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Designing Sustainable Banking Services: The Case of Mauritian Banks

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Abstract

Since the dawn of the 21st century, sustainable development has been one of the key growth concerns for many developing countries. Designing services have taken a new shape with the implications of sustainability being the heart of many significant developments in the financial industry in Mauritius. Considering the requirements of the regulatory framework and policy makers, banks are encouraged towards adopting a more pro-active and pragmatic approach towards designing their product services in view of better serving their customers and cater for future developments. The purpose of this paper is to probe into the basis of sustainable service design by reviewing existing literature and evaluating the initiatives undertaken by local banks. Though there have been studies on sustainable development in Mauritius; thus far, there have been no studies conducted on the sustainable service design aspect of banks in the Mauritian context despite its undisputed value for financial organisations attempting to comply with sustainability framework and for policy makers to develop a sustainable development culture. The research design, being primarily exploratory in nature, comprises mainly extensive literature review coupled with in-depth qualitative data collection from selected industry practitioners. The literature clearly illustrates the significance, value and power of sustainable service design. Based on the outcomes of the literature review and collected data, managerial extrapolations have been drawn. To our knowledge, there has been no evident effort to investigate this research area in the Mauritian service/banking industry despite the richness and value it holds.

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1. Introduction

1.1 Overview

Sustainability has been typically defined as the “effective use of natural resources and its effect on profitability”. “However, sustainability as a core strategy extends well beyond energy-efficiency, green investing and reducing CO2 emissions” (KPMG, 2013). In the finance and banking industry, sustainability “is also about how we design, build and execute our banking businesses for the long run, i.e., taking a holistic view of resources”. Sustainability in banking should be a seamless blend of corporate culture, an endeavour for business and operational innovation and excellence along with a socially responsible and customer-focused attitude which go beyond the basic compliance requirements of being a sustainable bank (Gelder, 2006).

1.1 Rationale of the study

The intent of this study is to investigate how Mauritian banks implement sustainable banking and what makes up the foundation of their sustainable service designs. Though sustainable development, as a subject of research, has gained much interest in Mauritius over the last few years, the area of sustainable banking has not been explored. With local banks priding themselves in being more aligned to sustainable development and participating actively in devising more and more sustainable products and services, there is a need for assessing the extent to which our local banks have a sustainable design strategy within their sustainable banking philosophy.

1.2 Aim and objectives of the study

The main goal of this research is to highlight the key factors underpinning sustainable banking practices by local banks while the specific objectives have been specified as follows:

- i. Identify implemented sustainable banking practices in Mauritius
- ii. Assess local banks’ sustainable service design strategy
- iii. Evaluate local banks’ sustainable development and management strategy

2. Literature Review

2.1 . Sustainable financial sector

Case (2012) outlines the history of sustainable financial services sector as having started with a) philanthropy – giving back to community from profit with business running as usual; b) ethical/socially responsible investment (SRI) – by refraining from investing into businesses having a negative social impact (e.g. tobacco, firearms, etc.); and c) growth and value creation – “manage sustainability risks and capture sustainability opportunities to achieve long-term outperformance”. Sustainability in financial services does not revolve solely about being green or eco-friendly (Eccles and Serafeim, 2013); it is about being productive, transparent and responsible towards the “shareholders” and “other stakeholders including employees, customers, counterparts, and society itself which depend upon a stable financial services sector to create jobs and responsible economic growth”. Rogers (2013) highlights that banks and financial institutions have come to become one of the least trusted organisations – especially in the U.S. – due to lack of sustainable practices which has resulted in some firms dwindling into dust while others have been baffled by their sheer lack of responsible and transparent governance. Wolk (2012) suggests that the three prime factors which ought to be considered by financial institutions are: environmental, social, and governance (ESG); exemplifying the case of Wall Street which is focusing more and more on using such analytics in their investment analysis. Rogers (2013) and Eccles and Serafeim (2013) advocate that the ESG evaluation should span beyond the financial landscape and be taken into account on a non-financial aspects as well.

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