

The Impact of Green Banking Practices on Bank's Environmental Performance with Special Reference to Meerut City

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ABSTRACT

Green Banking is any form of banking in which country can take the benefits of environment. They can protect the environment and operate their functions in very effective manner.

A traditional bank becomes a green bank by providing its core operations and functions for the betterment of the environment and its sustainability. Green Banking has become a buzzword in today's banking scenario. It effects developing inclusion of banking strategies, which will in turn substantial economic development, and promoting environmental-friendly practices as well.

There various green banking practices adopted in banking sectors. By using online banking and its services is the way to adopt green banking, which can save your paper and energy also. Another way is to payment bills on time, not is turned off, or shut down due to lack of payment. Besides these ways, many more others protect the environment and it is sustainable. Therefore, green banking is not beneficial only for the environment, but it has also advantages for you because green

In Meerut City, the launch of green banking has brought a revolutionary change in the banking sector and has moved financially ahead of green initiatives. In this research paper, the data has been collected from 150 bankers of both public and private sector banks using simple random sampling. For data analysis, Correlation and regression analysis were used to analyze the results of the study. The results of the study suggest that Environmental Training, Energy Efficient Practices and Green Projects have significant Impact on Bank's Environmental Performance.

Key words: Green Banking, Environmental Training, Green Loan & Green Policy

1.0 INTRODUCTION

In India, climate change is a big concern. Therefore, it increase a risk to the health, economy of the country and the environment of the country. Economists are also recognizing that we can get the financial rewards by controlling climate change and developing a low carbon economy. Bank

has taken a brilliant step along with leadership initiative to transform the traditional banking to green banking for the betterment of environment and provide new opportunities for financing and investment policies as well as portfolio management for the creation of a strong and successful low carbon economy. Just because of consistent change in weather condition and our ecology, global warming is spread out like fire, which creates awareness among the generation of society. It is the duty and responsibility of every one to understand the gravity of green banking and how to do their best for the protection and betterment of the environment.

As a responsible part of the society we must by our processes, operations, people, facilities, and people must reduce the carbon footprints and preserve and conserve the environment. Green is slowly and steadily becoming the symbolic color of eco-consciousness in the world. “Green” as a marketing communications platform is gaining a lot of attention. Every organization will have to become green to some extent for the survival of future generations in the continues changing environment. Taking the environment and climate change into consideration in what we do is important. Banking and finances is probably one of the area as you might not think you can do anything about, but there’s a surprising amount that you can do to ensure that your money and finances are being managed in a green, ethical way. As green initiatives sweep across the globe; more and more financial institutions are taking note and taking action.

This Go Green approach, popularly known as Green banking or Sustainable banking differ from each organization. Green banking covers many different areas, but in general refers to how environmentally friendly your bank is, and how committed to green policies these institutions are. As green initiatives flounce across the globe, many banks are taking note of this and taking action.

