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ETHICAL BANKING: WILL IT BE MILLENNIALS CHOICE?

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ABSTRACT

The business Banking has been blamed by many including Academia and Civil society for neglecting its Social-Environmental responsibilities. In their aspiration to make high financial gains, banking overlooked its responsibility to Society and Environment. Global Financial crisis made people to relook at the role played by banks. A public outcry had been developing demanding Banks to adopt Ethical practices in their business operations. To achieve sustainable development through finance industry requires a different banking model. Banks are required to move away from profit only mentality to socio- environmentally centered mentality. Banks must aim for triple bottom line. Need for an alternative banking model arose. Ethical Banking was preferred by many as the alternate model. The Concept of Ethical Banking revolves around the Economic, Social and Environmental responsibilities. Ethical banks seek progress in all three areas of Economy, Society and Environment. The Customer base of the present-day banks are being increasingly dominated by the Millennials generation. Their preferences are strongly influenced by their values. They are ethically oriented. Under these circumstances the main aim of this study is to examine whether Ethical Banking can be Millennials choice of banking model through a literature review. The significance of the study is to find out how Millennials will accept Ethical Banking as their chosen banking model, now and in the future.

Key Words: Ethical Banking, Millennials, Millennial's Preferences, Socio-Environmental Responsibilities

1. Introduction

Since inception Banking has been contributing for economic success of countries. Through a process of Financial Intermediation banking make sure that surpluses of money are routed to the industries and individuals who seek it for re-investment. Banks are considered trustworthy, and public entrust banks with their investments. Banks deal with society and they are responsible for their actions to the society. They have a responsibility to uplift the society. Also, banks have Socio- Environmental responsibility. The banks have been blamed by the Civil Society for their irresponsible behaviours. Academia too criticized banks for neglecting the environment. The financial crisis 2007 exposed banks of their irresponsibilities.

Although Banks have been contributing to the economic progress of a country, the people's stand on banking only make it acceptable to them. Banks have not been considering the social value in their product offerings. A disconnect exist between what banks offer and what people expect from banks. The Banks irresponsible behaviour have made people to search for alternatives. Customers have begun to move towards banks that are offering ethical alternatives. With Banks becoming accountable to the society, Sustainable Banking started to evolve and concepts like Corporate Social Responsibility (CSR) and Ethical Banking began to appear (Nosratabadi,2020). Ethical Banking was accepted as an alternative that is engaged in ethical practices. Ethical Banking was chosen as the alternative banking model. Ethical Banking was rooted in fundamental set of beliefs and ethics. Ethical Banking is system of banking that operates with values based on environmental and social responsibilities. These banks ensure that the money invested is not re-invested in projects /institutions that has negative impacts on Society and Environment. Ethical Banks practices include fair treatments of its employees.

The financial crisis is considered more than financial and failure to introduce ethics into banking practices was a reason for the cause of the crisis. Banks were required to be more ethical and pursue social and environmental goals. The rapid expansion of the Financial sector, the irresponsibility and the scant regard to follow ethical norms were also considered to be contributors for financial crisis. People were seeing banks as unethical and irresponsible institutions during and after the crisis. Another factor could be Banks growth passing the size of their economies (Arcand et al., 2012). Ethical banks were less affected by the crisis. Ethical Banks had stood the test of times. Demand for Ethical Banking was increasing after the crisis. The memories of Financial crisis 2007 still lingers, and in the eyes of the millennials the continued unethical practices of some banking institutions can give a wrong impression.

Most of the workforce now consists of Millennials Generation, who were born between 1980-1995. Ethical issues and Transparency are the requirements of millennials, this generation is digitally connected, seek new experiences and social partnerships. They are likely to invest or deal with organizations that aims for positive social and environmental out comes. They are concerned about the positive impacts on their choices can have. The digital natives – the millennials will want to ensure sustainability. Banks face an institutional challenge of realigning their policies to suit the preferences of the present-day customer. They need a different kind of banker- customer relationship. Millennials have a pro-sustainable attitude and because of their social consciousness, they have an

expanded worldview on sustainability (Naderi & Steenbrug ,2018). It is sensible to anticipate that millennials will adopt to a behavioural change to keep up with sustainable development (Ivanova et al. 2019). They are an ethically conscious generation. Numerous studies have identified that , more than the proceeding generations millennials have a higher sustainable buying propensity (Fischer et al. 2017; Hanson-Rasmussen and Lauver 2018). They prefer to associate with brands that makes positive impacts on society and environment. Researches have been carried out on various topics under Ethical Banking in the western world. A research gap was found in contemporary research on the acceptability of Ethical Banking by the new generation of customers -the millennials. Within the addressed research, the question of this study is, Will Ethical Banking be the Millennial's choice of banking? Therefore, the main objective of this is to examine whether Ethical Banking will be Millennials choice of banking. The significance of the study will be to find out how Millennials will accept Ethical Banking as their chosen banking Model now and in the future. The findings of this study will help the Bankers and Policy makers to understand the importance of Ethical Banking and gradually change their policies and practices.

