

# **A Study on Problems and Perspectives of Green Banking with Reference to Gwalior Region.**

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## **ABSTRACT**

Green banking focuses on promoting eco-friendly practices within the banking sector to reduce its carbon footprint. It involves two main approaches: first, banks should adopt sustainable internal operations by using renewable energy, digitalizing processes, and taking other steps to minimize emissions from their activities; second, banks should finance environmentally friendly projects that contribute positively to the planet. The goal of green banking is to reduce pollution while benefiting society and the environment. By implementing these practices, banks can lower operational costs and reduce both their internal carbon footprint and external emissions from the projects they support.

## **Keywords:**

Green banking, problems, prospects, economy, environment

## **INTRODUCTION**

Over the past decade, there has been growing concern about environmental damage and the complex issue of climate change. Many countries, including India, are working to measure and reduce the risks caused by human activities. Banks—as socially responsible corporate citizens—are expected to be environmentally friendly and have minimal impact on the environment through their internal operations. However, the real challenge lies in their external impact, particularly through the activities of their customers.

The banking sector plays a main role in financing industries such as steel, paper, cement, chemicals, fertilizers, power, and textiles, which are known to contribute extensively to carbon emissions. Because of this, banks have the opportunity to act as intermediaries between economic growth and environmental protection by promoting investments that are both environmentally sustainable and socially responsible.

Green banking is an approach that aims to reduce carbon emissions both internally (in bank operations) and externally (through customer activities). In simple terms, green banking means adopting practices that help protect the environment.

## LITERATURE REVIEW

### First Green Bank

Based in Eustis and Clermont, Florida, USA, First Green Bank is recognized as one of the first banks to actively support environmental and social responsibility while operating like a traditional community bank. Its focus on community service and environmental protection distinguishes it from other banks.

### Green Banking in India

In India, detailed research on green banking is limited. Most in-depth studies have been conducted in developed countries, and many of them do not directly apply to the Indian context. However, a few Indian researchers have started exploring this field.

**Meenakshi Sharma AND Akanksha Choubey (2021)** It carried out a qualitative study involving 36 managers at middle to senior levels from 12 public and private banks in India. These managers took part in detailed, semi-structured interviews. The study explored how three types of green banking practices—offering eco-friendly products, engaging in environmentally responsible social initiatives, and adopting sustainable internal operations—affect two key outcomes: the bank's green brand image and the trust customers place in the bank's green efforts.

**Khairunnessa, Fatema, Diego A. Vazquez-Brust, and Natalia Yakovleva. (2021):** The central bank of Bangladesh has played a key role in promoting environmentally friendly practices in the country's financial sector. Through the introduction of green policies and regulations, it has helped drive the shift toward sustainable banking. While Bangladesh still lags behind developed nations in terms of overall environmental performance, it has made significant progress in adopting green banking, improving infrastructure, and supporting green economic growth in recent years.

**Bukhari, S.A.A., Hahim, F. and Amran, A. (2020),** A study titled "*Green Banking: A Road Map for Adoption*". The study suggests various eco-friendly practices based on Environmental, Social, and Governance (ESG) principles that banks can adopt at different stages of their green banking journey. It also offers practical strategies that can help banks implement these practices effectively. Additionally, the research can be useful for regulators when creating green banking policies and guidelines. This kind of comprehensive study had not been done before.

**Raj & Rajan (2017)** Pointed out that even though banks do not directly harm the environment, they still contribute to environmental problems in an indirect way. This is because banks often fund industries that are responsible for pollution and environmental damage. With rapid industrial growth and urbanization over the years, the world has seen serious environmental and ecological decline. Since many industries depend on bank loans and financial support, banks have a responsibility to take steps that help protect the environment, nature, and society as a whole.

**Nath, Nayak, and Goel (2014)** Their study on green banking practices recommended that banks change their daily operations by going paperless, using online and mobile banking, and encouraging sustainable options like recycled cards and public transportation. Their SWOC (Strengths, Weaknesses, Opportunities, and Challenges) analysis indicated that while green banking can save time and money, it also faces issues such as poor infrastructure, digital illiteracy, and internet security concerns.

**Annadurai, AR (2014)** The green banking initiatives taken by commercial banks in India and highlighted the types of eco-friendly products and services banks could offer their customers. The study found that most people are not aware of these green efforts, such as using media for awareness, following environmental banking rules, offering benefits for energy-efficient practices, setting up solar-powered ATMs, and introducing green certificates of deposit (CDs). The author suggested that the government should create supportive policies and provide financial help to encourage green banking.

**Rajput, Khanna, and Kaur (2014)** This research focused on the State Bank of India's (SBI) promotion of green banking. SBI has implemented measures such as offering green loans and participating in conservation efforts like the 'Save the Tiger' project. The bank has also signed agreements related to reducing carbon emissions and promoting sustainable finance.

## OBJECTIVES OF THE STUDY

1. To study the management of environmental risk and identify opportunities for innovative, environmentally friendly financial products.
2. To identify various strategies for adopting a green banking approach.
3. To understand the concept of green banking.
4. To study the issues and challenges faced through the acceptance of green banking.

## METHODOLOGY

The paper is both descriptive and analytical. The learn uses information composed from both primary and secondary sources. Primary data was gathered through questionnaires administered to 100 people in the Gwalior region. Secondary data was collected from books, articles, journals, newspapers, and online sources.

## WHAT IS GREEN BANKING?

Green banking is not a separate type of bank but rather a way for banks to adopt environmentally friendly practices. The goal is to reduce both internal and external carbon footprints. Although the banking industry is not typically viewed as a polluting sector, it does impact the environment through increased energy usage (for lighting and air conditioning) and high paper consumption. Furthermore, banks are linked to the environment because they offer funds to industries that may source environmental harm..

