



Cover Page



## GREEN FINANCE: THE PRACTICES OF BANKS AND PERSPECTIVE OF CUSTOMERS

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### Abstract

Green financing is a term which is trending these days. Significant evidence was traced in 2007 when business week reportedly said that a fifteen-fold rise was there in sustainable mutual fund investment. There is a shift from capital formation to energy efficiency in investments. In 1980s and 1990s the focus of investments was mostly on economically viable projects. But this is the era when the focus has been shifted to environmentally viable projects. There are many companies which are following green finance concept so as to sustain in long run. A report on “Measures for ensuring sustained growth of Indian manufacturing sector” or Prime Minister’s group headed by V Krishnamurthy recommended for promotion of clean technologies to achieve the aim of sustainable growth. The major objective of this paper is to study several aspects of green financing with respect to Indian scenario and it would also verify the practicability of green financing in Indian Banking sector. Green financing is now becoming a trending concept in the industry. Besides all the facts, the public is also demanding a company to be environmentally sensitive. Due to this reason many business houses have already started green financing. But this is indeed a crucial time for the companies to cope up with standards and norms of green financing. Environmental improvements and economic growth should go hand in hand specially in countries like India so as to sustain and develop in long run.

**Keywords:** Green Banking, Green Financing, Business, Finance, Investments.

### 1. INTRODUCTION

Change is necessary for every organization to survive. Companies and organizations have taken so many steps to remain competent with the changing environment. This change has also brought some side effects which are causing damage to environment. Bank is also one of those organizations which are causing damage to the environment. However, bank is not causing so much damage to the environment directly. The internal operations of the banks are considered to be non-polluting. But somehow banks are associated with harming environment because it is connected to the industries like paper, steel, chemicals, cement, power, fertilizers, textiles etc. As a bank provides finance facilities to these industries. Now the time has come and all the banks are trying to become ‘Green’ by adopting green banking practices.

A Green Bank is the one which adopts a policy of sustainable green practices from each and every side such as the employee, products and services and facilities. ‘Green banking’ is a wider concept which always strives to protect environment by spreading awareness among people. It is a type of initiative which a bank takes so as to keep the environment safe and green. A bank performs green practices usually by installing electronic devices which are environmentally safe. This would result in reducing the carbon footprint. Green banking is a component of the global initiative by a group of stakeholders to save the environment (Bahl S., 2012).

There are a number of differences which makes a green bank distinct from a normal bank. Green banks are the one that give more weight age to the factors that are concerned with the environment. Their objective is to provide fair environmental and social business practice. They keep a check on each and every factor before lending a loan. A company will only get a loan if the project undertaken by that company is environmentally friendly. Following are the forms of green banking:

1. Payment of bills using online mode.
2. Use of online banking rather than using branch banking.
3. Opening the accounts at online banks.

Green banking products include: ‘ATMs’, ‘Mobile Banking’, Remote Deposit’, Green Money Market Accounts’, ‘Green CDs’, ‘Green Checking Accounts’, ‘Online Banking’, , ‘Green Credit Cards’, ‘Green Loans’, , ‘Green Mortgages’, , ‘Green Savings Accounts’, , ‘Green Mortgages’, ‘Green Loans’, ‘Green Channel Counters (GCCs)’, , ‘Green Credit Cards’, ‘Green Homes’ etc.

Green banking will be advantageous to the environment by lowering down the carbon footprint of consumers. A consumer can conserve paper and it will be beneficial to the environment. An ideal green banking initiative would be the one where customers as



Cover Page



well as the banks will get equally involved. The best example of this is online banking. Green banking is a combination of technology and operational improvements.

## 2. REVIEW OF LITERATURE

As responsible corporate citizen banks believe that every small green step taken today Would go a long way in building a greener future (Thombre K. A., 2011). There are studies showing positive correlation between environmental performance and financial performance (Hamilton, 1995; Hart, 1995; Blacconiere and Pattern, 1993). The impact of banking services on the environment is huge because, banks consume natural resources which add to the pressure on the environment (Srivatsa H. S., 2011). This is the reason why commercial banks have to adopt proactive strategies for reducing internal operation risks from environmental issues thereby realizing long term profitability by external financing of environmentally friendly products and services (Guo H., 2005).

Sahoo, Pravakar and Nayak, Bibhu Prasad (2008), in their research article on “Green Banking in India” highlighted that banking sector is one of the major stake holders in the industrial sector; it can find itself faced with credit risk and liability risk. Further, environmental impact might affect the quality of assets and also rate of returns of banks in the long run. Thus, the banks should go green and play a pro-active role to take environmental and ecological aspects as part of their lending principle.

Adopting green banking practices will not only be advantageous to the environment, but it will also be useful in greater operational efficiencies. But there has not been much initiative in this regard by the banks and other financial institutions in India. Indian banks are not taking any big initiative towards the direction of environment and they have really a big role to play (Sahoo P. & Nayak B. P., 2008, Biswas N., 2011, Prasad A. M., 2011).

