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## **Evaluation of Stakeholder Perception on Green Banking Practices in Selected Public and Private Sector Banks in Kerala**

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### **Abstract**

Our earth is a unique planet with oceans, mountains and vast forest and life of the only habitat for human race. Growing urbanization, over use of fossil fuels, excess carbon emission and the recurrent completion to destroy the forest for daily use are pushing us to the dangerous of global warming. The earth has become heavy endangered due to the interventions of human beings. The lives of the species, including humans, have become endangered. In last few decade cyclones, rain and flood have increased. At the same time, due to the sea level rise, our earth is on the verge of being submerged to the sea. So this is crucial time, to live with green and fight for green. We need to build a planet where we can breathe with our heart's content in the green. We have to make a qualitative changes into our lifestyle in which our generation grown up into a pollution free environment. Here the importance of Green banking arises. According to Clark Schultz "Green banking means promoting environmental-friendly practices and reducing your carbon footprint from your banking activities". This study aims at examining the perception and awareness of consumers and employees in regards to green banking in various public and private sector banks in Kerala.

**Keywords: Green Banking; Trust Banking; Cash Free Banking; Open Self-service Banking Centre Swayam; Equator Principles**

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## **INTRODUCTION**

Banking sector is the back bone of any economic systems which ensure the development through the effective channelization of financial resources. Growing urbanization, over use of fossil fuels, excess carbon emission and the recurrent completion to destroy the forest for daily use are pushing us to the dangerous of imbalance of the environmental system. These issues gain greater attention for all industries including financial sectors giving higher priorities for green initiatives. Green banking means promote environmental friendly practices and reduce the use of carbon footprint for banking practices. Now a day's banks are striving hard to strengthen the customer-relationship, the customers are now moving away from the confines of traditional branch banking to electronic banking. The success of any initiative depends up the whole hearted co-operation and support of the consumers who are using it in their daily life. Consumers should be aware of the importance and usefulness of the green systems. People in Kerala have a positive attitude and interest while accepting the innovative things. Some of the systems are difficult to execute and some other take long time for successful implementations.

For consumers the 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.

## **NEED AND IMPORTANCE OF THE STUDY**

Indian Banking System is growing at a faster pace. Technology has transformed the face of banking in India. Compared to the past decades there are certain major innovations that lead to tremendous improvements in banking services and operations. Rapid growth in the Information Technology has revolutionized all aspects of life and this has made way for things to be faster, cheaper, efficient and easier. Through the green banking practices all the banking services and products are available at the finger tips now. At the same time green banking practices makes the banking institutions are a responsible corporate citizen.

Majority of the banks are insisting on cash free and paperless transactions to enjoy the

benefits of developments in technology. Technology based operations help banks to improve their efficiency, to cut down their transaction costs, reduce carbon footprint so as to make banking sectors as a responsible corporate ecofriendly units. The study examines the positive and negative impact of green banking practices among customer as well as the employees in the banking sectors.

## **OBJECTIVES**

1. To examine the responses of selected customers, employees and managers to the green banking system.
2. To identify the problems faced by the customers and bank employees while using G-banking

## **METHODOLOGY**

The study is based on both primary data and secondary data. Primary data will be collected using informal interview method and secondary data from various journals, books, web sites and from published resources of RBI and banks.

### **Source of Data**

- Primary data has been collected with the help of interview and observations.
- Secondary data source are various magazines, product range brochures of the company and websites.

## **POPULATION AND SAMPLE**

This study concentrated among 100 banking customers and 150 bank managers and employees from selected public and private sector banks in Kerala. The selected public sector banks comprise SBT, SBI, Punjab National Bank, Union bank of India and Private banks are HDFC, ICICI bank, IndusInd Bank and AXIS bank.

### **Green products and services are:**

**Go online:** Online banking is a method of conducting banking operations through the secured website operated by bank. A customer having internet access should register with the bank for online services and the bank will provide him with user name and password. With this, one can enter into the bank's website, enter his username and password, and make the required transactions and logout safely. Through online banking, a customer can monitor accounts, view the account balances, download statements, transfer funds between accounts, etc. Account information can be accessed at any time and from anywhere. Online banking has made personal and business banking faster, efficient covering a wider area and by providing safety. For customers it is more convenient and available round the clock irrespective of customer's location. It

ensures less paper, less expenditure and less energy for the utilization of resources in banking activities.

