A Study on The Impact of Green Banking Practices on Bank's Environmental Performance With Special Reference To Coimbatore City

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Abstract

Until twentieth century green has been just the color of money for banks. With the introduction of Automated Teller Machines (ATMs) in 2001, banking sector took steps in environment-friendly practices. Development of industries enhanced the factors of global warming, soil erosion, ozone depletion, deforestation, air and water pollution. Green Banking refers to the practices and regulations that make banks sustainable in economic, environment, and social dimensions. In Coimbatore City the launch of green initiative has brought a revolutionary change in the banking sector and has moved financially ahead of green initiatives. The data for the present study were collected from 143 bankers of both public and private sector banks using simple random sampling. 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. Introduction

Green Banking is like a normal bank which considers the social and environmental factors where it is called as paperless bank, sustainable bank or an ethical bank. Green Banks are started with the objective of protecting the environment. They are also controlled by the same monitoring authorities but with an additional agenda towards protection of the environment. Green Banking is broad term refers to the practices and regulations that make banks sustainable in economic, environment, and social dimensions. It focuses to make banking processes and the usage of Information Technology and physical infrastructure as efficient and effective as possible, with zero or minimal impact on the environment. In the year 2009 the first green bank was launched in Mt. Dora, Florida, United States. However State Bank of India (SBI) is the first bank to implement green initiatives and strategies. In Coimbatore city the launch of green

initiative has brought a revolutionary change in the banking sector and has moved financially ahead of green initiatives. As this initiative will work towards economic progress of the city which is essential for every sector to adopt green practices in order to reach the process of development towards becoming 'Green city' which can be taken as part of the Smart city project mission. As green initiatives the banks involve in the following practices:

a)Environmental training to employees: Educating the employees relating to the conservation of energy, maintaining green work environment, abiding to the green policy and standards towards the protection of the environment.

b)Energy efficient practices: Energy efficiency equipment include the introduction of solar-powered, electricity from wind farm projects, replacing the power consuming General Lamp Scale (GLS) or other incandescent bulbs with LED bulbs.

c)Green loan : Green loans are the loans which are provided to the customers who purchase solar equipments and other energy efficient equipments with low or differential interest.

d)Green projects : Banks should finance industry projects which are safe to the environment and it should not finance to the projects which contributes to environmental degradation. This initial stage of financing will contribute towards the increase in the environmental performance of the banks.

e)Green Policy : Banks should have policy standards towards the protection of the environment. This would increase the reputation of the banks and will have positive effect on the environment.

All of the above practices are aimed at improving the bank's 'Environmental Performance'. Environmental performance is an essential parameter of every industry towards being economically and socially responsible towards the environment. This would benefit the environment and would promote sustainable banking.

1.2 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.

1.3 Review of Literature

Ali and Parveen (2019) in their study focused the types of green behaviors among the Islamic bankers and the impact of these behaviors on the growth of 'Green Banking' in Malaysia. The data were collected from 55 Islamic bankers through a self-administered survey questionnaire. The data were analyzed using percentage analysis, descriptive statistics and stepwise multiple regression. The regression analysis revealed that Islamic banker's green behavior has a significant and positive impact on the growth and development of 'Green Banking'. Initiative taking behavior is the most influential behavior of the bankers.

Rishal and Joshi (2018) analyzed the impact of 'Green Banking' practices on bank's environmental performance in Nepal'. The study was conducted on 5 commercial banks in Nepal with responses from 189 bankers using convenience sampling method. Chronbach's alpha has been used to analyze the reliability of data. Simple and step wise multiple regression analysis have been performed. The research found that energy efficient equipment's along with green policy have a significant impact on the bank's environmental performance while green loan and green project does not have it. Environmental training contributed mild performance. The findings suggested that role of banks and government in encouraging sustainable technologies increases the bank's reputation and awareness among customers.

1.4 Research Methodology

- **Sample size:** 143 bankers in Coimbatore City.
- **Sampling Technique:** Simple random sampling method
- **Data collection method:** Both Primary data and secondary data
- **Primary data:** Collected through structured questionnaire
- **Secondary data:** Collected through journals, annual reports and online websites
- **Variables used for the Study:**

Variables	Source
Environmental training to employees	
Energy efficient practices	
Green loan	(Rishal and Joshi, 2018)
Green projects	
Green Policy	
Bank's environmental performance	

- **Tools for Data Analysis:** Correlation & Regression has been used to analyze the data

1.5 Major Findings of the Study

- Majority i.e. 53.8% of the bankers belong to public sector banks.
- 25.9% of the bankers are at the officer level.
- Majority (58.7%) of the bankers are male.
- 41.3% of the bankers are between the age group of 21-28 years.
- Majority 52.4% of the bankers completed their UG degree.
- 44.8% of the bankers possess 4-5 years of work experience.
- The average mean score 4.15 implied that the bankers agree the banks provide them environmental training to follow 'Green Banking' practices.
- The average mean score 4.37 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 4.14 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 4.02 implied that the banks has various innovative strategies in practicing green banking initiatives towards improving their environmental performance of supporting green projects.
- The average mean score 4.25 implied that the banks have implemented green policy towards attaining sustainable development.
- The average mean score 4.42 implied that green banking is advantageous towards building a clean energy economy thereby enhancing the environmental performance of the banks.
- The average mean score 4.07 implied that the banks encounter problems with high operating cost in appointing experienced loan officers.
- The average mean score 4.18 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.

1.6 Suggestions and 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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Annexure

Table 1: Correlation

Correlations		Bank's Environmental Performance	Environmental Training	Energy Efficient Practices	Green Loan	Green Projects	Green Policy
Bank's Environmental Performance	Pearson Correlation	1	.333**	.267**	.223**	.363**	.215*
	Sig. (2-tailed)		.000	.001	.007	.000	.010
	N	143	143	143	143	143	143
Environmental Training	Pearson Correlation	.333**	1	.209*	.330**	.266**	.249**
	Sig. (2-tailed)	.000		.012	.000	.001	.003
	N	143	143	143	143	143	143
Energy Efficient Practices	Pearson Correlation	.267**	.209*	1	.069	.249**	.277**
	Sig. (2-tailed)	.001	.012		.413	.003	.001
	N	143	143	143	143	143	143
Green Loan	Pearson Correlation	.223**	.330**	.069	1	.439**	.362**
	Sig. (2-tailed)	.007	.000	.413		.000	.000
	N	143	143	143	143	143	143
Green Projects	Pearson Correlation	.363**	.266**	.249**	.439**	1	.390**
	Sig. (2-tailed)	.000	.001	.003	.000		.000
	N	143	143	143	143	143	143
Green Policy	Pearson Correlation	.215*	.249**	.277**	.362**	.390**	1
	Sig. (2-tailed)	.010	.003	.001	.000	.000	
	N	143	143	143	143	143	143

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table2: Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.462[a]	.213	**.196**	.44507	.213	12.571	3	139	.000
a.Predictors: (Constant), Green Projects, Energy Efficient Practices, Environmental Training to Employees (Source: Primary data)									

	Coefficients[a]					
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.773	.422		4.202	**.000**
	Environmental Training to Employees	.208	.071	.230	2.915	**.004**
	Energy Efficient Practices	.151	.077	.154	1.954	**.053**
	Green Projects	.240	.073	.264	3.307	**.001**
a. Dependent Variable: **Bank's Environmental Performance**						