



## CUSTOMER AWARENESS ON GREEN BANKING –AN INITIATIVE BY PRIVATE SECTOR BANKS IN THENI DISTRICT

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### ABSTRACT

**T**he continuous climate change and recent cyclone, flood, drought, heave waves, has made us to think and find solutions to control global warming, even though we are ignorant so far. It is welcoming fact that people have awareness and sensitised towards the disasters and have the state of mind to preserve the environment. Banks also contribute to ecological footprint directly and indirectly through investment/lending in their customer enterprises. As such they need to play a key role in optimizing/reducing the carbon footprint. Foreign banks are practising green banking on a much serious note. Few Indian banks are just taking initiatives into this form of banking. Still, many of them are keen to actively pursue this strategy. In December 2007, the Reserve Bank of India (RBI) issued a circular (RBI 2007-2008/216) highlighting the importance for banks to act responsibly and contribute to sustainable development and emphasizing the need for Indian banks to establish institutional mechanisms to enshrine sustainability. Green Banking is comparatively a new development in the financial world. It is a form of banking taking into account the social and environmental impacts and its main motive is to protect and preserve environment. The paper discusses the initiatives taken by the private sector banks in adopting green banking practices in their internal processes, educating customers on technology based transactions, saving energy, etc.

**KEYWORDS:** green banking, strategies, banking, environment, sustainability.

### INTRODUCTION

Green banking is emerging concept for environment sustainability it means promoting environment friendly practices for sustainable growth and reduces the carbon footprint from the banking industry. Using online banking instead of branch banking, paying bills online instead of mailing them, opening online bank account are now added advance to the banking technology or contributing the environment sustainability.

The beginning of 21<sup>st</sup> century brought tremendous changes in banking activities. Due to this change bank has shifted toward the adoption of innovative

banking products. The use of ATM, internet banking, online transfer, debit card and credit card became popular. Innovative product is time saving, create less cost to the bank as well as to the customer. Innovative banking has different channel to provide service to the customer but the main source is internet which create less cost to the customer and it also save the time and create less pollution to the environment. Environment sustainability can be defined by taking a decision which reduces business's negative impact on environment. But it's not simply to reduce the impact on environment but it means to develop a process which provides a sustainable growth in future.



Banking can be defined as the business activity of accepting and safeguarding money owned by others and lending out this money to earn profit. Except this now bank is providing many retail services like issue of debit card, credit card, ATM, mobile banking, internet banking, online transfer of payments and bills etc, across the world.

## NEED AND IMPORTANCE OF THE STUDY

Today environmental sustainability is an important issue and green banking is a step in this regard. Hence, there is a need to study the green banking initiatives taken by the Indian banks. Consumer behaviour is dynamic and to be studied regularly. Increasing awareness, living standards and urbanization has led to increase in the changing preference. There is a fundamental shift in the usage behaviour of consumers from traditional ways to modern ways with respond to the services rendered.

Technological innovation in banking services is an opportunity to differentiate nature market. The technological innovation includes ATM, internet banking, mobile banking etc. These technologies can be used by the customer in an independent way without interaction of an assistant or an employee. Now a day's banking automation services is indispensable in order to obtain efficiency to provide basic financial needs.

## SCOPE OF THE STUDY

In fact the perception and expectation of the customers have undergone a vast change with the availability of retail banking services at their door steps with the help of technology and expects to complete all their banking transactions from a single place.

The study identifies the product and service usage in terms of customer convenience pattern. The reason for choosing this topic is to analyze customer behaviour towards usage of different green banking services provided by the private sector banks and to suggest strategies for using these services in order to make it more competitive and customer friendly. The study will help private sector banks to reorient their marketing strategies for better reach among customer in order to complete with its rivalry with technology as its core competence.

## BACKGROUND LITERATURE

**Ragupathi.M and Sujatha.S (2015) Green Banking and Environment Sustainability by Commercial Banks in India, JNU Convention, 2<sup>nd</sup> International Conference (Management), 22 Nov 2015, pp19-82.** Green Banking Initiatives of Commercial

Banks in India studied the way to go green through green banking. According to this paper, earlier bank was not aware about the concept green banking. But now a day's banks are playing very important role in environment sustainability program. By the green banking practice people is getting more aware about the global warming and each business man's contributing in environment sustainability to make this earth a better place to live in. Green banking is not only greening the industries but it will also facilitate in improving the assets quality of the bank in future.