**Use of green checking accounts:** A growing number of banks are offering green checking accounts to appeal to your environmental sensibilities. These accounts will ensure the less paper and offer rewards and feel of good satisfactions in the mind of users.

**Use green loans for home improvement:** Now a day banks are promoting green loans for the whole improvement of house to ensure the safety, comfort ability and durability. Installing energy efficient upgrades can save you up to 30% on energy costs and reduce both your energy use and carbon footprint. The HPwES Program is available to all New Jersey's natural gas and electric utility customers and, for a limited time, to municipal electric, oil, and propane customers, as well.

**Use green credit cards:** Some banks are promoting green credit card facilities to banking customers for the environmental friendly banking. Here every single rupees contributed by credit card users are funded to environmental friendly non profitable organisation for the causes of environmental protections.

**Save paper:** Currently people are using online brochure, accounts summary, e receipts, newsletter, annual reports etc. for getting in touch with the banking transactions. By using these they can eliminate abundant content of paper waste and ensure the less tree cutting for the safety environment.

**Use solar and wind energy:** Energy is the job engine of the future in a developing economy. Without it nobody can achieve the objectives in person as well as the country. Solar and wind energy is the cheapest electricity to produce in developed economy even without any assistance or supports from government according to Bloomberg New Energy Finance (BNEF). So banks should promote more solar and wind energy projects in our country. One of the major problems is that the sun does not shine the night, even during the day, varies according to the climatic situations. Another reason for the reduced importance is the other fossil fuel power ensures the high and unsurprising capacity factor.

**Phone Banking:** Phone Banking and Mobile Banking are the recent contributions of technology banking. It is a service provided by a financial institution or bank to its customers to perform financial transactions without physically visiting the bank. The customers can make use of this service on a 24 hours basis. Phone Banking functions through an Interactive Voice Response System (IVRS) or tele banking executives of the bank. One has to register his phone number with the bank and the bank will provide a password to access this facility. The services available through this service include balance enquiry, bill payments, fund transfers, ticket reservation etc. but cash withdrawal is not possible for which the customer need to visit the bank or an ATM.

**Interbank Mobile Payment Service (IMPS):** With the rapid growth in the mobile phone penetration in the country, mobile banking is becoming more popular. In traditional banking systems, we have to write cheques for transferring amount from one account to another account. It takes time as well as money for transactions. Now a day Banks are prompting their customers to use phone banking and mobile banking services with a view to reduce their operating costs. It allows banks to facilitate fund transfer on real time basis through smart phones. The service is available on all the days including Sundays and holidays. There is no limit on the amount of transfer through this channel put by RBI but various banks specify limits based on their risk assessment [1].

**Green Money market:** Short term securities can easy to buy and sell with the help of demat account instead directly visiting banks for its transactions. It will ensure higher liquidity and convenience in transactions also.

**Open Self-service Banking Centre 'Swayam':** The first open self- service banking centre "Swayam", launched in India by State Bank of India as an inventiveness for branchless technology oriented pass book printing barcode based kiosk. Customers can print their passbook of savings, recurring as well as Public Provident Fund account in any branch in India even after the banking hours.

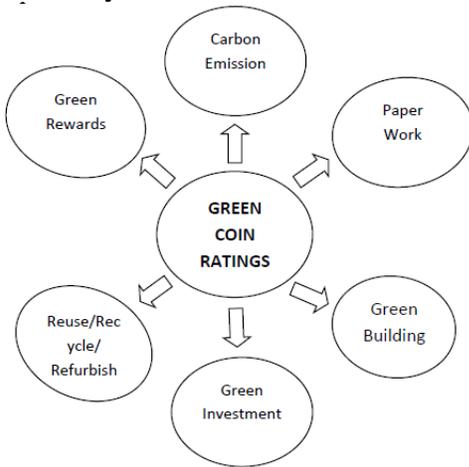
It is a self-service banking service offers wide varieties of services such as online and mobile banking, cheque book request, income tax payment, ATM, CDM, train ticketing and many other services. The unique feature of this service is that it can use visually challenged people for withdrawing as well as depositing money by using Braille key pad.

