

GREEN BANKING INITIATIVES IN INDIA: CUSTOMER AWARENESS TOWARDS SUSTAINABILITY

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Abstract:

Banking sector is the back bone of the economic development of our country. Since India plays an active role in emerging economic growth and environmental protection, it is recommended to initiate green banking in India. The concept of green banking is promoting environmental- friendly practices and reducing carbon foot print form of banking activities. The paper has made an attempt to highlight customer awareness regarding “Green Banking services with sustainability”. The research considers 50 sample sizes of people on green initiatives taken by banking sector. The primary and secondary data is being collected using the Likert’s 5 point scale. Descriptive type of research has been designed & random sampling method has to be used. The research applies SPSS technique as a statistical method.

Keywords: Green banking services, Environmental-friendly, Carbon foot print.

Introduction:

“Each challenge is like a seeds of opportunity; if cultivated well, brings a positive change.”

- CA Vikram Verma

India is on a higher growth trajectory for last one half decade and the industrial sector plays the most important role in India’s growth story. However, Indian industry faces the challenge of controlling environmental impact of their business i.e. reducing pollution and emission of their clients. Though government has been trying to address the issue by framing environmental legislations and encouraging industry to follow environmental technological and practices, they would not be enough, given the poor track records of enforcement, public awareness and inability to derive competitive advantage by producing eco-friendly products.

Realization of these facts by banks will certainty make them fast adopt the concept of *Green Banking*. The concept of Green Banking emerged in 2009 with coming of the first Green Bank based in Mt. Dora, Florida, United States. The Institute for Development and Research in Banking and Technology established by RBI defines Green Banking as: ‘Green Banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environment, and social dimensions. It aims to make banking processes and the use of IT and physical infrastructure as efficient and effective as possible, with zero or minimal impact on the environment.

The first green bank was state bank of India(SBI), India’s largest commercial bank, who took initiative in setting high sustainability standards and completed the first step in “green banking” with Shri O.P.Bhatt, chairman, SBI. The green bank initiative include ATMs, paperless banking for customers and digital transactions. Green Banking is like a normal bank, which considers all the social and environmental factors; it is also called as an ethical bank.

Ethical banks have started with the aim of protecting the environment. It is controlled by same authorities as what a traditional bank do.

Green Banking Products:

- (1) Green loans
- (2) Green credit cards
- (3) Green CDs
- (4) Online banking
- (5) Green saving accounts
- (6) Mobile banking

Green banking helps to create effective solutions of a range of environmental problems and at the same time identify opportunities that benefit the customers. Green Banking can be implemented by a proper use of technology. The various ways in which banks have adopted through this wave of changes are:

- Sending payment slips, reimbursement slips electronically.
- Online Net Banking System.
- Paying bills online.
- Opting for Mobile Banking.
- Paper Recycling.
- ATM.
- Green Checking Accounts.
- Conduct meeting through Video Conferencing.

Why Green Banking?

The reasons for moving towards green banking in banking sector in this fast changing environment

- Going green provides competitive advantage.
- Consumers are more interested in environment friendly goods and services.
- The wave of globalization has increased awareness of investors and they adopted environment friendly investment in banking sector.
- Stricter government regulations are in placed now.
- Government agencies demand a greater disclosure.

So on account of all these banks are required to manage their day- day operations considering the environment impact and also finance only those alternatives which are having a positive impact on the planet.

Benefits of going Green

Green banking practices are very convenient, easy, cost effective and time save for the bank customers. Customers need not go to the bank for banking transaction. It is a type of

anytime-anywhere banking. Green banking practices are paperless banking practices. Hence, it will save paper.

Green banking offers the following benefits:

- Green banking provides paper less work and makes use of online transactions such as Internet banking, mobile banking and ATM banking. Reducing paper work means less cutting of trees.
- Green ethical banks adopt environmental standards for lending which would benefit future generations.
- Green banks gives more importance to environmental friendly factors like ecological gains thus interest on loan is comparatively less.
- Free electronic bill payment services.
- Online account opening form for opening green account.
- Cash back will be credited to all new customers, opening “green accounts”.

Difficulties in Green Banking Initiatives into Practice:

Given the rise of green banking in India, it was discovered that more than three-fourths of customers who used their banks' online banking services either didn't know what "green banking" was or thought it was "digital banking." The understanding of green banking is especially low among middle-aged and older people. There will be a significant study deficit in the future about the impacts of demographics. For inclusive economic growth, sound and robust banking practices are necessary. The primary operations of a green bank in India are focused on ATMs, online banking, and paperless banking. The survey claims that before Indian banks are prepared to implement green banking initiatives, they still have a long way to go. The Reserve Bank of India greatly facilitates environmental legislation. In addition to economic development, the social side of banking needs to be given more consideration in a developing country like India. In accordance with international standards, a few Indian banks have pushed green banking practices. The legal system has to be reinforced.

