

Customer's Awareness on Green Banking Initiatives



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In today's world of increasing awareness regarding sustainable development, green banking becomes a supreme issue. The main economic agent influencing industrial activity and economic growth is the financial institutions i.e., banking sector. This study is designed to analyze the customer's awareness of green banking initiatives in the Indian market. Some of the relevant factors which are undertaken are Environmental Protection, E- Banking, Paperless banking, Use of renewable resources, Sustainable banking, Corporate Social Responsibility, etc. to evaluate the level of customer's awareness on green banking initiatives. After collection of data through a survey, this study has been analyzed using a pilot study, frequency table, cross-tabulation, chi-square test, factor analysis, and rank analysis technique to find out the significance of individual factors as stated above.

The finding reveals that 24.5% of the respondents agree that Green Banking promotes environmental protection. 9% of the respondents feel that Green Banking is similar to E-Banking, 22.8% of the respondents' feet it is paperless banking. 6.8% of them feel that it is related to the use of renewable resources. The data also reveals that the majority of the customers prefer to adopt paperless banking in the Kolkata area. The overall findings of this study provide implications for bank managers and bankers of different banks of Kolkata.

Keywords : *Customer's awareness, environmental protection, e-banking, paperless banking, renewable resources, sustainable banking, corporate social responsibility.*

Introduction

Finance is the lifeblood of business. Every business firms directly or indirectly depend on the financial institution for their fund. The banking sector is the major lending agent that affects entire industrial activity as well as the economic development of our whole nation. Nowadays, banks have taken initiative in environmental protection by investing in environmentally and socially responsible projects that save costs and minimize risk. These initiatives help banks to serve both commercial objectives and also their social responsibility.

India is one of the fastest-growing countries in terms of the emission of greenhouse gases. Among the major cities in India, i.e., Delhi, Mumbai, and Chennai are there in the top ten most polluted cities in the world. So in order to highlight the role of banks in corporate social responsibility RBI circulated a notice on 20th December 2007 for all scheduled commercial banks with the title "CSR - sustainable development and non-financial reporting".

Apart from reducing risks, green banking also opens new ways for marketing different products and services. By this process, banks will be able to satisfy both the commercial objective of the bank and also its social responsibilities. Indian commercial banks are implementing green banking technology for the purpose of rendering timely and valuable services to the banking beneficiaries. It also renders valuable innovative services to the banking beneficiaries. The innovative services rendering are core banking, re-engineering and revise engineering scheme which increases the efficiency of the bank.

The main reason for green banking is that it reduces electricity consumption and electricity prices of the firm. Increase in the demand for eco-friendly products. It protects the environment from the side effects of pollution.

Literature review

Indian Banks Association (IBA, 2014) defines green banking as "like a normal bank, which considers all the

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social and environmental/ecological factors with an aim to protect the environment and conserve natural resources". Through this, the bank will act like a normal bank controlled by the same authority, but its operational activities are somewhat different attributing an additional agenda of sustaining environment. Therefore, it is associated to the notion of sustainable banking and sustainable banking management.

Environmental impact might affect the element of assets and also the rate of return from banks in the long-run. Thus, the banks should go green and play a proactive role by taking environmental and ecological aspects as part of their lending principles; which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems (Sekaran, 2010).

Green banking dodges as much paperwork as possible and relies on electronic transactions for processing so that we get green credit cards and green mortgages. Less paperwork means less cutting of trees (Singh & Singh, 2012). Green banking is also called ethical banking or a sustainable banking which are controlled by the same authorities but with an additional agenda of taking care the earth's environment (Jha&Bhome, 2013; Karunakaran, 2014; Nath et al., 2014; Singh & Singh, 2012).

Although banking is never considered a polluting industry, the present scale of banking operations have considerably increased the carbon footprint of banks due to their massive use of energy (e.g., lightning, air conditioning, electronic/electrical equipments, IT, etc), high paper wastage, lack of green buildings etc. Therefore, banks are suggested to adopt technology, process and products in which would result in substantial reduction of their carbon footprints as well as develop a sustainable business (Bhardwaj and Malhotra, 2013).

