



Customers' Awareness, Inception And Adoption of Green Banking

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Abstract

Numerous banks have begun to take action to preserve the environment in recent years. They have started concentrating on creating more and more green products, and there are already many in use, including green cards, green loans, paperless banking, etc. Although green banking efforts or products may not be the main factor in a client's decision to choose a specific bank, they do help to persuade a consumer to choose that bank. In order to protect the environment, banks must play a part, just like any other company. For the sake of society and a healthier, happier future, banks are currently educating their clientele about the importance of protecting the environment and developing financial solutions that are environmentally friendly. In terms of emissions and pollutions, the banking industry is typically seen as being environmentally favorable. The banking industry has very small and clean internal environmental impacts related to the usage of water, energy, and paper. The banks are making an effort to encourage green industry growth and, as a result, help the environment recover. The clients, banks, industries, and economy will all profit from this idea of green banking. This shift towards green banking is poised to grant customers broader access to deposit and loan products via online and mobile banking channels. By adopting environmentally sustainable practices, financial institutions can streamline operations and bolster efficiency, facilitating an expanded array of banking services through digital



platforms. This transition not only enhances customer convenience but also advances the overarching objective of promoting eco-friendly initiatives and curtailing carbon footprints within the banking sector. Better CD, money market, and savings account deposit rates are also a result. The participation and outreach from the individual banks to their customers is another significant feature of green banking.

Keywords: Green banking, Sustainable development, green banking products and services, online banking

Introduction

"Green Bank is like a normal bank, which considers all the social and environmental/ecological factors with an aim to protect the environment and conserve natural resources," according to Indian Banks Association (IBA, 2014). Frequently labeled as sustainable or ethical banks, these institutions prioritize environmental responsibility and ethical practices in their operations.. These institutions are committed to conducting financial operations while also safeguarding the environment, ecology, and natural resources of the planet, including biodiversity. The main justifications for turning green are:

- Energy prices and use are both on the rise.
- Consumers' growing demand for products and services that are ecologically friendly
- Public expectations of Ban's environmental duties are rising
- The introduction of stringent regulatory requirements.



Green banking advocates for environmentally responsible practices, aiming to diminish the carbon footprint of banking operations through diverse strategies. These encompass transitioning from traditional branch banking to internet banking, opting for online bill payments instead of mail, and selecting online banks for CD and money market accounts. Additionally, green banking emphasizes the identification of opportunities that serve clients' interests while concurrently crafting market-based solutions to tackle environmental challenges such as climate change, deforestation, air quality degradation, and biodiversity loss.

The idea of "green banking" or "green initiatives" adopted by banks involves developing new technologies, streamlining current processes, and altering customer behavior. It entails encouraging eco-friendly behaviors and lowering the carbon footprint of financial operations. Green banking is not just a company's Corporate Social Responsibility (CSR) (Narwal, 2007) initiative; it also aims to make society more livable while causing little harm. The principles of sustainability, moral lending, conservation, and energy efficiency are all part of what banking professionals refer to as "green banking." This manifests in various ways:

- Increasing Utilize internet banking and utilize branch banking less
- Making payments online rather than using emails
- Opening bank accounts online as opposed to using massive, multi-branch banks
- Locating a nearby community bank that promotes a local green initiative



The concept of "green banking" offers benefits to businesses, banks, industries, and the overall economy. By moving towards green banking, more deposit and loan products will be accessible to customers via online and mobile banking. Additionally, it results in reduced interest rates for green mortgages and better deposit rates for green savings and bank accounts. The use of green banking services by banks results in paperless transactions, energy savings, etc. By using Green Mortgages responsibly, the banks hope to encourage the development of environmentally friendly enterprises. Green banking is crucial for the economy as a whole since it lowers reputational, legal, and credit risks.

Review of literature

Annadurai, AR (2014), in their study titled "Effectiveness of Green Banking Technology of Commercial Banks in India," emphasized the growth of green banking in the Indian banking sector. The paper outlined various green products and services banks can offer to customers and listed green banking initiatives undertaken by commercial banks in India. The author concluded by advocating for government policy guidelines and financial incentives to promote green banking initiatives.