### **Guiding principles of RBI regarding Green banking practices**

One of the initiatives of RBI [2] on behalf of green banking is the "Rating Scheme", standard rating for green competent banks and banking practices in India. This rating process is mainly done on the basis of their green initiative practices and infrastructural facilities using in banking activities. It will trigger off the commercial banks to operate in the manner what intended by the RBI. Institute of Development and Research in Banking Technology (IDRBT) joined the policy of green banking rating as 'Green Coins Rating'. This is giving rates by giving stars. It indicate how much they are indulge in green practices such as ecofriendly projects, maximum utilization of resources and green project financial supports, carbon emission from their operation, use of printer ,network, computer , server etc. (Figure 1).

**The important objectives of green coin rating are:**

- Identify the usage and wastage of resources
  - Improving energy and carbon efficiency of bank
  - Comparative study of banks and their products to different stakeholders in relations to environment impact assessment.
  - Recognize and reward for the environment conscious financial institutions
- Banks green initiative for sustainable operations
- Banks have to Purchase green power for their consumption.
  - Setting up new system for the reuse of the office furniture and equipments
  - Making choices to reduce the amount of paper usage in banking operations and choosing post-consumer recycled paper more often.
  - Reduce the large scale usage of carbon energy.
  - Reduce the energy consumption in offices and branches by using programmable thermostats, economizing heating and air conditioning systems and energy efficient lighting system.
  - Using photo-cell technology that powers lights and exterior signage only when necessary



**Figure 1:** Green Coin Rating [2].

**Banks green initiative for Sustainable lending**

- Banks have to develop rules and regulations for extending financial assistance for eco-friendly projects have implications for forest based biodiversity.
- Ensure fair and accurate operations of clients which will minimize the climatic change in their operations.
- Formulate a partnership deals with sustainable industries to ensure the country’s economic development through the ecofriendly movement.

## **Green banking strategies**

The incorporation of social and environmental oriented operations and lending process into the development goal of the banks helps them for achieving the effective environmental management system. According to Krebsbach, the banks which are adopted socially and environmentally responsible lending and investing strategies were altering their processes of bond underwriting, investment banking and corporate lending process. These banks were enjoying a competitive advantage over others as society is aware about the environmental issues. But the author had suggested that banks should adopt the green lending principles in such a way that a customer base will not be affected. The author said "Credibility comes from having high standards, but if you push the standards too high too quickly, it may stop some banks from lending and have a serious impact on companies that needs capital" [3].

According to Ginovsky, for the successful implementation of environmentally practices, banks should launch new banking products or services which will promote the sustainable operations and lending activities and have to restructure their back end operations. He suggested some strategies for the sound go green practices for banks, they are:

- Implement the paperless operations for the internal operations of the bank which will automatically reduce the overall cost of operations.
- Adoption of rules and regulations for Green Street Lending, which ensure the low interest rate loans offered to individuals as well as commercial institutions for the installations of solar energy and other energy saving equipments.

According to Dharwal & Agarwal banking sector is using green banking strategies as a tool for extenuating various types of risks such as credit risk, legal risk and reputation risk. The author had suggested some ecofriendly movement for go green are, carbon foot print reduction, carbon credit business, green financial products, green mortgages, energy awareness, green building and social oriented services towards the society. According to him banks are analyzing 'Single Bottom Analysis' .ie. they were evaluating a customer for extending financial assistance on the basis of their financial worthiness of the borrowers than the 'Triple Bottom Analysis', where evaluations are done on the basis of their environmental and social contributions. Because banks are working not for making profit only, instead they have to contribute national wellbeing through the social oriented practices. In his study the banks should follow the following green banking strategies for best practices [4].

- Communicate with the key stakeholders about the importance and impacts of green practices on the economy, environment and society.
- Use SMART (Specific, Measurable, Attainable, Realistic, and Timely) as a green goal for internal management to reduce the usage of carbon foot print along with timelines.

