

Customers' Awareness towards Green Banking Products of the Select Commercial Banks in Cuddalore District: An Empirical Assessment

***C.Vijai**

****Dr.C.Natarajan**

*Ph.D. Research Scholar, Department of Commerce, Annamalai University, Annamalainagar- 608 002.

**Assistant Professor of Commerce, Directorate of Distance Education, Annamalai University, Annamalainagar – 608 002.

Abstract

As environmental issues gain greater attention, pressure is being placed on all industries, including financial services to implement “green” initiatives. Banking sector plays a crucial and decisive role in promoting environmentally sustainable and socially responsible investments. Today Indian banking sector is at the crossroads of invisible revolution. The sector has undergone significant developments and investments in the recent past; most of the banks take green-banking initiatives, which include increased adoption of alternate delivery channels, paperless statements and electronic payments. In this context, an attempt has been made to study the level of awareness of the customers towards green banking products of the select commercial banks. By adopting multi-stage sampling 625 respondents were selected. This study is empirical in nature. As an essential part of the study, the primary data were collected from 625 customers with the help of exit interview for a period of 6 months from January 2015 to June 2015. For analyzing the green banking products of the commercial banks in Cuddalore district, student t test, analysis of one-way variance, analysis of co-efficient of variation, discriminant function analysis, and multiple regression analysis were employed. The results of the study reveals that there is no significant relationship among the awareness level of the respondents belongs to different genders, age groups, educational status groups, annual income groups, occupations, and type of account towards green banking products. On the other hand, a significant relationship is found among the awareness level of the respondents belongs to different locations, banks and type of bank towards green banking products. The researchers suggest measures for improving the scope of green banking of the select commercial banks in Cuddalore district.

Keywords: Green banking, green products, green financing, etc.

Introduction

The banking sector being a significant part of the financial system of the country, its role in sustainable development becomes very obvious. With increasing concerns regarding the environmental protection, it is the banking sector that can play a significant role in this direction. Sustainable development and protection of environment are now recognized globally as overriding imperatives to protect the planet from the ravages inflicted on it by mankind. Green banking is a way to sustainable economic growth. Banks play a critical role in economic development and they are well-equipped to undertake green banking activities. A new emerging mantra within the banking sector is going green. The term green refers a broad range of social, ethical and environmental dimensions. Green banking is one of the banking activities that concentrate on socio-economic and environmental factors with an aim to protect the environment and conserve natural resources. Since banks are important professional institutions, they are able to adopt green activities within their organizations and influence their customers to come about the environment. Banks should play a proactive role to take environmental and

ecological aspects as part of their lending principles, which would force organizations to go for mandated investment for environmental management, use of appropriate technologies and management systems. Adoption of green banking practices will not only be useful for environment, but also benefit in greater operational efficiencies, a lower vulnerability to manual errors and fraud, and cost reductions in banking activities.

Statement of the Problem

Banks can play a major and decisive role in the global efforts to make the planet a better place to live in. As major implementers of technology, banks themselves can adopt green practices and thereby lead the way in this global initiative. Product innovation and leveraging on the use of technology enable the banks and their customers today to reduce the usage of resources such as paper, thereby aiding in environmental protection. Reserve Bank of India provides a lot of guidelines for making the banks green for environmental sustainability and environmental protection. As providers of finance, banks can ensure that businesses adopt environment-friendly practices. Green banking is considered one of the tools of ensuring sustainable development where economic activity will not have any negative impact on the environment. Green banking is all about going beyond to keep the world livable without any significant damage. Banks in India are playing a vital role towards sustainable development by introducing various green banking practices. Adoption of these green banking practices by the customers will result savings of energy, fuel, paper and other natural resources. During their day to day business banks heavily contributes towards the carbon emission in terms of use of paper, electricity, stationary, lighting, air conditioning, electronic equipment, etc. even though this is moderate compared to other carbon sensitive industries like steel, oil and gas, etc. In the case of banks, the direct interface with the environment has considerably increased due to rapid growth of the banking industry. Being a major source of fund provider, banks can play a crucial role in ensuring environmentally sustainable and socially responsible investments in the economy. It is at the interest of the banks to practice green banking and thereby avoiding the aforesaid risks involved in the banking sector. Thus, now a days, banks are gradually coming to realize that there is an immediate need for a shift from 'profit, profit and profit' motive to 'planet, people and profit' orientation for sustainable development in the long-run. In this context, an attempt has been made to study the level of awareness of the customers towards green banking products of the select commercial banks.

Objectives of the Study

The following are objectives of the present study:

1. To review the green banking products of the select commercial banks in Cuddalore district.
2. To study the level of awareness of the customers towards green banking products of the select commercial banks in Cuddalore district.
3. To suggest measures to improve the scope of green banking of the select commercial banks based on the findings of the study.

Testing of Hypothesis

In order to examine the perception of customers towards green banking products, the following null hypothesis was framed and tested. **H₀₁**: There is no significant relationship among the awareness levels of the customers belonging to different socio-economic profiles towards green banking products of the select

commercial banks.

Sampling Design

There are 30 commercial banks in operation in Cuddalore District as on December 31, 2014. In order to collect primary data for the purpose of the study, multi-stage sampling technique was adopted. At the first stage, the top five Indian banks in terms of green banking concept were selected out of 30 commercial banks. In the second stage, 75 per cent of the semi-urban and urban branches i.e. 18 semi-urban and 7 urban branches were selected out of the 5 selected commercial banks. Green banking is a recent concept and not very familiar to the rural areas, therefore; the customers of the rural branches are not taken for this study. Therefore, semi-urban and urban branches are only taken for this study. In the final stage, from each of the branches, 15 savings bank account holders and 10 current account holders were selected on the purposive basis. Therefore, the sample size consists of 625 customers.

