

“A study on customer’s awareness on Green Banking initiatives in selected public and private sector banks with special reference to Mumbai”

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Abstract: According to **Clark Schultz (2012)** Green banking means promoting environmental-friendly practices and reducing your carbon footprint from your banking activities. According to **Pravakar Sahoo and Bihoo Prasad Nayak (2008)** there has not been much initiative in this regard by the banks and other financial institutions in India though they play an active role in India’s emerging economy, so it is suggested to initiate to promote green banking in India. The concept of green banking helps to create cleaner and greener future as Green Banking has direct impact on the environment. This paper has been made to study level of consumer satisfaction and awareness regarding “Green banking services “initiative taken by various Public and Private sector banks in India, Mumbai.

The study aims to identify the opinion and awareness of bank employees and customers as regards to green banking concept in public and private sector banks. It is necessary to identify various initiatives taken by bank on the concept of green banking in order influence customer and make them user friendly. Researcher will study the impact of gender on green initiatives taken by public and private sector banks. Whether they face any technical procedural problems as well as administrative problems. The authors have used SPSS technique as a statistical method.

Key words: Green Banking, Environment, Customer satisfaction

Introduction:

The financial institutions influence the economic growth and development of the country both in terms of Quality and Quantity, there by adopting various strategies for economic growth. As environmental issues gain greater attention, pressure is being placed on all industries, including financial institutions to implement Green Initiatives. Banking sector plays a crucial and decisive role in promoting environmentally sustainable and socially responsible investments as it increases the value and lowers loss ratio as higher quality loan portfolio results in higher earnings. Thus, encouraging environmentally responsible investments and prudent lending should be one of the responsibilities of the banking sector. The Green initiatives taken by Banks or a concept of Green banking means using all of the banks resources with responsibility and care, avoiding waste and giving priority to choices that take sustainability into account. It also means promoting environmental-friendly practices and reducing your carbon footprint from your banking activities. The reasons for going green are manifold, and the key among them are: increasing energy consumption and energy prices, growing consumer interest in environmentally-friendly goods and services, higher expectations by the public on Bank’s environmental responsibilities and emerging stricter regulatory and compliance requirements. This comes in many forms. Using online banking instead of branch banking. Paying bills online instead of mailing them. Opening up CDs and money market accounts at online banks, instead of large multi-branch banks. Or finding the local bank in your area that is taking the biggest steps to support local green initiatives. It 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. Green banking refers to how environmentally friendly your bank is, and how committed to green and ethical policies they are.

Banking sector is generally considered as environment friendly in terms of emission and pollutions. Internal environmental impact of the banking sector such as use of energy, paper and water are relatively low and clean. This is an effort by the banks to make the industries grow green and in the process restore the natural environment. This concept of Green banking will be mutually beneficial to the Consumers, banks, industries and the economy. For consumers this shift towards green banking means that more deposit and loan products will be available through online and mobile banking. It also means better deposit rates on CDs, money market accounts and savings accounts. Green banks should also have lower fees and give rate reductions on loans going towards energy-efficient projects. This is banking beyond pure profit. Another important aspect of green banking is the involvement and outreach from the individual banks to their local community.

Literature Review:

Amitabh Mishra, B R Kumar and Dharam Bir Singh, 2013“A study of Gaps in Service Quality at a leading Private Sector Commercial Bank in Greater Noida”The study concludes that account holders were relatively more dissatisfied with the service quality dimension, ‘assurance’ with a high weighted gap score of 0.21, followed by reliability, responsiveness, empathy and tangibles and weighted gap scores of 0.20, 0.21, 0.08 and 0.05, respectively. Such a study is useful in determining the weak areas of a bank’s service where immediate steps are necessary. If such deficiencies are ignored, it may lead to loss of reputation and