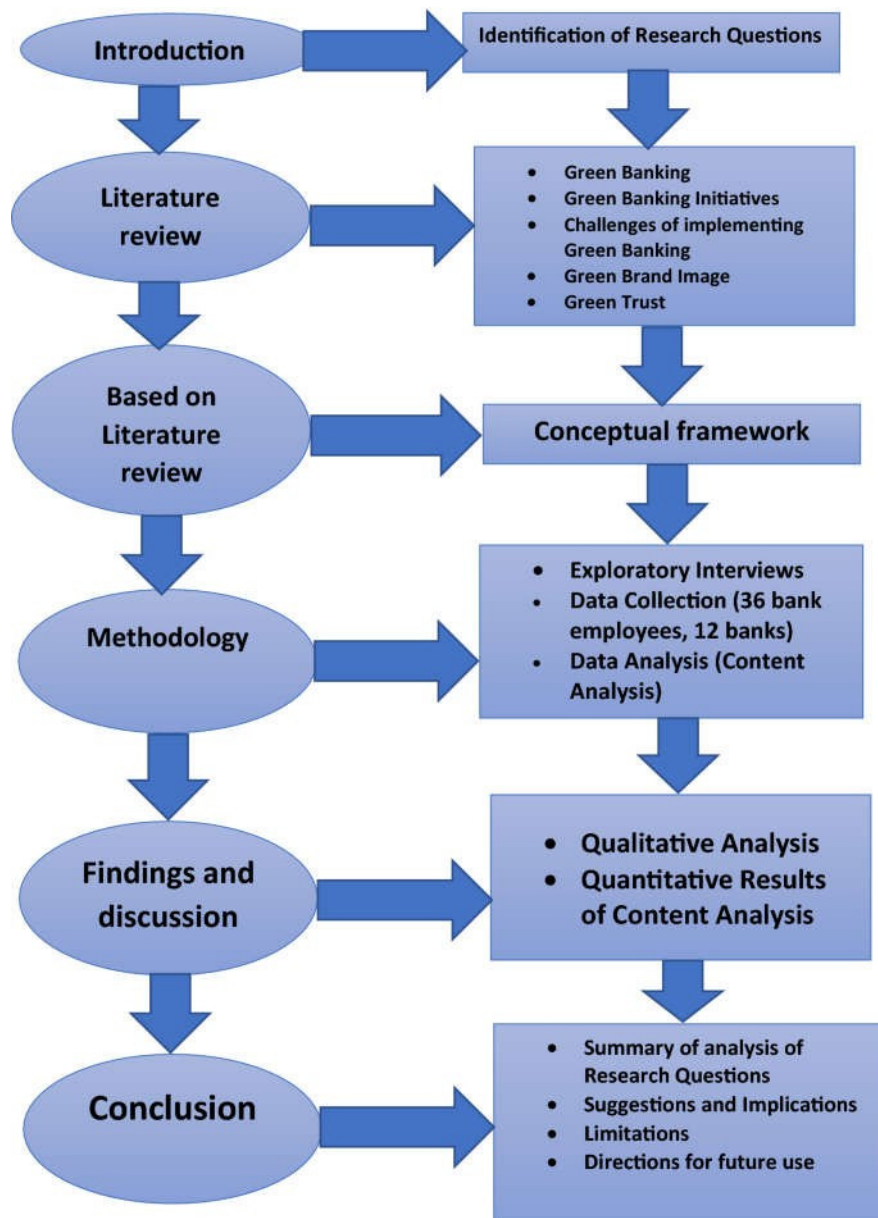


Figure 1:The above pictorial representation shows the Green Banking Initiatives: A qualitative study on Indian Banking sector

1.1 WHAT IS GREEN BANKING?

Like a normal bank, Green Banking considers all the social and environmental factors; it is also called as an ethical bank. The aim of Ethical banks is to protect the environment. These banks are like a normal bank which aims to protect the environment and it is controlled by same authorities like a traditional bank do. Green banking is like a normal bank, which considers all the social and environmental/ ecological factors with an aim to protect the environment and conserve natural resources. It is also called as an ethical bank or a sustainable bank. They are controlled by the same authorities but with an additional agenda toward taking care of the Earth's environment

/ habitats / resources. For banking professionals green banking involves the tenets of sustainability, ethical lending, conservation and energy efficiency.

There are many differences compared with normal banking, Green Banks give more weight to environmental factors, their aim is to provide good environmental and social business practice, they check all the factors before lending a loan, whether the project is environmental friendly and has any implications in the future, you will awarded a loan only when you follow all the environmental safety standards.

Defining green banking is relatively easy. Green Banking means promoting environmental – friendly practices and reducing your carbon footprint from your banking activities.

This comes in many forms:

1. Using online banking instead of branch banking.
2. Paying bills online instead of mailing them.
3. Opening up accounts at online banks, instead of large multi-branch banks
4. Finding the local bank in your area that is taking the biggest steps to support local green initiatives.

Green banking can benefit the environment either by reducing the carbon footprint of consumers or banks. Either a bank or a consumer can conserve paper and benefit the environment. Ideally, a green banking initiative will involve both. Online banking is a best example of this. When a bank's customer goes online, the environmental benefits work both ways. Green banking means combining operational improvements and technology, and changing client habits.

Major Benefits of Green Banking

Green Banking comes with a bundle of benefits such as-

- Cash back facilities is providing to all existing account holders shifting into Green.
- Cash back facilities is providing to all new customers opening 'Green accounts'.
- Rationalization of paper use by giving free access to do all the banking transactions through Internet Banking, SMS Banking, Phone Banking and ATM Banking.

- Free Electronic Bill Payment Services.
- E-Remit services for remitting funds to the customers' home country, which is a unique service.
- E-Statement will be generated and sent to the customers' email.
- Online Account opening form for opening Green Account.
- Customer can opt for Go Green through various channels through Online Banking, Branches and Call Centre.