Mehar, Laxmi (2014) examined the concept of green banking and its evolution in India. The author discussed green banking approaches adopted by Indian banks, highlighting benefits for the environment and customers. Finally, steps to raise awareness about green banking among customers and bank employees were addressed.

Nagpal, Sonika (2014), in their study titled "Green Banking Strategies and Initiatives in India: A Conceptual Framework," emphasized the benefits of green strategies in the banking



industry. The study also discussed RBI guidelines and the compliance of commercial banks, concluding with implications for bankers and policymakers to enhance the effective implementation of green banking practices.

Ruchi (2014) explored various dimensions of green banking in their study titled "Green Banking: A Case Study of IndusInd Bank." The paper provided insights into the green banking scenario in the Indian banking industry, focusing on the case study of IndusInd Bank.

Meena, Ravi (2013) aimed to raise awareness among target groups about sustainable development through green banking in their research paper. The author enumerated effective methods and benefits of green banking while suggesting ways for banks to encourage green banking activities.

Statement of the problem

As environmental awareness grows in the market, many companies are adopting innovative strategies to embrace sustainability. The banking industry plays a crucial role in promoting environmentally sustainable and socially responsible investments, bridging economic development with environmental conservation through "green banking." By financing projects utilizing green technology to minimize pollution and external carbon emissions, banks actively contribute to environmental preservation. This approach not only proves highly practical but also aligns with environmental stewardship, ensuring a livable world for future generations.



Objectives

- Explore the concept of green banking.
- Assess customer awareness regarding green banking practices.
- Analyze factors influencing customer adoption of green banking.
- Identify challenges customers encounter when utilizing green banking services.

Importance of the study

Green banking is a significant step in the direction of environmental sustainability, which is a current relevant concern. Therefore, it is necessary to research the green banking initiatives implemented by the banks. The changing nature of consumer behavior warrants ongoing research. A rise in altering preferences is a result of rising awareness, living standards, and urbanization. The manner that consumers use and respond to the services that are provided has fundamentally changed from traditional to modern. A chance to stand out in the market is technological innovation in banking services. In order to efficiently meet today's basic financial needs, banking automation services are essential.

Research methodology

- Sample size: Limited to 100 respondents.
- Data collection: Utilized both primary (structured questionnaire) and secondary (journals, websites) sources.



- Sampling technique: Employed non-random convenience sampling design for sample selection from the total population.

Green banking's impact on sustainable growth

By providing education to achieve sustainable development through communication, green banking could raise awareness. The initial step would be to identify the target audiences and communication channels. Internal and external sub-systems can be created from the entire system. In order to raise awareness of internal subsystems (Page and Jones, 1989), banks should target managers and other employees through weekly online broadcasts of green news, clearing programs, high-level meetings, bank's newsletters, publications, etc. Websites, capacity building, road shows, events meetings, benchmarking, media, etc. could be used effectively to target clients, subsidiaries, and the general public for external subsystems (Choi, 1994).

Green banking products and services

- **Green Mortgages**

This service enables individual customers to access lower interest rates on green loans compared to market rates, provided they are purchasing new energy-efficient homes. Additionally, it allows them to invest in energy-efficient appliances.

- **Green Home Equity Loans**

Reduced-rate home equity loans, often known as second mortgages, can incentivize households to install residential renewable energy technologies, whether for power or thermal



purposes.

Green Commercial Building Loans

Based on the study findings, it's evident that green banking initiatives such as solar ATMs, banking environmental policies, and green loans are not well-known among customers. However, there's a growing recognition that environmental protection is a responsibility shared by all citizens. Notably, attractive loan structures are emerging for green commercial buildings, which are designed to have lower energy consumption, reduced waste, and less pollution compared to traditional buildings.

Green Car Loans

Many green car loans, offered at below-market interest rates, incentivize the purchase of vehicles with high fuel efficiency.

