


# Chapter 11


## Dynamics of Financial Risk on the Effect of Sustainable Practices on Financial Performance: Evidence From the Indian Banking Companies

**Dany Thomas**

 <https://orcid.org/0000-0002-4938-7029>


*School of Business Management and Legal Studies, Kollam, India*

**Ria Mammen**

 <https://orcid.org/0000-0003-1496-329X>

*St. Thomas College, Kozhencherry, India*

**Vimal George Kurian**

 <https://orcid.org/0000-0002-6430-4383>

*CMS College, Kottayam, India*

**S. P. Asha**

*SN College, Kollam, India*

### ABSTRACT

*The study examine the influence of financial risk on the nature of the relationship between ESG and the financial performance of Indian banks. In India, loans are key financial products of banks that are exposed to carbon-intensive sectors, which hinder their efforts to mitigate against transition risks and global ESG standards,*

DOI: 10.4018/979-8-3693-3880-3.ch011

## ***Dynamics of Financial Risk on the Effect of Sustainable Practices on Financial Performance***

*amid the growing pressure from international investors. The study uses ROA to measure financial performance. The independent variable ESG was measured using the ESG scores Indian banks indexed in the NIFTY 100 ESG Index. Altman's Z-score model which predicts the financial risk of Indian banks was considered as the mediating variable to assess its influence on the nature of the relationship between ESG and financial performance. The evidence from the study would be useful to identify the changes in the financial performance of Indian banks resulting from their sustainable performance.*

## **INTRODUCTION**

Sustainable and responsible investment techniques have gained importance due to the growing public interest in issues that relate to environmental security and social progress. The constant interaction of humans with the environment and their natural surroundings to enhance the quality of their lives intensifies issues such as global warming, industrial pollution, and environmental degradation. In the twenty-first century, information, progressive advancements, and the disruptions to environment provide humanity with its biggest challenge (Pater & Cristea, 2016), leading to the need for sustainability. Maintaining an ecological balance is the key to fostering sustainability (Yadav et al., 2021), the basic idea of which was rooted in the UN Conference in Stockholm during the early 1970s. Sustainability is guided by the principle of harmonising development and environment in a mutually beneficial manner (*History of SD · What Is Sustainable Development · Sustainable Development Commission*, n.d.). By fulfilling the Sustainable Development Goals (SDG) initiated by the UN, businesses can also take part in this process (*Sustainable Development | UN Global Compact*, n.d.) by making investments that take into consideration environmental, social and governance (ESG) factors to reduce risk and boost returns.

ESG is a key to obtain sustainability, which is also a self-driven contribution to Sustainable Development by focusing on the environment, society, stakeholders, ethical behaviour, and volunteering, which offers a balance between pursuing the present needs of corporations, while protecting the future of humans and natural resources. (Shayan et al., 2022). In this regard the Sustainable Development Goals contain a universally agreed-upon and delimited set of sustainable development issues, many of them broken down into targets that are directly relevant to business. In addition, it provides a framework against which companies may start to map their CSR activities in order to identify leverage points for enhancing positive impacts and mitigating negative ones (Schonherr et al., 2017) Through our research work we carry out an evaluation on how ESG pillars affect the performance of an organisation, which would help identify the obstacles in achieving SDGs. SDGs can serve as a

22 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: [www.igi-global.com/chapter/dynamics-of-financial-risk-on-the-effect-of-sustainable-practices-on-financial-performance/354174](http://www.igi-global.com/chapter/dynamics-of-financial-risk-on-the-effect-of-sustainable-practices-on-financial-performance/354174)

## Related Content

---

### Issues in Global Food Politics and Options for Sustainable Food Consumption: A Critical Perspective

Luke Amadi (2020). *Global Food Politics and Approaches to Sustainable Consumption: Emerging Research and Opportunities* (pp. 1-29).

[www.irma-international.org/chapter/issues-in-global-food-politics-and-options-for-sustainable-food-consumption/235146](http://www.irma-international.org/chapter/issues-in-global-food-politics-and-options-for-sustainable-food-consumption/235146)

### Independent Village Development Pattern in Industrial Community 4.0

Nur Kholisand Nuril Mufidah (2022). *International Journal of Social Ecology and Sustainable Development* (pp. 1-12).

[www.irma-international.org/article/independent-village-development-pattern-in-industrial-community-40/287887](http://www.irma-international.org/article/independent-village-development-pattern-in-industrial-community-40/287887)

### A Panorama on the Evolution, Process, and Changes of EIA in India and Its Evaluation Using SOAR Analysis

Vinay Sagar Barija, Sirisha Korrai, Mohini Rani Sabhavathand Yogeswara Rao Sambhana (2022). *International Journal of Social Ecology and Sustainable Development* (pp. 1-13).

[www.irma-international.org/article/a-panorama-on-the-evolution-process-and-changes-of-eia-in-india-and-its-evaluation-using-soar-analysis/296278](http://www.irma-international.org/article/a-panorama-on-the-evolution-process-and-changes-of-eia-in-india-and-its-evaluation-using-soar-analysis/296278)

### Looking Good and Thinking Green: Can Green Personal Care Products Be Promoted?

Gauri Joshiand Gurudas Nulkar (2019). *Green Business: Concepts, Methodologies, Tools, and Applications* (pp. 1370-1384).

[www.irma-international.org/chapter/looking-good-and-thinking-green/221108](http://www.irma-international.org/chapter/looking-good-and-thinking-green/221108)

### Impact of Smart Wearables on the Behavior and Attitude Among Students of Engineering and Arts Faculty: A Comparative Study

Jaya Bharti, Megha Singhand Hitaishi Singh (2025). *Achieving Sustainability with AI Technologies* (pp. 245-264).

[www.irma-international.org/chapter/impact-of-smart-wearables-on-the-behavior-and-attitude-among-students-of-engineering-and-arts-faculty/366774](http://www.irma-international.org/chapter/impact-of-smart-wearables-on-the-behavior-and-attitude-among-students-of-engineering-and-arts-faculty/366774)