Sustainable Banking: Evaluation of Egyptian Business Models

By

Dr. Ahmed Samir Abdel Aziz

Head of Digital & Sustainable Business Economics Department

College of Management & Technology–Cairo

Arab Academy for Science, Technology & Maritime Transport

ahmedsamir811@aast.edu

Scientific Journal for Financial and Commercial Studies and Research (SJFCSR)

Faculty of Commerce – Damietta University

Vol.6, No.1, Part 1., January 2025

APA Citation:

Adel Aziz, A., S. (2025). Sustainable Banking: Evaluation of Egyptian Business Models, ***Scientific Journal for Financial and Commercial Studies and Research***, Faculty of Commerce, Damietta University, 6(1)1, 1117-1144.

Website: https://cfdj.journals.ekb.eg/

Sustainable Banking: Evaluation of Egyptian Business Models

Dr. Ahmed Samir Abdel Aziz

Abstract

The awareness of sustainable development goals (SDGs) by banks' customers aims at sensitizing them towards the role they can effectively play in the accomplishment of the SDGs developed by the United Nations. Without a comprehensive and broad level awareness about the actual SDGs and their role-playing towards these by their customers, the banks will have difficulty pursuing these SDGs. The present study unveils that customers' understanding of SDGs significantly affect their level of involvement towards bank SDGs obtained in Egyptian industry. The current research study is carried out in Egypt and a descriptive study design is applied in two main banks: Misr Bank and Commercial International Bank (CIB). The findings are helpful for both policy and strategic interventions in order to make banking sector sustainable, particularly for the lower financial inclusive countries. The results suggest that more priority needs to be given for the formulation of policies that will help mitigate the tensity in economic downturn periods. This research aims to evaluate the sustainability of the implemented banking strategies in one of the leading economies in the African Continent, Egypt. We identified the key aspects that can evaluate the sustainability of the bank: financial health, Corporate Social Responsibilities, and sustainable financing and profit generation methods. Therefore, the financial statements of the largest public and private banks are analyzed in Egypt, to evaluate the financial health of the bank. Then, we hypothesized that banks investing in sustainable measures for the environment, communities, and economies will have a positive impact on their financial sustainability. The Egyptian government could support and motivate banks and economic actors by launching sustainable development strategies and publicizing the role played by responsible economic agents with the aim of backing projects with sustainable aims.

1. Introduction

The last three decades have seen sustainable development evolve to varying extents in priorities, terminologies, and definitions, still speaking of the societal, economic, and environmental dimensions. Several methods of measuring sustainable business have been introduced. Some of the common qualitative measures are those used to judge corporate social responsibility and those which describe the integration of corporate social responsibility in a business platform. Other measures are quantitative. Longitudinal cross-sectional data can be used for comparing behavior change. Panel data can also be used for examining changes in firm-specific sustainable practices over successive periods. For example, changes over successive periods in the number of banks which published at least one sustainability report, the number of banks which engaged or disengaged in sustainable investment in a given year may be investigated using panel data. Comparisons can be made for banks that fail to engage in banking using a different econometric framework, giving evidence of the performance of banks which engage in certain sustainable activities. Although there is no single theory or model of sustainable business, different publications may have different definitions of a sustainable banking business model, as well as cutting practices and strategies that suggest the use of a sustainable business model (Shahwan & Habib, 2023).

The challenges facing banks globally are those related to the environment, such as public health, safety and security and climate change, and business risks such as reputation and national economic fraud. All these factors may potentially arise if a company is not a sustainable business model. Consequently, adopting sustainable business practices has become a strategic pathway to protecting the company's value. Investing in sustainable innovation and constantly aligning company strategy with societal challenges; helps to enhance the life expectancy of the company. For banks, applying sustainable business models may be the only way to maintain the durability of future banking profits in a global economy (Wen et al., 2022).

There is a growing recognition of businesses, especially within the banking sector, of the importance of incorporating sustainable practices and those that enhance social and environmental well-being to their business operations. This paradigm shift has led to the emergence of a new form of business model known as sustainable business models (SBMs) (Nosratabadi et al., 2019). The purpose of SBMs is to ensure that environmental, social and economic welfare goals are harmonized and integrated into a company's business model, product design, and corporate culture. This implies that the efforts to achieve those goals of sustainable development should all be based on sustainable business models (Stauropoulou et al., 2023).

1.1. Background and Rationale

Egyptian banks have faced challenges in serving the informal sector, promoting e-banking, expanding branches in high populous areas, fostering financial awareness, training, and education, and facilitating new credit products in the wake of the new banking controlling environment. The bank's supervisory authorities must unchange and perfect their plans. In October 2014, a new Central Bank of Egypt (CBE) administration re-framed and align the bank's supervisory objective with the national expansion strategy and addressing the natural financial inclusion that made up 84.4% of the 2022 + targets (Samy ElDeeb et al., 2021). Banks have to step in toward with regulations in a manner that affect customer upgrading to the formal bank account and also old customers who should be steadfast to the formal channels.

Sustainable finance is recognized as the provisioning of responsible financial facilities and lessening environmental risks in the institutions' investment and operations in line with the Paris Agreement on Climate Change, UN Sustainable Development Goals (SDGs), the European Green Deal, and other sustainability agendas (Stauropoulou et al., 2023). These terms could involve be referred to as responsible finance and long-term value-based analysis. Sustainability practices was implemented by early Banco Monte dei Paschi di Siena (BMPS) of the 15th Century in Italia. Some examples of modern sustainable finance practices Afghanistan International Bank made from a small to the largest commercial bank, First Green Bank believed the transactional volume that was generated by large number of small financial records was an efficient way to create revenue (Wu & Baptiste Bernard Pea-Assounga, 2022).

1.2. Research Aim and Objectives

The emphasis on the implementation of social and environmental corporate responsibility (CSR) policies indicates transformation beyond the traditional banking model. Considering that the banking industry is highly influential in economic and financial development, reservation and policies, offer a meaningful opportunity to examine the broader application of socially responsible principles in corporate practices, especially, sustainable banking. The banking sector provides the cornerstone for this study's Sustainable Development in the context of business and economics, particularly the sustainable financial practices of banks considering their direct impact on both the social and environmental corporate responsibilities.