“A study of Consumer Perception on the use of E- Technology in the Retail Banking Sector : A Comparative Study of Public Sector and Private Sector Banks” **Aashish Shashikant Jani, 2012** . The key areas of strength, as observed in case of Public Sector Banks are Accessible, Privacy and Demo at the Counter and the areas of significant improvement possible, applies to the following areas Transfer of Funds, Convenience, Timeliness, Cost Effective Services and Network Coverage. On the other hand , key areas of strength in Private Sector Banks are : Bill Payment, Customer Correspondence, E Shopping , Technical Efficient Services, Loan Application , Insurance , Accuracy and Goodwill The area where improvements are required are with reference to Receiving Alerts, Mobile Banking, Online Trading and Advertisement. It is evident that most of the customers prefer e channel with time and cost utility. They are not fully aware about the operational part of e channels. After realizing the potential of e banking, banks will have to change in order to grab the opportunity and to face the challenges posed by technology.

“Managing Customer Relations through Online Banking” **Vinay Kumar Nagu, 2012**. It was found that primary benefit of E- CRM in the banking sector is the reduced cost of operation, locks in target prices, and increases in customer loyalty. While secondary importance is given to customer cognitive, competitive products and a high security system, low priority is given to different contact options for customers to contact and minimize the administrative work. While in overview of transactions, localizations of transactions real time overview of liquidity position, organizational activity and one point of contact, one bank is giving less importance to some factors, while the other is giving more importance. The finding shows that definite benefits which are derived from a bank’s perspective by using E – CRM are: Reduced cost of operation; increased customer loyalty, Staff training, Evaluation of Customer Feedback.

“Demographic Inequalities in using E – Banking Services: A study of Chandigarh” **Rajiv Khosla and Parul Munjal, 2013**. The study of the paper indicated that on the whole, good scopes exist for all the banks to popularize their value added services, particularly in the rural areas. Those banks which will be successful in creating customers by offering innovative and advanced services a head of their competitors will reap more benefits. For this reason , it is recommended that bank should target their promotional activities towards literate, young and resourceful brigade who possess a rich potential to use e – banking services for long as can be generalized from this study.

The Role of Green Banking in Sustainable Growth, 2012 India's growth account and obligation to cut its cards can be created by banks in the form of small carbon intensity by 20-25 percent from 2005 levels by charitable donations as a percentage of on-line banking 2020 provides tremendous opportunities for Indian activity to help the environment banks from funding sustainable projects to offering innovative products and services in the areas of green. Initially, these commitments to environmental and social guidelines will cause a huge financial burden for Indian banks. For effective green banking, the RBI and the Indian government should play a pro active role and formulate a green policy. The survival of the banking industry is inversely proportional to the level of global warming. Therefore, for sustainable banking, Indian bank should adopt green banking as a business model without any additional postponement.

The banking and financial institutions should prepare an environmental risk and liability guidelines on development of protective policies and reporting for each project they finance or invest (**Jeuken, 2001**). In future, market will reward those industries or the companies, which emerge as the efficient users of the energy and raw materials and will penalize the less efficient one. (**Gupta 2003**) Environmental hazards management procedures for each project and follow through. There are also few cases where environmental management system has resulted cost savings, increase in bond value etc (**Heim, Gal, 2005**) Further, investors in the stock market are equally aware of environmental pollution and would take a stand against those industries /institutions that do not comply with pollution norms (**Goldar 2007**) study against those industries /institutions that do not comply with pollution norms.

Banks in India have significant influence over the safeguarding of fragile social groups and environments in Asia. At this time they must seriously consider their attitudes towards responsible lending both nationally and globally. This shows the ignorance in the part of Indian banks about the green banking initiatives at international level. There has not been much initiative in this regard by the banks in India though they play an active role in India's emerging economy. (**Nayak Pravakar Sahoo Bibhu Prasad, 2008**).

The banking sector influences the economic growth and development in terms of both quality and quantity, there by changing the nature of economic growth. Banking sector is one of the major sources of financing investment for commercial projects which is one of the most important economic activities for economic growth. Therefore, banking sector can play a crucial role in promoting environmentally sustainable and socially responsible investment. (**Mr. Nigamananda Biswas, 2011**).