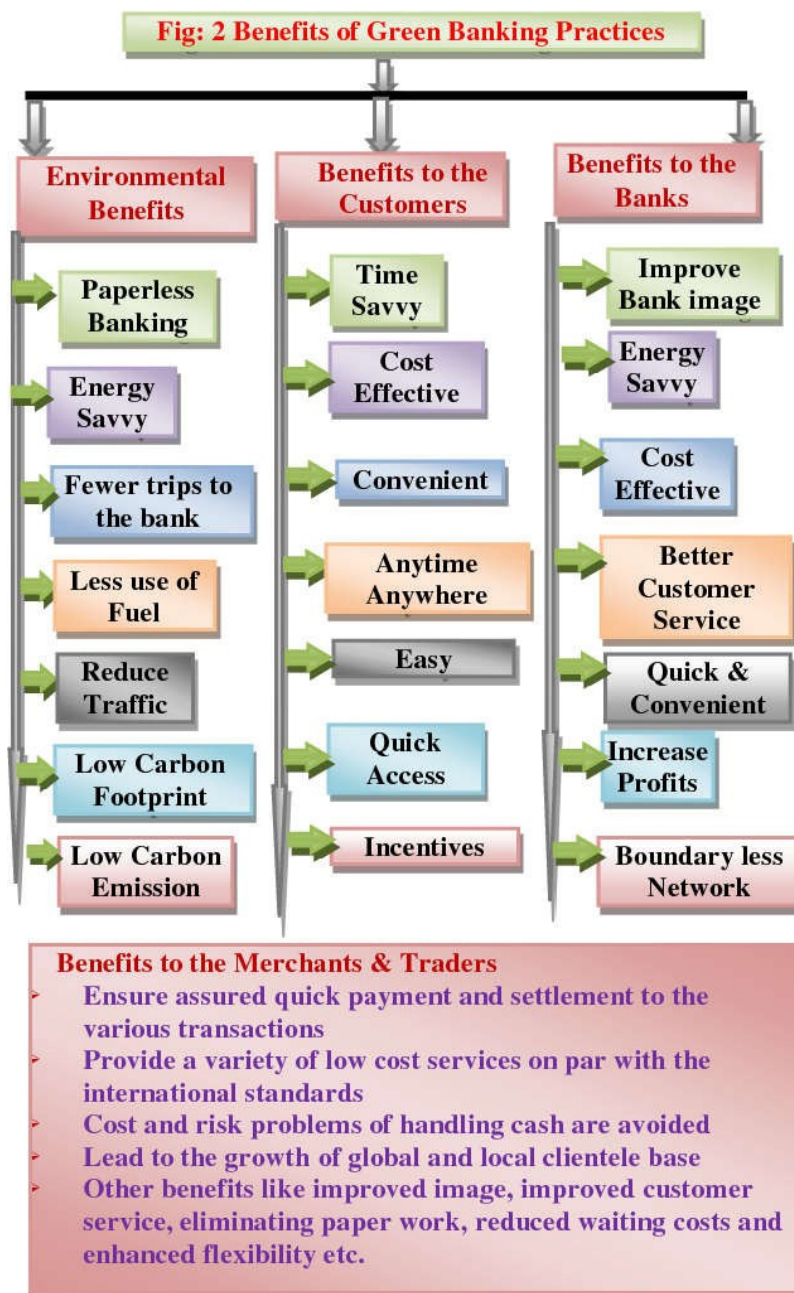


Figure 2: The above pictorial representation shows the benefits of Green Banking practices

Confronting Challenges to Going Green

Green banks support wonderful causes; they do face many challenges as for-profit entities. Just like those socially conscious and environmental mutual funds, they are expected to encounter more obstacles than typical run-of-the-mill bank.

(i) Diversification matters Green banks will be screening their customers and naturally, they will be limiting and restricting their business to those entities that qualify. With a smaller pool of customers, they will automatically have a smaller profit base to support them. If they focus their loans on certain industries, they open themselves up to being much more vulnerable to economic shifts.

(ii) These banks are still startups apparently; it takes 3 to 4 years for a typical bank to start making money. Many green banks in business today are very new and are still in startup mode. It does not help that these banks are trying to get their footing during a recession.

(iii) Banks are “specialized” Again, while the main goal of a green bank is to do good by supporting those who are taking care of the environment, the question here is — just how much money is there in these businesses and in the eco-friendly industry? Saving the environment does not necessarily equate to “making a profit”. I hope that though, this premise is proven wrong in this case and that green banks prove that they can survive, even as they face restrictive requirements for doing business.