The practices and principles of sustainability management within the banking industry is forefront in contemporary policies and narratives in response to climate and environmental emergencies affecting lives and livelihoods (Stauropoulou et al., 2023). Academic and public awareness regarding environmental, social and governance performance, as well as the integration of such factors within traditional investment, financial and corporate strategies are forming management practices (Adebisi Onakoya et al., 2018). This has resulted in a global shift in businesses, including banks, to publicly demonstrate their ethical self-regulation, social and environmental objectives. Social and environmental banking, in the context of a sustainable society, is therefore, not merely associated with profitability or access to green technologies and businesses (Nosratabadi et al., 2020).

2. Previous Studies of Sustainable Banking Practices

2.1. Concepts and Principles

The term "sustainable banking" started to be formulated in Europe in the early 2000s primarily after the publication of the "Brundtland Report" that laid down the foundation for modernizing the banking sector. Over the years, several theories were formulated, such as the Stakeholder Theory, Corporate Sustainability Theory, Corporate Social Responsibility Theory, Neoclassical Economics, the Systems Thinking Theory, and the Shareholder and Stakeholder Theory that serves to drive banks towards sustainable operation and are formed on different theories. Subsequently, several models of "Sustainable Bank" were developed in Europe according to which banks function sustainably to address the key social, environmental and financial risks that are facing by the countries.

For instance, UK, France, Germany, Finland banks have taken decision to function in the direction of sustainable banking based on a clear convergence between their operating environment, their beliefs and values for sustainable development and their resulting sustainable banking models (Boitan, 2020).

Accordingly, several business sectors have commenced to align, voluntarily, their operations on the UN SDGs targets that compatible with all, or some, of the 17 SDGs for the purpose of sustainable business performance and societal welfare (Stauropoulou et al., 2023). The advocacy of banks to practice sustainable banking is purely because they fall in the class of the early adopters and the pivotal. As sustainability and sustainable development have close link with banking operation and type of involvement, therefore, banks possibly contribute positively to the realization of SDGs by financing and investing in the sectors that are associated with SDGs, for instance, affordable and clean energy, economic growth and employment, clean water and sanitation, etc (Samy ElDeeb et al., 2021).

Sustainable Development (SD) is defined by Brundtland (1987) as "a type of development that meets the needs of the present without compromising the ability of future generations to meet their own needs". In 2015, the agenda of 17 Sustainable Development Goals (SDGs) is announced and adopted by 193 country members of the United Nations to address a broad range of global issues, such as poverty, including hunger, economic growth, health and reduced inequalities, among others. This indicates the critical attention of nations to embrace the SDGs and conduct changes in the level of action and as targets.

2.2. Key Principles of Sustainable Banking

Impact including the forms of short-actions between contractual creditors that typically comprise unlisted corporations and businesses that typically require capital; may include individuals, civil society organizations, concepts of thought leadership and influence understanding of climate, human rights, social responsibility and inequality environmental impacts. Impact aims to support the importance and positive implications of banking activities beyond financial metrics. Lastly, banks regularly evaluate, verify, and track the strategic behavior in the areas that conform to the UN's domestic and international agreements related to the atmos- phere, society, biodiversity, conduct of overdue scores and private and national connections. (Fouad et al., 2022).

The first principle, Purpose is the basis for the banking industry to realise what it is for and the key for the society to understand the role and role of banks in the global economy and society. The second principle which focuses on Stakeholders is more inclined towards customer relationship and investment in the trust building by embodying their needs into banking operations. Thirdly, banks need to be able to align strategically and comprehensively their business practices with the sustainability goals within national and international regulations of the planet and to be able to have a win-win solution in terms of the planet, people and profits globally. The Operating Model approach does not internalise wider effects but expands to integrate every part of the bank business and works with private and public risks, opportunities, and responses, while the fourth principle represents an all-encompassing redefinition of sustainable and profitable banking, shifting beyond the banks' efforts to reduce their direct negative impacts (Huy et al., 2021).

Sustainable Banking refers to creating a positive and proactive relationship between a bank and the society and applying environmental, social and economic considerations to banking practices, thereby ensuring the balance of performance between banks and underlying functions for the prosperity of the economy (Nosratabadi et al., 2020). Bank for International Settlements BIS (2019a) has established six key Principles for Responsible Banking that govern banks in their journey towards Sustainable Banking. These principles derive impetus from the aims to align all business goals of banks to meet the broader goals of the society and global economy as spelled out by the United Nations (UN), and shall ensure that banks follow ethical and socially-responsible practices in all operational areas within the broader governance framework encompassing the entire value chain (Stauropoulou et al., 2023 ; Ji et al., 2022).

3. Egyptian Banking Sector Overview

The Egyptian Banks have remained heavily reliant on traditional banking services mainly comprising of spread-based businesses (Ji et al., 2022). However, the 2011 uprising in Egypt catalyzed the swift digitalization of the banking sector in the country, with digital banking products and services reaching prominence in the following years. Apart from that there has been a considerable operational expansion of the existing banks and entry of new players in the industry. The country witnessed the launch of four new banks in 2018, which is the highest annual number of banks inaugurated in a single year, in the country's history. The Government of Egypt has also been supporting the development of Islamic Banking in Egypt. Egyptian banks are making strides toward improved environmental and social governance standards following the CBE's roadmap for comprehensive green banking initiated by the CBE in the past few years.

The Egyptian Banking Sector represents one of the oldest and strongest banking sectors in the Middle Eastern and African regions (Samy ElDeeb et al., 2021). The banking sector is mainly regulated by the Central Bank of Egypt (CBE) which acts as the chief regulatory board for all financial institutions operating within the country, under the Egyptian Banking Law No. 88 of 2003 (Sharma & Choubey, 2022). The Egyptian banking sector consists of two main segments, namely commercial banks, which are further divided into private sector banks, state-owned public banks, and foreign-operated banks, and investment banks, which are mainly providing corporate finance advisory and investment banking services (Wagdi and Salman, 2022).