Current Scenario:

- SBI will introduce "green-channel banking" at more of its branches to promote paperless work and to facilitate faster transactions for customers, SBI sources said Asia Pulse [Rhodes] 11 May 2011.
- The Institute for Development and Research in Banking Technology (IDRBT), which is an arm of RBI, is all set to introduce guidelines for green funds under which banks are given instruction to set up green funds and have a chief green officer to extend concessional loans to players undertaking environment-friendly projects. The banks on their parts are currently examining the guidelines and might come up with specific policies very shortly, Chief Executive.
- To help financial institutions eliminate the use of couriers to carry tapes to an offsite location, ITI offers secure online backup and recovery solutions. Our cost-effective data encryption solution encrypts and compresses data so files can be safely transmitted to an offsite server or electronic vault, again eliminating the need for couriers.
- The Wilkinson facility was designed to use less energy and water than standard buildings and incorporates a number of environmentally-advanced features that lessen its impact on the environment. The facility will pursue Silver recognition under the Leadership in Energy and Environmental Design (LEED) standards set by the U.S. Green Building Council.
- Annual investments/addition/Productions with respect to Green Banking globally :

New Capacity Investment	Hydro Power Capacity	Solar powered Capacity	Wind Power Capacity	Solar water collector	Ethanol Productions	Biodiesel Production
China US	China	Germany	U.S	China	US	U.S
Germany	Turkey	Taly	China	Turkey	Brazil	Argentina
Japan	Brazil/Vietnam	China	Germany	Germany	China	Germany / Brazil

Italy	Russia	U.S	India	India	Canada	France
	Canada	Japan	United Kingdom	Brazil	France	Indonesia

Source: Global status Report 2013

Table:1

Data Analysis and Interpretation

1. Respondent having sound educational background with some degree of awareness w.r.t green products were targeted and approached for the study. Among 100 respondents 42 were Male and 58 were Female. Respondents were mainly from public sector banks like SBI, PNB and BOI and from Private Banks ICICI, HDFC and AXIS bank. From Public banks we got 59 respondents whereas from private banks we got 41 respondents. All the bank considered for the study were top rated banks so these banks are chosen from public and private banking sector as per latest facts and figure published by .N.S.E

2. Out of the respondents approached in SBI ,77 % were using green banking products but were not aware of the terminology ‘ Green banking’ and remaining 23 % were quite aware of the green banking services provided by the Bank. Likewise from PNB 77 % were not aware of the terminology Green Banking and therefore were explained but they were using green banking products like ATM , online banking etc but remaining 23 % were aware of the green banking concept. It was founded that 92 % of BOI respondents were not aware and only 8 % were aware. Among Private sector banks from ICIC bank 88 % were not aware of the term but remaining 12 % were aware of the green banking concept. From HDFC bank 90 % were not aware of the term but remaining 10 % were aware of the green banking concept and lastly from Axis 96 were not aware and 4 % were aware about Green banking activities.