- Auditing of energy conservation and equipment purchasing and disposal policies.
- A though monitoring of the green banking progress regularly, watch the new industrial trends and development and revise the green policies accordingly.
- As a part of green banking practices, banks can focus on green building across its branches to execute an ecofriendly movement.
- Banks should give more financial assistance as green fund to society clear out projects to national initiatives of climate change, air, water, biodiversity and more.

## **Major challenges for Green banking**

The green initiatives of the banks were at developing stage, where they are restricting their operations to some selected group of customers will definitely affect their profitability as well as growth prospects of the banking institutions. According to Nigamananda Biswas [2], Green banking practices are promoted for the well-being of the society, but it will cause a lot of problems confronted by a profitable organisation.

If the banks are selective for some the social and environmental oriented business plan, it will definitely have a smaller profit base to support them. In these situations they may have to face difficulties while they are in economic shifts. Green banking [3] practices require skilled, qualified and talented personnel due to the different kinds of customers they are serving. It will increase the overall expenses and cost for operating a banking institutions. Moreover Bank employees have a wide knowledge and experience on handling green business as well as customers. Otherwise giving breaks their client in their discounting loan rate will eat at their profit margin. Due to the growing responsiveness of safety and ethical practices of environment, Indian banks will more prone to lose their reputations, If they are indulge in big projects, which are viewed as socially and environmentally damaging. The author had also discussed that the operations of green banks are confined to some specialized area. The question is how much money is investing in such business or ecofriendly projects? The author also pointed out the importance of environmental management practices during the construction and operations of the project and provides regular reports, prepared by in house staff and third party experts.

## **Analysis and Findings**

This study concentrated among banking customers and bank managers and employees from selected public and private sector banks in Kerala. The selected public sector banks comprise SBT, SBI, Punjab National Bank, Union bank of India and Private banks are HDFC, ICICI bank, IndusInd Bank and AXIS bank.

1. The analysis shows 48% of the customers unaware about the concept of green banking. Of this 32% are from public sector banks. The promotion campaign for green banking activities for public sector banks are lesser than the private banks in Kerala even though the banks are engaged in green banking practices [4].

2. In the study 90% of the respondents are frequently using the Green banking systems such as mobile banking, ATM, Online banking and accepting green financial assistance. Only 10% of the respondents prefer traditional banking systems. They are using cheque book facilities for money transfer and its withdrawals. Most of them are in SHG, Kudumbashree group in Kerala [5].

3. The study shows that 80% of the selected respondents are satisfied with the online transactions such as mobile banking, ATM transactions, Electronic fund transfer etc in their daily life. It shows that higher percentage of the respondents are satisfied for the usage of green banking systems for ensuring the reduced use of carbon foot print as well as part of eco-friendly banking practices. But 10% of the respondents are not supporting the online transaction system because lack of sufficient knowledge in online banking activities and feeling of insecurity.

4. Majority of respondents are supporting to the green banking policies of the Indian banks. I.e. 80% of respondents feel that they will become a part of green banking initiatives of the country by way of responsible and careful use of banks resources, ecofriendly practices and avoiding wastage and giving priority to choices that takes sustainability in account [6].

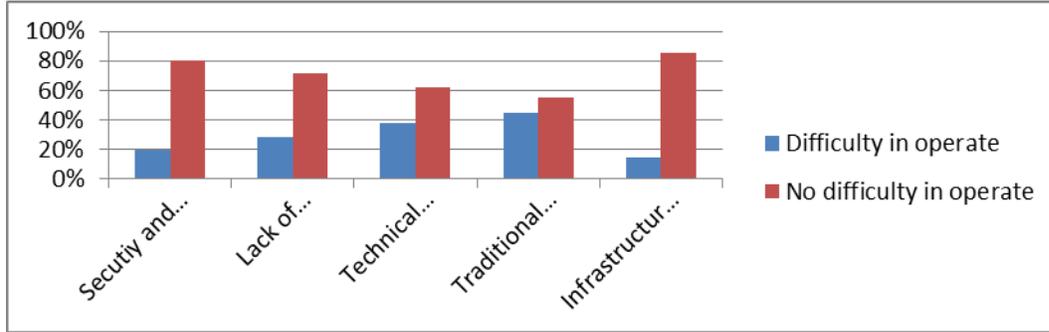
5. Only 40% of the respondents are depositing their money in bank account by using Cash Depositing Machine (CDM) instead of depending on the bank branch in directly. While others are not using the facilities because of security issues.

