

The adoption of Green Banking Services in Private Sector Banks with Special Reference to Thrissur District, Kerala

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ABSTRACT

With everything coming under the umbrella of “Go Green” campaign the financial institutions cannot escape the change. Green Products, Green Technology and the Green Environment created a Green Revolution in the banking sector also which resulted in the emergence and growth of Green Banking Channels and Services. While there are many reasons for the emergence of Green Banking Services, they are not factored by the previous researchers. This study is mainly aimed at examining the factors that lead to the upliftment of Green Banking Services in the Private Banking Sector and also examines the pertinent problems the employees face in handling the Green Banking Channels.

Key Words : Go Green, Green Products, Green Technology, Green Environment, Green Revolution, Green Banking Channels and Services, Private Banking Sector

INTRODUCTION

Increasing urbanization, less vegetation, more exploitation of natural resource, destructive environment practices and technological advancement had all resulted in mass violation of the ecological balance. The harmful environment practices had creative tangible impact on the environment which is vital for mankind survival. With the advent of sustainable development, every sector of the economy has gone green. There is Green cultivation, Green production processes and finally Green services. The banking industry of our country which is vital for the country's development cannot escape from the responsibility of protecting and nourishing the environment. Many Green Banking initiatives were enforced which has no or minimum impact on the environment. India is a developing country where majority of the citizens avails banking services. Some of the Green Banking Services offered are bank motivate the customers for go online instead of paper transactions, Green Checking of accounts, Green Loans for home improvements, green credit cards, promoting paperless transactions to save paper, using solar and wind energy through Bloomberg New Energy Finance, mobile banking, Interbank Mobile Payment Services (IMPS), Green Money Market, Self-Service Banking Center- Swayam. Swayam is a self-service banking service offers wide varieties of services such as online and mobile banking, cheque book request,

How to cite this Article: Joseph, Sony and Suseela Menon, R. (2018). The adoption of Green Banking Services in Private Sector Banks with Special Reference to Thrissur District, Kerala. *Internat. J. Appl. Soc. Sci.*, **5** (10) : 1711-1717.

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. The Reserve Bank of India had introduced rating scheme to promote Green Banking Services. The rating scheme is standard rating for green competent banking and Green Banking Services 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 eco-friendly projects, maximum utilization of resources and Green Project financial supports, Carbon emission from their operation, use of Printer, Network, Computer, Server etc.

Review of literature :

Girish (2016) examined the perception and awareness of employers and customers regarding Green Banking Services in Public and Private Sector Banks in Kerala. The researcher also listed the various problems faced by the Green Banking Services. The study which analyzed both the primary and secondary data found that majority of the customers and the employees are unaware of the Green Banking Service which adds to the ambiguity of such services. But the customers and employees are supportive for the Green Bank Services and join their hands for the protection of the environment. The researcher recommends the banks to offer 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.

Sreesha (2014) attempted a study on Green Banking initiatives of Public and Private Sector Banks in India. The study attempted to understand different models and channels of by which the branches are made green. The study which is primary in nature aims at analyzing the regulatory measures taken by the Reserve Bank of India towards the Greening of the Bank branches and also to identify the steps taken by the banks to promote the Green Banking Channels in Commercial banks. The findings of the study reveals that the Indian banks have identified the importance of environmental protection and started taking various initiatives under its green banking activities. The finding also shows that Public Sector Banks have taken more Green Banking initiatives as compared to Private Sector Banks.

Rajesh (2014) explained the role of Green Banking initiatives on sustainable development. Green Banking products which makes optimum utilization of available resources, reduces the Carbon foot print, promote utility of resources results in protection of environment for the future generation which in turn results in sustainable development.

The study is secondary data oriented. Banks also contribute to ecological footprint directly and indirectly through investment/lending in their customer enterprises. Green Banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environment, and social dimensions. 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. A framework of incentives for responsible banks and disincentives for pollutants is an essential element for the development of Green Banking.

