GREEN BANKING- IS THE CONCEPT KNOWN BY THE BANK CUSTOMERS?

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ABSTRACT

BACKGROUND

Sustainability in Environment is one of the major problems in the present materialistic, modern world. The Development in the Economy leads to growth in the Nation, but on the other hand we are not considering the effects of the rational utilisation of the Natural Resources. The Cause of Global Warming is due to the excess cut down of trees and building multi-storied buildings all over (i.e. based on man’s requirement). Hence, reduction of Carbon Foot print of Individual is less. Banking sector is one of the major agents for overall industrial activities and has majorly contributed for economic growth. So the Banking sector had taken an initiative for the green banking, but the concept of green banking is perceived in different manner, (i.e., the reduction in the usage of papers through use of proper technology which in return reduces the carbon foot print of the Individual). Our Study on Green Banking is to understand the awareness of the concept with the bank customers, where making informative that apart from paperless methods there are different approaches for the Green Banking Concept. The methodology adopted includes 1. Primary Source: In the form of Questionnaire with the various Bank Customers. 2. The Secondary data for the references and also for understandings. The Questionnaire is analysed by using the statistical tool, Correlation and regression and ANOVA. The suggestions through this paper is to tell that concept “Green Banking” is not only a paperless concept but also we have like Green Mortgage, etc. Sustainable development can be achieved by allowing Banks to implement the Green Banking an appropriate framework for cost efficient regulations and economic instruments.

KEYWORDS

Green Banking, Technology, Awareness, Bank and Customers.

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BACKGROUND

Biodiversity is the diversity/resources where the human beings are majorly depended and too much of extractions are done for the benefit of mankind, there is no give back policy from mankind to nature or maintain it properly for the future generation.

Environment problems are well described by the Metaphor of the 'Tragedy of the Commons' (Hardin, 1968), where Jeucken, 2001 describes 'tragedy of the common' in the form of Fishery, where a fisher can catch more with the net result that the level of overfishing would remain unchanged. He says that overfishing in the biodiversity will lead to overexploitation of the resources in seabed or will result in available scarce resources in mere feature.

Environment protection based on a commitment to future generating or a spiritual perception” (Marcel H. A. Jeucken, 2001). The binder en route for Environmental protection is just on words, there is no practical applicability in the real, there should be some commitment for implementation for the protection of Environment for future generation in anyways, where it can be in the spiritual way also. There is a close inter-relation between environment and the economy where the economy will not exist without ecology (ecological system). Maintaining of ecological system is must, because the proper maintenance in the ecological environment will help for better economic activity and also it leads ultimately for mankind’s survival.

Green

A word Green has different variables for the factor of Green, where when we say Green Environment, it means full of Green Trees and Plants around us (i.e., totally an eco-friendly environment), where we take a Green in the colour factor, it will be just a touch and visible part for our eyes in the way of powders or in the images. So the word Green has a different sense. When we add word along with the Green + Banking, it tells about the Green initiatives taken by the Banking Industry

Green Banking

It means promoting environmental-friendly practices and reducing your carbon footprint from your banking events. This comes in many forms, using online banking instead of branch banking, disbursing bills online instead of mailing them, opening up Certificate Deposits and money market accounts by online banking, as an alternative of large multi-branch banks or finding the local bank with cutting-edge technology, in your area that is enriching biggest steps toward support local green initiatives.

The Carbon Foot Print that everyone is talking about is -

Every human activity has an impact on the environment and in particular, on climate change. Our ‘carbon footprint’ is a measurement of all greenhouse gases that we produce in our day-to-day life through burning of fossil fuels for electricity, heating, transportation usage, etc. It is measured in units of tonnes (or kilograms) of carbon dioxide (CO2) emitted.

Ethical Banking

Ethical Banking is also recognised as a Social, Alternative, Civic, or Sustainable Banking, it is a bank concerned by means of the social and environmental effects of its investments and loans. It is the movement marching towards increase in social and environmental responsibility in the Banking and Finance Sector. Ethical Banking shares the approaches of Islamic Banking.
Equator Principle

The Equator Principles (EPs) is a credit risk management structure for determining, evaluating and managing environmental and social risk in Project Finance transactions. Project Finance is frequently used to fund the development and construction of major infrastructure and industrial projects.