REVIEW OF LITERATURE

Dr. Satish Tanaji Bhosale, “Technological Developments in Indian Banking Sector”, this paper talks about the role of banking sector in the development of Indian Economy. So banks need to optionally leverage technology to increase diffusion, improve their output and efficiency, deliver cost-effective products and services, provide faster. Efficient and convenient customer service and thereby, contribute to overall growth and development of the country.

In the research paper on green banking initiatives in the public and private sector banks of India, **R. Chaya and J. Rakshita (2023)** said that the public and private sector banks' attempts to promote Green banking has progressively moved away from online banking and toward more environmentally friendly management, which encompasses the use of solar-powered machinery, rainwater collecting, garbage recycling, water treatment facilities, and the building of green buildings, among other things. All of these initiatives are a part of the bank's continuous efforts to lessen its impact on the environment.

Gupta, R., & Shivani, T. (2023) According to one researcher, in order to make clients feel informed, banks should take action to increase awareness about mobile banking services

through marketing, leaflets, demo fares, and other methods. Enhancing the system's utility, developing a more user-friendly interface, fostering trust, lowering risks, and cutting expenses should be the main priorities. The worldwide banking and payment sector is changing as a result of mobile banking.

Zhang et al., (2022) According to certain research, green banking initiatives significantly improve banks' environmental practices and the sources of their green funding. Customers' lack of knowledge about green banking, high investment prices, technical issues and barriers, and the difficulty of determining the success of green projects were the study's main concerns.

OBJECTIVES OF THE STUDY

- To study the awareness of green banking among the customers.
- To identify the problems faced by customers using green banking.
- To know about the green banking products.

SCOPE OF THE STUDY:

- The scope of the study lies in finding out awareness of customer towards green banking in banks. The awareness of customer towards deposit is to found by the respondents of questionnaire from the sample population of study.
- The scope of the study is limited to the response (i.e.,) customer who are active to inverse the deposits in banks.

PROBLEM OF THE STUDY:

India's prime minister announced during the COP26 climate meeting that the nation will reach net zero emissions by 2070. All sectors, including banks, must contribute to environmental preservation in order to achieve this goal. The environment is contaminated by banking institutions' use and consumption of paper, power, water, gasoline, stationery, equipment, and technology. The banking sector has already implemented a number of green banking measures to lessen the use of this and make the bank sustainable, and there are still a number of initiatives in the early stages. Increasing public knowledge of the environmental effects of different green banking methods is crucial. Any initiative's success depends on employee efforts as well as consumer knowledge and acceptance. Banks have been using lighting, air conditioning, electronic equipment, IT, high paper wastage in massive proportion. The resultant internal carbon footprint can be reduced through the use of renewable energy, automation and other measures.

RESEARCH DESIGN-SOURCES OF DATA:

Primary Data: Primary data has been collected through structured questionnaire consisting of close ended multiple choice questions.

Secondary Data: The sources of secondary data are various research journals, books, and research papers and banks websites.

Sampling Method: The sampling method adopted for the study is “Random sampling”.

Sample Size: The sample size for the study is 50 to be collected from customers having accounts in various banks.

Data Collection Instrument: A structured questionnaire was used on data collection. The reason for using close ended questions was to get objective answers from the respondents.

Data Collection Method: A structured questionnaire with close ended questions was circulated and 80 responses were collected out of which 50 were used to analyse ignoring the incomplete responses.

Statistical Tools Used Or Applied: The following statistical tools were applied in order to analyses the data and interpret the same in order to draw conclusions with respect to the objectives set.

- Kaiser-Myer-Olkin (KMO) measure of sampling adequacy and Bartlett’s test of Sphericity.
- Analysis of Variance - One way ANOVA (F Test)

One way ANOVA was applied in order to find out the each variable and also to ascertain the association between a dependent variable and group of independent variables.

RESULTS AND DISCUSSION

Table 1: Awareness about Green banking practices

Statement	Aware %	Not aware %
ATM	98	02
Green Channel Counters (GCCs)	26	74
Green Checking Accounts	28	72
Green CDs	26	74
Green Loans	36	64
Online banking	88	12
Mobile banking	96	04
Online Savings Accounts	87	13
E- investment services	86	14
Cash deposit system	73	27

Result: From the above table it is clear evident that customers are showing a good degree of awareness level regarding green banking practices like ATM, Mobile banking, Online Savings Accounts, online banking, E- investment services and Cash deposit system. But most of the respondents opined that, least aware of the modern facilities like Green Channel Counters (GCCs), Green CDs, Green Checking Accounts, Green Loans. According to them the selected banks still not introduced these facilities. First, India to carry out a new banking services on the

social media site. So bank should design strong strategies to promote green banking practices as done in other countries.

KMO and Bartlett's Test

The Kaiser-Myer-Olkin (KMO) measure of sampling adequacy is an index used to examine the appropriateness of factor analysis. High values between 0.5 and 1.0 indicate factor analysis is appropriate. Value below 0.5 implies that factor analysis may not be appropriate. The general purpose in usage of factor analytical technique is to find a way to condense and summarize the information contained in a number of original variables into a smaller set of new composite factors with minimum loss of information. The factor analytical technique is used to identify a set of latent dimensions that is not easily observed.