3.1. Historical Development

The first Bank of Egypt was formed in the year 1898 having an authority to issue notes. In 1902 Banque Française pour le Commerce et l'Industrie merged with the Bank of Egypt as Ottoman Bank (p. 379-380). National Banking Corporation was established in Alexandria. This is the point at which the actual banking system took off. Laws were introduced in 1901 and 1920 and the Bank of Egypt played a role in the formation of the new Law of Banking in the year 1941. In 1941 the first Law of Banking was introduced to facilitate the incorporation and establishment of Egyptian banks. In 1941 a banking chamber was initiated by the banker's representation. The first balance sheet of the Central Bank of Egypt was published in August 1964. The Bank of Alexandria was the first commercial bank of Egypt. It was established in 1944 in Alexandria and was the venture of private capitalists. After world war II development in banking sector was observed. A number of banks were opened and specialized in some specific investments (Hanke, 2023).

Banking has undergone several changes since ancient civilization. In ancient time people used to have trust in banks because it has some sacred functions. In 1929, banks restricted investment and credit operation and announced an early closure of those firms which were affected by the great depression. This not only led to bankruptcy and distress for many, but it has also become the cause of concern for economists and bankers. Efforts were made to improve the banking activities and controls were imposed on the volume of circulating notes and the banks were advised to develop some new business models and frames to come out of the depression. Under the British state in the late Suez War, the banking sector was nationalized (Tignor, 2021).

3.2. Current Landscape

Green initiatives and co-branded credit cards are the part of extensive promotion of green banking. Banks are now offering two types of accounts named as "sustainable development (SD) account" and green savings scheme, i.e.; E-finance, mobile banking, ATM, POS, and online shopping (Ji et al., 2022). A few banks have started offering clean technology loans, green entrepreneur loans and solar financing in every branch of the bank.

The concept of banks going green presents a major shift in the financial system. The step involves balancing the achievement targets of business operations with non-financial values like job creation, fostering education, curbing pollution, and promoting technologies that save the environment and climate protection. The banking industry is an essential component in economic flux, societal infrastructure development, and economic transitions of the society (Tuyon et al., 2022). Banking industries are major customers of other industries as well. It has been reflecting over the years and acclimatizing and planning to align in creating value for society rather than generating profits for shareholders. Banking industry as a major part of the corporate and financial environment in any economic ecosystem, influence the community and nation to meeting the challenges in environmental and conserving the resources as well as influencing other corporate and financial institutions to save on resources and generate jobs in green sector (Cosma et al., 2020).

The word "green" revolves with environmental conservation and sustainability. Thus, any type of financial services and products that includes dealing with investment, lending, leasing, transaction, remittance, foreign exchange, and any such activity targeting environment conservation whether directly or indirectly can be termed as Green Banking Initiatives (GBIs) (Sharma & Choubey, 2022). Recent efforts across the world by many environmentalists and governmental organizations have shown that how to protect rights of present & future generations. Business organizations, especially banks which are the backbone of any country's economic structure, have to ensure environment friendly operations for sustainable development by maintaining GBIs. These strategies have to be built within day to day banking operation especially when we are much aware about the word "green banking" (Cedeno & Wei, 2024).

4. Sustainability Practices in Egyptian Banks

In a developing country like Egypt, which is heavily dependent on the agriculture and support of the other natural resources, protecting these sources is the major factor which can bring sustainability in business. Besides it, the employment opportunities in the banking sector can bring social stability and thus a sustainable environment in the country (Stauropoulou et al., 2023). More than protecting these resources, these can prove valuable assets for the banks. However, our research was not confined only to the natural and labor resources, other factors of sustainability are also studied in this research. By the production of the final products and services, there are direct and indirect relations between the business and deafening of the environment (Wu & Baptiste Bernard Pea-Assounga, 2022). According to various global studies and our findings, the lending operations of the banks have a very significant contribution in deafening the environment. And, indirectly the digital services of the banks are playing a big role in gaining awareness towards a greener and environmentally sustainable world, which can be concluded after the CO2e emission of electricity consumption by the banks from digital services (Ibrahiem and Sameh, 2022).

In this 21st century, sustainability is the key not only for the survival of a business but also for the sustainable development of the planet. This concept of sustainability is mainly used in the banking sector as sustainable banking. It has been very popular in developed countries for a long time but a bit late in developing countries like Egypt. Thus, this study aims to evaluate the sustainable practices by the banks of Egypt. To achieve this aim, the determinants of the holistic sustainable banking practices were reviewed in the literature and a theoretical framework was developed (Tuyon et al., 2022). To measure the sustainable banking practices, data were collected from 16 commercial banks of Egypt over the period from 2010 to 2022. After defining the holistic sustainable banking practices, multivariate data analysis was made using two types of sustainable banking indicators such as conventional sustainability indicators (CSI); natural resource use (NRU) and labor and environment management (LEM). Thus, it was found that the largest conventional sustainability indicator in the banking system is labor and environment management (Shahwan & Habib, 2023).

4.1. Green Financing

In developing countries, financial institutions work together to achieve sustainable development as they play a vital role in allocating capital and building trust in these investments. In a growing world, they help consumers, businesses, and governments manage financial and environmental risks, and help with long-term investment by climate adaptation and mitigation, through green and sustainable investment. Additionally, a bank's green financing activity is based on the environmental, social, and financial considerations. (Stauropoulou et al., 2023). On the one hand, banks have to bear in mind that the environmental initiatives must be in line with shareholders' interests and financial sustainability. On the other hand, environmental activities benefit everyone in the long run, including the banks themselves. When banks treat these “environmental” projects and activities as corporate social responsibility and voluntarily engage in them as an advocate, it implies investments in the future or completions that are not necessary. However, to achieve a higher purpose in society other than financial return, it can also be seen as a “philanthropic” expenditure. Therefore, banking cannot only be based on economic returns but must also be socially responsible. The primary objective of the banking industry is not only to be profitable for short-term economic benefits but also to add a social role in the future (Park and Kim, 2020).

Green Financing is considered one of the most critical areas of sustainable banking (Nosratabadi et al., 2020). It refers to loans or other financial products and services designed to benefit the environment, or to reduce damage to it. Green loans can include funding agreements, bonds, or stock loans offered to businesses making a positive environmental change. Besides, green projects financed by banks mainly focus on three environmental sectors (renewable energy, energy efficiency, and clean transportation technologies) (Sharma & Choubey, 2022). Furthermore, the ultimate objective of green loans is not only to finance environmental projects but also to initiate a procedure for environmental change. Banks with green financing projects play a crucial role in environmental marketing and in increasing public awareness.