A study on socially responsible banking in India elucidated that green banking starts with the aim of protecting the environment; whereby before granting a loan, the banks consider whether the project is environment friendly and has any implication for the future. A company will be given a loan only when all the environmental safety standards are adhered to (Bihari, 2011).

Khondokar Morshed Millat, Rubayat Chowdhury and Edward Apurba Singha (2012) focused on the definition of green bank as an ethical, sustainable as well as socially responsible bank that depends on a unit or a group of a team that defines not only more than a

banker, but also an environmentalist like all-rounder in a game. He also appreciated the budget at the inception of Green Banking of banks for the year 2012 and green finance through Environmental Risk Rating (EnvRR).

Ahmed, Zayed and Harun (2013) explained the green banking as a multi-stockholders' endeavor and elucidated that the green banking is the outcome of RIO+20 summits where the different nation raised their voice over environmental safety. And from factor analysis, they identified the six influencers affecting green banking that are economy, policy, demand, pressure, environment and legal factors that have a combined variance about 65.25% of green banking decisions.

Research gap

Previous research has established some concepts regarding green banking issues but not enough is known regarding the customer's awareness of green banking initiatives in Indian context. However, through this study, we like to establish whether above-stated factors do have an effect on the awareness level of customers regarding green banking initiatives in Kolkata.

Objectives of the study

The objective of this research paper is to know the awareness level of the customers with respect to Green Banking initiatives undertaken by the different branches of State Bank of India in Kolkata chapter.

Research methodology

In this study, descriptive research design has been implemented. This type of research design is undertaken to describe the characteristics of the variables.

Pilot study: Before executing the project a pilot study has been done with the help of a pre-designed questionnaire. By this process, we have tried to judge the feasibility and scope of the project.

Data Collection: To conduct this study, primary data were collected through pre-tested structured questionnaires which were given to the customers of different branches of State Bank of India and their responses are recorded for further analysis. Secondary data was also used and collected from various published reports of Reserve Bank of India, other public and private sector banks, reputed journals, etc.

Sampling: 175 customers of different branches of State Bank of India in Kolkata are interviewed for the collection of data. Convenience sampling technique has been used for data collection purpose. Data was collected from 17th May, 2019 to 31st July, 2019.

Statistical package: SPSS software has been used for the analysis of the data. Frequency table, cross-tabulation, chi-square test, factor analysis, and rank analysis technique has also been used for data analysis purpose.

Data analysis

Frequency Distribution: Demographic profile of the customers has been judged on the basis of age, gender, educational qualification, occupation, annual income and period of relationship with the bank.

(a) Period of relationship with State Bank of India:

Number of Years	No. of Respondents	%
Less than 1 year	5	2.857143
1 year to 5 years	33	18.85714
5 years to 10 years	39	22.28571
10 years to 15 years	10	5.714286
15 years to 20 years	5	2.857143
Above 20 years	8	4.571429
Total	175	100

It is clear that 39% of the customers are maintaining the relationship with SBI for 5 to 10 years. Next, 33% of the customers have a relation with SBI for 1 year to 5 years.

(b) Opinion about E-Banking:

Customers' Opinion	No. of Respondents	%
Environmental Protection	43	24.57142857
Similar to E- Banking	16	9.142857143
Paperless Banking	40	22.85714286
Use of renewable resources	12	6.857142857
All	64	36.57142857

From the chart, it is clear that 24.5% of the respondents say that Green Banking promotes environmental protection, 9% feel that Green Banking is similar to E-Banking, 22.8% feel that it is paperless banking, 6.8% of them feel that it is related to the use of renewable resources and remaining 36.5% feel that it covers all the above options.

Factor Analysis: Rotated Component Matrix shows the correlation of each variable with other factors from the contribution of variables. The correlations possible values range from +1 to -1.