Table 2: KMO and Bartlett's Test Results

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.592
Bartlett's Test of Sphericity	Approx. Chi-Square	1928.113
	Df	28
	Sig.	0.000
Cronbach's Alfa = 0.961		

The questionnaire composed of nine sections, with factors of adoption of green banking practices, services benefits to customers, facility available at green banking. 10 questions on adoption of green banking practices, 6 questions on services benefits to customers, 5 questions on facility available at green banking and 8 questions on customer demographic. Table 2 highlights the results of factor analysis which was tested using Kaiser-Meyer-Olkin (KMO) and Bartlett's test of sphericity. The KMO test measure of sampling adequacy (0.592) vividly reveals that the data is fit for factor analysis. The Bartlett's test of sphericity (1928.113) further corroborates our findings. The value of Cronbach's alfa (0.961) also corroborates the reliability of data.

ANOVA

At the heart of ANOVA, is the notion of variance. The basic procedure is to drive two different estimates of population variance from the data, and then calculate a statistic from the ratio of these two estimates (between group's and within group's variance). The F ratio is the ratio of 'between groups' variance to 'within groups' variance. A significant F value indicates that the population means are probably not equal. Before ANOVA was conducted, it was ensured that the necessary assumptions were met. The two assumptions of concern were population normality and homogeneity of variance.

Table 3: Results of ANOVA test (age versus customer awareness)

Factors of customer awarness		Sum of Squares	Mean Square	F value	P value
Service benefits	Between Groups	0.056			
	Within Groups	48.939	0.019	0.075	0.973
	Total	48.995	0.250		
Facilities available at green banking	Between Groups	3.026			
	Within Groups	21.403	1.009	9.238	0.000**
	Total	24.429	0.109		

****Statistically significance at $p < 0.01$**

***Statistically significance at $p < 0.05$**

Hypothesis testing

H₀: There is no significance difference between the age of customers with factors of customer awareness of green banking.

H₁: There is a significance difference between the age of customers with factors of customer awareness of green banking.

One-way ANOVA test is conducted to test the hypothesis. Table 3 shows the ANOVA test results. As 'p' value is greater than 0.005. It is inferred that the variable that does not appear to be significantly related with age of the respondents and their factor of service benefits. Hence, null hypothesis is accepted. That means there is no significant difference between the age and factors of customer awareness.

Findings:

- 70 % of respondents are female and remaining male.
- 78% of respondents are Post Graduate and others are Graduate.
- Half of the respondents are aware of the green practices.
- Majority of the respondents are unaware of Green Channel Counters (GCCs), Green CDs services offered by their banks.
- Most of the respondents aware of ATM facility, online banking, and Mobile banking facilities.
- One way ANOVA analysis revealed that there is no significant difference between the age and factors of customer awareness.

Suggestions:

- The study considers all the social and environmental factors and it protect the environment and conserve natural resource.
- Banking sector should conduct some awareness programs to customers, like trade fares, exhibitions, recreation class. Impart educate to E-learning programs.
- Effective adoption of green banking, the RBI and the Indian government should play a major role and formulate green policy guideline and financial services.

- Unnecessary bank charges are levied by banks which we cannot get proper accountability. For e.g. Charges for ATM transactions, debit card swiped in shops, etc.

Conclusion:

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Rio, Brazil, 1992).

Our Indian economy based on banks and financial institutions. India's banking sector will soon reach full sustainability as it moves toward an aggressive stage of sustainability. The majority of Indian banks have not yet implemented green practices, despite their growing popularity. If all Indian banks provide their clients green services, banking sustainability may be attained. There is a need to create awareness of green banking in today's business world of innovative technologies as to make our environmental friendly. Therefore Indian banks have to take some initiative to upgrade by banks and financial institutions. Green practices can save energy, fuel, water, time as well as cost; it reduces the carbon footprint from their banking services. It is one of the anytime anywhere banking system. It is the responsibility of bank to protect the environment, as they are the financial intermediaries and channel for the future economic growth.

A conceptual model that illustrates the relationship between green banking initiatives and consumer perceptions of sustainability was developed based on the literature study. To examine the gathered primary response data, statistical techniques are applied. The first step in the analysis is creating the measurement scale, which takes into account everything that the research is measuring. The scale's convergent and discriminant validity as well as the measurement model's reliability are examined. According to the study, the RBI must provide all banks with explicit guidelines requiring them to participate in "green banking" programs. Additionally, the RBI ought to establish support centers where consumers can learn about green efforts and how they benefit society at large, as well as obtain answers to their inquiries regarding these items.

Promotion of green banking is a win-win situation of our country. It promotes banks, industries at the society pathway for environmental development at par with economic growth and “Going Green”. Reducing paper work means less cutting of trees. So we are protecting the environment and conserve the natural resource.

Steps to responsible financing: initiate, innovate, and inspire. – CA Vikraman

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