

# Customers' Perception Towards Green Banking in India-An Empirical Study

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## **ABSTRACT**

Sustainable development goals and climate change mitigations are now prominent issues to save our planet from unnatural industrial development and human interventions. Corporate reporting and Sustainability issues are discussed worldwide in divergent segments and industries. The urge of Environmental protection has been accepted as one of the burning issues in around the world today, India is not an exception. It is urged to all the business organizations along with financial services to apply eco-friendly "Green" initiatives in their business activities. The banking industry sector can be proactive to support the green banking concept. The term 'Green Banking' indicates practices that make banks more economically sustainable, entailing environment, and social dimensions. It aims to make banking transactions highly green and eco-friendly to achieve perpetual sustainability. Global expansion of Indian banking is remarkable, and the Indian banking network is placed as the biggest banking. The paramount banking services are possible with insignificant or minor bearing on the atmosphere and involving the customers in it at every stage. Green banking has encouraged various banks to go for computerized or paper free banking and use technology to reduce impact on the environment. The perception of customers and their satisfaction is another vital factor that must be taken into consideration before investment and the implementation of such green services. This paper focuses on green banking initiatives, environment perspective of green banking. It analyses the factors influencing customers, green banking product's usages and the merits of green banking practices. The motive of this research paper is intended to study the status of green banking practices in India, and to identify the consumers' perception towards green banking with an empirical study in Hassan district. And find out what motivates customers to prefer Green Banking services.

**Keywords:** Green banking in India, Consumer awareness, Online banking, E-transactions

## **1. INTRODUCTION**

Green banking is a procedure practiced by the banks to make the earth environmentally pacifying and safely livable for all the species on the earth. A green bank considers all the social and environmental/ecological factors in its normal banking operations with an additional agenda towards taking care of the earth's environment. Green banking includes the principles of conservation, ethical investing, energy efficiency and sustainability to safeguard the environment and natural resources. Green banking avoids paperwork to the optimum level and focuses on electronic transactions like use of ATM, mobile banking, online banking etc..... for various banking transactions by the customers. An electronic transaction not only aids towards sustainability but also provides convenience to the customers as well as to the banks.

Through different measures at the organizational, national, and international levels, the banking sector globally has responded to environmental concerns. Some banks have not only developed their own policies but also driven themselves to be purely environmentally and socially responsible banking institutions. Green banking is an eco-friendly financing. Banks' concern about environment well-being while financing businesses is considered as green banking. To obtain a sustainable positive impact from business, green banking is required. Successful green business establishment is crucial, because the businesses are the driver of the economy and sustainable business can influence the sustainability of the economy.

### **OBJECTIVES OF STUDY**

The primary objective of this study was to observe the various factors affecting the perception of consumers towards green banking practices. The secondary objectives are as follows-

1. To study the various initiatives taken by SBI under green banking approaches.
2. To assess the awareness level of customers regarding green banking services offered by SBI in Hassan district.

### **2. GREEN BANKING**

Green banking is a type of banking that provides sustainable money management services. Green banks are mission-driven institutions that use innovative financing to quicken the transition to fight climate change and to clean energy. It could create awareness by imparting education to attain sustainable development through communication. It can provide these sustainable financial services by using green finance to promote sustainability.

According to RBI(IDRTB,2013), green banking is to make internal bank processes, physical infrastructure and Information Technology effective towards environment by reducing its negative impact on the environment to the minimum level.

According to the Institute of Development and Research in Banking Technology, "Green banking is an umbrella term referring to practices and guidelines that make banks sustainable in environment, economical, and social dimensions. It helps to make use of IT and physical infrastructure as efficient and effective as possible, with zero or minimal impact on the environment".

### **3. BENEFITS OF GREEN BANKING**

- The principal benefits of the green banking approach are the protection of environment and natural resources.
- Green banking avoids paperwork to the optimum level and focuses on electronic transactions like use of ATM, Mobile banking, online banking etc., for various banking transactions by the customers.
- It can also be immensely beneficial for taking loans since most banks will offer a reduced interest rate for "green loans" taken for clean energy initiatives. When applied on a large scale, it's a concept that can make a tremendous effort into conserving our delicate ecosystem and promoting better corporate practices.
- Going paperless and shifting more processes online can save thousands of trees from being cut down.
- Making internal energy-efficient changes at a bank, which could have hundreds of branches across the country, would have a massive impact on the amount of energy being consumed by the banking

process.

