.228**	1		
9	Collaborations	.121**	.117**	.110**	.202**	.127	.075**	.196**	.006**	1	
10	E & S Responsibility	.300**	.360**	.294**	.316**	.285	.279**	.234**	.267**	.194**	1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

N = 204, *p<.05; **p<.01

Since the objective is to examine the prevalence of sustainable development, the following hypothesis was developed.

H0: $r = 0$

Ha: $r \neq 0$

With the test result wherein $r \neq 0$, and the p-value is < 0.05 (0.00), the null hypothesis is rejected thereby accepting the alternative hypothesis. Hence the inference is that there is an existing significant correlation between Economic Viability factors and Customer-centricity factors.

Table 2: Relation between the locality, Economic viability factors and Customer-centricity factors

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Location	204	333	1.632353	0.54889887
Innovative technologies and Diversified Offering	204	449	2.20098	1.0185212
Tailored experiences based on data insights	204	478	2.343137	0.8767507
Seamless Multi-Channel Experiences	204	495	2.426471	1.05368009
Obsess over customer needs and Personalisation	204	513	2.514706	1.15741814
Empower Customer Service Officers	204	517	2.534314	1.1367478
Use of AI and Machine Learning	204	495	2.426471	0.93545349
Enable Micro Market	204	607	2.97549	1.50185936
Focus on Ecosystems	204	404	1.980392	0.68926881
Collaborations and Partnership	204	572	2.803922	1.42934415
Environmental and Social Responsibility	204	497	2.436275	1.12399788

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	272.344	10	27.2344	26.1140154	1.91E-47	1.83493208
Within Groups	2328.804	2233	1.042904			
Total	2601.148	2243				

With the above test result, where the p-value is < 0.05 (1.91E-47) and the F value is > F critical value (26.11> 1.834, the researcher rejects the H0, and accepts the alternative hypothesis. This signifies that there exists a significant difference between the locality, Economic viability factors and Customer-centricity factors.

9. Conclusion

Sustainable development aims to secure good living in the present and future generations. It is necessary to balance the economic viability of the organisation, customer-centred to cater for the needs of the customer and also required to fulfil sustainable growth for the future. Customer centered is essential in this present market situation and connecting this customer centered with sustainable development is one of the major tasks for the banking sector. The present study states that there is a relation between economic viability factors and customer-centricity factors for sustainable development. Banks provide various services to the customer and adopt sustainable development too, but it is necessary to achieve financial growth. By implementing various customer-centered services the bank can survive in the market for a longer time and the advanced technology helps for sustainable development by implementing eco-friendly and digital services.

Sustainability shows challenges and opportunities for organizations (Ceasar & Page, 2013). Implementing strategies for sustainable development and customer-centered enhances the banking sector's performance in various ways, but it has some challenges too. The additional cost is required to implement new technology and the appointment of a specialized team to evaluate and implement is also a financial burden for the organisations. Government initiatives and programmes help to introduce new eco-friendly concepts into society, but at the same time should not affect the organisation's profitability and wealth.

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