4.2. Socially Responsible Investments

Based on the experiences of European banks we cannot presently predict that sustainable banking will lead to sustainability outcome, at least there will not be negative results in the long run. There are also promising approaches in academic theory indicating the stability and resilience of such an approach. Currently sustainable banking can be said to be economically based and ethically guided. Monetization of ambitions for sustainability is economic as well as ethical motivation compatible with the welfare economic idea centered of the entrepreneurial paradigm (Nosratabadi et al., 2020).

Sustainable and socially responsible investments enhance optimistic prospect of increasing growth and income. There is no definite indication that returns on environmentally responsible investments are not as good as the traditional investments. There is no evidence of the instability of approaches that are academically rooted in theory (del Carmen Valls Martínez et al., 2020).

Sustainable banking is a business operating model that thrives to ensure the welfare of all the stakeholders and promote sustainability as an ethical model of doing business. It utilizes the principles of sustainable finance that focuses on building environmental quality, social sustainability and fairness. The aim of sustainable banking is to examine the linkages of banks on social development, economic growth, improved governance and quality of life of society. Banks spend a significant amount of money aiming to invest in social, cultural and environmental investments. These ethical and moral investments are from the board level to consumer wealth management (Tuyon et al., 2022).

5. Challenges and Opportunities

The potential for sustainable banking in Egypt remains significant. The majority of banks express a desire to be involved through implementing policies, but very few seem to be effectively pushing these through in practice. Across the financial sector range, there are significant barriers to sustainable banking taking place. However, these challenges are viewed internationally as necessary for financial health over the long term, and as a means of potentially increasing growth, provided contextual elements are in place. This indicates that there is huge potential for financial actors who are willing to overcome these barriers and pursue a sustainable business model (Nada, 2020).

Internal stakeholders such as board members, CEOs, and management teams are not wholly convinced that responsible business can provide added value. They may talk about the added value of risk management, the commercial imperative, and the importance of responding to the needs of clients, but there is less evidence of a fundamental understanding of the importance of corporate social responsibility issues around their core business. Taking these factors into account, what are the underlying challenges, as well as potential advantages of transformation towards a sustainable bank? What are the structural, systemic, and opportunistic drivers with which the different business models of borrowers and regulators are aligned, and how can these be developed? (Elsafty & Tahon, 2020).

5.1. Regulatory Environment

According to the CBE Financial Sector Reform 2nd phase (2016–2020), Egypt expresses its commitment to sustainability in finance by developing its small-and-med enterprises (SMEs), financial inclusion, creating green initiatives for banking, promoting green finance, and financial technology. The Egyptian National Committee follows these objectives, including banks, representatives from the insurance authority, mutual fund association and the Egyptian Stock Authority to ensure alignment with international sustainability standards and regulations (Tuyon et al., 2022).

The most popular, widely accepted set of standards concerning sustainable banking business is included in the green financial principles which have been enhanced by the UNEP/UN and the G20. These are the abiding principles focusing on environmental sustainability, inclusion and the responsibility of the society and corporate governance in banking and finance, customer orientation, and transparency maintained by the bank. The Central Bank of Egypt (CBE) participated in developing the Egyptian banking sector regulatory framework for sustainability in the years 2013–2014 and became a member of the UN Financial Centers for Sustainability (FC4S) to contribute to the working group in establishing a guide on finance and climate for their members (2018–2019). The Egyptian government adopted the Paris COP21 Agreement, and integrated sustainable development targets associated mainly with the environmental problems and climate change (Samy ElDeeb et al., 2021).

The prudential regulatory approach regarding sustainable banking in different markets might lead to the success of sound business models' initiatives in implementing sustainability principles. It's about annual integrated and transparent reporting, commitment to banking activities (no specific weight harmonized for the aggregate assets placed on investments restrictively attached environment or social criteria). Moreover, when it comes to sustainable banking and controlling the quality of the fixed assets, this approach blocks the use of inappropriate terms, such as "ethical banking" (Nosratabadi et al., 2020).

5.2. Technological Innovations

> Process innovation involves the way in which the financial services are produced and delivered. It often takes the form of a new way of making a loan decision or processing transactions, architectural changes to speed transactions, such as multimediator (MM) which stand in between and mediate between the APIs of blockchain networks and structured blockchain utilizing APIs for bank and customers, researching new design and innovative delivery channel to provide information and advice on product choices and enhance customer financial capability. APIs of blockchain is a set of tools and protocols that enable developers to interact with and manage blockchain wallets programmatically. It allows for tasks like creating wallets, sending and receiving cryptocurrencies, and accessing wallet balances through code (Hassan, 2022).

Process innovation often takes the form of new software development or platforms like Chatbots, which are AI-prompted voice or text-based interfaces dedicated to providing isolated financial service straight to the customers. Platform innovation entails a change in the place where financial services are traded or exchanged and not just their delivery, enhancing connectivity and cooperation among traditional financial institutions, emerging Fintech companies, ICT providers, and data/business analytics companies to enhance new big-data, AI- and blockchain-powered financial solutions and services. This includes Blockchain Exchange that consists of business to business end-service use of public or permission-based blockchain as a new platform that reaps the economy of agglomeration, supply chain integration and convenience function. Banks and other companies can join blockchain exchanges (Nosratabadi et al., 2020).

Product innovation involves creating a new product or an improved version of an existing product. It also leads to new services that improve the performance or reduce the cost of the delivery of financial services. One of the most important products innovations in banking is Online Banking that enables customers to conduct financial transactions using the bank's website, typically using a secure login page specific to that bank and regulated by specific country. The innovation allows bank customers to have instant access to a variety of financial transactions, including: funds transfers, loan applications, financial statements review; restriction on certain transactions such as cap on large amount withdrawal, efficiency models (Wu & Baptiste Bernard Pea-Assounga, 2022). Another innovation is Mobile Banking which offers instant access to banking services on a smartphone, using simplified codes also controlled by the bank. It offers opportunities to people who previously lacked access to financial services, such as those in rural areas, to safely and securely loan money, deposit money, and take loans, offering efficiency and sustainability goals (Elkmash, 2022). The research gap addressed in this research lies in the limited focus of previous studies on the sustainable banking practices. While there is a growing body of literature on sustainability in general, studies that specifically explore sustainable banking practices are rare. This research aims to fill this gap by describing these practices in two leading banks in Egypt; Misr Bank and Commercial International Bank, providing a detailed description of their approaches to sustainability.

