

Research Paper



A conceptual study on factors influencing green banking facilities in India

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ABSTRACT

Green banking is a relatively new concept in comparison. It is a paperless banking system that saves on operating expenses and is good for the environment. Green Banks are organisations with a single goal: to speed up the transition to sustainable energy and stop climate change. This conceptual study was carried out to investigate several aspects of the performance of green banking. To learn more about the green banking performance and policies, several previously published papers were examined. These studies cover a variety of subjects, such as Determinants of Green Banking Adoption in Emerging Economies, Determinants of Green Banking Implementation, Determinants of Green Banking Expectations among Customers, and Determinants of Customers' Expectations Toward Green Banking Practices in India.



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1. INTRODUCTION

Making sure that a government uses its resources in a way that is beneficial to society and the environment is the main goal of green banking. Over the past few decades, Green Banking has experienced tremendous global growth. The growing worldwide climate change brought on by environmental deterioration was the impetus for the green movement in the banking industry.

The majority of the global climate change was previously attributed to the manufacturing sector however it is now known that banks are one of the largest direct and indirect contributors to this issue. Green banking is a recent phenomenon in the financial industry. In order to advance overall sustainable development, banks' role in financing economic and developmental activities is essential. Banks use the phrase "green banking" to refer to their greater environmental responsibility. Green banking is the creation of inclusive banking practises that ensure sustainable economic growth. By promoting environmentally friendly investments and giving priority to financing to companies that have already gone green or are making steps to do so, "green banking" aims to help the environment.

Green banking is the result of advances in technology, operational improvements, and altered client behaviour in the banking industry. It involves promoting ecologically friendly behaviours. There are several ways to accomplish this, like using online banking instead of branch banking, paying bills electronically instead of by mail, opening money market and CD accounts with small, locally-focused banks rather than with large, multi-branch organisations, etc. Foreign financial firms are particularly serious about green banking. Indian banks are still experimenting with this type of banking in very small sums. However, many of them are prepared to use this tactic. Green banking, often known as an ethical bank, is comparable to traditional banking in that it takes into account all social and environmental issues. The first priority of ethical banking was environmental preservation.

These banks function similarly to traditional banks in that they work to safeguard the environment and are subject to the same regulatory bodies. Green Banks' mission is to advance ethical, socially responsible corporate practises. Before making a loan, they carefully consider all the variables, including the project's sustainability and potential long-term impacts. Green banking can be simply defined. Green banking entails encouraging eco-friendly behaviours and lowering your carbon footprint from banking operations. This comes in many forms.

- Switching to online banking from branch banking.
- Making online bill payments rather than sending checks.
- Opening accounts with smaller online banks as opposed to major chains of banks
- Locating the neighbourhood bank that is doing the most to promote regional green projects.

1.1 Green Banking Products

A "green loan" is a loan made to an organisation or project that is deemed to be advantageous to the environment. Green mortgages are a particular kind of mortgage that reward you with a lower interest rate or a larger loan than is usually permitted in exchange for carrying out energy-efficient repairs or buying a home that satisfies strict energy-efficiency requirements.

Credit cards are getting green, whether it's through the use of eco-friendly rewards, the use of biodegradable credit card materials, or the promotion of paperless banking. Green Savings Accounts: With these accounts, banks donate money based on the savings that their customers make. The environment gains more from their savings as a result of bank contributions or donations. The environment benefits from the use of online and mobile banking since they reduce the amount of paper that is generated, the amount of mail that is sent out, and the amount of time that bank clients spend travelling to branch offices.

Table 1. Green Banking Determinants

External determinants of implementing Green Banking	Internal determinants of implementing Green Banking
Regulatory environment and government supporting	Banks' strategy
Socio – economic status and demand of sustainable development	Human factors
Infrastructure enhancement of economy	Corporate culture
	Banking products and services
	Technology application in banking operations
	Globalization and integration trend

1.2 Objectives of the Study

To study a different factor, respect to the green banking facilities.

2. RELATED WORK

[1] Conducted a study from the perspective of Bangladesh's banking industry to discover latent factors that influence customers' expectations toward green banking practises. Using simple random sampling, a total of 246 samples from the target population have been finalised. In this study, 23 dimensions were found, and using factor analysis, they were condensed into five factors. It was discovered that customer demands and information accessibility, ethical and high yield savings, energy efficiency, product advantages, and integration and customisation were all significant factors. Customers' expectations of green banking practises are influenced by these five significant elements.

[2] Did a study to look into factors such loan demand, stakeholder pressure, policy guidelines, and environmental interest. Additionally, to examine the elements influencing Malaysian bankers' embrace of green banking. The findings demonstrate that each anticipated factor has a major impact on the uptake of green banking. Government regulators were advised to focus on environmental safety banking and monitor the operations of various banks. The government should also give special compensation to banks that implement eco-friendly banking theory in the banking industry. Encouraging individuals to become aware of green banking through print media and online banking. Additionally, many seasonal and irregular exhibitions will increase public awareness.

[3] Undertook a study to investigate the influences on the adoption of "green banking" in developing nations. The research used extensive interviewing and surveying, together with statistical analysis of the case of Vietnam banks. According to the findings, human determinants have the greatest influence on the amount of "green banking" adoption in developing nations like Vietnam, with strategy, product & services, culture, and technology determinants following closely behind. Several recommendations were made in light of the findings to improve the effectiveness of these kinds of environmentally friendly financial products in developing nations. The banking industry in transitional nations will improve the use of "Green Banking" and achieve sustainable development in the setting of growing environmental contamination by identifying these elements.