#### 4. GREEN BANKING PRODUCTS AND SERVICES

- a. **Green Deposits:** It refers to the deposits made through online banking channel. It is an innovative type of bank deposit designed for people who want their money to support environmental and sustainable projects. Banks can offer higher rates on CDs, money market accounts, checking accounts and saving accounts.
- b. **Green Mortgages and loans:** Mortgages and loans offered for energy efficient business are known as green mortgages and loans. The green mortgage is a type of debt given to the customers for making their homes eco-friendlier and energy efficient. The Banks offer a green mortgage and loans with better rates or terms for environmentally safe houses. The Ministry of Non-renewable Resource in association undertook an initiative with some nationalized and scheduled banks to go green by paying low-interest loans to the customers who would like to construct houses or buildings with energy efficient designs and would like to install gadgets that are environmentally safe like solar equipment, energy-efficient windows, geo-thermal heating or water heaters. The savings in monthly energy bills can offset the higher monthly mortgage payments and save money in the long run.
- c. **Green Credit Cards:** It is the world's first nation-wide initiative that uses a credit card platform to provide various economic rewards for eco-friendly behaviors. A green credit card is just like a normal credit card with the only differences that the rewards or points earned by green cardholders can be redeemed for contributions to eco-friendly charitable organizations.
- d. **Banking through ATMs:** ATMs are becoming more powerful than before, and banks are consciously driving their usages with the concept of branchless banking. ATMs have many uses, depending on the services of the ATM. The Most common uses are check deposits, cash deposits, balance enquiries and cash withdrawals. An ATM helps customers accomplish multitude value-added transaction services like utility payments, credit card payments, pre-paid mobile recharge, tax payments and much more.
- e. **Mobile Banking:** Mobile banking is the most widely used green banking services of the banking industry. It is the act of making financial transactions on a mobile device that includes smartphones, tablets etc..... This product allows the customers to check balances, transfer funds, timely payments of bills and loan EMIs and various other financial services from mobile phones. It saves energy and time and helps to reduce massive use of energy and paper in the bank. In India most of the banks have introduced this paper-less facility.
- f. **Net Banking:** Net banking is like mobile banking. It is a digital method to conduct banking transactions by the means of the internet. In this service, the customers can obtain the various banking services through the internet. The account holder needs to have only login account and user password. Net banking helps in saving time and reducing paperwork and energy.
- g. **E-Investment Services:** Another step towards green banking is promoting e-investment services. These services are basically concerned with providing online platforms for investors and traders for indulging in investments. This helps in saving time, energy and paper. Through online platforms, banks allow their customers to provide all the necessary information for investments.
- h. **Online Banking:** This banking service helps in additional conservation of energy and natural resources. Online banking facilities include remote deposit, paying bills online, online e-statements and online fund transfers.

## 5. GREEN BANKING INITIATIVES TAKEN BY STATE BANK OF INDIA (SBI)

India's largest public sector bank, State Bank of India (SBI) was established in 1995. During the beginning of the year 2007, SBI formulated a green banking policy to provide solutions to the issue of climate change and global warming. Since then, the bank has been endeavoring to reduce carbon footprint in all its activities and establishments. SBI has adopted many green banking initiatives to support eco-friendly approaches like Online transactions, Green ATMs, Green cards, Solar ATMs, and various eco-friendly projects with other agencies.

The important green banking initiatives taken by SBI are as follows-

1. SBI Green Fund aims to promote activities which directly contribute to sustainability such as plantation of trees, construction of bio-toilets, providing solar lights/lamps etc.
2. SBI has become the first bank in the country to venture into a generation of green power by installing windmills for captive use. As part of its green banking initiatives, has installed 10 windmills with an aggregate capacity of 15 MW in the states of Tamil Nadu, Gujarat and Maharashtra.
3. SBI started Green Channel Counter (GCC)' on 1<sup>st</sup> July,2010, at 57 pilot branches across the country, as an innovative step towards paperless 'Green Banking' for withdrawal, deposits and remittance transactions.
4. It has become a signatory to the Carbon Disclosure project in which they undertake various environmentally and socially sustainable initiatives through its branches spread across the length and breadth of the country.
5. Export Import Bank of India (EXIM) and SBI entered into an agreement to jointly provide long term loans up to 14 years to Spain based company Astonfield Renewable Resources and Grupo T-Solar Global SA for building solar plant in India.
6. Online money transfers between United States and India from branch banks.
7. Implementing policies aimed at achieving carbon neutrality.
8. Making a commitment that new buildings will adopt green building standards including utilizing natural lighting and recycled water.

## 6. REVIEW OF LITERATURE

**Professor Renu jathana,Mr Harishila Jain**, in their study they have discussed the prospective of customers on green banking especially in Rajasthan. It also measured the level of awareness regarding green banking services using the non-random convenience sampling technique with 160 respondents. The study contains both primary and secondary data/information. The outcome of the study says that the age group between 18 to 25 and 26 to 40 were highly aware about green banking services and the customers of SBI ICICI, Kotak Bank and Bank of Baroda had maximum awareness. Many of the customers use online and mobile banking and banking through ATMs.