Origin of Green Banking

The concept of Green Banking came into light in 90s, but the practising concept of Green Banking existed long back in 1940s. It was not through the Technology. The Green Banking concept slightly resembles the approaches of Islamic Banking.

The Emergence of Green Banking concept took place in the 90s with the effect of hole in the stratosphere (i.e., hole in the Ozone layer), where the dangerous sun rays (UV rays) directly enter to the earth and harms the human bodies, which results to skin diseases.

The Kyoto Protocol to the United Nations Framework Convention on Climate Change (UNFCCC) of December 1997 was adopted, where the Kyoto Protocol has set binding obligations for the industrialised countries to reduce their emissions of greenhouse gases. The UNFCCC is an international environmental treaty with the goal of achieving the “Stabilisation of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system”.

The world leaders gathered in Kyoto to establish the global objectives and define instrumentation to tackle the problems on the emission of greenhouse gases. Where the consequences of the Kyoto Protocol for trade and industry can be reduced to this: Carbon dioxide emissions will negatively influence the cash flow of the business while excess emission rights may bring in additional revenue (Marcel H.A. Jeucken).

The First Green Bank

Eustis and Clermont, Florida, USA, First Green Bank is the first bank of its kind to promote positive environmental and social responsibility while operating as a traditional community bank providing excellent service to investors and clients. The progressive approach to the community and the Earth sets it apart from other banks.

State Bank of India (SBI), India’s largest commercial bank, took the lead in setting high sustainability standard and completed the first step in its ‘Green Banking’ initiative with Shri O.P. Bhatt, Chairman, SBI, inaugurating the bank’s first wind farm project in Coimbatore. Recent Green Bank initiatives include a push for solar powered ATMs, paperless banking for customers, clean energy projects and the building of windmills in rural India. State Bank of India is a leader in Green Banking.

Significance of Green Banking

Customers have plenty of choices for selecting the financial institutions; they look for more modernised and also the use of technology in Banking. Since there is high demand for the development in the banking industry from the customers banks are forced to adopt modern technology and also high environmental awareness is driving the number of financial institutions to go green.

Banks play an indispensable role in mobilising financial resources across the economy-in particular, providing capital for large scale infrastructure and low carbon technology deployment (Climate Change and Finance in India, 2010 May).

Sustainability

Sustainability in Environment is one of the major problems in the present materialistic, modern world. The development in the economy leads to growth of the Nation, but on the other hand we are not considering the effects of the rational utilisation of the natural resources. The cause of Global Warming is due to the excess cut down of trees and building multistoried buildings all over (i.e. based on man’s requirement). Sustainable Banking includes the elements of preventive and offensive banking (Marcel H.A. Jeucken, 2001). Hence, reduction of Carbon Foot print of Individual is less. Banking Sector is one of the major agents for overall industrial activities and has majorly contributed for economic growth. So the Banking sector has taken an initiative for the reduction in the usage of papers through use of proper technology which in return reduces the carbon foot print of the Individual and also in society.

Though the concept of Green banking was introduced in the late 90s, where the awareness of this concept is very poor in the Nationalised banking sectors and also in the co-operative societies. But for the nationalised bank, one bank which we can show our hands on adopting the technology and reduction of the carbon foot print is State Bank of India (i.e. The Imperial Bank of India). Nationalised banks face a problem of senior staff, who have very less knowledge in the technology and its use.

Sustainable Financial Services

The fast growing of the population is also increasing the demand in growing linked with the growing of environmental awareness, which eventually links to other forms of awareness and values, and awareness of social conditions and human rights situations (we can link this with the great theory of Maslow’s hierarchy of Needs). The realisation is also growing that we are just taking a charge of the earth for future generations and should treat the earth accordingly. Bank can look for the growing awareness by offering products that appeal to, or even facilitate sustainability.

A number of such products which banks can use to attract the hereafter named as “Sustainability Segment”. The following segments in the banks are: Current Accounts, Savings Products, Investment products and Insurance products.

Sustainable Payment Products

The development in the products related to current account is not obvious (Marcel H.A. Jeucken, 2001), where developing the products in current account is not an initiative, where the use of good marketing opportunities are existing banks like Citi Group offers Environmental Defense Platinum MasterCard to its Clients. The cost is borne by the bank, so it does not bother the customers.

