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Green Banking Practices in India: A theoretical View

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ABSTRACT

The current scenario of environmental degradation is enforcing every individual to focus on sustainability. Green banking aims to take a proactive action towards environmental protection. Banking industry has a vital impact on society as this can impact our day to day life. This study will focus on the impact of adopting green banking on all the stakeholders like customer, employee and organization itself. After facing many environmental disasters every individual wants to contribute to changing scenarios. Every organization runs its business for profit-making, and hence it is necessary for an organization to know its profit before adopting any changes for sustainability. This study is a literature review of green banking and its benefit for every stakeholder of banks. Researcher has considered more than 50 studies for this study. The objectives of this paper are to study practices of green banking and its impact on customer satisfaction. After finding impact on customer researcher again finds impact on employee of bank. In last researcher finds overall impact on organization.

Keywords: Environment, Sustainability, Green Banking, Customer, Employee, Organization.

INTRODUCTION

The most serious problem the human beings are facing during the present days is man-made environmental degradation. Hence, there have been continuous endeavors across the globe to measure and mitigate this problem caused by human activities. At a time of soaring energy costs and fragile financial markets, executives are increasingly looking toward sustainability strategies to save money, cut emissions and, as many claim, simply to do the right thing. Sustainability in an enterprise can mean small adjustments or a major reorientation. Information technology (IT) is not itself a big part of the problem, as it is estimated to contribute only a small percentage of global carbon emissions. But it can be a big part of the solution. In addition to data center

optimization and other operational issues such as teleporting, companies are now leveraging IT capabilities to facilitate sustainability initiatives across the enterprise in new areas, including fleet management, paperless billing, and construction and facility management, among others. Banks as responsible corporate citizens are more concerned about social and environmental aspects because only economic performance of a company is no longer considered as corporate success. Now organizations understand that if they will not focus on sustainability, they have to pay for it in the form of tangible or intangible cost. For creating a balance between businesses and environment green practices come in existence. Banks have been started going green. Going green refers to adopt knowledge and practices that are environment friendly and ecological policies and procedure that cannot harm environment and sustain a business as well as natural resources for current and future generation. After the Industrial Revolution in 1991 environment degradation is increasing day by day, whole world is concerning about environmental issues. These concerns are resulting as green management by applying eco-friendly practices in organizations. As Businesses are going globalized organizations are shifting their Structure from financial status to sustainable efficiency-based organizations. Employee development towards going green contribute a vital role in suitability of an organization. Banks and financial institutions should adopt strategies and practices that could help in reducing carbon emission. Green banking affects both internal and external customers of an organization and helps in reducing internal carbon footprints as well as external carbon emission. Internal footprint can be reduced by eliminating the use of heavy lighting, air conditioning and high paper waste and by using automation, water consumption mechanism, use of renewable energy. External carbon emission can be reduced by financing those companies and projects that are working pollution reduction. Banks offer various channels to access their product and service through ATM, Mobile Banking, E-wallets, Internet banking etc. Banks are comfortable in providing loans to organization that follows the rules and regulation of environment protection; such organizations have less chance of being a victim of natural calamities and bad goodwill risk.

NEED OF THE STUDY:

Environmental practices are included as one of the top agendas in modern day society. Green Banking is an umbrella term that refers to the practices and guidelines that make banks sustainable in environment, economic and social dimensions by promoting eco-friendly activities and reducing carbon footprints from banking activities. These banking practices can contribute as partnership in sustainable Goals by going on renewable energy, innovation, reducing inequalities, responsible consumption and production which could result in enhancing job performance of employee, improve competitiveness of banks and customer satisfaction also.

RBI also set some guidelines for green banking to encourage environment friendly investment and practices. In this study research will be identify various green practices in banks and what are the factors that influence green practices in banking sector. This study may be helpful in identifying the effect on job performance and customer satisfaction & overall performance of banks.

