

Employees' Perception towards In-House Green Banking Activities of the Commercial Banks in Cuddalore District

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Abstract

The most important themes of 21st century are the environmental protection and sustainable ecological balance, and it becomes an important issue that must be considered by all functional areas. However, green banking is still a major issue and can take an important role for the development of India. Even though the Indian banks have identified the need for greening their activities, they are running behind their counterparts that of developed economies. In addition to mitigating risks, green banking opens up new markets and avenues for product differentiation. The present study focuses its main attention to answer what in-house green banking practices are followed by the select commercial banks? In this context, the researchers have made an attempt to examine the perception of employees towards in-house green banking activities of the commercial banks in Cuddalore district. By adopting multi-stage sampling 175 employees were selected. As an essential part of the study, the primary data were collected from 175 bank employees with the help of schedule. The perception of the employees have been analyzed using student t test, analysis of one-way variance, analysis of co-efficient of variation, discriminant function analysis, and multiple regression analysis. The results of the study reveal that there is no significant relationship among the acceptance levels of the respondents of different genders, age groups, educational status groups, monthly salary groups, tenure of experience, place of work, bank belongs to, and type of bank towards in-house green activities of the select commercial banks. Security and privacy issues, technical issues, lack of infrastructure, lack of coordination among stakeholders, lack of awareness and capacity building, higher operating expenses, reputation risk, diversification issues - limiting and restricting the business, infant nature of green concept and liquidity issue are the problems stated by the bank employees in regards green banking. The researchers suggest various measures to improve the scope of green banking.

Keywords: Green banking, ethical banking, green products, sustainable development, online banks, etc.

Introduction

The globe is encompassing immense environmental effects due to the activities of business, industries and financial houses. The most important themes of 21st century are the environmental protection and sustainable ecological balance, and it becomes an important issue that must be considered by all functional areas. The effects of climate change create specific environmental issues for the enterprises and living beings at large. The present day environmental degradation at a faster rate has raised an alarm but the growing concern for it by one and all including the financial institutions i.e. banks are good sign which promises sustainable banking, sustainable development and a better future for the generation to come. Global warming, which is one of the most burning issues, has the worst impact on the climate of the planet as a whole. Due to unusual weather pattern, rising greenhouse gas, declining air quality, etc. society demands that business has to take responsibility in safeguarding the planet. The key areas of environmental degradation cover air pollution, water pollution, surface water scarcity, encroachment of rivers, improper disposal of industrial, medical and household wastages, deforestation, loss of open space, loss of bio-diversity and many other issues. In response to increasing awareness over climate change, environmental degradation, urgent measures for sustainable development have been addressed by some of the stakeholders all over the world. Climate change has compelled us to think about protection of environment and conservation of energy.

Concept of Green Banking

According to Indian Banks' Association, green bank is like a normal bank, which considers all the social and environmental factors with an aim to protect the environment and conserve natural resources. Green banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environment, and social dimensions. For banking professionals, green banking involves the tenets of sustainability, ethical lending, conservation and energy efficiency. Green banking products include: automatic teller machines, mobile banking, remote deposit, green money market accounts, green CDs, green checking accounts, online banking, green credit cards, green loans, green savings accounts, green mortgages, and green channel counters, green homes, etc.

Statement of the Problem

Global warming, also called "green house effect," is a global issue that calls for a global response. In developing countries, the environmental impact can potentially be very high in view of the insufficient availability of clean sources of energy and the limited infrastructure for the environment-friendly disposal of products. Moreover, the indirect ecological impact of funding enterprises and projects is the most relevant issue. The in-house consumption and use of paper, electricity, water, fuel, stationery, equipment, technologies, etc. of the banking institutions pollute the environment in different ways and capacities. As socially responsible corporate citizens, banks have a major role and responsibility in enhancement of governmental efforts towards substantial reduction in carbon emission.

However, green banking is still a major issue and can take an important role for the development of India. Even though the Indian banks have identified the need for greening their activities, they are running behind their counterparts that of developed economies. In addition to mitigating risks, green banking opens up new markets and avenues for product differentiation. If Indian banks desire to enter global markets, it is important for them to recognize their environmental and social responsibilities. The Indian banks are still taking baby steps into this form of banking. The public sector banks operating in India are ill prepared as far as sustainability issues are concerned. The other reasons identified by them are non-availability of skilled employees; insufficient budgets to train employees; complex reporting frameworks and lack of interest shown by customers and investors. There have not been many initiatives in this regard by the banks in India though they play an active role in India's emerging economy. 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? Green banks have higher operating expenses as banks, which are going green required specialized talent, skills, expertise due to the kind of customers they were servicing and also the reputation of the banks was impacted if they were involved in the projects which were viewed as socially and environmentally damaging. The experienced officials need additional experience in dealing with green business and customers. The present study focuses its main attention to answer the following research question: What in-house green banking practices are followed by the select commercial banks? In this context, the researchers have made an attempt to examine the perception of employee's towards-house green banking activities of the commercial banks in Cuddalore district.

Objectives of the Study

The following are the objectives of the present study:

1. In order to examine the perception of employees towards in-house green banking activities of the commercial banks
2. 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 employees towards in-house green banking activities of the commercial banks, the following null hypothesis was framed and tested. H₀: There is no significant relationship among the acceptance levels of employees belonging

to different demographic profiles towards in-house green banking activities 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 employees of the rural branches are not taken for this study. Therefore, semi-urban and urban branches are only taken for this study. From each of the branches 7 employees i.e. 3 managers and 4 staff were selected. Therefore, the sample size consists of 175 employees.