**Rajesh & Dileep (2014) International Journal of Management, Green Banking- A Study of Select Banks in India Vol.3, ISSN, Pg: 6.** Studied the role of banks in sustainable economic development through Green Banking activities. The study was based on secondary data obtained from the reports of various Banks, various seminars and workshop information and other relative information published on the banks and other internet sites. The study concluded that Banks also contribute to ecological footprint directly and indirectly through investment/ lending in their customer enterprises. Green banking can be an avenue to reduce pollution and save the environment aiding sustainable economic growth. Before making the decision to finance a project, banks must see its environmental risks and ensure the project players have environmental safety measures in their plans, including recycling facilities or smoke and gas arresting units.

**Jha & Bhome (2013) International Journal of Management, Green Banking- A Study of Select Banks in India Vol.3, ISSN, Pg: 6.** Found the ways to go Green through „Green Banking†. The research methodology used in this study is based on primary as well as secondary data. The primary data was collected from the study conducted through telephonic interactions and personal interviews. The study examines major aspects concerned with the Green Banking. Specially structured questionnaires and interviews with employees, of well established banks and general public have been used for survey purpose. The analysis was done by using percentage technique. The study found that Green banking is a good way to get more awareness about global warming; each businessman will contribute a lot to the environment. The concept of “Green Banking” will be mutually beneficial to the banks, industries and the economy. It will not only ensure the greening of the industries but it will also facilitate in improving the asset quality of the banks in future.

**Aashish Shashikant Jani, 2012. "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" IOSR Journal of Economics and finance, ISSN, Pg.29,** 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.

**Biswas (2011) International journal of management, vol3, Awareness on green banking initiatives in selected public and private sector banks, ISSN, pp:6 - 7.** Highlighted the major benefits, confronting challenges, strategic aspects of Green Banking. It had also presented the status of Indian banks as far as Green Banking adoption is concerned. The study found that there had not been much initiative in this regard by the banks in India, though they play an active role in India's emerging economy. Banks should go green and play a pro-active role to take environmental and ecological aspects as part of their lending principle, which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems. They must be more vocal about the inherent green value proposition.

## OBJECTIVES OF THE STUDY

1. To study the profile of the respondents of the select private sector banks.
2. To examine the practices of the select Private Sector Banks to create awareness on using green banking services by their customers.

## METHODOLOGY

Survey method was adopted for the study. The private sector banks in Theni District practising green banking only were selected for the study and they are – Axis Bank, City Union Bank, Federal Bank, HDFC Bank,

ICICI Bank, Karur Vysya Bank, Lakshmi Vilas Bank. Total population from the select 7 private sector banks constitutes 1750 customers. 50 respondents from each bank were selected for the study through simple random sampling which constituted a sample size of 350. The filled-in questionnaires received were 310, out of which only 287 was found to be complete in all aspects. Hence the sample size for the study is 287. The primary data was collected through structured questionnaire from the respondents.

## CONCEPTUAL FRAMEWORK OF THE STUDY

Green banking promotes environmental friendly practices and reduces carbon footprints from banking activities. This comes in many forms. Using online banking instead of branch banking, paying bills online, instead of mailing them open up CDs and money market accounts at online banks, support green initiatives. Green Banking helps to create effective and far reaching market based solutions to address a range of environmental problems, including climate change, deforestation, air quality issues and biodiversity loss, while at the same time identifying and securing opportunities that benefit customers.