2. Literature Review

Banking plays an important part in the economic progress of any country (Jeucken,2001). Whilst this role is being played, banks aim to achieve higher economic gains. In the process banks tend to deviate itself from other responsibilities such as Socio-Environmental responsibility. The objective to make financial gains should be achieved without disturbing the social systems and it should be done in an ethical way (Francis,2000). There is a public demand backed by civil society to act responsibly. Banks are blamed for their indirect involvement in Environmental destruction. Banks have contributed indirectly to the environmental destruction through their lending, but their day to day operations have not directly involved in the destruction (Idowu & Filho, 2009). By discharging its environmental responsibilities and performing well on environmental matters, financial institutions are able to minimize risk exposures. (Breitenstein et al. 2020). Banks should be conscious of the negative consequences of their lending can cause the environment (Thomson & Cowton, 2004). Banks have left out certain segments and are considered not suitable to enter into relationships There was Civil Society forcing banks to include all societies into banking relationships (Schoenmaker &Werkhoven, 2012). Certain segments were neglected and were not entertained for banking relationships by the Conventional banks (Jayasekera & Pushpakumari,2020). Some were questioning the role of banks. The role of banks should be revisited and re-invented (Jeucken, ,2001). Through the process of financial intermediation, banks are capable of promoting sustainable development of economies (Bouma, Jeucken & Klinkers, 2001). The banks have opportunities to engage in sustainable practices. It has become necessary for Banks to introduces sustainable practices (Webber, 2012 & Rahaman.et.al ,2013)

Banking business was considered unethical by some scholars (Graafland & Van de Ven, 2011), (Fassin & Gosselin, 2011), (Icke et al, 2011). In investment decisions, not only the financial criteria, Environmental criteria too is considered by the investors of banks (Wagemans. et. al,2013). The fragility of the financial system is the cause of Financial crisis and an alternative banking system could be the solution for same (Fessmann 2013).

There was little or no attention paid to ethics in banking up until the financial Crisis of 2007(Boatright,2008). Ethics are viewed differently by different cultures (Rawwas, 2001). Although banks have not acted illegally, they demonstrated morality lapses. Financial Crisis was not only considered as an economic one yet it was considered to be an ethical one too (Callejas-Albiñana et al,2017). Globally the banking landscape started changing after the financial crisis (Blundell-Wignall et al., 2012; Granville, 2014; Panitch & Gindin, 2014). The academics and media considered Ethical Banks as the solution for financial crisis and this statement is justified by the increasing numbers of Ethical Banks (Hargreaves 2008; Carboni 2011; Benedikter 2011; Goff 2012). Paulet et al (2015) confirms that Ethical Banks were not affected by the Financial crisis. Lehner (2016) noted that in Finance a major part can be played by ethical values and sustainability. The global financial crisis emphasized for an investment doctrine based on ethical values, high risk management and transparency (Callejas-Albiñana et al ,2017). The conventional banking has not been successful in achieving progress in all three areas of Economy, Environment and Society. The Ethical Banking was making progress as an alternative banking model. It was noticed that there was a banking model which was trying to make a positive impact on Environment, Society and Culture was emerging (Weber & Remer 2011). Ethical Banking was being accepted by many. Ethical Banking makes life easy. Davis, (2001) confirms that Ethical Banking strives for social development, and also improve the quality of life of people. Ethical Banking concept was originated in Europe (Tischer,2016)

The Ethical Banks work for the environmental sustainability and social improvement, whereas Conventional Banks could not make gains in those areas (Ruiz et al, 2014). Tse, (2011) opines that Ethical Banks aims to achieve triple bottom line. Ethical Banking contributes to environmental, economic and social development (Tischer & Remer ,2016) (San-José et al 2011) Ethical Banking is accepted and its numbers have increased. Kholer (2015) predicts that number of Ethical Banks will increase in the years to come. It was noted that Ethical Banking can be considered as the alternative for Conventional Banking (Karl,2015). Ethical Banks are inspired not only by the financial gains they make but are inspired by the Social and ecological returns they achieve (Jayasekera & Pushpakumari,2020). Ethical Banking is referred by different terminologies such as Alternative Banking, Sustainable Banking and Banking on Values (Serrano, 2017). These banks (Values Based Banks) do not engage in speculative activities they promote community banking (Mykhayliv & Zauner, 2018),