Green Cards

A wide range of green products encompasses debit and credit cards associated with environmental initiatives. These green cards, provided by major credit card companies, pledge to donate approximately one-half percent of every purchase, balance transfer, or cash advance made by the cardholder to non-governmental organizations.

- **Green Deposits:**

Banks incentivize customers to conduct their banking activities online by offering higher interest rates on commercial deposits, money market accounts, checking accounts, and savings accounts.

- **Green Reward Checking Accounts:** Reward checking accounts, a bank product, offer bonuses to customers who adopt environmentally friendly practices. By utilizing



more online banking services such as online bill payment, debit cards, and online statements, this account contributes to environmental conservation. Customers can earn higher checking account rates by fulfilling monthly requirements, such as receiving electronic statements, paying bills online, or using a debit or check card. This product promotes both higher rates and an eco-friendly lifestyle.

• **Green Credit Cards**

Green credit cards play a significant role in reducing the personal carbon footprint of each client. Launched primarily to promote the use of plastic money (debit and credit cards) over currency notes, they enable cardholders to earn rewards/points that can be redeemed for contributions to eco-friendly charitable organizations. These cards provide consumers with a compelling incentive to use them for their significant purchases, thereby encouraging environmentally responsible spending.

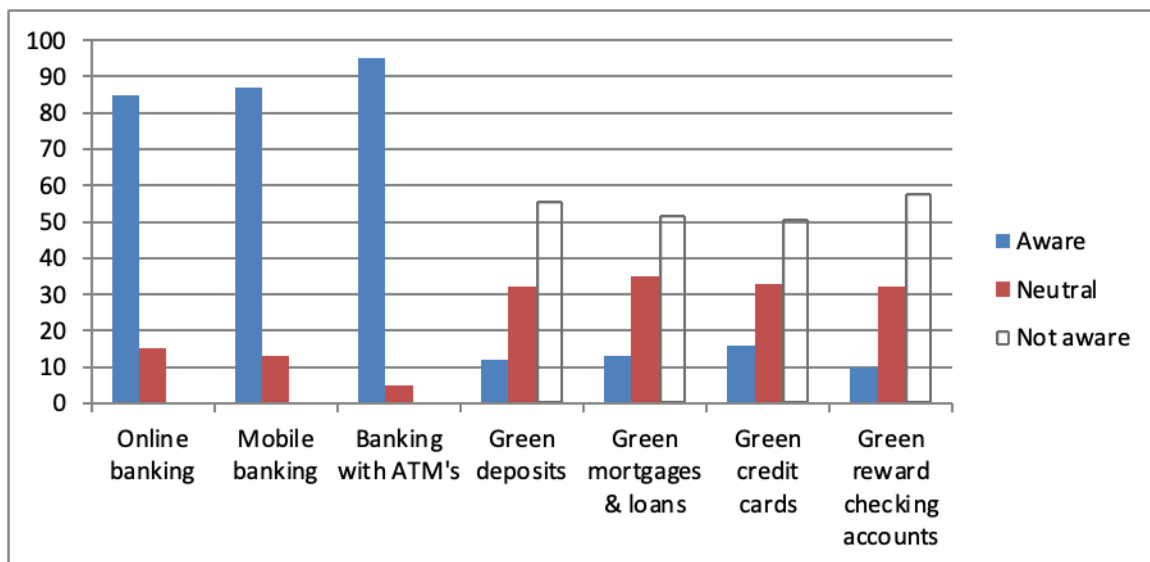
Data analysis and interpretation

Table 1- Awareness of different green banking products and services

Particulars	Number of respondents			Percentage (%)		
	Aware	Neutral	Not aware	Aware	Neutral	Not aware
Online banking	85	15	0	85	15	0
Mobile banking	87	13	0	87	13	0

Banking through ATM's	95	5	0	95	5	0
Green deposits	12	32	56	12	32	56
Green mortgages & loans	13	35	52	13	35	52
Green credit cards	16	33	51	16	33	51
Green reward checking accounts	10	32	58	10	32	58