6. Now more numbers of banks offers financial assistance to eco-friendly projects, it will inspire the prospective investors to do their business on social responsible enabling them to do the business on ethical manner. That will ensure the safety and security of natural resources for the future generations.

7. Obstacles experienced by respondents in availing green banking services [7] (Figure 2 and Table 1).

**Table 1:** Difficulties in using Green banking services

<b>Obstacles</b>	<b>Difficulty in operate</b>	<b>No difficulty in operate</b>
Security and Privacy Issues	20%	80%
Lack of edification	28%	72%
Technical difficulties	38%	62%
Traditional Approach	45%	55%
Infrastructural facilities	15%	85%



**Figure 2:** Difficulties in using Green banking services.

From the above charts 80% of the respondents are satisfied with the green banking initiatives. 28% of the consumers feel difficulty in online activities because of lack of education, while 45% of the consumers are face difficulty in operates the traditional system [8-14].

## SUGGESTIONS

1. The banking sectors in Kerala especially public sector banks should take initiatives for promoting green banking activities for creating an awareness and its importance among customers so they might have a feeling of belongingness in the ecological movement of the country.
2. Banking authorities should take more initiatives to educate their customers for using the green banking facilities such as mobile banking, online transfer, ATM withdrawal etc.
3. Banking institutions are diversifying their funds for green projects or ecofriendly projects after a thorough screening process. So they can identify and extend the credit facilities to the right customers to ensure the sufficient support base for implementing green projects.
4. For an efficient and positive utilization of green banking resources there should be an efficient trained managers and employees are appointed by the commercial banks. It will ensure the effective and efficient utilization of banks and countries resources for the well-being of the nation.
5. More number of people prefer cash on delivery in their online transaction because lack of confidence on online transactions. Here Banks Should takes initiatives for educating about the privacy and security practices of online banking transactions among customers in Kerala [15-17].

## CONCLUSION

Nowadays Go green practices have become more popular through out of the world due to the environmental friendly practices. According to the Institute of Development and Research in Banking Technology (IDRBT) Green Banking is a multi-stakeholders' endeavor where banks have to work closely with government, NGOs, regulator, consumers, and business communities to reach the goal. Are all Indian banks are following ethical to the environment? Not fairly. Stead had analyzed the black marks of the banks. Presently more number of banks is promised for ethical and environmental practices, so as to reduce the greenhouse emission, but the diversifying and growing business practices of banking sector, demanding more employees working in the well-equipped offices around the clock on more computers, increased demand for electricity which was often created the burning of carbon dioxide in the environment. Currently we have a globally accepted Equator Principles, a set guiding environmental and social risk management framework covering 82 equator principles financial institutions in 36 countries have become the part of the emerging markets. But most of the Indian financial institutions are not showing much interest for following the equator principles by exempting their profit [18-20].

Even though the cash free banking systems are beneficial to consumers, employees, industries and economy as a whole. It will helpful to consumers for reducing overall transaction cost, easy deposits and withdrawals, easy ways to execute the trading practices and in overall a feeling of involvement in ecofriendly movement by the green oriented practices. It will helpful to the managers and employees for reducing their work burden to enhance the overall efficiencies of the firm. They have to extend the credit facilities to selective projects will induce the business people for starting their unit in an environmental friendly manner which will be beneficial to the future generation too.

As a country like India lack of infrastructural facilities, technological education, cooperation from the banking personnel would preventing the wide scale acceptance of Green banking practices. It is the time now India should take some major steps to adhere to the concept of go green practices by adopting environmental sensitive parameters to evaluate the risk involved before investing in different social oriented projects by way of Environmental Impact Assessment (EIA), Annual Reporting System (ARS) , Environmental Management Audit (EMA) etc.

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