Millennials consists of the highest majority in the present-day customer base. In 2015, Millennials were more than 1/3rd of the American working population (Fry ,2015). Brant and Castro (2019) confirms that three quarter of workforce which amounts to seventy five percent of global employees will consist of Millennials in 2025. Millennial preferences will adjust the direction of banking in the future. Millennials are different in how they look at things (Weiss, 2003). Millennials are an ethically conscious generation. Gorman et al. (2004) is of the view that Millennials have sympathy for ethical matters. It is the belief of Millennials a difference in the world can be made by them (Lancaster and Stillman 2002). Ethical issues are important to them (Smith, 2011) For Millennials, individual transactions are less important than the big picture (Boyd,2010). Millennials do not accept or boycott brands that disturbs social and environmental norms (BusinessWire ,2004). Millennials Contributes actively to civic -spirit and community wellbeing (Howe

and Strauss 2000). Millennials are willing to pay a higher price for ethical and eco-friendly products and services, which is influenced by their quest for sustainable behavior (Gazzola, et. al,2017). For Millennials profits comes after people, they are concerned about environmental issues, focus on larger social issues and encourage positive changes in society and environment (Deloitte,2020). To make a difference in the world, organizations that makes a positive outcome in society, are preferred by millennials (Jonson,2015) Social Motivations in ethical decision-making process stands higher than personal motivations (Freestone and McGoldrick, 2008). This generation would accept Ethical Banking for their banking needs, as it satisfies their desire to deal with organizations that engage in ethical practices and make positive impact on society and environment.

3. Research methodology

The study is a Desk Research based on a Literature Review. Researches reviewed literature pertaining to the last 20years. To find relevant literature, in published articles, search was carried out through on-line web sites such as Emerald Insight, Science Direct, Willey online library, JSTOR etc., which included Journal articles, Working papers and Text books Articles. Most relevant key words were constructed. In the search, the terms, Ethical Banking, Millennials, Millennial's Preferences, Socio-Environmental Responsibilities were used. Ethical Banking was the main focus of the study. Our search helped us to find over 70 articles. The Published Articles that were not actually relevant to Ethical Banking were eliminated. In this process, over 20 Articles with little or no relevance to Ethical Banking and Values Based Banking were eliminated. 50 Articles were finally selected and analyzed. The articles selected represent the period before and after the Financial crisis.

4. Discussion

Banks were responsible for indirectly to the environmental destruction through their lending, but their day to day operations have not directly involved in the destruction (Idowu & Filho, 2009). Banks should be conscious of the negative consequences of their lending can cause the environment (Thomson & Cowton, 2004). There was Civil Society forcing banks to include all societies into banking relationships (Schoenmaker & Werkhoven, 2012). Some were questioning the role of banks. The role of banks should be revisited and re-invented (Jeucken, ,2001). Banking business was considered unethical by some scholars (Graafland & Van de Ven, 2011, Fassin & Gosselin, 2011, Icke et al, (2011). Lehner (2016) noted that in Finance a major part can be played by ethical values and sustainability. Look for a new banking type was the need of the hour. By discharging its environmental responsibilities and performing well on environmental matters, financial institutions are able to minimize risk exposures. (Breitenstein et al. 2020). Banking model which was trying to make a positive impact on Environment, Society and Culture was emerging (Weber & Remer 2011). This banking model Ethical Banking was progressing and considered as the right alternative. Ethical Banking was being accepted by many. Davis, (2001) confirms that Ethical Banking strives for Social development and also improve the quality of life of people. Ethical Banks are inspired not only by the financial gains they make but are inspired by the social and ecological returns they

achieve (Jayasekera & Pushpakumari, 2020). Tse, (2011) opines that Ethical banks aims to achieve triple bottom line. The global financial crisis emphasized for an investment doctrine based on ethical values, high risk management and transparency (Callejas-Albiñana et al ,2017). Globally the banking landscape started changing after the financial crisis (Blundell-Wignall et al., 2012; Granville, 2014; Panitch & Gindin, 2014). The academics and media considered Ethical banks as the solution for financial crisis and this statement is justified by the increasing numbers of Ethical Banks (Hargreaves 2008; Carboni 2011; Benedikter 2011; Goff 2012). Millennials consists of the highest majority in the present-day customer base. Millennials are an ethically conscious generation. Gorman et al. (2004) is of the view that millennials have sympathy for ethical matters. It is the belief of millennials a difference in the world can be made by them (Lancaster and Stillman 2002). Ethical issues are important to them (Smith, 2011). For Millennials profits comes after people, they are concerned about environmental issues, focus on larger social issues and encourage positive changes in society and environment (Deloitte,2020). From reviewed literature it can be finalized that Ethical Banking will be the Millennials choice of banking.

5. Conclusion

The Literature review justifies that people desire for an ethically oriented banking model. Ethical Banking is being accepted and its numbers are on the increase. The present-day customers are majorly consisting of Millennials and are also increasing its numbers. The Banking of the future will be reshaped as per the preferences of this generation of customers. Millennials are an ethically conscious generation. They are sensitive to ethical issues. They will prefer Ethical Banks as their choice of banks as Ethical Banks live up to their expectations. Therefore, it can be concluded that Millennials will choose Ethical Banking as their preferred banking model. It is recommended that Bankers and Policy makers use these findings and ethically orient their operations

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