Figure 1-Awareness of respondents towards green banking products and services



From the above table it is evident that customers are showing a good degree of awareness level regarding green banking initiatives like online banking, mobile banking and banking with ATM's. But most of the respondents are of the opinion that they are least aware of the

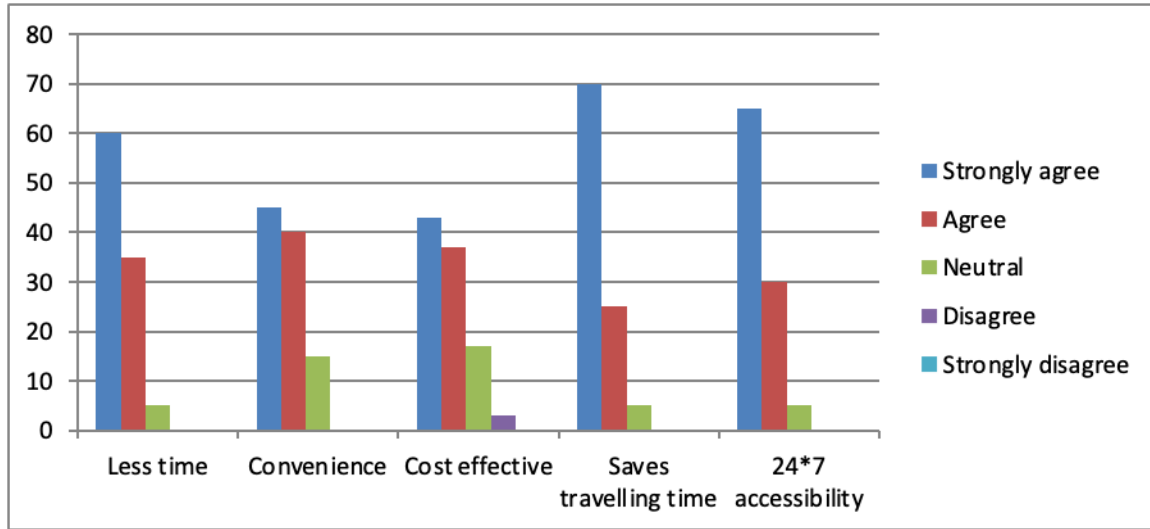
modern green banking initiatives like green deposits, green mortgages & loans, green credit cards and green reward checking accounts.

Table 2-Classification on the basis of factors influencing the use of green banking services

Particulars	Percentage (%)				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Less time	60	35	5	0	0
Convenience	45	40	15	0	0
Cost effective	43	37	17	3	0
Saves travelling time	70	25	5	0	0
24*7 accessibility	65	30	5	0	0

Source: Primary data

Figure 2- Factors influencing the use of green banking service by respondents



INTERPRETATION

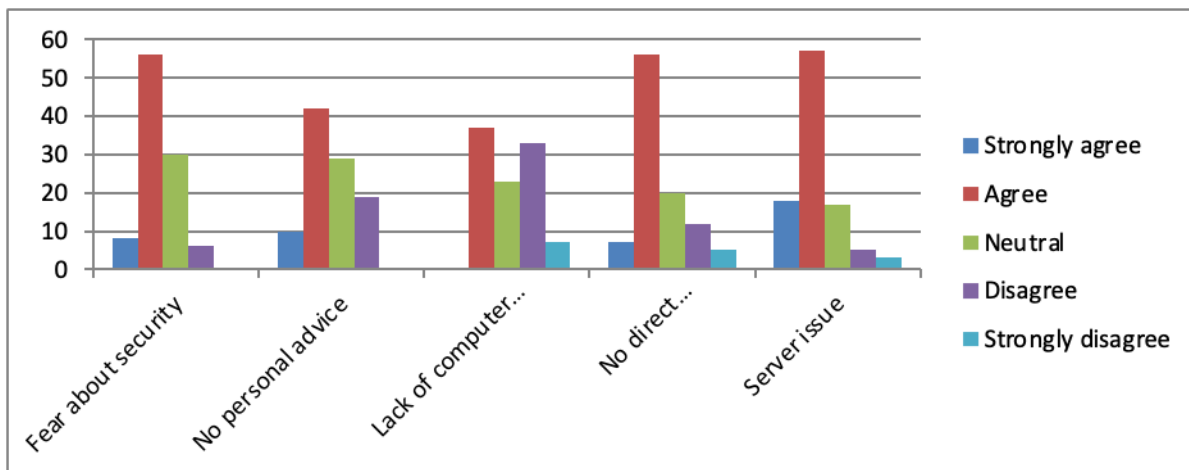
From the above figure, it is clear that among the various factors which influences the use of green banking services 60 per cent respondents answered that they adopted green banking services due to time saving factor, 45 per cent of respondents adopt green banking due to convenience, 43 per cent respondents adopts green banking because of cost effectiveness, 70 per cent respondents adopts green banking to save travelling time and 65 per cent respondents adopts green banking services due to 24*7 accessibility. Thus, it can be interpreted that majority of respondents adopts green banking services due to factors such as accessibility, cost effectiveness and saves travelling time.