Green Banking entails banks to encourage environment friendly investments and give lending priority to those industries which have already turned green or are trying to go green and, thereby, help to restore the natural

environment. US suggest if every household were able to switch to paperless bank billing, this would save an estimated 16,500,000 trees per and gain almost 2,145,000 tonnes of oxygen per year. International Institute Sustainable Development Bulletin (IISD) explains by taking these measures the health impact like damage to nervous, immune and reproductive systems and abnormalities in infant and child development can be prevented.

Environmental viability is not very independent from commercial viability. That is why some banks have begun considering environment viability along with commercial viability while deciding on lending decisions. Reason being that if a debtor company goes out of business due to environmental issues, the bank is exposed to credit, legal and reputational risks that hinder the commercial viability of the project as well. However, unlike the foreign banks, Indian banks have a long way to go in this area. Banks has been started using renewable energy which also contributes in employment as IRENA Renewable Energy and jobs Annual Review 2015 reported that the green energy industry employed 7.7 million people in 2014, up 18 percent from 2013.

OBJECTIVES:

Researcher want to study practices of green banking and its impact on customer satisfaction. After find impact on customer researcher again find impact on employee of bank. In last researcher find overall impact on organization.

RESEARCH METHODOLOGY:

This study is based on secondary data. For the fulfillment of above stated objected literature review has been done about impact of green banking on customer, employee and organization. This study helps in understanding the relationship how organizational things are connected with society.

REVIEW OF LITERATURE:

In this present scenario environmental management should be the first aim of every organization (Lolan,2015). Banks are having great control on any economy. They can lead a businesses, production as well as day to day life of people that why this become more important for banks to adopt green practices, for achieving sustainability banks should noy only make their products green but also adopt environmentally friendly practices in its' operations (Ginovsky, 2009). Green banking is an umbrella which cover economic, environment, and social dimensions. Green practices encourage innovation and improve resource utilization (Menon & Shivdas 2017) therefore banks are introducing paperless and technology-oriented process for most of its' operations while not losing present customers (Fernando and Fernando, 2016). According to RBI (2014) Green banks are those who are using their physical and IT infrastructure as fullest by doing minimum impact on environment. Banks are also getting ratings by RBI on the bases of their carbon footprints, recycling and reuse of materials. Banks should not only make budget for green finance, green project, green marketing and capacity building but ensure their application also. Banks should prepare green banking and sustainable report which include past performance, present development and future plans (Lalon 2015). With the underlying notion of sustainability being the ability to meet the needs of today while protecting and enhancing

opportunities for the future, the industries needs to focus further at achieving more sustainable practices (Dickson, 2010). Consumption of natural resource add pressure on environment because banks have the association with majority of population of country (Deka, 2018). Banks are having specific contribution in sustainability development of society as it holds inter mediation position between depositors and borrowers. Financial sector invest capital in other sectors such which will impact environment by producing wastes, society & economy by inefficient use of resources. Banks practices have direct impact on environment through effective use of resource and energy (Salam & Parvez 2017). Going green means a bank need to adopt sustainable practices in all parts of life. Green banking focus on all stakeholders as it work with government, NSOs, Central bank, customers and business communities (Sharma et al, 2014). Though banking industry is never come in polluting industry but in present increasing customer and physical facilities like air conditioner increasing the pollution level in banking. Now this is the time banks need to take proactive actions regarding their sustainable development (Bhardwaj & Malhotra, 2013). Banks should focus on both internal and external stakeholders' banks should give preference to green project before granting loans and other funds.