There are a few banks in India which have adopted green banking and financed some of green banking-based projects. Moreover, there is negligible awareness of green banking among the customers, even the bank staff (Verma M. K., 2012). Dharwal, Mridul and Agrwal, Ankur (2011), in research article on “Green Banking: An Innovative initiative for Sustainable Development” concluded that Indian banks need to be made fully aware of the environmental and social guidelines to which banks worldwide are agreeing to. As far as green banking is concerned, Indian banks are far behind their counterparts from developed countries.

If Indian banks desire to enter global markets, it is important that they recognize their environmental and social responsibilities. Recognizing the warning of global warming the State bank of India has initiated urgent measures to combat the climate change by reducing the bank’s own carbon footprint and sensitizing the bank’s clients to adopt low carbon emission practices (Sharma, N., 2011).

Moreover, the bank has set the right example for others to follow by using eco and power friendly equipment in its 10,000 new ATMs (Mishra P. & Sharma P., 2010). Banks in India are increasingly providing services through electronic channels such as ATMs, internet banking, Tele-banking and Mobile banking. ATMs have been widely adopted but the level of adoption of other electronic banking means despite their potential are yet to pick in a big way (Joshua A J & Koshy M P 2011). Opportunities in e-banking are immense but the only need is to explore them. Among all the e-banking products, customers’ satisfaction level (CSL) of ATM is highest and the number of users of ATM is also highest as compared to other services (Komal D. & Rani V. 2012). Internet banking customer acceptance among Indians depends on five variables namely perceived usefulness, perceived ease of use, consumer awareness, quality of facilities and subjective norms had positive influence on internet banking use (Sudeep S., 2006).

### Objectives

1. To study the green banking practices adopted by banks in India.
2. To study the feasibility of green banking practices.
3. To study the perception of customers in Indore regarding green banking.

## 3. METHODOLOGY

**Study Area:** The field survey for the present study has been conducted in the major banks in Indore.

**Collection of Data:** The study has incorporated primary data. Primary data have been collected by distributing questionnaires among the customers having Savings Bank Accounts in the Banks in Indore. To collect necessary primary information 397 questionnaires have been distributed among the respondents using convenience method of sampling.



Cover Page



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**Research Instruments:** Questionnaires were the survey instruments used in this study. The questions were designed on five points Likert Scale with ‘Strongly Agree’ dictating the highest level of believe, and ‘Strongly Disagree’ as the highest level of disbelief.

**Technique of analysis of Data:** The collected data have been processed and analyzed by applying the software SPSS (Statistical Package in Social Sciences), Version-16. Tabulation and creation of graphical presentation have been done wherever found appropriate. To draw inferences percentage test has been applied.

In the very first question the respondents were asked whether they go to the bank to deposit the money. Eventually 31.5 % respondents agreed to this. From this it can be inferred that maximum numbers of people go to the bank to deposit the money.

**Q1 You go to bank to deposit the money**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	74	18.6	18.6	18.6
	2	73	18.4	18.4	37.0
	3	72	18.1	18.1	55.2
	4	125	31.5	31.5	86.6
	5	53	13.4	13.4	100.0
	Total	397	100.0	100.0	

When asked whether they use ATM to deposit money 26.4% respondents held a neutral view towards this point.23.7 % respondents agreed to this while 16.6% people disagreed. It can be said that people are using ATM’s as well as going to bank to deposit the money.

**Q2 You use ATM to deposit the money**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	66	16.6	16.6	16.6
	2	56	14.1	14.1	30.7
	3	105	26.4	26.4	57.2
	4	76	19.1	19.1	76.3
	5	94	23.7	23.7	100.0
	Total	397	100.0	100.0	

On the usage of mobile banking facility respondents had a neutral view 27.5% respondents lied on neutral. Only 12.3 % people said that they completely make use of mobile banking while 15.6% people said that they do not use mobile banking at all. Thus, it can be said that maximum number of people are not using mobile banking facilities.



Cover Page



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**Q3 You use mobile banking facility.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	62	15.6	15.6	15.6
3	109	27.5	27.5	67.5
4	80	20.2	20.2	87.7
5	49	12.3	12.3	100.0
Total	397	100.0	100.0	

When asked about internet banking 31.5% respondents said that they use it while only 5.8% respondents said that they have not used it at all. It is very clear from this analysis that internet banking is used by maximum number of respondents.

**Q4 You use internet banking for various banking transactions.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	23	5.8	5.8	5.8
2	75	18.9	18.9	24.7
3	118	29.7	29.7	54.4
4	125	31.5	31.5	85.9
5	56	14.1	14.1	100.0
Total	397	100.0	100.0	

When asked about tele-banking 23.9 % respondents said that they use tele-banking completely and same is the percentage of respondents who held a neutral view. From analysis it can be said that maximum number of respondents are using tele-banking facilities.