(iv) Operating expenses and costs are higher Green banks require specialized talent, skills and expertise as well, due to the kind of customers they are servicing. Employees, such as loan officers, need to have additional background and experience in dealing with green businesses and consumers. In addition, giving breaks to such clients via discounted loan rates can eat at their profit margins.

(v) Reputation Risk In all likelihood, due to growing awareness about environment safety, banking institutions are more prone to lose their reputations if they are involved in big projects, which are viewed as socially and environmentally damaging. There are also few cases where environmental management system has resulted in cost savings, increase in bond value etc. (Heim, G et al, 2005). In few cases, the environmental management system resulted in lower risk, greater environmental stewardship and increase in operating profit. Reputation risks involved in the financing of ecologically and ethically questionable projects.

Strategies for Green Banking Approach

Green banking is an integral part of the Bank's environmental policy as applied through its wider Corporate Social Responsibility strategy. The adoption of green banking strategies will help the bank to deal with these risks involved in their business operation. Green banking strategies involves two components such as (i) Managing environment risk and (ii) Identifying opportunities for innovative environmentally oriented financial products (IFC, 2007).

- To manage environmental risk, the banks have to design proper environmental management systems to evaluate the risks involved in the investment projects. The risks can be internalized by introducing differential interest rates and other techniques. Moreover, bank can withdraw itself from financing high-risk projects.

- The second component of green banking entails creating financial products and services that support commercial development with environmental benefits. These includes investment in renewable energy projects, biodiversity conservation, energy efficiency, investment in cleaner production process and technologies, bonds and mutual funds meant for environmental investments etc.

- The banking institutions should prepare an environmental risk and liability guidelines on development of protective policies and reporting for each project they finance or invest (Jeucken, 2001). They can also have an environmental assessment requirement for the projects seeking finance. Banks also can issue Environmental hazards management procedures for each project and follow through. International financial institutions like International Financial Corporation (IFC), Japan Bank for International Cooperation (JBIC) have incorporated environmental management into their business operation. All project proposals are classified in terms of its potential environmental impact taking into account factors such as the sector and scale of the project, the substance, proposed project site, the degree and uncertainty of its potential environmental impact. Often, the World Bank's loans and grants are associated with certain level of commitment of the beneficiary countries to adopt environmental protection measures.

- The perception towards complying with environmentally norms and standards is changing over time. Environmental friendly or green technologies also make economic sense for the banking industry. Adopting environmentally sustainable technologies or modes of production is no more considered as a financial burden; rather it brings new business opportunities and higher

profit. Green banking saves costs, minimizes the risk, enhance banks reputations and contribute to the common good of environmental sustainability. Therefore, it serves both the commercial objective of the bank as well as its social responsibility.

Banks need to be more careful in India about the environmental aspects of their clients and products because

(a) Future of exports and product market are going to go through stringent environmental rules and eco-friendly product will have better market.

(b) Increased demand for pollution controls equipment will require more financial assistance from banks.

(c) Reserve Bank of India (RBI) may follow environmental guidelines for the banks in the lines of IFC and Asian Development Bank etc.

(d) Recent announcement of the government to use economic instruments for environmental control may include Banks in future.

(e) Big investment projects supported by international organizations like the World Bank and ADB require Environmental Impact Assessment (EIA). Therefore, the banks should begin implementing procedures like

(i) Assessment of risk due to environment

(ii) Environmental audit management

(iii) Assessment of credit requirement and loan follow up before investing on different projects.

However, since banking sector is profit driven, it needs incentives and governmental support to assist environmental protection, which is beneficial for the whole economy and society and to the banking sector itself in the long run.

1.2 ONLINE BANKING METHODS ADOPTING GREEN BANKING

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 paychecks, 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 Statements:

Sending out bank statements 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 employers will give employees the option to receive their paycheck 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.

4. 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 checkbooks and completely converted to online payments. Not only is the recordkeeping much easier, but again massive amounts of paper is saved.

5. **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. 6. 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. Online banking offers several benefits like time saving, convenience, 24 x 7 service, eco-friendly process, easy access etc.

- **Credit and Debit Cards :**

Credit card and debit card can be used while making the payment of various expenses without caring the money.

- **Online Bill Payment:**

Through online payment we can make payments of telephone bills. Credit card bills or loan installments.

- **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.

6. **Mobile Banking:**

Mobile banking is a term used for performing balance checks, account transactions, payments, credit applications etc. via a mobile device such as a mobile phone

2.0 LITERATURE REVIEW

Parab, 2010, mentioned the advantages of mobile banking and focused on the challenges that mobile banking has to face in today's tech world viz. Educating the consumers, security issues, phone compatibility with anti-virus systems, e-waste management etc.