Green Banking and Customer: Green Bank is beneficial for customer and as customer can save their time, fuel, energy, paper, water, and money. (Deka 2015). Environmental practices like internet banking, e-statements, online bill payments etc. (Singh & Singh, 2012; Rahman & Perves, 2016) helps customer to do contribution towards environment by reducing their carbon emission while performing banking tasks. (Schmidheiny & Zorraquin, 1996; Islam & Das, 2013; Sudhalakshmi & Chinnadorai, 2014; Deka, 2015; Rahman & Perves 2016). Green banking helps in improving operational process, increase the use of technology and making customer familiar about this (Nigamanda Biwas 2011). Even the people who are using technology for their day to day banking practices are not aware about green practices. Many times, when customers were asked about green practice, they are just known about online transactions only. They are not aware about other practices like solar energy, bonds on environmental protection and government relaxation for green practices (Sharma & Gopal 2014). In traditional way banks were using a lot of paper in cash deposit, payment in the form of cheques and other forms. Now banks are using various technology like mobile banking internet banking etc. for their services. These services making banking process fast, flexible with the reducing use of paper and cost reduction (Vijayasarithi and Velmurugan,2015). When customer go for banking services, after looking safe and secure place they are also a bank to whom that found more responsible towards society and are involving in contributing in society development Amirul (Afif Muhamat et. al. 2010). Various studies found that green practices in any organization leads towards customer satisfaction and loyalty. This is also found that organizations incorporated green practices due to market pressure, to gain market share, competitive advantages, to improve brand image and to add more value in their products (chen,2010). Green banks are the banks which are more reliable in term of safety, providing value based services and environmentally responsible (Muhamat et al.,2010 ; Weber & Remer,2013). This is found in various studies that green banking practices helps in reducing risks for the customer and banks (Dharwal & Agarwal,2013). Banks are adopting green practices for reducing risk by the use of technology and gain more profit for investors (Kennan,2014).

With such aims banks try to implement more and more green practices, That would make services easy by the use of technology to attract more customers and investors (United State Department of Energy Report,2017). Green banking contributes in various terms in the economy like spreading renewable energy to consumers, creating employment and also there are various tax relaxations are given to the business who are operating green practices (Coalition for Green Capital,2016). When organization use the environment with their marketing practices this with help in attracting customer and creating customer loyalty (Shrum,1995). Green banking not only helps in sustainability of economy and environment but also improve the image of banks in the eyes of customers (Falcone et al., 2018). This is found that post- purchase behavior of the customer is affected by the image customer perceives about the organization and product which will leads to customer loyalty (Tam,2004).

Green Banking and Employee: Implementation of green practices depends on the day to day practices of employees. The workplace should have environmentally sound policies and employees should work with full efficiency of resources (Sathyapriya et al., 2013). This is also needing that organizations should maintain good human resource department which can help in developing employees' attitude towards green practices (Paille et al., 2014). Green baking is not only important environment but also reduce daily work pressure and reduce stress that leads to better work quality (Singh,2016). Green practices related to employee have significant impact on bank's environmental performance and it will help in creating organizational citizenship (Shaumya K. & Arulrajah). Green initiatives in organization would make everyday life of employees easy and less loaded and also provide greater efficiency, lower cost and help in making good relation among employees that result in for of better organization performance (Mathapati,2013). HRM is the most effecting function for an organization.HR manager as stakeholder of organization are understanding their duties towards environment but this is not an easy task to incorporate green practices in every employee (Fenwick & Bierema, 2008). Due to these conflicting situation green HRM has come in existence for taking proactive actions towards environment and saving us from future disaster (Shaikh, 2012). Increasing environmental issues like climate change, greenhouse effect etc. bring everyone's attention towards green practices(Dash, 2008) and for adopting green practices this is necessary that each & every employee of organization should be involved in environmental practices not only at workplace but in their personal life also(Ramus, 2001, 2002; Fernandez, Junquera and Ordiz, 2003; Del Brío, Fernandez and Junquera, 2007; Renwick et al., 2008). Many studies have found that organizations' productivity and financial performance are directly affected by their HR practices (Ichniowski et al., 1997; Mendelson and Pillai, 1999; Collins and Clark, 2003). Banks can go green by just adopting few environmentally friendly practices in day to day life through going online and reducing paperwork. These practices are also includes doing e- recruitment, e- training and development, creating employee awareness towards environmental practices and also doing green practices like planting trees as an social responsibility (Rahman et al., 2013). These practices results in improving the effectiveness, efficiency of organization and also improve performance of employee, improve work-life balance, reduce cost and wastage of operating and also reduce the turnover ratio of the organization (Saragih and Margaretha,

2013). Green banking also help in reducing carbon emission of every employee as well as comfort in job by practicing electronic filing, job-sharing, teleconferencing, audio- video conferencing, work flexibility etc. (Saragih and Margaretha, 2013).