6. Case Studies of Leading Egyptian Banks

This article addresses the key aspect of a bank to being sustainable and looks at the banks' business models to figure out how to expand corporate banking in Egypt. Two leading banks, Bank Misr and Commercial International Bank are analyzed in terms of their sustainability practices and impact on the Egyptian banking sector via interviews with each bank senior manager. The interviews focus on the banks' business model, the innovations, and performance of their corporate banking. Interestingly, case study results indicated unique Egyptian business models due to various challenges faced by banks. These models have a modest focus on banking, which is rational given the weak Egyptian corporate banking's capacity limitation. Moreover, the case studies suggested the presence of a different systemic approach that determines when banks can expand their business. This systemic condition differs from the sustainable approach issued by the literature when clearly defining the right corporate banking scope.

6.1. Bank Misr

Bank Misr had established in 1920, it has a dual role of facilitating Egypt's economic development projects and promoting collaboration between Egypt and other countries. it is involved in promoting sustainable investments and the bank has approved a serious policy and strategies in this matter. Bank Misr can offer both short and long-term funding through: a) financing working capital, fixed assets, and buildings. b) equity stake finance. c) building finance for projects that are to be operated or leased, foreign exchange trade cycle (export and import). A wide spectrum of guarantee instruments allows Bank Misr to mitigate customer risk. They utilize this advantage to tailor a customer-specific package and provide the most appropriate guarantee. Bank Misr has established international subsidiary companies to serve both walk-in customers and associations in light of a standalone plan to help Egyptians living abroad and their country (Fouad et al., 2022). Bank Misr is one of the predominant public banks in Egypt, given its vast market penetration and strategic objectives.

In the context of climate change, Bank Misr has considered E&S risks currently through its corporate finance department, which is developing its capacity through a client's E&S risk assessment in line with the IFC standards. However, the bank's value-proposition is only starting to realize the benefits of an enhanced approach to corporate governance, in terms of improved risk management, access to international partnerships and clients, client retention and growth, lower cost of capital, and enhanced reputation and retention of highly skilled staff.

Therefore, it is important that the bank integrate sustainability internally through the formal endorsement of the EITI, and externally through its customers, suppliers, business partners, government and industry, competitors, trade unions, research, rating and financial services organizations, and the community in which the company operates (Hassan & Muneeza, 2022).

In the context of climate change that threatens all major sectors of the Egyptian society (agriculture, energy, tourism, transportation, and housing), Bank Misr could take decisive actions giving a high priority to access to sustainable energy, infrastructure, clean transportation, and big water retaining areas to mitigate both water

management and urbanization impacts. The most prominent potential opportunities and risks related to climate change include the need for infrastructure investments, the necessity to expand the capabilities of the financial sector, and the need to sustainably diversify the production sector. With the introduction of climate-intelligent financing to Egypt, Bank Misr locates itself on the leading edge. Bank Misr possesses the resources for strategically managing climate change impacts due to already considering environmental evaluation aspects for the industry sector such as emissions and energy efficiency operating procedures, recycling, minimizing waste, and ecosystem services related to the available products. Additionally, there are local initiatives in Egypt and funding mechanisms for the promotion of renewable energy.The focus of its sustainability is in sustainable and renewable energy because of the advantages of developing that sector, which can enhance diversification and sustainability in governmental economic revenues by adopting relevant laws and regulations that facilitate the success of the bank's initiatives and operations in seeking reliable and diversified revenue sources outside banking or financial investments (Wagdi and Salman, 2022; Atef, 2022).

6.2. Commercial International Bank (CIB)

Commercial International Bank (CIB) is one of Egypt’s leading private commercial banks. It was first established in 1975 and restructured into a joint-stock company in 1993. CIB manages the largest customer base and enjoys the largest balance sheet size of all private banks operating in Egypt. For years, CIB has been Egypt’s market leader with the greatest loyalty that the bank enjoys. This is owed to 150 branches spread all over Egypt, good service, and looking after the customer. CIB has penetrated the top tier of the wealthiest population of Egypt where market penetration still lags behind international averages. CIB’s client profile still is in part due to the formation of successive generations of established families (Abdel-Basset et al., 2021).

CIB has been rapidly innovating and learning from the imported brand over the last decade. CEOs and the operational cadre of CIB are the most influenced by international corporate and management practices. It is noticeable that CIB is ruled by a common stock with risk assets to capital, supporting moderate, within the context of competitors and at high levels in respect to peers in comparison. CIB possesses large investments in equity associates, thereby being expansive of the observed regional acquisition strategy of the CIB to take positions in promising regional banks. Cultural, organizational, products, target market, competitors, and risk categories are all at par internationally. Islamic banking is represented within CIB’s business mix. CIB engaged significant efforts to support the development of housing through extended support to financing associated with real estate. It structures good deals for these banking transactions. CIB experiences fairly impressive performance management detailed monitoring of critical activities, as well as its customer-oriented branch team performance incentives making use of the balanced scorecard and in-depth training of their customer-oriented personnel (Smith et al., 2021; Hassouba, 2023).

CIB is one of the largest, best, and most liquid banks in Egypt. CIB has a market share of deposits of 6.6 percent and a market share of corporate loans of 8.3 percent. In the area of loans for SMEs, CIB has a special role as market leader with a market share of 9.8% of the loans to SMEs. The bank is active in the product area of sustainable development and was at the start of the investigation of substantially all the product titled 'making world trade fairer'. This product was dedicated to improving trade finance in developing countries via an increased bank network in the Middle East and beyond. In the overall product area of sustainable development, CIB wants to become a leading player to make Egypt a better and more sustainable place for all its citizens and other stakeholders (El-Faham, 2020).