**Shakkeela Cholasseri**, the study analyzes the concept of green banking system. Descriptive research is used in this study and have collected the information from secondary sources. The study encompasses on basic things of green marketing. SWOC analysis tells us strength, weakness, opportunities and challenges of green banking. The result of the studies says that if banks adopt green banking, they may get some benefits like time saving, reduction of cost in banking operation, working anytime and anywhere, along with these benefits face some challenges such as high cost, employee training, data protection etc.,

**Deepika**, studied the importance of online transactions rather than paperwork. Green banking strategies adopted by Indian banks and benefits of green banking in India. Concentrate more on concept and scope of green banking in India. This study also covered the recent development are made by Indian banks for sustainable development and challenges faced by banks in implementation. Green banking initiatives by various Indian Bank such as SBI, PNB, ICICI, Bank of Baroda, Kotak Mahindra Bank etc., challenges faced by the banks in providing and implementing green banking services to the customer. The result of the study says that Indian banks are for behind their counterparts from developed countries. If Indian banks desire to enter global market it is important that they recognize this environmental and social responsibilities. Green banking, if implemented sincerely, will act as an effective ex-ante deterrent for the polluting industries that give a pass by to the other industrial regulatory mechanisms. Therefore, for sustainable banking Indian banks adopt green banking as a business model without any further delay.

**Mohamed Bouteraa, Raja Rijal Iskandar Raja Hisham and Zairani Zainol, 2020**, this study has employed the qualitative method to explore the determining factors behind a bank customer's intent to adopt GB products and services. For this study, a focus group sampling technique was used to identify the appropriate informants. Accordingly, this researcher invited 10 bank professionals from different levels to participate in the semi-structured interview. The outcome of the study says that, due to the lack of information and lack of awareness, the bank clients do not have any basic idea about green banking's benefits.

**Dr. R. Janakiraman, Dr. S. Karthikeyan, 2016**, the study analyzes the green banking initiatives by various banks and this paper reviews the literature based on secondary data collected from various sources such as articles, research papers, annual reports, sustainability reports, and official banking websites.

## 7. RESEARCH METHODOLOGY

**Primary data:** The Primary data has been collected through a structured questionnaire method.

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

**Sampling method:** The sampling method adopted for the study is 'Non-Probability Convenience Sampling'.

**Sample size:** A sample size of the study is 100, to be collected from customers having accounts in SBI in Hassan district.

**Data collection method:** A structured questionnaire was circulated to 100 respondents, and 86 responses were collected. Out of 86, 80 were used to analyze and ignore the uncompleted responses.

**Statistical tools applied:** Frequency tables are applied to analyze the data and interpret the same to draw conclusion with respect to the objective set.

## 8. DATA ANALYSIS AND DISCUSSION

A bank employs number of green banking channels. This study focuses on understanding green banking from customers' points of view. For the study purpose most used green banking channel were selected like Online banking, Mobile banking, Banking through ATMs, Green credit cards, Green checking accounts, Green loans, Solar powered ATMs and Green CDs.

Data was collected from the respondents having diverse backgrounds in terms of age, occupation, educational qualifications. Out of total sample size of 100 respondents, questionnaire of only 80 respondents were found to be fully complete and accurate.



**Table 1: Sample Profile**

Variables	Categories	Frequency	% Of respondents
Gender	Male	43	54
	Female	37	46
Age	18-30 years	25	31
	31-45 years	26	33
	46-60 years	16	20
	61 and above	13	16
Occupation	Student	14	18
	Entrepreneur	22	27
	Employee	28	35
	Professional	11	14
	Other	05	06

**Inference:** From the above table 54% of the sample was composed by male respondents, whereas 46% of the sample was constituted by female respondents. 24% of the sample was represented by young customers lying in the age group of 18-30 years followed by 33% of the respondents lying in the age group of 31-45 years and so on. 24% of respondents were students whereas 33% of the respondents were entrepreneurs and so on.

**Table 2: Awareness level regarding green banking services with respect to the age groups**

Total respondents: 80		Awareness level regarding green banking	
Age group	Respondents	Aware	Not aware
18-30	25(31%)	23(92%)	02(08%)
31-45	26(33%)	20(77%)	06(23%)
46-60	16(20%)	12(75%)	04(25%)
61 and above	13(16%)	08(62%)	05(38%)
Total	80(100%)	63(79%)	17(21%)

**Inference:** Out of the total respondents’ major portion of the respondents i.e., 33%, fall under the age group of 31-45. But 92% of respondents under the age group of 18-30 are aware of green banking services, whereas respondents falling under the age group of 31-45 are having 77% awareness level. Respondents falling under the age group of 61 and above are not much aware about green banking services.