[4] In their attempted to examine how organisational adoption determinants and the adoption of green banking. According to the findings of this study, stakeholder involvement is crucial in influencing and supporting the adoption of green banking and should be prioritised to ensure its uptake. The study suggests, based on the body of available research, that various stakeholder pressures may have a favourable impact on the adoption of green banking.

[5] Attempted to evaluate the impact of environmental issues on Bangladesh's adoption of green banking. The survey portion of the analysis used a constructed questionnaire to deliver a straightforward random sample procedure to 323 respondents. According to the study's findings, the key environmental elements that influence Bangladesh's adoption of green banking include consumer pressure, competitor pressure, and community pressure. Adoption of green banking is more or less favourably connected with variables measuring competitor pressure, community pressure, and customer pressure.

[6] Made an effort to pinpoint underlying factors that influence customers' expectations of green banking practises from the perspective of the Indian banking sector. A sample size of 160 respondents was used for the analysis. According to the study's findings, clients want banks to cut back on their extensive paper usage. Therefore, using less paper will significantly reduce the need to cut down trees. Equipment that emits fewer pollutants and eco-friendly technology with several functions both help to create the "Energy Efficiency" factor. Another important research finding is that banks' attempts to use less energy should be evident to customers. Installing solar panels, utilising energy-saving bulbs, reducing paper-related tasks, utilising sensory taps to limit water consumption, and maintaining a clean working environment are all steps that should be made.

[7] In their study, the authors sought to determine the effects of three green banking initiatives green product creation, green CSR, and green internal processes on two potential outcomes, namely green

brand perception and green trust. 36 middle- to senior-level managers from twelve public and private Indian banks took part in semi-structured in-depth interviews for the study, which is qualitative in nature. The banking sector may significantly contribute to the greening of the banking system by expanding financial options and addressing the demands of a "green economy." According to the study's findings, 63% of all respondents thought their bank had created a number of green banking products and services, 53% of bankers thought their bank had incorporated green internal procedures into daily operations, and 78% of respondents thought their bank had taken part in a large number of green CSR initiatives. Additionally, this investigation showed that more than 60% of respondents claimed that green banking initiatives improved the reputation of the green brand, which in turn helped to restore client trust.

2.1 Challenges of Green Banking

The following difficulties would arise for banks as they adopted green banking practises:

- **Reputational Risk:** Banks run the risk of losing their good name if they participate in environmental harming ventures. Using an environmental management system hasn't often resulted in lower costs or higher bond values.
- **Problem with diversification:** Green banks only conduct business with firms that pass their stringent screening process. They will have a lesser basis to support them with fewer clients. It typically takes a bank 3–4 years to start making a profit. There are many banks that are just starting started in the green market. As a result, it does not help banks during a recession.
- **Credit Risk:** Lending to clients whose businesses are impacted by the expense of pollution, changes in environmental rules, and rising emission level restrictions results in the development of credit risk.
- **High operating costs:** In order to give consumers, the services they deserve, Green Bank needs a workforce that is both talented and experienced. There is a need for experienced loan officers because they have more experience interacting with green businesses and clients.

2.2 Suggestions

- Press communication should be encouraged regarding the application of green banking policies.
- Create websites and disseminate information about green banking projects.
- Distribute education using online learning platforms and Mobile Application.
- Incorporate green banking practises into Annual Environment Reports.
- Providing bank personnel with proper training and skill development for their employees.
- Banks can provide creative financial solutions that take environmental considerations into account. They can also establish Green-funds for clients who want to invest in environmentally beneficial enterprises.

3. METHODOLOGY

The methodology of this study is based on secondary data collected from the previous research studies. Secondary data were collected for this study from the already published articles. These research studies including the topic of Determinants of Green Banking Implementation in Emerging Country, Determinants of green banking adoption, Factors Influencing Customers' Expectation Towards Green Banking Practices and Factors Influencing Customers' Expectation towards Green Banking Practices in India. The descriptive nature of this study forms its foundation.

4. CONCLUSION

Finally, Green banking is a proactive and shrewd approach to thinking about future sustainability because banks took the initiative to promote environmentally friendly investing. Furthermore, it is essential for banks in emerging economies to be realistic and accelerate the pace of the economy's expansion. As a result of the fierce competition that exists in the worldwide market due to the ongoing

environmental element change, banks may adhere to strict governmental regulations and legal requirements. In order to become stronger, banks may also incorporate sustainability and responsibility into their business model, development of product and service strategies, operations, and financing activities. As many green goods and services are anticipated in the future, India's green banking industry appears to have a very bright future. In the near future, we'll hear about and witness things like green excellence awards and recognitions, green rating agencies, green investment funds, green insurance, and green accounting and transparency in action. A check on the polluting businesses would be provided by properly implementing green banking. Banks can serve as a roadmap for the economy's transformation and provide a foundation that would open up several opportunities for financing and investment strategy and help develop a low-carbon economy.

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Author Contributions Statement

Name of Author	C	M	So	Va	Fo	I	R	D	O	E	Vi	Su	P	Fu
Dr. S. Selvaraj	✓	✓	✓	✓		✓		✓	✓	✓	✓		✓	✓

C : Conceptualization

M : Methodology

So : Software

Va : Validation

Fo : Formal analysis

I : Investigation

R : Resources

D : Data Curation

O : Writing - Original Draft

E : Writing - Review & Editing

Vi : Visualization

Su : Supervision

P : Project administration

Fu : Funding acquisition

Conflict of Interest Statement

The authors declare that there are no conflicts of interest regarding the publication of this paper.

Informed Consent

All participants were informed about the purpose of the study, and their voluntary consent was obtained prior to data collection.

Ethical Approval

Not Applicable.

Data Availability

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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