CIB follows a sustainable development philosophy with key principles including transparency, environmental sensitivity, integration of CSR into the business model, commitment to a bank climate initiative certificate, allocating one percent of net profit over the next five years for societal projects, enhancing DJSI score through improved ESG parameters, and partnering with universities to establish an Egyptian sustainable development foundation. Additionally, CIB is actively involved in the banking sector, offering a wide range of products in sustainable development, implementing a robust management system for sustainable development, and actively supporting various organizations in the field with financial assistance, technical expertise, and capacity building programs. CIB also collaborates with international organizations and other financial institutions to develop innovative financial products and promote sustainable practices across different sectors. Furthermore, CIB regularly organizes awareness campaigns, workshops, and training sessions to educate its employees and stakeholders about the importance of sustainable development and to encourage them to actively contribute to environmental and social causes. The bank also strives to continuously improve its own operations by adopting sustainable practices such as energy efficiency measures, waste reduction, and green building initiatives. Through its comprehensive approach to sustainable development, CIB aims to create a positive and lasting impact on society, the environment, and the economy, while maintaining financial stability and profitability (Amoah, 2023).

7. Environmental Impact Indicators

Published literature especially reports and guidelines issued by international organizations like IFC, UN, AIFMD, FSAP, World Bank, IMF and the regional organizations like EU etc. have been reviewed and it is evident that environmental impact assessment is an important pillar of environmental and social risk management and several value addition can be gained by the banks by acknowledging this activity and making it integral component of mainstream operations. If carefully formulated benefits and harms analysis of conducting EIA in banking decisions over micro level bank/client borrowers as well as Meso level decisions over the corporate clients of the bank or of the bank itself are actually the branches of the critical ability of the bank in understanding the sit behind a particular event (Stauropoulou et al., 2023). Eco-Efficiency Gains: According to resources and capabilities-based view (RBV) of firms, the source of proprietary advantage is determined by the particular combination of resources and capabilities that the firm is able to deploy in order to provide goods and services for the market this source allows the firm to outperform its rivals, so to adopting the strategy which makes the best use of their internal resources and capabilities and provides a competitive edge, especially for finding the cost savings like minimizing the environmental hazards which results in Eco-Efficiency Gains and thus helps the firms achieving greater profits (Mahedi Hasan et al., 2022).

Treatment of Risks: The internal drivers and the institutional drivers both have been beneficial in developing methods for treatment of risks. It is however that in banking the sans treatment e.g. by avoidance, risk-sharing and control etc. In principle as on the IFC performance standards the residual risks after sans treatment should be acceptable in the course of ESRM system, in banks generally the residual risks are assessed on simple metrics and reasonable concepts by comparison to EHS legislations (Hughes and Marzouk, 2021).

Environmental Assessment: Environmental assessment is a newly adopted area in the field of sustainability, although it has been widely used by banks in developed countries, it is not common in developing economies and n seems to be practiced by only a handful of banks in a limited form, mainly as part of the credit appraisal process. It is a relatively innovative domain in developing countries including Egypt (Adebisi Onakoya et al., 2018). Banks operating practices are crucial for the achievement of sustainable development initiatives, therefore, the assessment and review of their activities in environmental impacts are essential not only for their future but also to secure a sustainable future for developing countries (Shahwan & Habib, 2023).

8. Social Impact Indicators

As per the study's dataset on ethical leadership and corporate reputation – Nigerian deposit money banks perspective reveals that these "Ethical practices generally have an effect on corporate reputation" and it has been full time practices by both literate and illiterate individuals to invest in organizations with ethical reputation (Adebisi Onakoya et al., 2018). This perspective highly recommended that organizations particularly banks should focus on ways of becoming responsible and ethical banks which would assist them to win over the hearts of their customer. The banks should encourage CSR investment targeting the sectors such as education, health care/ hospitals and environmental conservation projects and initiatives should also engage in promoting diversity and reducing the gender inequality (Herbert and Agwor, 2021).

Egyptian banks can focus more on social and environmental issues as the financial performance is also on the peak. The focus should be shifted towards agricultural and manufacturing sectors of the economy. Similarly, banks should encourage a strategic relationship with stakeholders. Furthermore, they should also endorse the women empowerment initiatives for their special impact on social issues and the economy (Stauropoulou et al., 2023).

This section aimed to understand the sustainable banking practices of Egyptian banks to enhance organizational performance by adopting the responsible business practices and support the sustainable practices in the state. First, the researchers found that the adaptability of sustainable banking principles is achievable. The banks disclosure on CSR are generally positive, disclosing in details in comprehensive report (Nosratabadi et al., 2020). Moreover, they make small decisions like the utilization of LED lights in their ATM and digitalization which is serving the social cause.

9. Comparative Analysis with International Best Practices

In light of the above discussion, this may well be an attempt to examine the aspect of why the banking operations are measured in the same and/or varied options around the globe. The ESG data information are doubtlessly an important assessment of green banking forms. Analysts offering professional acquisition should consider this while performing an ESG visit. It is better and many effective those ESG researchers are done by an independent body with comprehensive experience in evaluating ecological, communal, and working fight of reliable. Also, the primary bank of the nation should take into account financial fight with sustainable growth addition to supervisory routine.

Green banking currently is determined by Insightful capital in addition to ESG (Environmental, Social, Governance) exams. The first-country to produce signals for green banking was Bangladesh during 2011. After that, many other countries have likewise began pursuing green banking functions. Just as green banking types are still based on community and character, these tactics may be employed with no or very limited modification. However, it's impossible to evaluate whether the same green banking variables apply to the Egyptian banking sector due to unique environmental, communal, and operation operation features. Bankers can not decide effectiveness of distinctive green banking procedures in Egypt as those issues such as signing up in green promos, ACOs, and huge investment in green assignments are the standard procedures of the banks as per legal guidelines by CBE since 2016 (Ji et al., 2022).

Egyptian banking business is competitive based bank-specific techniques and market competitions. The latest Egypt Vision 2030 seeks to stabilize fast growth and the important role of the banking field in backing the instruction of monetary program and economic completion actions. Market proving bank division work capability and through renewable tools has become an American issue. The governments of many countries all over world are providing advantages for preserving funds in banks in addition to funding their particular years to come projects (Nosratabadi et al., 2020).

10. Conclusion and Recommendations

In order for the banking sector to effectively serve its primary function as an intermediary between savers and borrowers, regulatory authorities in Egypt and the sector itself must strive to increase its stability and competitiveness. This includes striking the right balance between conserving for the future and maximizing shareholder value, addressing disproportionate risk, and offering a fair service to the Egyptian community and economy at large. The extensive literature on business models confirms that variations in governance priorities and society values in the banking sector generate a wide diversity of distinct business models. It is common in the literature to segment bank business models according to size, complexity, and the geography of the financial institution. The attributes of local market demand also give banks flexibility to offer different services to consumers and corporations. Despite these differences, the banking sector can be normatively classified by the higher degree of responsibility it should demonstrate towards society as trustees for their stakeholders.