For Current accounts there are no financial products related to environmental care. The major banks use the resources on current accounts for their traditional investments. The Co-operative Banks, which use the more permanently present balance on their customers’ current accounts for loans and investments focused on sustainable development.
Sustainable Saving Products
Banks collect and make a habit of savings from the customers, where they invest in and loans to companies who play a positive role in sustainable development or elements of it. It is also like a tax-driven savings product (Marcel H. A. Jeucken, 2001).

Sustainable Investment Funds
More banks are active in the area of sustainable investments. A number of funds already exist to attract money for investment in companies playing a positive role in sustainable development or elements of it. This may be in terms of the company's own operations or its products.

Sustainable Insurance Products
The Insurance market too is introducing products targeted at the growing sustainability sector. The investors, insurers are concerned with estimating risk - environmental risk. In 1992 the insurance world called attention to environmental issues, having been faced with damage claims amounting to US$50 Billion; all these claims stemmed from natural disasters. Hurricane Andrew in the US cost insurers. Many insurers believe the hurricane was related to the increased greenhouse effect and state that governments and industry should take action to reduce Carbon di-oxide emissions. To strengthen their cause, the (re)insurers are themselves active in prevention, making internal processes environmental friendly, educating their customers, offering environmental friendly companies lower premiums, and investing in such companies (Knoepfal et al, 1999) (Marcel H. A. Jeucken, 2001).

Review of Literature
Munnu Prasad and Dr. Muktha Kumar (2012) – “A Study on contribution of technology towards Green Banking” (ISSN 2250-1819). This paper speaks about the use of technology in the Banking sector, where the paper found that very less nationalised banks adopted technology. The paper also spoke about the awareness in the concept of banking, where there is less awareness in the branch level, where in the head office of the banks were having less awareness on the concept of Green Banking. Thus, paper suggested that there should be a rule from the central Bank (ie RBI) and also suggested for centralisation for Management Information System.

Ms. Varalakshmi Alapti, Prof. Chowdari Prasad and Dr. K.S. Srinivasa Rao (2012) – “Lean and Green: A Special Reference to Banking Sector”. This paper discussed on the Lean and Green initiatives taken from the Commercial Banks and the scheduled banks of India, where they have portrayed the recent adoption in the sustainability with Green Initiatives taken to reduce the operating cost and also to compete with Foreign Banks. They have also discussed about the good recent changes taken by the banks.

Sumanta Dutta (2012) “Green Banking: A New Sustainable Business Practices” (ISSN 2250-1819). The paper speaks about the failure of adopting of Green Banking in Financial Institutions for Equator Principle to provide a true reflection of the Environmental orientation. He also says some banks have tried an effort attempting, but not worthy. The author specifies forcing them to mandated investment for environmental management. The banks should not show ignorance in the part of banking industry.

Mr. Nigamananda Biswas (2011) – “Sustainable Green Banking Approach: The Need of the Hour”. This paper speaks about the environmental commitment with Equator Principles for setting of environmental and social guidelines. Due to lack of awareness in the Equitable Principles in India, leading banks are not much conscious of the guidelines. The private sector banks are looking for the commitment in the regulation or financial incentives. Green Banking facilitates in improving the asset quality of the banks in future. The paper clearly concluded that the Indian banks participating in the Globalisation is very less, where the Banks in India are very behind in adopting the Green Banking Concept, so there is a need of the hour to think it seriously for the sustainable growth of the nation.


This paper speaks out more on the urgent need to concentrate over a climate change, environmental degradation and mitigations for sustainable development by the main stake holders in the economy builders all over the world. Financial Institutions of banking sector hold their unique position in the economy which will greatly affect the production, business and other economic activities in terms of financing activities, the activities will help in reducing issues and protect the environment by reducing the pollution. The bank’s operating cost can come down by less energy use, water consumption, and waste reduction and paper material usage (i.e. stationery).

“Green Banking” Amy Kalloch and Dr. Bonnie Bachman Spring (2011). This paper clearly discussed on the major banks contributing towards the Green initiative for reducing the Carbon Emission. Banks started financing for the Green Building Projects and also to reduce the paper usage, which will lend to Green Environment Building. The author also spoke about big four banks of United States which lend their support for the reducing the Carbon Emission.