### Green banking product range includes:

- ✧ Green mortgages
- ✧ Green loans
- ✧ Green credit cards
- ✧ Green savings accounts
- ✧ Green checking accounts
- ✧ Green CDs
- ✧ Green money market accounts
- ✧ Mobile banking
- ✧ Online banking
- ✧ Remote deposit (RDC)

## GREEN BANKING SERVICES

### 1. Online Savings Account:-

Online savings account and mobile banking is the easiest way that you can do your part to bank green and help the environment. Green banking includes setting up direct deposit to receive your pay checks, receiving electronic statements from your bank and by paying bills online. All of these steps can drastically reduce the amount of paper produced by your bank. Online banking and mobile banking are also highly effective ways to keep track of your finances and to avoid late payment fees. Another green banking step you can take is to suggest that the company you work for sign up for a product called "Remote Deposit". Remote customers have to physically deliver each

check to their bank to make a deposit. Remote deposits also allow banks to easily clear checks digitally.

## 2. Paperless Statement:-

Sending out bank statement by mail is a big waste of paper. Signing up for online banking at most banks includes an option for customers to receive their statements electronically through a secure log in copies of banking records and statements can then be stored electronically instead of in a filing cabinet. Receiving statements electronically also reduces the chance of identity theft.

## 3. Use Direct Deposit:-

Most employees will give employees the option to receive their pay check electronically. Not only does this speed up the availability of your money and save you a trip to the bank, it saves paper, lots of paper work etc.

**a) Online bill payments:** Paying bills online is something of a lifestyle change, but it can be done. Telephone bills, cable bills, utility bills, credit card payments and mortgage payments can all be paid electronically. In fact, some online banking customers have thrown away their check books and completely converted to online payments. Not only is the recordkeeping much easier, but again massive amounts of paper is saved.

**b) Reward debit and credit cards:** Some banks have joined up with environment – friendly groups like the sierra club or defenders of wildlife to create reward debit cards and reward credit cards. Participating banks will make a small charitable donation as a percentage of your online banking activity to help the environment.

**c) Net banking:** Online banking is when customers perform most of their banking related functions without visiting the bank, personally. To do so customers must possess an internet banking ID and a password provided by the bank in which the individual customer has an account.

- ◆ Credit and Debit Cards: Credit card and debit card can be used while making the payment of various expenses without carrying the money.
- ◆ Online Bill Payment: Through online payment we can make payments of telephone bills, credit card bills or loan instalments.
- ◆ Electronic fund transfer: Electronic banking, also known as electronic fund transfer (EFT), uses computer and electronic technology as a substitute for checks and other paper transactions. EFTs is initiated through devices like cards or codes that let you, or those you

authorize, access your account. Many financial institutions use ATM or debit cards and personal identification numbers (PINs) for this purpose.

- ◆ Mobile banking: Mobile banking is a term used for performing balance checks, account transactions, payments, credit applications etc. Via a mobile device such as mobile phone or personal digital assistant (PDA).

## GREEN BANKING -A SWOC ANALYSIS

An analysis of strengths weaknesses opportunities challenges (SWOC)

### Strengths:-

- ⇒ Green banking practice save time of customer as well as bank also.
- ⇒ It reduces the cost of bank operation and cost to the customer too.
- ⇒ Transaction can be done any time and at any place.
- ⇒ By financing in solar energy and wind energy program the bank is reducing carbon footprint from the environment.
- ⇒ Quality customer practice password in green banking practice take time.
- ⇒ Lack of knowledge among the employee has been noticed.
- ⇒ There are some geographical barriers for the implementations of green banking practices.
- ⇒ All banks are not coming equally for the practice of green banking.
- ⇒ Problem of security is always with green banking practices.

### Opportunities:-

- ⇒ People are becoming more computer literate so it's easy to start green banking practice and guide the customer toward the activities.
- ⇒ Most of the customer are using ATM card only. So it is a time to start all the initiatives for green banking practices.
- ⇒ Mobile banking and internet banking is increasing day by day so it's a time to spread the green banking practice.

### Challenges:-

- ⇒ It's a new concept and customer will take time to adopt this.
- ⇒ Green banking requires a technology which will highly costly.

- ✦ It requires renewable and recycling technique which is costly.
- ✦ Data protection is another challenge for the adoption of green banking.

✦ Bank employees need training for all this practice.