3. Green Banking according to respondent

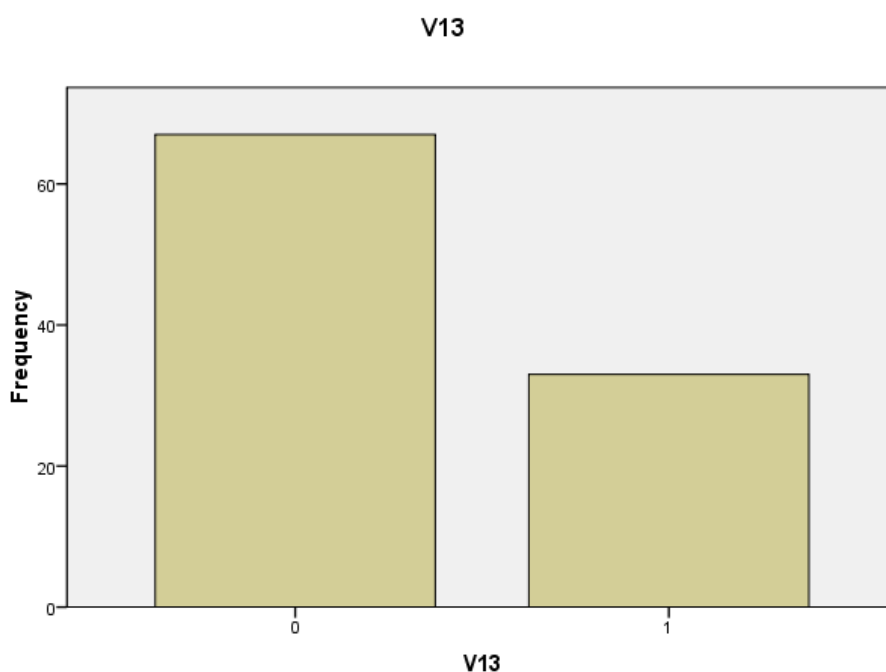


Figure 1

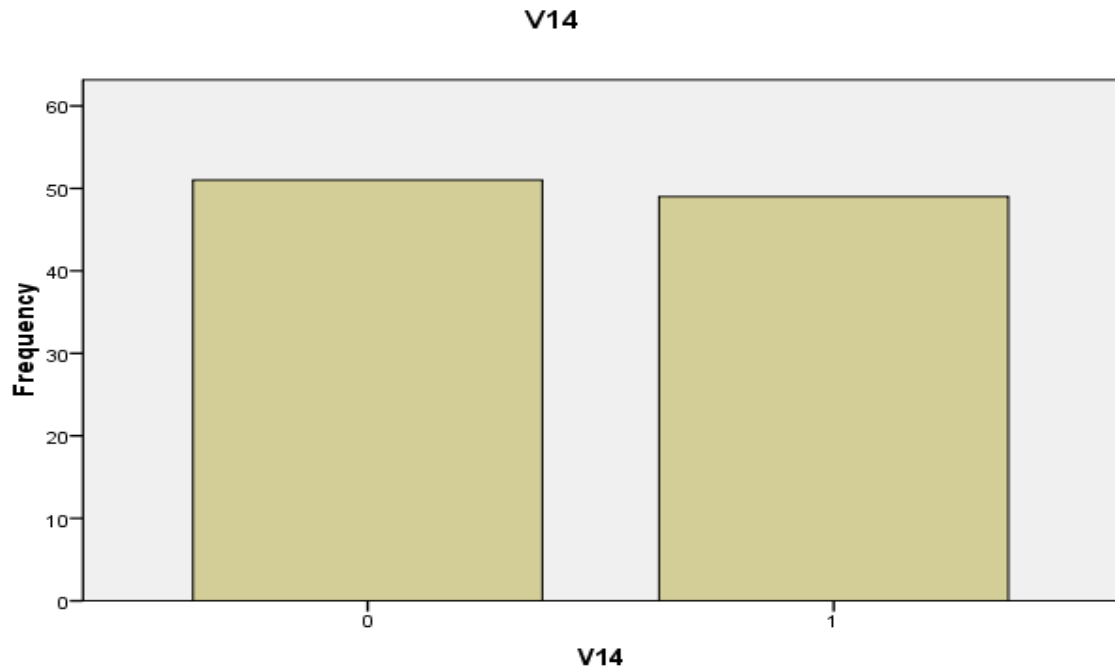


Figure 2

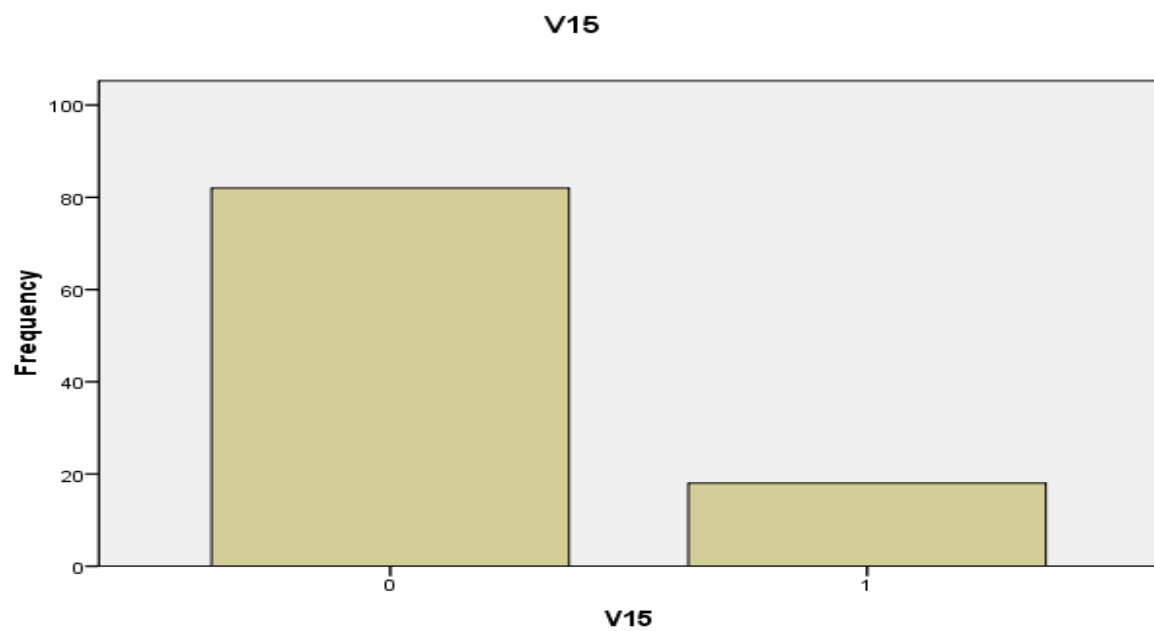


Figure 3

- From the above data With reference to first definition (V13) i.e. “Green banking means using all of the banks resources with responsibility and care, avoiding waste and giving priority to choices that take sustainability into account Green banking means using all of the banks resources with responsibility

and care, avoiding waste and giving priority to choices that take sustainability into account. 33 % of the respondents were in favour of this definition while 67 % are not in favour. 49 % people were in favour (V14) ‘Green banking refers to how environmentally friendly your bank is, and how committed to green and ethical policies they are and remaining 51 % were not in favour of this definition and only 18 % were in favour of third definition (V15) i.e. “Sustainable development or Green Banking denotes development that does not reduce the possibilities and choices for the future generations, at the same time ensuring continuity of economic progress for the present generation” remaining 82 % doesn’t feel the same .

- Although all the definitions are similar in meaning, but have explained green banking concept in a different way but majority people i.e. 49 % agrees with (V14) Green banking refers to how environmentally friendly your bank is, and how committed