**Table 3: Awareness level of various green banking services**

Green Banking Services	Awareness level	
	Aware	Not aware
Online banking	48(60%)	32(40%)
Mobile banking	52(65%)	28(35%)
Banking through ATMs	71(89%)	09(11%)
Green credit cards	26(32%)	54(68%)
Green checking accounts	21(26%)	59(74%)
Green loans	18(23%)	62(77%)

Solar powered ATMs	13(16%)	67(84%)
Green CDs	33(41%)	47(59%)

**Inference:** Banking through ATMs is having maximum popularity i.e., 89% among respondents in various green banking services. After that Mobile banking came with an awareness level of 65% followed by Online banking with an awareness level of 60%.

**Table 4: Number of customers using Green Banking Services**

Green Banking Services	Number of customers		
	Aware	Using	Not using
Online banking	48	31(65%)	17(35%)
Mobile banking	52	37(71%)	15(29%)
Banking through ATMs	71	66(93%)	05(7%)
Green credit cards	26	04(15%)	22(85%)
Green checking accounts	21	09(43%)	12(57%)
Green loans	18	08(44%)	10(56%)
Solar powered ATMs	13	01(8%)	12(92%)
Green CDs	33	21(64%)	12(36%)

**Inference:** Out of customers who aware about green banking services, 65% uses online banking, 71% uses Mobile banking, 93% uses Banking through ATMs, and so on.

**Table5: Gender wise bifurcation of customers based on users of Green Banking Services**

Green Banking Services	Number of Customers		
	Users	Male	Female
Online banking	31	18(58%)	13(42%)
Mobile banking	37	21(57%)	16(43%)
Banking through ATMs	66	37(56%)	29(44%)
Green credit cards	04	03(75%)	01(25%)
Green checking accounts	09	04(44%)	05(56%)
Green loans	08	05(62%)	03(38%)
Solar powered ATMs	01	01(100%)	00(0%)
Green CDs	21	14(67%)	07(33%)

**Inference:** Out of the customers who are using green banking services, 58% of male respondents and 42% female respondents are using online banking, 57% of male respondents and 43% of female respondents are using mobile banking and so on.

## 9. FINDINGS

- Majority of the customers are not familiar with the concepts and mechanisms of green banking and its benefits for them.
- The customers are not willing to change to new products which are not yet eminent on the market, but they keep demanding the old, well-known, and successful products.
- 79% of the respondents are aware of green banking and 21% are unaware of green banking.

- As far as popularity of various green banking services are concerned, banking through ATMs service is having maximum popularity. After that Mobile banking come, followed by online banking.
- Majority of respondents are not aware of Solar Powered ATMs. Only 16% are aware of that.
- Some green products like green loans have too long a process because the customers' needs to go through many steps and must meet many conditions to provide the green complaint, and this makes the green banking unfavorable for the customers and unlikely to go green.

## 10. SUGGESTIONS:

- If the customers have enough information about the benefits of green banking, they definitely will switch to green.
- If we considered the overall awareness level of green banking services, only 16% of total customers are aware of the presence of solar powered ATMs, and out of which only 8% of customers are utilizing. So that the bank needs to introduce more solar powered ATMs which are beneficial to save energy and safe for the environment. And should encourage them to take benefits from it.
- The bank needs to improve their marketing and sales strategy and focus more on promoting green banking in a better innovative approach to attract the age group of 45 and above
- Comparatively the female customers are more unaware about green banking services. So that the bank needs to encourage them and should give guidance about the uses of green banking services.
- It is therefore vitally important for the bank to design informative and effective advertising movements about green banking.

## 11. CONCLUSION

In this Eco-conscious and environmentally friendly society the “Go Green” mantra permeates all spheres of life the banking sector too has adopted practices to reduce its carbon footprint. These initiatives range from banking operations to investments in companies involved in renewable and green technologies. There is a tidal wave of change as more banks align their investment decision-making with the triple bottom line, planet, people, profit. Among other industries banking companies create bridges between the deficit units and surplus units in an economy. Not just as an investment vehicle, banks also play a crucial role in an economy through payment systems and trade facilitation. In addition, banks contribute significantly to creating jobs by offering employment directly for themselves and through encouraging investments. To adopt green banking practices, it is imperative to shift towards addressing social challenges in addition to earning financial returns. Banks are currently undergoing a green transformation and green banking products will play a big role in this effort to operate more sustainably. But banks will need to ensure they warm customers up to the concept of green finance first.

## 12. LIMITATIONS

The outcomes of this study are summarized based on a small sample collected from 80 respondents and the most used green banking channels of SBI in Hassan district only. However, a large customer is using internet banking in India. Non-probability convenience sampling was used as per the convenience of the researcher.

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