The Arab Republic of Egypt has maintained a growing banking sector for the last 17 years, which faces both domestic economic challenges and international risks. The banks that operate in Egypt are pursuing different business models with varying degrees of conservatism and are all involved in a modest effort to achieve sustainable banking practices. The findings indicate that the sector should shift towards sustainable banking practices, particularly in the areas of community involvement and environmental risk management. Furthermore, Islamic banks, as well as private banks, have developed sustainable banking practices that exceed those of national banks belonging to the state. Changes in practices that improve areas in which business models can enhance application are recommended. Future opportunities for business model evaluation and limitations are also suggested.

10.1. Policy Recommendations

State banks should be the pilot schemes in sustainable banking policy. Being the largest banks, these banks are the key players in the Egyptian banking sector. The state stakeholding in state banks is between 87.2 and 97.2% as of 2022. They have the financial muscle, and banking penetration of the State gives them a unique chance to be the communication engine leading to a new way of sustainable development. This comes in addition to the international commitments of Egypt, and advantageous status of state banks (including financing) resulting from the preference of these banks and their shareholders.

The Egyptian government could support and motivate banks and economic actors by launching sustainable development strategies and publicizing the role played by responsible economic agents with the aim of backing projects with sustainable aims. Banks might be offered specific advantages conditional upon the objectives achieved by their clients. Although Egypt's banking sector is still facing relatively local challenges, the practices adopted by international banking networks sustain the development of sustainable banking policies in Egypt.

Sustainable banking is about creating a virtuous circle where the banking sector supports sustainable activities in societies and economies. It is in everyone's interest to build trust and confidence for socially responsible companies because not only do they make a positive contribution to economic and social development, but they are also capable of surviving in the long run. The role of sustainable banking is key in guiding, lending to, and advising banks' customers who are considering embarking on sustainable projects.

References:

Abdel-Basset, M., Mohamed, R., Elhoseny, M., Abouhawash, M., Nam, Y., & AbdelAziz, N. M. (2021). EfFcient mcdm model for evaluating the performance of commercial banks: A case study. Computers, Materials and Continua, 67(3), 2729-2746. canberra.edu.au

Adebisi Onakoya, O., Love Moses, C., Oladele Iyiola, O., Paul Salau, O., & Omisade Ayoade, E. (2018). Dataset on ethical leadership and corporate reputation – Nigerian deposit money banks′ perspective. ncbi.nlm.nih.gov

Amoah, C. (2023, May). Sustainability of the government policy on social housing construction in South Africa: the emerging issues. In IOP Conference Series: Earth and Environmental Science (Vol. 1176, No. 1, p. 012039). IOP Publishing. iop.org

Atef, N. A. (2022). Scaling up sustainable finance and investment in the Middle East and North Africa. Scaling Up Sustainable Finance and Investment in the Global South, 4. southsouth-galaxy.org

Boitan, I. A. (2020). Sustainable banking systems. Finance and Sustainable Development. [HTML]

Cedeno, R. C. B. & Wei, J. (2024). Investigating factors to promote energy: Socio-political barriers to renewable energy sector in India. The Electricity Journal. [HTML]

Cosma, S., Venturelli, A., Schwizer, P., & Boscia, V. (2020). Sustainable development and European banks: A non-financial disclosure analysis. Sustainability. mdpi.com

del Carmen Valls Martínez, M., Cruz Rambaud, S., & María Parra Oller, I. (2020). Sustainable and conventional banking in Europe. ncbi.nlm.nih.gov

El-Faham, K. M. D. (2020). Financial risk and financial performance of banks in Egypt. cardiffmet.ac.uk

Elgohary, E. (2022). The role of digital transformation in sustainable development in Egypt. The International Journal of Informatics, Media and Communication Technology, 4(1), 71-106. ekb.eg

Elkmash, M. R. M. A. (2022). The impact of financial technology on banking sector: Evidence from Egypt. International Journal of Finance, Insurance and Risk Management, 12(1), 100-118. journalfirm.com

Elsafty, A. & Tahon, A. (2020). Exploring impact of corporate social responsibility on organizational performance, the case of Turkish Islamic banks. Business and Management Studies. academia.edu

Fouad, J., Said, M., Sherif, W., & Zaki, C. (2022). Public Banks and Development in Egypt: Overview, Issues and the Way Forward. erf.org.eg

Hanke, S. H. (2023). Historical Episodes of Full Dollarization. Studies in Applied Economics Working Paper Series. independent.org

Hassan, A. (2022). Handbook of Technology Application in Tourism in Asia. researchgate.net

Hassouba, T. A. (2023). Financial inclusion in Egypt: the road ahead. Review of Economics and Political Science. emerald.com

Herbert, W. E., & Agwor, T. C. (2021). Corporate governance disclosure and corporate performance of Nigerian banks. Journal of Research in Emerging Markets, 3(3), 14-36. researchgate.net

Hilal, O. A., & Tantawy, A. A. (2022). Entrepreneurial marketing and bank performance in Egypt: is environmental turbulence a missing link?. Journal of Entrepreneurship in Emerging Economies, 14(2), 252-273. [HTML]

Hughes, P., & Marzouk, M. (2021). A test of the inherent predictiveness of the RU, a new metric to express all forms of operational risk in banks. Journal of Risk Management in Financial Institutions, 14(2), 173-194. le.ac.uk

Huy, D. T. N., Thach, N. N., Chuyen, B. M., Nhung, P. T. H., Tran, D. T., & Tran, T. A. (2021). Enhancing risk management culture for sustainable growth of Asia commercial bank-ACB in Vietnam under mixed effects of macro factors. Entrepreneurship and Sustainability Issues, 8(3), 291. academia.edu

Ibrahiem, D. M., & Sameh, R. (2022). Financial development and natural resources nexus in Egypt: the role of clean energy sources and foreign direct investment. International Journal of Energy Sector Management, 16(4), 680-703. [HTML]

Ji, L., Sun, Y., Liu, J., & Chiu, Y. (2022). Environmental, social, and governance (ESG) and market efficiency of China's commercial banks under market competition. ncbi.nlm.nih.gov