Tools for Data Collection

This study is empirical in nature. As an essential part of the study, the primary data were collected from 625 customers with the help of exit interview for a period of 6 months from January 2015 to June 2015. Pre-testing of schedule was done during December 2014, involving 50 customers to know the relevance of the questions. In the light of pre-testing, necessary changes were incorporated in the revised schedule. The secondary data were collected mainly from journals, magazines, government reports, RBI Bulletin, books and unpublished dissertations. The data so collected for the purpose of the study were edited, quantified, categorized and tabulated, and analyzed to arrive at useful conclusions.

Framework of Analysis

For analyzing the green banking products of the commercial banks in Cuddalore district, student t test, analysis of one-way variance, analysis of coefficient of variation, discriminant function analysis, and multiple regression analysis were employed. Analysis of variance and student t test are used to find out the relationship among the awareness levels of the respondents belonging to different demographic profiles towards green banking products. The co-efficient of variation was employed to find out the consistency in the awareness levels of the respondents belonging to different demographic profiles towards green banking products of the select commercial banks. Discriminant function analysis is used to study how the customers of semi-urban branches differ from those who are customers of urban branches in terms of their awareness level towards green banking products of the select commercial banks. Multiple regression analysis is used to measure the effect of the personal variables on the respondents' awareness towards green banking products of the select commercial banks.

Findings

1. There is no significant relationship among the awareness level of the respondents belongs to different genders, age groups, educational status groups, annual income groups, occupations, and type of account towards green banking products. On the other hand, a significant relationship is found among the awareness level of the respondents belongs to different locations, banks and type of bank towards green banking products.

2. Female respondents, respondents in the age group above 50 years, respondents have Diploma/ITI qualification, respondents have annual family income upto Rs.150000, businessmen, urban customers, customers of State Bank of India,

customers of private sector banks and current accountholders have more awareness towards green banking products.

3. There is consistency in the awareness level of the male respondents, respondents in the age group upto 30 years, respondents have Diploma/ITI qualification, respondents have annual family income upto Rs.150000, students and housewives, urban customers, customers of State Bank of India, and customers of the private sector banks and current accountholders towards green banking products.

4. The results of the discriminant function analysis reveals that 'e-statement registration' is the maximum discriminating factor ($R^2=8.01\%$) between semi-urban and urban customers, followed by "green mortgages" (7.67%), 'green CDs' (6.35%) in that order. "Controlled use of energy" contribute least (0.05%) in discriminating between semi-urban and urban customers in the level of awareness of green banking products.

5. There has been a moderate correlation (0.756) between the awareness level towards green banking products and the selected personal variables. The R square indicates that 57.20 per cent of variation in the awareness level is explained by all personal variables taken together. The F value indicates that the multiple correlation coefficients are significant at 1 per cent level of significance. Gender, age, educational qualification, occupation and type of account of the respondents have no significant effect on their awareness towards green banking products. However, location and type of bank have no significant effect on the respondents' awareness towards green banking products.

6. Out of 625 respondents, 42.08% of the respondents reveal that they neither aware nor not aware of green banking products of the select commercial banks, followed closely by not aware (29.12%) and aware (25.44%). 2.04% and 0.96% of the respondents fully aware and not at all aware of green banking products. The mean awareness score reveals that the respondents have higher awareness level (3.20) towards controlled use of energy, followed by online bill payment (3.17). On the other hand, the respondents have low mean awareness score with the green checking (2.94).

Suggestions

1. Customers of the banks are to be educated enough for the proper use of green practices so that risk can be minimized. Seminars and workshops should be organized and public meetings are to be arranged by the select commercial banks to make the green banking practices familiar among customers. The select commercial banks can display video presentations at bank branches to project the user-friendliness of their green banking practices. The select commercial banks may take the opportunity to make the customers aware about the benefits of various green banking practices through the ATMs. The select commercial banks may display some congratulating statements, for examples, 'you have saved paper, energy, time and money by using it' on the screens of the ATMs to attract them to use such green practice.

2. The green banking practices are also having a dark side. The dark side is the fear of security problem. However, the security of adopting various green banking practices is mostly depends upon the users. Therefore, users should become more conscious while using green banking practices. They should strictly follow the guidelines given by the select commercial banks. There are unethical practices of hacking of accounts of customers come to know in the news some times. It means the breach in the security of the banks on internet. Therefore, the select

commercial banks should take appropriate measures in order to prevent such practices.

3. As environmental understanding and awareness grow in India, along with the emergence of more stringent environmental regulation, so too will the demand for products and services aimed at fostering environmental sustainability. Therefore, the select commercial banks have to foresight into this desire by customers to affect positive environmental change that may benefits ranging from improved corporate image to increased growth and competitiveness in the marketplace.

Conclusion

As India has committed to reducing its carbon intensity by 20-25 per cent from 2005 levels by 2020, banks are working towards developing a low carbon economy. Green banking has continued to evolve in the recent years and is expected to become an even greater driving force behind banks competitive strategies. Green banking offers more than just monetary benefits to the banks, the intangible benefits include reputation, increased customer base, positive effects on the environment, and simplicity of bank processes. Green banking requires a paradigmatic change in thinking about economics, business and finance. As far as green banking in concerned, Indian banks are running behind time and it is the need of the hour to think it seriously for the sustainable growth of the nation. Therefore, the select commercial banks should adopt effective strategies for green banking by considering it as a strategic imperative. Possible policy measures, regulatory framework and initiatives to promote green banking in India have become the need of the hour.

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