Green banking and Organization: Green banking involves in the process of implementing environmentally friendly practices like Online channels, providing green loans, and other CSR activates etc. Green financial product and carbon reduction policies like paperless office, energy saving, mass transportation and no transportation practices, green building and CSR activates (Sarita,2012). Green loans, green projects and environmental training posed substantial impact on Bank's environmental performance. Banks and government initiatives for green practices are important for banks reputation and customer awareness (Risal & Josi 2018). Organizations have started conducting energy audits, surveys, recycling the resources, reduce transportation, save water and other environmental practices that will result in cost reduction, increasing market shares and also satisfied all stakeholders (Ayeswarya,2017). For safeguard and accelerating the growth rate of economy banks need to adopt proactive nature towards environment. Green practices helps in attracting customer, build market image and get greater legitimacy (Zhixia,Husan,Mujafary & Begum 2018). Taking green Initiative not only good for nature but also beneficial for organization as it help in earn carbon credits, decrease costs, and give competitive advantage (Yadav & Swaroop Pathak 2013) also help in gaining efficiency in operation, lower vulnerability and cost reduction. Go Green it is a wide concept that would lead the growth, variation & innovation in an organization (Sudhalakshmi & Chinnadorai 2014). Green Bank is beneficial for both customer and banks as customer can save their time, fuel, energy, paper, water, and money. Similarly, Banks have to bear less cost and reduce workload (Deka 2015). Green practices also build a positive image in market (Shaumya K. & Arulrajah). Organization performance directly affected while practicing green banking (Bhardwaj & Malhotra, 2013). That is a great motivation for Banks that they should go for green banking and save our ecosystem (Sahoo & Nayak, 2008). Green practices in banks will not only improve environmental conditions but also improve thee operation, reducing error, deception and also reduce the cost of operations. Green practices are not cost for environmental protection but in long run green practices will be beneficial for business, banks, economy (Nigamanda Biwas 2011). As a part of society organizations have some responsibility towards society and environment. When organization take their decision with the consideration of environment and society, they are not only doing their responsibilities but also make it's operations smooth and effective (Bihari & Chandra,2010). Through the use of mobile, internet and other technology banks can improve the quality of assets and cab reduce their credit risk and liabilities risk (Sahoo,2008). There are various researches which are focusing of customer prospective towards green practices, vary few researchers have focused on the bankers prospective (Relano,2010; Aizawa and Yang, 2010; Singh, 2015; Dittmer, 2015, Fernando and Fernando, 2016; Kohn, 2012 and Campiglio, 2014).

DISCUSSION

In this study researcher has done study of various literature about green practices in banking industry and its impact on customers, Employees and organization. This is found that Every organization is the part of society and they have some responsibility towards society. World is burning in the fire of pollution now organization first duty is creating sustainability in environment, society and businesses also. Adopting environmentally friendly practices not only make our environment sustainable but also contribute in good will of banks. Green practices help banks in reducing cost of operation, helps in attracting more customers and investors and also create loyalty in the eyes of customers. These technology-oriented practices also help in customer services like online banking, mobile banking. Due to these ease of process customers feels more satisfied as well as safe and secure. These way processes are reducing customers cost and time of processing. Customer also feel proud when it is associated with the banks which is having good image in the market. Green banking not only beneficial for organization and customer even the banks' employee feel proud while working in a reputed organization. These green practices also reduce the workload of employees and also help in reducing stress of record maintains and occurrence of error in work as automation make it more secure and reliable and reduce the risk of credibility.

Conclusion

Environment degradation increasing day by day so as the concern towards environment also increasing in everyone's mind. Environmental degradation is a big concern for not only our generation but it will also be going to affect upcoming generations also. This concern becomes the first priority of every country. Banks are having a large participation in any economy as it can affect a common man to the large business. Banking industry which have direct influence on every single individual whether they are from inside of organization or outside organization. This study attempt to analyses green practices in banks and also attempt to identified motivating factor to the customer, employee and organization to practices these green practices. These motivating factors can contribute in improving - life style of every individual, economy, society and environment.

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