to green and ethical policies they are. And majority people i.e. 82 % dis agree with (V15) Sustainable development or Green Banking denotes development that does not reduce the possibilities and choices for the future generations, at the same time ensuring continuity of economic progress for the present generation

3. Green banking Initiatives by Banks and its awareness among their customers

Green Initiatives	Aware	Not Aware
1. Green Checking	88%	12%
2. Green Loans	56%	44%
3. Green Mortgages	45%	55%
4. Green CDs	36%	64%
5. Controlled use of energy	67%	33%
6. Facility of e-statement registration by which banks will donate a book to needy	64%	36%
7. Reduced wastage of papers and Energy through Net banking approach	67%	33%
8. Use of Solar powered ATMs	34%	66%
9. Energy – efficient branches and loans	68%	32%
10. Providing recyclable debit cards and credit cards	47%	53%
11. High- efficiency lighting	55%	45%
12. Using recycle paper or recycle waste	47%	53%
13. Bonds and mutual funds meant for environmental investments	44%	56%
14. Clean Development Mechanism(CDM) related services working on climate change	45%	55%
15. 50% waiver in processing fee of cars that use alternate mode of energy like electricity and CNG.	25%	75%
16. Conducting Workshops and Seminars for Green banking	50%	50%
17. Bank Environmental Policy	36%	64%
18. Online Bill Payment	81%	19%
19. Cash Deposit System	84%	16%
20. E – Investment Services	76%	24%
21. Communicate through the Press.	31%	69%

