

# An Exploratory Study on Green Banking Usage in Rural Areas of Tamil Nadu

<sup>1</sup>N. RAJA,<sup>2</sup>Dr. B. YASODHA JAGADEESWARI

**ABSTRACT--** *The biggest problem being faced by the whole world is environment management and reducing the damage to the natural resources and global warming. Today, the way we are recklessly consuming resources on earth, the question arises what we will leave for future generation. Thus, it is the responsibility of every individual as well as institutions to contribute for green economy and adds to sustainable development of the economy. The concept of sustainable development that is taking care of the need of present generation without compromising the needs of future generation, has given rise to green marketing and then green banking. Green banking is different from traditional banking, as green banking focus on promoting environment friendly banking. Green banking is also known as ethical banking. Green banking will be mutually beneficial to the customers, banks industries and the economy. Banking industry is the backbone of the financial system of a country. The objective of this paper is to examine the illiteracy of bank customers of rural areas and by designing the model how it will helpful to them while carrying the green banking transactions. The present study is an attempt to understand and appreciate the role of banks in sustainable development through green banking. The data required for the study were collected from both the primary and secondary sources.*

**Key words--** *Green banking, electronic banking, ethical banking, online banking, digitalization, environmental sustainability, etc.*

## I. INTRODUCTION

Now a day's due to emerging global economy, e-commerce and e-business have increasingly become a necessary component of business strategy and a strong catalyst for economic development. Banking sector is one of the major sources of financing investment for commercial projects which is one of the most important economic activities for economic growth. Banking sector though do not play a direct role in the environmental degradation they too are in way contribute for the environmental problems indirectly. The banking activities in general are environmental friendly and do not affect the environment due to their internal operations by causing pollution or by the discarding hazardous waste. However, banks provide loans to the industries who in turn carryout the business in such a way that affects the environment. Therefore, banking sector plays a crucial role in promoting sustainable development and green economy. Banking sector is generally considered as environmental friendly in terms of emissions and pollutions. In the recent years, many of the banks have started taking initiatives to protect the environment. They have taken many steps to reduce the pollution causing agents

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<sup>1</sup> Ph.D. Research Scholar, Department of Civil & Structural Engineering, Annamalai University, Annamalai Nagar, Tamil Nadu - 608 002

<sup>2</sup> Assistant Professor, PG & Research Department of Economics, Holy Cross College (Autonomous), Tiruchirappalli, Tamil Nadu - 620 002

in their internal operations by introducing mass transportation system, usage of energy efficient bulbs, usage of environmental friendly material, green buildings, etc.

The importance of green banking in India is increasing rapidly as it is moving on the path of economic development and industrial sector is playing an important role in that. As banking sector is one of the major source of financing to the industries thus the banking operation and investment by financial institutions should take care of environmental management of these polluting industries by improving the overall environment, the quality and conservation of life, level of efficiency in using materials and energy, quality of services and products. Many of the banks have started focusing on introducing more and greener products such as green card, green loans, paperless banking, etc. Though green banking products may not be the reason for a customer to choose a particular bank, it does contribute in influencing a customer to decide in favour of a bank. Banks just like any other businesses have a role to play in protecting nature. Banks at present create awareness among the customers about the environment protection along with creating environment friendly banking products for the betterment of the society and for a healthier, happier future ahead.

## **II. GREEN BANKING**

Today, the way we are recklessly consuming resources on earth, the question arises what we will leave for future generation. The concept of sustainable development that is taking care of the need of present generation without compromising the needs of future generation, has given rise to green marketing and then green banking. Green banks are at startup mode in India. They should expand the use of environmental information in their business operations, credit expansion and investment decisions. This will help in improving their environmental performance and creating long-term values for their business. The adoption of green banking will not only enhances the image of the bank but also protects the environment and makes the overall growth sustainable. Green banking can be an avenue to reduce pollution and save the environment. Green banking refers to the banking business conducted in such areas and in such a manner that helps the overall reduction of external carbon emission and internal carbon footprint. The main motive of green banking is to protect and preserve environment. Green banking means promoting environmental-friendly practices and reducing carbon footprint from our banking activities. Green banking will be mutually beneficial to the consumers, banks, industries and the economy.