Ahmad *et al.* (2013) studied the factors that lead to the emergence and adoption of Green Banking Services in Bangladesh Commercial Banks. The researcher had used primary data and conducted exploratory factor analysis to list the factors that resulted in Green Banking Services. The factors were identified as economic factors. Stakeholder pressure. Environmental factors, legal factors, policy guidelines and increased loan demand. The Green Banking Services began as a part of establishing Green corridor in the purview of the banking industry. The study found that the country had inadequate technology to promote the Green Banking Services and solely relies on public and crowd funding to establish Green Banking platforms.

Objectives of the study :

- To examine the factors affecting adoption of Green Banking Services in select Private Sector Banks in Thrissur District, Kerala.
- To list the problems of employees in handling Green Banking Products and Services.

METHODOLOGY

Research Design:

This study is descriptive and empirical in nature. The study is descriptive as the researcher portrays the characteristics of Green Banking Service and nature of employee as existing in the Private Banking Sector. The study is empirical as the results are fairly based on direct observations made by the researcher.

Research instrument and Data collection:

The research is primary in nature and the data is collected through well-structured questionnaire. The questionnaire was administered on employees of select Private Banks offering Green Banking Services in Thrissur District, Kerala. The structured questionnaire consist of demographic details of the employee, factors influencing the adoption of Green Banking Services and the problems faced by the employees in offering Green Banking Services to the customers. The factors of Green Banking escalation were measured in *five point Likert scale* where are the employees were asked to rank the various problems they face during Green Banking processes.

Sampling design:

There are 1199 employees dealing with Green Banking Services of select Private Sector Banks in Thrissur District. Based on *Krejcie and Morgan table* the sample size was fixed as 291. Hence the researcher adopted disproportionate random sampling technique to select the samples. The questionnaire was distributed to 291 employees. 270 questionnaires were received back out of which 253 duly filled and complete questionnaires were retained and considered for the study.

Tools used in the study:

- Exploratory Factor Analysis
- Garrett ranking

RESULTS AND DISCUSSION

The researcher has used *Exploratory Factor Analysis* to identify the factors that led to the adoption and escalation of Green Banking Services in Private Banking Sector, Thrissur District,

Kerala. The results of *Exploratory Factor Analysis* are shown below:

Table 1 : Communalities		
S.I.	Statements	Extraction
1	Concessional rates of services	0.478
2	Benefits coalition for green capital	0.757
3	Free electronic bill payment services	0.539
4	Cash back will be credited to all customers opening green accounts	0.757
5	Improved cash forecasting	0.703
6	Reduces processing costs	0.700
7	Helps mitigate risks	0.493
8	Brings down processing error	0.517
9	Customized to the biller need	0.511
10	Secure user authentication system	0.672
11	Better convenience for customers and employees	0.566
12	Resources are conserved	0.525
13	Paperless banking promotes efficient utilization of resources	0.480
14	Reduces external Carbon emissions	0.682
15	Environment standards of lending helps future generations	0.543
16	It provides electronic disposal efficiency	0.632
17	Voluntary guidelines for social and environmental risks	0.646
18	The adoption of Equator Principles	0.632
19	Increasing energy audit and review equipment	0.670
20	Improved communication for loan processing	0.582
21	Liberal compliance requirements	0.61

Source: Computed from Primary data

Table 2 : Rotated Sum of Squared Loading			
Comp	Total	% of Variance	Cumulative %
1	4.276	22.503	22.503
2	2.290	12.054	34.558
3	2.152	11.327	45.885
4	1.540	8.107	53.991
5	1.246	6.559	60.550

Source: Computed from Primary data

Table 3 : Rotated Component Matrix					
Statements	1 (eco)	2 (st.hl)	3 (env)	4 (leg)	5 (loan)
Concessional rates of services	0.52				
Benefits coalition for green capital	0.52				
Free electronic bill payment services	0.76				
Cash back will be credited to all customers opening green accounts	0.68				
Improved cash forecasting	0.77				
Reduces processing costs	0.74				

Table 3 contd...