Authors are increasingly talking about green banking and highlighting the problems and challenges the banking sector is facing in the implementation of these initiatives. Rajan, 2010, focused on the role of standard minimum norms to be followed by companies to become ecofriendly. This will impose a compulsion on all organizations to behave in a socially

responsible manner. Similarly, Mehta, 2009, propounded that due to factors like highly educated and demanding customers, shorter product life-cycles and growing competition, the role of technology has increased for reducing environmental problems.

Prasad, 2011, has emphasized the role of three dimensions-ecological security, livelihood security and food security as the essential elements of a development policy which is both sustainable and equitable. He has argued that new technologies and scientific techniques work in harmony with the laws of nature. While talking about the concept of environmental accounting, he emphasizes the role of expenditure for environmental protection in constructing a comprehensive balance sheet of natural resources.

Bihari, 2011, has focused on the main objective of banks in the area of ecology as optimal utilization of resources and examining the effects of their lending and investment decisions on the environment. Singh, 2011, while emphasizing on the role of technology, propounds the concepts of re-use, recycling and minimization of waste as ways to cope up with the environmental problems to ensure sustainable growth. Babu&Venkatramaraju, 2011, have given the factors for promoting eco-friendly products and services viz. Educating the customers through green advertising campaigns, participation of customers through environmental-friendly action, providing genuine products and lastly, green penetration.

Bhanagade, 2011, propounded some of the competitive challenges for banking as profitability, technology in banking, risk management, rural and social banking issues, human resources management, corporate governance, transparency and disclosures, etc. 'Think global and act local' is the way forward according to him.

2.1 OBJECTIVES OF THE STUDY

- To analyze the demographic profile of the bankers working in public and private sector banks.
- To analyze the impact of environmental training, energy efficient practices, customer related practices, bank's green policy related practices on bank's environmental performance.

2.2 RESEARCH QUESTIONS

The following research questions were considered very germane to the study and therefore they were raised to guide it.

1. How significant is the impact of environmental training on bank's environmental performance?
2. How significant is the impact of energy efficient practices on bank's environmental performance?
3. How significant is the impact of customer related practices on bank's environmental performance?
4. How significant is the impact of bank's green policy related practices on bank's environmental performance?

2.3 RESEARCH HYPOTHESES

The following null hypotheses were formulated to guide the objectives of the study and strengthen the analysis:

1. Environmental training do not have any significant impact on bank's environmental performance
2. Energy efficient practices do not have any significant impact on bank's environmental performance
3. Customer related practices do not have any significant impact on bank's environmental performance
4. Bank's green policy related practices do not have any significant impact on bank's environmental performance

2.4 RESEARCH METHODOLOGY

2.4.1 Sample size: 150 bankers in Meerut City.

2.4.2 Sampling Technique: Simple random sampling method is used.

2.4.3 Data collection method: Primary data and secondary data has been collected for this research.

2.4.4 Primary data: Collected through structured questionnaire for this research.

2.4.5 Secondary data: Collected through journals, annual reports and online websites, Google, Internet etc.

2.4.6 Variables used for the Study:

Variables	Source
Environmental training to employee	
Energy efficient practice	

Greenloan	(RishalandJoshi,2018)
Greenproject	
GreenPolicy	
Bank's environmental performance	

2.4.7 **Tools for Data Analysis:** Correlation & Regression analysis has been used to analyze and interpretation of the data.

2.5 MAJOR FINDINGS OF THE STUDY

- Majority i.e. 56.8% of the bankers belong to public sector banks.
- 28.9% of the bankers are at the officer level.
- Majority (59.7%) of the bankers are male.
- 43.3% of the bankers are between the age group of 21-28 years.
- Majority 55.4% of the bankers completed their UG degree.
- 47.8% of the bankers possess 4-5 years of work experience.
- The average mean score 4.65 implied that the bankers agree the banks provide them environmental training to follow 'Green Banking' practices.
- The average mean score 4.57 implied that the banks are keen in using energy efficient practices in order to practice and develop a 'Green Banking Hub' to improve environmental performance of the banks.
- The average mean score 4.64 implied that the banks lend green loans to develop agriculture and the rural areas which is essential for the development of the country and the environment. Thus they agree that their bank provide loan to the activities which promotes sustainable development in protecting the environment.
- The average mean score 4.05 implied that the banks has various innovative strategies in practicing greenbanking initiatives towards improving their environmental performance of supporting green projects.
- The average mean score 4.45 implied that the banks have implemented green policy towards attaining sustainable development.
- The average mean score 4.32 implied that green banking is advantageous towards building a clean energy economy thereby enhancing the environmental performance of the banks.
- The average mean score 4.27 implied that the banks encounter problems with high operating cost in appointing experienced loan officers.