“Sustainable Finance and Banking: The Financial Sector and the Future of the Planet” Marcel Jeucken
This paper speaks clearly about what is sustainability and how should a bank implement for the clients’ support with giving, he also says that sustainable development will go hand in hand with change. Author also speaks about the importance of the role that financial institutions should play in the sustainability for longterm funding through the initiatives of sustainable financing.

Objective
This article identifies the awareness of Green Banking concept known by the Banks’ Customers.

Limitations
1. The sample is collected in the Bangalore (Urban).
2. It is limited to time factor.
3. Carbon credits not taken to consideration.
4. This study used simple English such that a common person can easily understand.

Type of Data: Primary Data
The data were collected through Questionnaire.
Secondary Data
The secondary data like published and unpublished materials were used in the study.

Sources of Data: Questionnaire (Primary)
A questionnaire was framed with the introduction of the topic in beginning to get a fair idea on the concept for the respondents, the questionnaire was structured with dichotomous and five-point Likert scale used and also the open ended questions were framed.

<table>
<thead>
<tr>
<th>Age</th>
<th>No. of Respondents</th>
</tr>
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<tbody>
<tr>
<td>20-30</td>
<td>27</td>
</tr>
<tr>
<td>31-40</td>
<td>6</td>
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<tr>
<td>41-50</td>
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<td>51-60</td>
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<td>61-70</td>
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<tr>
<td>71-80</td>
<td>0</td>
</tr>
<tr>
<td>81-90</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
</tr>
</tbody>
</table>

*Table 1: No. of Respondents based on Age*

The above graph shows that 54 percent of the respondents in the age group of 20 to 30 years, the next followed with 24 percentage of the respondents in the age group 51 to 60. The age group of 31 to 40 years was 12 percent, 41 to 50 years was 6 percent and 61 to 70 and 81 to 90 share the equal percentage of 2 percent. This is because that youth use advanced technology in banking adopting the paperless transactions.

<table>
<thead>
<tr>
<th>Educational Qualification</th>
<th>No. of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>10th or below</td>
<td>1</td>
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<tr>
<td>10+2</td>
<td>0</td>
</tr>
<tr>
<td>Graduate</td>
<td>18</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>28</td>
</tr>
<tr>
<td>Above PG (others)</td>
<td>3</td>
</tr>
<tr>
<td>Total No. of Respondents</td>
<td>50</td>
</tr>
</tbody>
</table>

*Table 3: No. of Respondents based on Educational Qualification*

The above graph shows that 56 percent of the respondents were Postgraduates, the next followed with 36 percent of Graduates, others who have a share of 6 percentage where 10th or below 10th also was an option. We cannot sort the customers as 10th or below 10th also have a knowledge of Green Banking. So finding the right person with that qualification is 2 percentage of the overall data collection.

This questionnaire was given to those people who have some knowledge of Green Banking, to find out the awareness in mixed group of respondents based on the qualifications.
Findings
The first and foremost study objective was framed to identify the awareness of Green Banking concept in Bank Customers, where the perception of the customers and the bank officials have an idea on Green Banking concept which is used based on the technology, where in other words Green Banking is understood as technology banking. Only few of the respondents and the customers have a fair idea of the concept.

Before the study, researcher expected in beginning that the customers may have less understanding on the concept, they think the Green Banking means Technological Banking, where it leads to paperless transactions.

CONCLUSION
A clear understanding made through this study is that banking customers are not clear on the concept of Green Banking and its working, they feel that Green Banking is of a Technology banking/paperless banking (Exceptional of State Bank of India). The Concept of Green Banking was understood by few banks in a different sense. The main users of the concept of Green Banking are customers, where few customers know the concept and few customers are unaware of the concept.

Suggestions
1. The awareness of Green Banking concept should increase in general public and the banks officials.
2. The awareness should be raised by proper channels and authorities like Central Bank

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To my beloved Guru’s Mrs. Muktha Kumar, Dr. K.S. Srinivasa Rao and one of role model Dr. N. Ramchandran.

REFERENCES