## **III. PROGRESS OF GREEN BANKING IN INDIA**

Reserve Bank of India outlined the mission to ensure that payment and settlement systems are safe, efficient, interoperable, authorized, accessible, inclusive and compliant with international standards. The vision is to proactively encourage electronic payment system for ushering in a less cash society in India. Regulation is keen to promote innovation and competition with an intention to help payment system achieve international standards. Various initiatives by Reserve Bank of India in mid-eighties and early-nineties resulted in offering technology based solutions. The need evolved to provide cost effective alternative system. Internet banking changed both the banking industry as well as banks' services to its customers. Anywhere banking came to be recognized as an

opportunity also for differentiated and competitive services. E-banking in remote rural areas of India is encouraging. It will become one of the most convenient ways of delivering financial services in the future. Over the last few years, online banks have started to become more and more popular. There are plenty of reasons for this but there are still quite a few people who are not sure if an online account is a good idea for them. Internet banking arrived in India in the late 1990s. ICICI Bank was the first bank to champion its usage and introduced internet banking to its customers in 1996. With lower internet costs and increased awareness about electronic media, online banking established itself only in 1999. Other private banks like Citibank, Indusind Bank, HDFC Bank and Times Bank started offering internet services in 1999. State Bank of India launched its services in July 2001. Public sector banks like Bank of Baroda, Allahabad Bank, Syndicate Bank and Bank of India also rolled its services during the same time. Banks in India currently offers fully transactional websites to their customers. The customers would conduct a variety of transactions through internet banking facility which includes: account summary, details of historical banking transactions, funds transfer, loan applications, bill payments, cheque book request, cheque status enquiry, stop cheque request, credit card payments/statements, facilities to contact account managers, etc.

#### **IV. REVIEW OF LITERATURE**

A general scanning of literature available in India from different published sources indicates that very few detailed studies have been conducted in India in the field of banking, particularly in the field of green banking. However, many studies have been conducted abroad, particularly in the western developed countries. But, these are not very relevant in Indian context. This section reviews empirical literature on green banking conducted in country as well as abroad in chronological order.

Omid Sharifi and Bentolhoda K. Hossein (2015) made SWOC analysis of four public sector banks' green initiatives. The study concludes that there is a vast range of green banking opportunities for financial sector.

Rajesh and Dileep (2014) studied the role of banks in sustainable economic development through green banking activities. The study was based on secondary data obtained from the reports of various banks, various seminars and workshop information and other related information published on the banks and other internet sites. The study concluded that banks contribute to ecological footprint directly and indirectly through investment/lending in their customer enterprises. Green banking can be an avenue to reduce pollution and save the environment aiding sustainable economic growth. Before making the decision to finance a project, banks must see its environmental risks and ensure the project players have environmental safety measures in their plans, including recycling facilities or smoke and gas arresting units.

Nath, Nayak and Goel (2014) analyzed the green banking practices of top four public and private sector banks in India and come to conclusion that if Indian banks want to penetrate global economy, it is important for them to recognize their responsibilities as a global corporate citizen.

Broto Rauth Bhardwaj and Aarushi Malhotra (2013) studied the various models of green banking practices adopted by Indian companies to grow. The research methodology was based on case study method. The conclusion of the study showed that the banks which are adopting the green banking practices influence the performance of the organization.

Jha and Bhome (2013) stated the ways to go green through green banking. The study is based on primary and secondary data. Researcher has interviewed 12 bank managers, 50 bank employees and bank customers.

Ravi Meena (2013) stated the various aspects of green banking such as benefits of green banking, methods of adopting green banking, initiatives taken by Indian banks and finally makes suggestions for banks to encourage green banking.

Amirul Afif Muhamat, et al. (2010) discussed that ethical banking is steadily getting consideration and support from the savers and investors who are not only searching for a place to save and invest their money safely but also a place where their money will be channeled to productive activities which are free from elements that contribute to the decline towards average of living and environmental aspects.