Mahedi Hasan, M., Al Amin, M., Khan Moon, Z., & Afrin, F. (2022). Role of Environmental Sustainability, Psychological and Managerial Supports for Determining Bankers' Green Banking Usage Behavior: An Integrated Framework. ncbi.nlm.nih.gov

Mohaisen, H. A., Ibrahem, A. T., & Hameed, A. A. (2023). Auditing Sustainable Performance Using the Sustainable Value-Added Model: Applied to Banks Registered in the Stock Exchange. Tikrit J. Adm. Econ. Sci. researchgate.net

Nada, R. (2020). Financial Inclusion and Sustainable Growth in Egypt. harvard.edu

Nosratabadi, S., Mosavi, A., Shamshirband, S., Kazimieras Zavadskas, E., Rakotonirainy, A., & Wing Chau, K. (2019). Sustainable Business Models: A Review. [PDF]

Nosratabadi, S., Pinter, G., Mosavi, A., & Semperger, S. (2020). Sustainable Banking; Evaluation of the European Business Models. [PDF]

Palazzo, M., Vollero, A., & Siano, A. (2020). From strategic corporate social responsibility to value creation: An analysis of corporate website communication in the banking sector. International Journal of Bank Marketing, 38(7), 1529-1552. [HTML]

Park, H., & Kim, J. D. (2020). Transition towards green banking: role of financial regulators and financial institutions. Asian Journal of Sustainability and Social Responsibility, 5(1), 1-25. springer.com

Samy ElDeeb, M., Tawfik Halim, Y., & Mostafa Kamel, E. (2021). The pillars determining financial inclusion among SMEs in Egypt: service awareness, access and usage metrics and macroeconomic policies. ncbi.nlm.nih.gov

Shahwan, T. M. & Habib, A. M. (2023). Do corporate social responsibility practices affect the relative efficiency of Egyptian conventional and Islamic banks?. International Journal of Emerging Markets. researchgate.net

Sharma, M. & Choubey, A. (2022). Green banking initiatives: a qualitative study on Indian banking sector. ncbi.nlm.nih.gov

Smith, E., Ali, D., Wilkerson, B., Dawson, W. D., Sobowale, K., Reynolds III, C., ... & Eyre, H. A. (2021). A brain capital grand strategy: toward economic reimagination. Molecular psychiatry, 26(1), 3-22. nature.com

Stauropoulou, A., Sardianou, E., Malindretos, G., Evangelinos, K., & Nikolaou, I. (2023). The role of customers' awareness towards the sustainable development goals (SDGs) of banks on their behavior. ncbi.nlm.nih.gov

Tignor, R. L. (2021). Foreign Capital, Foreign Communities, and the Egyptian Revolution of 1952. Egypt From Monarchy to Republic. [HTML]

Tuyon, J., Peter Onyia, O., Ahmi, A., & Huang, C. H. (2022). Sustainable financial services: reflection and future perspectives. ncbi.nlm.nih.gov

Wagdi, O., & Salman, E. (2022). Determinants of a bank's performance in emerging markets: Evidence from Egypt. Academy of Accounting and Financial Studies Journal, 26. researchgate.net

Wen, J., Hussain, H., Waheed, J., Ali, W., & Jamil, I. (2022). Pathway toward environmental sustainability: mediating role of corporate social responsibility in green human resource management practices in small and medium enterprises. International Journal of Manpower, 43(3), 701-718. researchgate.net

Wu, M. & Baptiste Bernard Pea-Assounga, J. (2022). Assessing the Relationship Between Internet Banking and Investment Decision Through Sustainability and Competitive Advantage: Evidence From Congolese Banks. ncbi.nlm.nih.gov

Zhang, X., Wang, Z., Zhong, X., Yang, S., & Siddik, A. B. (2022). Do green banking activities improve the banks' environmental performance? The mediating effect of green financing. Sustainability. mdpi.com

الخدمات المصرفية المستدامة: تقييم نماذج الأعمال المصرية

المستخلص

تركز هذه الدراسة على دور البنوك في دعم أهداف التنمية المستدامة التي وضعتها الأمم المتحدة، فضلاً عن التركيز على أهمية وعي عملاء البنوك لذلك الدور، فبدون وعي شامل وواسع النطاق بأهداف التنمية المستدامة الفعلية ودور عملائهم تجاهها، ستواجه البنوك صعوبة في متابعة أهداف التنمية المستدامة.

وقد أجريت الدراسة البحثية الحالية في مصر وتم تطبيق تصميم الدراسة الوصفية في بنكين رئيسيين: بنك مصر والبنك التجاري الدولي. وتشير النتائج إلى ضرورة إعطاء أولوية أكبر لصياغة السياسات التي تساعد في تحقيق أهداف التنمية المستدامة، ويهدف هذا البحث إلى تقييم استدامة الاستراتيجيات المصرفية المنفذة في أحد الاقتصادات الرائدة في القارة الأفريقية، مصر استنادا على أربعة جوانب رئيسية التي يمكن من خلالها تقييم استدامة البنوك: الصحة المالية، والمسؤوليات الاجتماعية للشركات، والتمويل المستدام وطرق توليد الأرباح وذلك من خلال استعراض تجربتين بارزتين لبنكين: بنك مصر ويعد من أهم البنوك العامة والبنك التجاري الدولي والذي يعد من أهم البنوك الخاصة في مصر . وقد توصلت الدراسة إلى أن البنوك التي توجه مواردها المالية نحو الاستثمار في التدابير المستدامة للبيئة ادات سيكون لها تأثير إيجابي على استدامتها المالية. وأكدت النتائج على أهمية جعل القطاع المصرفي مستدامًا، وخاصة في ظل سياسة الشمول المالي التي تطبقها الدولة. وعلى هذا توصى الدراسة بضرورة دعم وتحفيز البنوك لتفعيل دورهم في تحقيق أهداف التنمية المستدامة من خلال إطلاق استراتيجيات التنمية المستدامة ودعم المشاريع ذات الأهداف المستدامة.

الكلمات المفتاحية: الخدمات المصرفية المستدامة – أهداف التنمية المستدامة – التمويل المستدام – المسئولية الاجتماعية للبنوك – بنك مصر– البنك التجاري الدولي.