Contd. Table 3

Helps mitigate risks	0.76	
Brings down processing error	0.78	
Customized to the biller need	0.57	
Secure user authentication system	0.78	
Better convenience for customers and employees	0.8	
Resources are conserved		0.451
Paperless banking promotes efficient utilization of resources		0.611
Reduces external carbon emissions		0.516
Environment standards of lending helps future generations		0.77
It provides electronic disposal efficiency		0.65
Voluntary guidelines for social and environmental risks		0.83
The adoption of Equator Principles		0.58
Increasing energy audit and review equipment		0.47
Improved communication for loan processing		0.81
Liberal compliance requirements		0.50

Source: Computed from Primary data

The above tables show the factor analysis for the statements. The KMO value is 0.873 which is significant at 5 % level of significance indicating sampling adequacy. All the communalities values are above 0.3 indicating strong contribution or correlation of each statement towards the corresponding factor. The rotated sum of squared loading shows that the various factors loaded are classified into 5 factors and explains 60% of the total variance which is adequate to proceed with the analysis. The rotated component matrix shows the distribution or allocation of each statement to the concerned factors. Based on the review of literatures and banking reports the five factors were identified as economic factors, stakeholder interests, environmental factors, legal factors and loan demand factors. Going Green in Banking reduced the processing cost and overall economic cost of the banking organization. It reduces the waiting time of customers in the long queues of banks which cause inconvenience. The processing error will be also low user authentication for all transactions. The employees can do transactions irrespective of their places and circumstances. The decreased Carbon footprints contribute to the ecological balance. The reduced paper transactions results in optimum utilization of resources. The Equator Principles are a set of voluntary guidelines for the categorization, assessment and management of social and environmental risks in project financing. The EPs are based on the International Finance Corporation Performance Standards on Social and Environmental Sustainability and on the World Bank Group Environmental, Health and Safety (EHS) Guidelines. Currently, 78 financial institutions in 32 countries have officially adopted the EPs, covering over 70 per cent of international Project Finance debt in emerging markets. The EPs have promoted convergence around common environmental and social standards. In December 2007, the Reserve Bank of India (RBI) issued a circular 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. The Green Banking Services necessitated minimum requirements and procedures for the disbursal of services. Customers prefer Green Loan Channels comprehensive and convenient loan handling. Hence economic factors, stakeholder's interest, environment factors, legal factors and increased loan demand created and

welcomed the Green Banking Services in Thrissur District, Kerala.

Difficulties faced by Employees in handling Green Banking Services:

The prospects of green banking to various stake holders of the banking industry are promising but it poses many challenges to the employees handling such services. The employees ranking on various problems they encounter in Green Banking Services are analyzed and presented below:

Table 4 : Results of Garrett Ranking		
Particulars	Garrett score	Rank
Server disruption	22773	2
No prior confrontation	20640	3
Customer resistance	20197	4
Technology obsolete	24132	1
Infancy stage	18974	5

Source: Computed from Primary data

The results of *Garrett Ranking* shows that the employees finds difficult to get acquaintance with an existing technology, but once an employee had adjusted with existing technology suddenly the technology is replaced as part of policy guidelines or legal reasons. A frequent change in the technology used in Green Banking Services hinders the work of employees. The server shut down or disruption will interrupt the work of the hour as every Green Banking Services requires system for its functioning. This very often results in customer agitation. There is no proper reskilling of employees with the latest technology who does not have any prior confrontation which tampers the confidence level of employees and slows down the Green Banking Service providing. In some situation customers especially in rural areas resist Green Banking Services on account of lack of awareness. Finally the Green Banking developments are still in infancy stage. There are ambiguities in the modus operandi and policy guidelines regarding the adoption and implementation of various Green Banking Services in the banking industry. This had caused many difficulties to the employees handling such services day to day.

Conclusion :

The adoption of Green Banking Services by the industry is for many reasons which range from economic advantage to loan demands. The primary beneficiary of every Green Banking Channel is the environment. The Green Banking Technology reduced the Carbon foot prints which was very alarming in the Traditional Paper Banking. There are many policy guidelines to be followed and reskilling of employees before complete implementation of going Green Campaign. Any new change in the Banking Industry requires competent and talent employees who will stand with the bank at time of adversities also. In the Green Banking scenario the industry should never leave the employees far behind. The study also recommends a strong positive attitude in the minds of the employees towards the Green Banking Services of their concerned banks. Becoming obsolete is inherent nature of any technology in any industry. Policies should be formed and the industry and its employees must be competent and prudent to face the challenges of changing technology. Finally no change is inevitable and a change that is in harmony with the nature should be nourished and promoted in the Banking Industry.

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