Table 3-Problems faced while using green banking services

Particulars	Percentage (%)				
	Strongly	Agree	Neutral	Disagree	Strongly

	agree				disagree
Fear about security	8	56	30	6	0
No personal advice	10	42	29	19	0
Lack of computer knowledge	0	37	23	33	7
No direct communication	7	56	20	12	5
Server issue	18	57	17	5	3

Figure3-Problems faced by respondents while using green banking services



From the above graph, it can be seen that, out of 56 per cent respondents answered that they have a fear of security of their personal information and they think that the information can get leaked and somebody can misuse it. 42 per cent respondents answered that while they are using green banking facilities, they face problems related to the personal advice that is



required when they are conducting the banking transactions. Further 37 per cent respondents said that green banking services are technology oriented it requires them to have the computerized knowledge and since they lack the knowledge of computer it becomes difficult for them to carry out activities. 56 per cent of the respondents said that they face difficulty due to the lack of direct communication. 57 per cent respondents answered that they face difficulty due to server issue of the banks. Thus, it can be interpreted that banks need to work more so as to offer the services which are easily accessible by their customers

Findings

- Approximately 63% of respondents are aware of the green banking services offered by their bank.
- Respondents demonstrate a high level of awareness regarding conventional green banking initiatives such as online banking, mobile banking, and ATM usage.
- However, modern green banking initiatives like green deposits, green mortgages & loans, green credit cards, and green reward checking accounts are less familiar to most respondents.
- The majority of respondents opt for green banking services due to factors such as accessibility and cost-effectiveness.
- Common problems faced by respondents include concerns about the security of their personal data, server issues with banks, and difficulties arising from inadequate communication.



Suggestions

Banks started the green banking movement to encourage eco-friendly behavior on their property and to lessen the carbon footprints left by their various banking operations. The following ideas are offered to help raise awareness of green banking among the public:

- Customers should be informed about Green Banking and the advantages it offers by their banks.
- By guaranteeing their security, they should encourage clients to complete their banking-related tasks online.
- Customers that use Green Banking services from banks should be given incentives.
- The banks should host seminars, conferences, and open forums to educate the public on green banking practices and how to use them effectively.
- The banks should provide financial education classes for those who live in remote places and assist them in order to reach them.

Conclusion

Any country's lifeline and most important industry is banking. The banking industry's structure has altered as a result of the world becoming a global marketplace. The banking business is now experiencing fierce competition, which forced banks to open as many



branches as they could in order to draw in more and more clients. But as technology and hi-tech spread around the world, it has been seen that man has turned into an environmental saboteur. Consequently, the idea of "going green" has gained popularity because it is an environmentally benign strategy that will assist cut down on carbon emissions. As a result, the technology will greatly benefit the human population while simultaneously saving the environment. As a result, the study was carried out with the intention of learning more about the idea of green banking and the justification for using its services. The primary objective of the study was to learn more about public perceptions of green banking.

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