Sahoo and Nayak (2008) explored the importance of green banking, cited international experiences and highlighted the important lessons for sustainable banking and development in India. The study found that there has not been much initiative in this regard by the banks and other financial institutions in India though they play an active role in India's emerging economy.

## **V. NEED FOR THE STUDY**

The need of this study is to identify the awareness about green banking among the SBI customers. Green banking is a concept that has emerged in the recent days. The need of this concept is due to development of civilization and natural causes, the Earth's environment is being polluted in different forms which caused harms to the Earth, resulting rapid change of the Earth's climate. As a result, living beings of this planet are facing acute threat for their existence. The main objective of green banking is environmental protection, awareness, and sustainable ecological measures through banking transaction. For this purpose, the banks have introduced number of green technologies that fit into the banking branch. Green banking is of immense importance to both the bank and the economy. The adoption of green banking strategies will help the bank to deal with these risks involved in their business operation. Introduction of various green banking products are alone not sufficient the success lies when all those products are utilized in a proper way. Thus, it becomes important to study the level of understanding about the green banking among the customers.

## **VI. OBJECTIVE OF THE STUDY**

1. To find out the overall status of rural customers from green banking services.
2. To identify the factors that influence rural customers' satisfaction from green banking.
3. To study the level of understanding about the areas of green banking systems among the bank customers.
4. To analyse the impact of the green banking in the rural areas of the Cuddalore district of Tamil Nadu.
5. To overview the profile and general performance of the rural areas of the Cuddalore district of Tamil Nadu

## VII. HYPOTHESIS

In order to meet the objectives stated above, the following hypothesis has been framed.  $H_0$ : There is no significant difference between the customers' satisfaction from green banking service in the rural area.

## VIII. SCOPE OF THE STUDY

Green banking is an effort by the banks to make the industries grow green and in the process restores the natural environment. This concept of green banking will be mutually beneficial to the banks, industries and the economy. Not only will green banking ensure the greening of the industries but it also facilitate in improving the asset quality of the banks in future. Green bank is a practical and smart way of thoughtfulness with a vision for upcoming sustainability of our earth and this would contribute to higher and safe standard of living. This study is carried out to understand the knowledge level about the green banking among the customers of rural areas of Cuddalore district. This study will help bankers to know about their customer perception about green banking. The study would also furnish the satisfaction level of the customers on green banking products introduced by the banks.

## IX. METHODOLOGY

The data required for the study were collected from both the primary and secondary sources. The study was exploratory in nature to identify the factors of the usage of green banking in the rural areas. Schedule and questionnaire were used by the investigators. The sample size was 120 respondents. Secondary data were collected from various books, journals, newspapers, magazines and website. In this study, descriptive research design has been adopted. To find out the status of the respondents the data were analyzed using various statistical tools like percentage, average, standard deviation, t-test and analysis of variance.

## X. ANALYSIS AND INTERPRETATIONS

**Table 1:** Distribution of Respondents on the basis of Demographic Factors

Demographic Variables		Frequency	Percentage
Age (years)	20-30	34	28.33
	31-40	28	23.34
	41-50	19	15.83
	51-60	21	17.50
	61-70	14	11.67
	Above 70	4	3.33
Gender	Male	74	61.67
	Female	46	38.33

Educational level	Illiterate	10	8.33
	Primary	40	33.34
	Secondary education	34	28.34
	Higher secondary	22	18.33
	Degree	14	11.66
Occupation	Government employee	13	10.83
	Private	31	25.84
	Self-employment	32	26.67
	Agriculture	16	13.33
	Student	7	5.83
	Others	21	17.50
Monthly income (Rs.)	Below 2500	19	15.83
	2501-5000	35	29.17
	5001-7500	17	14.16
	7501-10000	25	20.84
	Above 10000	24	20.00

Source: Primary Data.