## GREEN BANK INITIATIVES BY BANKS

**Table No.1**  
**Demographic Profile of the Respondents**

Variables	Parameters	Frequency	Percentage
Age	< 25 years	75	26
	26-35 years	66	23
	36-45 years	85	30
	> 45 years	61	21
	<b>Total</b>	<b>287</b>	<b>100</b>
Gender	Male	134	47
	Female	153	53
	<b>Total</b>	<b>287</b>	<b>100</b>
Marital Status	Married	191	67
	Unmarried	96	33
	<b>Total</b>	<b>287</b>	<b>100</b>
Education	Below SSLC Level	132	46
	Diploma	38	13
	Degree	69	24
	Professional	48	17
	<b>Total</b>	<b>287</b>	<b>100</b>
Income	> Rs.20,000	113	39
	Rs.20,000 –Rs. 30,000	76	26
	Rs.30,000 –Rs.40,000	56	20
	< Rs.40,000	42	15
	<b>Total</b>	<b>287</b>	<b>100</b>

The above table depicts that:

- ✦ Majority of 30 percent of the respondents belong to the age group of 36 years to 45 year.
- ✦ Majority of 53 percent of the respondents are Female.
- ✦ Majority of 67 percent of the respondents are married.
- ✦ Majority of 46 percent of the respondents are below SSLC level followed by 24 percent at Degree level.
- ✦ Majority 39 percent of the respondents belong to the income group below Rs.20,000.

**Table No.2**  
**Banks Practicing Green Banking in Theni District**

S.No.	Name of the Bank	Location
1.	Axis Bank	Madurai road, Theni
2.	City Union Bank	VPSA Mill Road, Theni
3.	Federal Bank	Madurai road, Theni
4.	HDFC Bank	Periyakulam road, opposite to Convent, Theni
5.	ICICI Bank	Cumbum Road, Theni
6.	Karur Vysya Bank	N.A.P. Complex, Madurai Road, Theni.
7.	Lakshmi Vilas Bank	Periya Kulam Road, Theni

**Table No.3**  
**Date of Initiating Green Banking Practices**

S.No.	Name of the Bank	Date
1.	Axis Bank	Aug.1, 2013
2.	City Union Bank	May 11, 2011
3.	Federal Bank	July13, 2015
4.	HDFC Bank	Sep.14, 2014
5.	ICICI Bank	Apr. 9, 2010
6.	Karur Vysya Bank	Feb.13, 2013
7.	Lakshmi Vilas Bank	Nov. 21, 2015

The above table shows that ICICI Bank has first introduced green banking practices in 2010 followed by City Union Bank in 2011 and the other five banks between 2013 and 2015.

**Table No.4**  
**Training provide to Employees on Green Banking Services**

S.No	Name of the Bank	Yes	No
1.	Axis Bank	✓	-
2.	City Union Bank	✓	-
3.	Federal Bank	✓	-
4.	HDFC Bank	✓	-
5.	ICICI Bank	✓	-
6.	Karur Vysya Bank	✓	-
7.	Lakshmi Vilas Bank	-	✓

It is inferred that except Lakshmi Vilas Bank all the select banks are providing training to their employees on green banking services.

**Table No.5**  
**Problem faced by the bankers in implementing Green banking system**

GREEN BANKING	BANKS
Lack of thorough knowledge of technology	-
Lack of confidence in handling automated transactions	3 (Axis Bank ,HDFC Bank, ICICI Bank)
No direct and interaction with the customer	4 (City Union Bank, Federal Bank, Karur Vysya Bank, Lakshmi Vilas Bank)
Fear about security	-
<b>Total</b>	<b>7</b>

The above table shows that the bankers feel that lack of confidence in handling automated transactions are their major problems they face in green banking services. No direct interaction with the customer and lack of

**Table No.6**  
**Methods of creating awareness to customers on green banking**

Methods/ Initiatives	Frequency	Banks
Make them cheaper by reducing charges / fees	-	-
Incentives to green banking users	3	HDFC Bank, ICICI Bank, City Union Bank
Intensive advertisement	3	Federal Bank, ICICI Bank, Axis Bank
Contacting every customer personally	-	-
Keep on reminding customers through writing communication	-	-
Demonstrating on how to use services to them	2	Lakshmi Vilas Bank , Axis Bank
Giving them guarantee of security and privacy	4	Lakshmi Vilas Bank, City Union Bank, HDFC Bank, Karur Vysya Bank
Providing technological know-how to the customers to use green banking services	1	Karur Vysya Bank