Tools for Data Collection

This study is empirical in nature. As an essential part of the study, the primary data were collected from 175 bank employees with the help of schedule for a period of 6 months from January 2015 to June 2015. Pre-testing of schedules was done during December 2014, involving 25 bank employees 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.

Framework of Analysis

The perception of the employees have been analyzed using student t test, analysis of one-way variance, analysis of co-efficient of variation, discriminant function analysis, and multiple regression analysis. Analysis of variance and student t test are used to find out the relationship among the acceptance levels of the respondents belonging to different demographic profiles towards in-house green activities and impact of green banking. The co-efficient of variation was employed to find out the consistency in the acceptance levels of the respondents belonging to different demographic profiles towards in-house green activities. Discriminant function analysis is used to study how the managers differ from those who are staff of the banks in terms of their level of acceptance towards in-house green activities. Multiple regression analysis is used to measure the effect of the personal variables on the respondents' acceptance towards in-house green activities. To arrive at possible solutions, descriptive and simple percentage analyses were employed.

Findings

1. There is no significant relationship among the acceptance levels of the respondents of different genders, age groups, educational status groups, monthly salary groups, tenure of experience, place of work, bank belongs to, and type of bank towards in-house green activities of the select commercial banks. However, a significant difference is found between the acceptance levels of managers and staff towards in-house green activities of the select commercial banks.
2. Male respondents, respondents in the age group above 55 years, respondents having Diploma/ITI qualification, respondents drawing monthly salary upto Rs.20000, managers, respondents with the length of service above 20 years, respondents of semi-urban branches, employees of ICICI Bank, and employees of private sector banks have higher acceptance level towards in-house green activities of the select commercial banks.
3. There is consistency in the acceptance level of the female respondents, respondents in the age group upto 35 years, respondents having Diploma/ITI qualification, respondents drawing monthly salary Rs.30001-40000, staff, respondents having above 20 years of experience, respondents of urban branches, employees of HDFC Bank and employees of private sector banks towards in-house green activities of the select commercial banks.
4. The result of the discriminant function analysis reveals that 'my bank circulates general instructions to the employees for efficient use of equipments' is the maximum

discriminating factor ($R^2=7.45\%$) between managers and staff, followed by 'my bank reduces environmental impact as a result of its operation and business activity' (5.43%), 'my bank conducts regular energy audit' (5.11%) in that order. 'My bank uses disclosure and reporting of green banking activities' contribute least (0.17%) in discriminating between managers and staff in terms of their level of acceptance towards in-house green activities.

5. There is a close correlation (0.833) between the acceptance level towards in-house green activities and the selected personal variables. The R square indicates that 69.40 per cent of variation in the acceptance 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. Respondents' age, educational qualification, monthly salary, length of service, place of work and type of bank have no significant effect on their acceptance towards in-house green activities of the select commercial banks. On the other hand, gender and cadre of the respondents have significant effect on their acceptance level towards in-house green activities.

6. Majority of the respondents indicate that they agree and neither agree nor disagree (30.86%) with the in-house green activities of the select commercial banks, followed closely by disagree (18.29%) and strongly agree (13.71%). 6.29% of the respondents strongly disagree with the in-house green activities. The average acceptance score reveals that respondents have a higher acceptance level towards sharing of electronic files, voice mail and e-mail instead of paper memos and using scrap papers as notepads and to avoid disposable cups/glasses to become more eco-friendly (3.41), followed by using eco font for printing light impression on both sides of the paper (3.39). Conversely, the respondents have a lower mean acceptance score towards use of video/audio conferences (3.05), followed by maintenance of climate risk fund (3.13).

Suggestions

1. The select commercial banks should promote their green banking services to attract environment conscious customers and also to aware stakeholders that it is fully committed to the environment of the country. As part of green banking strategy, the select commercial banks can initiate various social responsibility services such as tree plantation camps, maintenance of parks, pollution checkup camps, etc. Moreover, the commercial banks may work collectively and move forward by undertaking voluntary initiatives. Besides, currently there are more than 78 Equator Principles in the green banking area. It is suggested that the select commercial banks shall adopt and comply the equator principles.

2. The select commercial banks can develop innovative green banking products which can help in the reduction of carbon emissions. They should develop green fund portfolio for the environment-friendly projects with a lower interest rate. Hence, the select commercial banks can introduce "Green Fund" to provide climate conscious customers for the option of investing in environment friendly projects. The select commercial banks can sanction green bank loans with financial concessions for environment friendly products and projects such as fuel efficient vehicles, green building projects, housing and house furnishing loans to install solar energy system, etc.

3. The select commercial banks should invest in a project after assessing its environmental or climatic risk. They should rate the presence of factors harmful for environment and its degree. Investment should only be given after being insured about the proper management of those harmful components. The select commercial banks can incorporate an Environmental Impact Assessment in their project appraisal while financing any project to measure the magnitude of environmental impact as well as suggest environmental risk mitigation measures.

4. Uses of paper encourage flattening of plants and lead the environment to destruction. Considering this, the select commercial banks should lessen the use of papers otherwise introduce the use of recyclable papers. Storage of all necessary information should be ensured through establishing electric data bank like enterprise data warehouse. Office order, notice, e-tendering, account statement, invitation letter, thanking letter should be taken under electronic system like e-mail and mobile SMS, etc. Meeting should be carried on through video/audio conferencing rather than physical visit. Therefore, the select

commercial banks can switch over to electronic correspondence and reporting thereby controlling deforestation.

Conclusion

With increasing concern about global warming and conserving environment, Indian banks are becoming more responsive towards the green aspirations of their customers. 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 is 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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