Sl. No.	Particulars	Components			
		1.00	2.00	3.00	4.00
1	RBI should encourages other banks to promote Green Banking activities more and more	0.68			
2	Banks should take initiative to build consciousness among the customers about Green Banking	0.69			
3	Green Banking models should be adopted for sustainable banking	0.75			
4	Green Banking initiative includes plantation of trees, building and maintenance of Eco parks etc. by the banks		0.61		
5	Banks should shift its motive from profit making organization to environment benevolent organization.		0.64		
6	Banks should take initiative to reward the customers who carry out their transaction in an eco-friendly manner		0.79		
7	"Going Green" should be the buzz word for all banks in future			0.68	
8	Banks should conduct Green Banking audit to the financed project			0.61	
9	Green Banking should be Corporate Social Responsibility of every bank				0.72
10	Green Banking opens a market for product differentiation				0.6

Table 3.0 – Rotated Component Matrix

In Table 3.0 all the items that are loaded are reduced into 4 significant factors. These factors can be explained by arranging the variables from the questionnaire, into 4 groups based on the highest Component Matrix loadings per statement. Factors are as follows:

Factor 1: Variables 1 to 3 of Table 3.0 suggests that Green banking cell must be framed by every bank and it must take measures to formulate policies for Green banking and implement the green strategic plan.

Factor 2: Banks should promote Green Banking activities seriously in order to implement environment-friendly practices and reduce the carbon footprint from banking activities. Factor 3: Green Banking should be included in the curriculum of most of the banks. Banks should conduct Green Banking audit to the financed project and award loans to its customers only when environmental safety standards are followed. Reserve Bank of India should make it mandatory for every bank to disclose its Green Banking activities in an annual report.

Factor 4: Corporate Social Responsibility (CSR) is a process where generally banks contribute ethically to economic development. Among various CSR banking activities, Green Banking is a newly emerging one. Identification of the factor as CSR strategy is carried out from variables mentioned in Table 3.0 particulars 9 to 10.

Rank Analysis: Rank is allotted to different variables by calculating frequency and means scores of the responses collected. Rank 1 is given to highest score and proceeded accordingly. In order to know the satisfaction level of Green Banking applicants and to understand the most preferred way of implementing Green banking rank analysis has been carried out.

Sl.No.	Particulars	No. of Users	Rank
1	ATM	78	1
2	Electronic Banking	45	2
3	Mobile Banking	27	3
4	Green Kiosk	16	4
5	Green Card	9	5

Table 4.0 : Rank Analysis of various Green Banking applications

From above Table, it can be concluded that majority of customers use ATM card and E-Banking and mobile banking rank 2nd and 3rd position respectively. Green banking products possess a lower rank on the list.

BEST WAY TO IMPLEMENT GREEN BANKING

Sl. No.	Particulars	Score	Rank
1	Paperless banking	75	1
2	Energy Consumption - Example - Use of solar panel	40	2
3	Green Banking financial products, such as Green loan	29	3
4	Use of common transport for the officials posted at one office	22	4
5	Green Building	9	5

From Table 5.0 it is clearly understood that the majority of the customers prefer to adopt paperless banking. Use of solar panel is one of the energy consumption methods and it gets the second rank. Introducing Green Banking financial products such as green loan gets third preference. As many numbers of office staff can use common transport at a time to save fuel consumption get second preference. Finally, the last preference is given to the green building.

Findings and implications

- (1) There is a lack of awareness among banking users about green banking. It is the duty of the bank to create awareness among the customers about the benefits of green banking;
- (2) Strategies should be framed and followed to popularize Electronic Banking and mobile banking among users. The training program should be organized by banks to educate and guide customers on how to carry out transactions in an eco-friendly manner;
- (3) For further development customers feedback is valuable. Banks should give focus on this area;
- (4) Last but not the least green banking has to be included in the curriculum or an activity in school or college level study;

Conclusion

The result of this study shows that promoting environment friendly practices and reducing carbon

footprint from banking activities is an important area to uphold in recent area. It involves use of E-Banking, mobile banking, green kiosk, E-statement, online transaction, green loans, ATM etc. But introduction of various green banking products are useless without proper utilization in a proper way. Green banking has become Corporate Social Responsibility (CSR) of every bank. Indian banks have already taken several initiatives to popularize green banking but when compared globally, they are lagging behind. Banks should continuously work on improving and introducing several green banking products. In order to enhance green banking activities banks should acquire support of government, NGOs, business organization and the customers.

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