It is inferred from the above table that banks motivate their customers by guaranteeing them the security and privacy in green banking operations and also provide incentives for using green banking; also they give intensive advertisements and demonstrate how to use green banking services. But they are not sending any communications or try to contact the customers personally to promote green banking. If they do these,

they may be able to bring more awareness among their customers to use green banking and contribute for sustainability of the environment.

### **HYPOTHESIS**

**H<sub>0</sub>:** There is no significant difference between mean rank among various E- banking services.

**H<sub>1</sub>:** There is significant difference between mean rank among various E- banking services.

**Table No.7**  
**Friedman test for significant difference between mean rank among various E- banking services**

S.No.	E- banking services	Mean	Std. Deviation	Mean Rank	Chi-Square value
1	E-banking services are generally faster than traditional banking.	4.27	0.796	4.10	0.001**
2	E-banking services have no time limit since i can use them at any time of the day.	4.40	0.754	4.35	
3	There is high degree of convenience in accessing E- banking services.	1.73	0.792	1.25	
4	E-banking channels are easier to use than traditional channels.	4.38	0.775	4.32	
5	E-banking services are generally cheaper than traditional banking At the branch.	2.66	1.733	2.39	
6	Using E- banking service is more prestigious than queuing at the bank halls.	4.51	0.718	4.58	

*Source:* Statistically analyzed data

*Note:* \*\* Denotes significance at 1 % level

It was observed that "Using E- banking service is more prestigious than queuing at the bank halls" with mean rank of 4.58 is the best factor behind E- banking services.

Since P value is less than 0.01, the hypothesis is accepted at 1 % level of significance. Hence, there is no significant difference between mean rank among various E- banking services.

## FINDINGS

- ◆ Majority of 30percent of the respondents belong to the age group of 36 years to 45 years
- ◆ Majority of 53 percent of the respondents are Female
- ◆ Majority of 67 percent of the respondents are married
- ◆ Majority of 46 percent of the respondents are below SSLC level followed by 24 percent at Degree level.
- ◆ Majority 65 percent of the respondents belong to the income group below Rs.30,000.
- ◆ ICICI Bank has first introduced green banking practices in 2010 followed by City Union Bank in 2011 and the other five banks between 2013 and 2015.
- ◆ Except Lakshmi Vilas Bank all the select banks are providing training to their employees on green banking services.
- ◆ No direct interaction with the customer and lack of confidence in handling automated transactions are their major problems they face in green banking services.
- ◆ Banks motivate their customers by guaranteeing them the security and privacy in green banking operations and also provide incentives for using green banking; also they give intensive advertisements and demonstrate how to use green banking services.
- ◆ At 1% level of significance, there is no significant difference between mean ranks among various E-banking services.

## SUGGESTIONS

Banks must adopt a strategic plan to perform green activities on long term basis as well as short term basis. Government should outline a broad guideline of green banking for environmental protection; conservation of biodiversity, Reserve Bank of India should shape up a concrete guideline for green banking practices. Banks can conserve energy and natural resources by paying bills online, remote deposit, online fund transfers, and online statements. Online banking can create savings from less paper, less energy, and less expenditure of natural resources from banking activities. The main contribution by Banks is in financing the Green Projects i.e. bankers must be aware of the environmental issues and they must go for financing the projects that do not pollute the environment. Also banks have to take initiatives in spreading the awareness among their clients in adoption of green banking in a big way.

## CONCLUSION

It is found from the findings and suggestions that green banking practices would act as a catalyst to banks and financial institutions to further identify their efforts at reducing energy usage and there by contribute their best to the ongoing global efforts on ensuring sustainable development. To conclude with the available opportunities, options and technology, banks need to set their short term and long term green goals, develop their green strategies, and execute their greening activities in a phased manner.

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