Of the total sample, more than one fourth of the respondents (28.33 per cent) belong to the age group between 20 to 30 years. More than one fifth of the respondents (23.34 per cent) belong to the age group between 31 to 40 years. About one fifth of the respondents (17.5 per cent) under the age group of 51 to 60 years and less than one fifth of the respondents (15.83 per cent) belong to the age group of 41 to 50 years. More than half of the respondents (61.67 per cent) were male and more than one third of the respondents (38.33 per cent) were female. About one third of the respondents (33.34 per cent) possessed primary education, more than one fourth of the respondents (28.34 per cent) possessed secondary education, and less than one fifth of the respondents (18.33 per cent) possessed higher secondary, 11.66 per cent of the respondents were degree, and only 8.33 per cent of them was illiterate. More than one fourth of the respondents (26.67 per cent) were self-employed, one fifth of the respondents (25.84 per cent) were worked in private sector, less than one fifth of the respondents (17.50 per cent) were businessmen, less than one fifth of the respondents (13.33 per cent) were agriculturists and only few 5.83 per cent were students. More than one fourth of the respondents (29.17 per cent) were earning below Rs. 2500, one fifth of the respondents (20.84 per cent) were earning between Rs.7501 to 10000, one fifth of the respondents (20.00 per cent) were earning above Rs.10000, and 14.16 per cent of the respondents were earning between Rs.5001- 7500.

**Table 2: Green Banking Services Used by the Respondents**

S. No.	Opinion	Male	Female	Total
1	Yes	58	42	100
2	No	16	4	20
	Total	74	46	120

Source: Primary Data.

Table 2 shows the green banking service used respondents in rural areas. Most (83.33 per cent) of them have expressed a favourable opinion.

**Table 3: Green Banking Services Used by the Respondents in Rural Areas**

Particulars	Green banking	No Green banking
Mean	50	10
Variance	128	72
Observations	2	2
Pooled Variance	100	
Hypothesized Mean Difference	0	
DF	2	
t Stat	4	
P(T<=t) one-tail	0.028595	
t Critical one-tail	2.919986	
P(T<=t) two-tail	0.057191	
t Critical two-tail	4.302653	

Source: Primary Data.

The calculated t value is 4, which is higher than the t critical one tail, 2.91 at 5% level of significance. It means that there exists a positive relationship between respondents and green banking service. However, the t critical two tail value, 4.30 indicates that there is no significant difference in the green banking.

**Table 4: Respondents' Satisfaction with the Green banking**

Classification	Satisfied		Not satisfied		Total
	Frequency	Percentage	Frequency	Percentage	

Highly satisfied	63	52.50	21	17.50	84
Satisfied	27	22.50	9	7.50	36
Total	90	75.00	30	25.00	120

Source: Primary Data.

It is inferred from the above table that 52.50% of the respondents were highly satisfied and 22.50% of the respondents were satisfied with the green banking initiatives in the rural areas.

## XI. FINDINGS

1. Green banking offers superior and user friendly technology. Further, instant information is available to rural users as soon as the transaction takes place.
2. No paper work and physical handling and storage of paper instruments.
3. Faster response to customer queries and complaints. Better customer relationship management.
4. Improved management, transparency and accountability.
5. Improved trade relations across boundaries with easier transfer of funds through net banking.
6. With development in technology, banks are reaching more and more remote locations in the country allowing access to rural people who earlier did not have convenient access to banks.

## XII. CONCLUSION

Public and private sector banks are actively undertaken a multiplicity of green banking practices. Primarily, banks are creating awareness about environmental issues through green banking among bank staff, customers and mass people. Gradually, bank's green banking activities have shifted from encouraging and implementing of e-banking to the recycle of the wastes, water treatment plants, rain water harvesting, using solar based equipment, constructing green building, etc. in more effective manner. It involves use of online banking, mobile banking, green channel counters, e-statement, green loans, solar ATMs etc. It is a common perception that it is more customary among youth, whereas less popular among aged people. Therefore, the present study examines for usage of green banking habit among various age groups. This study explains that there is significant difference in the usage of green banking products across various age groups. Therefore, more awareness is needed to create awareness about green banking products adoption among the middle and senior age groups individuals than young age people.

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