Table: 2

From the above data we can see that green initiatives like Communication through Press, Bank environmental policy, Concession on energy savings, Solar ATMs, Green CDs are few green banking initiatives that are still not introduced by the respective banks according to the respondents. As per the data 60 % of the respondents agree these initiatives are still not initiated. However, these concepts are new in India therefore it can be the probable reason for poor awareness level among consumers. The case could be that even though few green banking strategies are initiated by the bank ,customers are not aware. As for instance, SBI was the first in India to start introducing Solar power ATMs but 60 % of the respondents don’t know this and ‘Pockets by’ ICICI is

first in India to carry out a slew of banking services on the social media site, Face book. So bank should design a strong strategies to promote these green banking initiatives as done in other countries.

While in some green initiatives more than 60 % of the respondents were in favor that green products are provided in their banks like Green Checking, Controlled use of energy, Facility of e-statement registration by which banks will donate a book to needy, Online Bill Payment , Cash Deposit System, E – Investment Services, Net Banking , Energy efficient branches.

4. Hypothesis Statements

Ho1 There is no significant difference in the awareness for E – Statement initiatives w.r.t gender.

Ho2. There is no significant difference in the awareness level for Net banking initiatives w.r.t male and female customers.

Ho3. There is no significant difference in the green initiative for Green loans w.r.t gender.

Hypothesis	Initiatives	Significant Value	Result
H1	E – Statement	.502	R*
H2	Green Loans	.183	R*
H3	Net Banking	.132	R*

H₀: Null Hypothesis, R: Hypothesis accepted

Figure 3.0

Above table shows the result for all the three hypothesis which were rejected at 95% LOS. The data was analyzed in SPSS wherein, cross tabs's, Chi square test was applied for hypothesis testing. Additionally in 1st and 3rd hypothesis, study reveals the details of the Chi square value of E – Statement Green Loans and Net Banking which shows that Genders have no impact for all the parameters of hypothesis with respect to green banking which means that both of them have same awareness level with respect to Green Banking.

5. Obstacles experienced by respondents in availing green banking services

Obstacles	Difficulty in operate	No difficulty in operate
• Data Security and Privacy	21%	79%
• Lack of education	26%	74%
• Technical Issues	38%	62%
• Traditional approach	13%	87%
• Lack of infrastructure	14%	86%

Table:3

According to the above table, majority of the respondents i.e. 38 % of the respondents have technical issues. 26 % of the respondents favour towards lack of education while 87 % of the respondent have no difficulty in adopting latest technology and Infrastructure .

Conclusion:

With Go Green mantra permitting, the banking sector too has adopted sustainable practices in all spheres of life. Green Banking is a Multi-stakeholders' Endeavour where banks have to work closely with government, NGOs, IFIs/IGOs, Central Bank, consumers and business communities to reach the goal. From the above research we can see that green initiatives like Communication through Press, Bank environmental policy, Concession on energy savings, Solar ATMs, Green Cds is not familiar in Green initiatives by the bank as per the respondents. From the above data we can see that green initiatives like Communication through Press, Bank environmental

policy, Concession on energy savings, Solar ATMs, Green Cds is not familiar in Green initiatives by the bank as per the respondents.

Green banking is still a major issue and can take an important for development of our country in India. As bank and financial institution of India has started taking initiative but not at high level. To sustain the development of the Indian economy bank and financial institution have to work more hard as compare to big foreign banks as they are playing important role in maintaining the sustainability of their country economy. As the green banking term, some bank and financial institution have taken initiatives like State Bank Of India, Yes Bank and Financial Information Network and Operations (FINO) while making their branches and building environmental friendly and keeping eye on their clients projects to whom they have given the loan. But still Indian banks haven't accepted the principle equator policy to keep a record of their clients. Now it's time that India should take some strict steps to harness these banks and financial institution to adopt the principle equator guideline so that they can contribute in the protection of environment in future. There is definitely a huge opportunity in clean, renewable energy technologies, emissions reduction and reduced-carbon transportation which can be slowly and steadily be achieved if we get cooperation from all sectors of the economy and bank being an integral part of our economy must lead from the front.

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