- The average mean score 4.48 implied that the process for which the green banking is adopted is mainly for the sustainable development of the future banking options in the process of improving the environmental performance of the banks.

The average mean score 4.26 implied that the bank's environmental performance towards the green practices have a positive effect on the environment.

- Environmental training to employees, energy efficient practices, green projects and green policy have positive and significant correlation which indicate that 'Green Banking' practices of the banks positively influences bank's environmental performance.
- Overall Green Projects, Energy Efficient Practices, Environmental Training to Employees have a significant impact on Bank's Environmental Performance.

Table1:Correlation

Correlations							
		Bank's Environmental Performance	Environmental Training	Energy Efficient Practices	Green Loan	Green Projects	Green Policy
Bank's Environmental Performance	Pearson Correlation	1	.444**	.287**	.245**	.374**	.245*
	Sig.(2 tailed)		.000	.001	.008	.000	.015
	N	150	150	150	150	150	150
Environmental Training	Pearson Correlation	.444**	1	.211	.335*	.252**	.259**
	Sig.(2 tailed)	.000		.012	.000	.001	.003
	N	150	150	150	150	150	150
Energy Efficient Practices	Pearson Correlation	.265**	.205	1	.078	.258	.277**
	Sig.(2 tailed)	.001	.015		.424	.004	.001
	N	150	150	150	150	150	150
Green Loan	Pearson Correlation	.228**	.350**	.064	1	.479**	.372**
	Sig.(2 tailed)	.009	.000	.415		.000	.000
	N	150	150	150	150	150	150
Green Projects	Pearson Correlation	.373**	.286**	.279**	.479**	1	.370**
	Sig.(2 tailed)	.000	.001	.003	.000		.000
	N	150	150	150	150	150	150
Green Policy	Pearson Correlation	.245*	.279**	.257**	.372**	.370**	1
	Sig.(2 tailed)	.010	.003	.001	.000	.000	
	N	150	150	150	150	150	150

**Correlation is significant at the 0.01 level-tailed)

*Correlation is significant at the 0.05 level-tailed)

Table 2: Regression Analysis

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistic				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.47 ^a	.25	.184	.4578	.27	12.74	3	145	.00
a. Predictors: (Constant), Green Projects, Energy Efficient Practices, Environmental Training to Employees (Source: Primary data)									

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.483	.445		4.505	.000
	Environmental Training to Employees	.205	.051	.258	2.874	.004
	Energy Efficient Practice	.18	.085	.19	1.78	.053
	Green Projects	.28	.09	.28	3.25	.001
a. Dependent Variable: Bank's Environmental Performance						

2.6 LIMITATIONS TO THE STUDY

The study was limited by the difficulties associated with the collection of primary data in this part of the world where companies always associate primary data collection to increase in levies, rates and taxes. Nevertheless, we used experience and subtle persuasion to overcome such problems and those of 'refuse to answer' that is, the hard cores that we encountered in the process of data collection. There was also the problem of very few available empirical works in the area as could be seen in our empirical review section of our literature review.

1.7 SIGNIFICANCE OF THE STUDY:

This study tries to emphasize on the significance of analyze the impact of environmental training, energy efficient practices, customer related practices, bank's green policy related practices on bank's environmental performance. This research study will be an important

endeavor in helping both employers and employees to adopt the green banking practices in their financial transaction and having knowledge and importance of green banking and its impact on environment. In addition, it can serve other researchers who want to re-investigate on this research area.

3. CONCLUSION

Green Banking awareness should be created among the customer to avail the green services in the banks for sustainable development. Green credit card usage awareness can be provided to the customers. Banks should encourage environmentally sustainable technologies of using less power consumption Compact Fluorescent Lamp (CFL) bulbs, investing in solar and wind energy for the electricity, providing user-friendly mobile and internet banking facilities to the customers. Green auto loans can be rendered to the customers who get loan for fuel efficient vehicles with zero processing fees. Environmental reward points can be given to the customers who follow green initiatives in their banking transactions. As green banking has become the future era of sustainable banking in this world of environmental threats, green banking has always its limitations but when it is implemented and practiced it will yield fruitful results in environmental protection.

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