**Q5 Tele-banking is useful for you.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	57	14.4	14.4	14.4
2	80	20.2	20.2	34.5
3	95	23.9	23.9	58.4
4	70	17.6	17.6	76.1
5	95	23.9	23.9	100.0
Total	397	100.0	100.0	

When 25.4% respondents asked about the safety said that they feel safe mostly. From the analysis it can be said that maximum number of respondents feel safe while using green banking practices



Cover Page



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**Q6 You feel safe while using green-banking practices.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	72	18.1	18.1	18.1
	2	90	22.7	22.7	40.8
	3	63	15.9	15.9	56.7
	4	101	25.4	25.4	82.1
	5	71	17.9	17.9	100.0
	Total	397	100.0	100.0	

A question was asked, whether green banking practices are an appreciable step or not 29.5 % respondents agreed that it is appreciable. While 13.6% respondents didn't seem to appreciate these practices. It can be concluded that a maximum number of respondents are appreciating green banking practices.

**Q7 In your opinion “Green banking practices” is an appreciable step taken by the banks.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	54	13.6	13.6	13.6
	2	96	24.2	24.2	37.8
	3	70	17.6	17.6	55.4
	4	117	29.5	29.5	84.9
	5	60	15.1	15.1	100.0
	Total	397	100.0	100.0	

Respondents were asked about whether they think green banking is environment friendly or not. 36 % people took a neutral choice as they feel that it is advantageous as well as disadvantageous. Whereas just 2.5% respondents said that it is not environmentally friendly. It can be inferred that people are not totally satisfied with the environmental friendliness of green banking practices.

**Q8 Do you feel that Green Banking is really environment friendly.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	10	2.5	2.5	2.5
	2	26	6.5	6.5	9.1
	4	131	33.0	33.0	78.1
	5	87	21.9	21.9	100.0
	Total	397	100.0	100.0	

Respondents were then asked about saving of paper and energy in this regard 30.2 % respondents had neutral view regarding this. Only 1.5 % respondents agreed that it saves paper and energy. It can be concluded that respondents are not totally in favor of green banking practices.



Cover Page



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**Q9 Paper and energy are being saved by using green financing practices by banks.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	105	26.4	26.4	26.4
	2	105	26.4	26.4	52.9
	3	120	30.2	30.2	83.1
	4	61	15.4	15.4	98.5
	5	6	1.5	1.5	100.0
	Total	397	100.0	100.0	

When respondents were being asked whether they are able to save cost and time by adopting green alternatives they again had a neutral view. Respondents are not fully satisfied and they think that there are some flaws as well.

**Q10 Cost and time are being saved by adopting these green alternatives because you are not required to go to the bank**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	51	12.8	12.8	12.8
	2	93	23.4	23.4	36.3
	3	135	34.0	34.0	70.3
	4	93	23.4	23.4	93.7
	5	25	6.3	6.3	100.0
	Total	397	100.0	100.0	

It was then asked whether respondents feel that green banking practices are user friendly then respondents held a neutral view. Around 32.7% respondents feel that the practices are not so user friendly. So it can be said that banks need to make the practices friendlier.

When respondents were asked about the number of ATM's and whether they can find them easily or not. 42% respondents had a neutral view towards this. Only 8.1% totally agreed to this whereas 3% totally disagreed to this point.

**Q12 You feel that there is insufficient number of ATM's and sometimes you are not able to find them.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	12	3.0	3.0	3.0
	2	76	19.1	19.1	22.2
	3	167	42.1	42.1	64.2
	4	110	27.7	27.7	91.9
	5	32	8.1	8.1	100.0
	Total	397	100.0	100.0	



Cover Page



Finally, when respondents were asked whether they find green banking practices convenient or not. 26.7 % had a neutral view as towards this question. Thus, it can be inferred that there are some points where they agree to green banking practices and at some points, they agree to traditional banking practices.

**Q13 Green banking practices are convenient than that of traditional banking practices.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	60	15.1	15.1	15.1
	2	67	16.9	16.9	32.0
	3	106	26.7	26.7	58.7
	4	69	17.4	17.4	76.1
Total		397	100.0	100.0	

**4. CONCLUSION**

Banks these days are adopting several measures to please the customers. Adopting green practices is one of those measures. Green banking practices involves minimum use of paper and designing services in such a way that it would lead to save time as well as resources. By introducing ATMs, mobile banking, internet banking, tele banking, green channels, deposit from ATM, e gallery etc. banks are doing their part to enhance green practices. The above analysis also makes it very clear that people have started showing trust in green practices due to their feasibility.

The only need is to spread awareness and make the system more user friendly to gain the trust of customers towards green banking practices. People have already started trusting green practices and now they are discouraging traditional practices gradually. Thus, people in Indore are aware about the green banking practices and they perceive this concept as a game changing concept.

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