Thus, banks can play an important role in protecting the environment by investing in and lending money to projects that benefit the planet.

Green banking focuses on two main aspects:

- Using resources like energy carefully to reduce carbon footprints.
- Financing and supporting only environmentally friendly projects.

## DEFINITION

Green banking refers to the practice of promoting environmentally friendly and sustainable banking. It involves reducing the environmental impact of a bank's operations—using less paper, saving energy, and lowering carbon emissions—and financing projects that benefit the environment, such as renewable energy, energy efficiency, and pollution reduction. In simple terms, green banking means conducting banking operations in a way that helps protect the environment.

## METHODS OF GREEN BANKING

1. **Paperless Banking**
  - a. **Digital Transactions:** Encourage customers to use online banking services, mobile apps, and e-statements to reduce paper usage.

- b. **E-Statements and Online Bill Payments:** Promote e-statements over paper statements and encourage online bill payments.
  2. **Energy Efficiency in Operations**
    - a. **Energy-Saving Infrastructure:** Reduce energy consumption in branches by using energy-efficient lighting, heating, and cooling systems.
    - b. **Green Buildings:** Construct or renovate bank offices to meet energy-efficient standards, such as LEED certification.
    - c. **Renewable Energy:** Adopt renewable energy sources like solar or wind power for operations.
  3. **Green Financing**
    - a. **Funding Sustainable Projects:** Finance businesses and projects focusing on renewable energy, waste management, water conservation, and other environmentally sustainable initiatives.
    - b. **Green Bonds:** Issue bonds dedicated to raising capital for environmental projects.
    - c. **Eco-Friendly Loans:** Provide favorable loan terms for businesses that implement sustainable practices or invest in green technologies.
  4. **Sustainable Investment Practices**
    - a. **Environmental and Social Governance (ESG) Criteria:** Evaluate potential investments to ensure they align with environmental, social, and governance standards.
    - b. **Sustainable Investment Funds:** Create or promote funds that focus on environmentally friendly companies or industries.
  5. **Carbon Footprint Reduction**
    - a. **Carbon Offsetting:** Invest in programs that offset carbon emissions, such as tree planting or clean energy initiatives.
    - b. **Reducing Travel:** Encourage virtual meetings and telecommuting to minimize travel-related emissions.
  6. **Green Banking Products and Services**
    - a. **Eco-Friendly Credit Cards:** Offer credit cards made from recycled materials or with rewards that promote sustainable practices (for example, donations to environmental causes).
    - b. **Green Mortgages:** Provide home loans with incentives for purchasing energy-efficient homes or for making eco-friendly improvements.
    - c. **Sustainable Savings Accounts:** Offer savings or investment products that fund green projects or sustainable industries.
  7. **Promoting Environmental Awareness**
    - a. **Customer Education:** Educate customers about environmental sustainability through workshops, seminars, and informational campaigns.
    - b. **Incentives for Green Choices:** Offer incentives, such as lower interest rates, for customers who adopt environmentally friendly practices.
  8. **Environmentally Responsible Lending**
    - a. **Environmental Impact Assessment:** Evaluate the environmental impact of projects before approving loans.
    - b. **Green Lending Criteria:** Establish specific lending criteria that prioritize environmentally sustainable projects.
  9. **Recycling and Waste Reduction**
    - a. **Recycling Programs:** Implement recycling initiatives in branches for paper, plastic, and other materials.
    - b. **Reducing Electronic Waste:** Ensure proper disposal and recycling of obsolete electronic devices, such as computers and ATMs.

## CHALLENGES AND PROBLEMS

Green banks face several challenges when adopting green banking practices:

1. **High Initial Costs**
  - a. **Upfront Investment:** Transitioning to green practices may require substantial investment in new technology, energy-efficient infrastructure, and employee training.
  - b. **Cost of Renewable Energy:** Although renewable energy can reduce long-term costs, the initial setup can be expensive.
2. **Lack of Awareness and Understanding**
  - a. **Customer Awareness:** Many customers do not fully understand green banking, limiting their participation in green initiatives such as paperless banking or green investments.
  - b. **Limited Knowledge Among Employees:** Insufficient training or awareness among bank employees can hinder the adoption of green practices.
3. **Regulatory and Policy Barriers**
  - a. **Inconsistent Regulations:** Lack of clear regulations or standards for green banking can make it difficult for banks to implement consistent practices.
  - b. **Lack of Incentives:** In some regions, limited government incentives or subsidies reduce motivation for investing in green technologies.
4. **Risk of Greenwashing**
  - a. **Misleading Claims:** Some banks may make superficial claims about their environmental efforts, which undermines the credibility of green banking.
  - b. **Lack of Transparency:** Without clear reporting and auditing standards, it is challenging to verify if banks are genuinely practicing sustainable banking.
5. **Balancing Profitability with Sustainability**
  - a. **Short-Term Profitability:** Green banking practices may not yield immediate financial returns, challenging the balance between long-term environmental goals and short-term profits.
  - b. **Investment Returns:** Green projects may offer lower returns, deterring banks focused on maximizing short-term financial performance.
6. **Limited Green Investment Opportunities**
  - a. **Scarcity of Projects:** In some regions, there are few green investment opportunities that meet both environmental and financial criteria.
  - b. **Uncertain Long-Term Impact:** The long-term returns on green investments can be unpredictable, causing hesitation among banks.

Additional challenges include the high cost of advanced technology, the need to ensure data security with new systems, and the necessity of proper staff training to effectively implement green banking practices.

## DATA ANALYSIS AND RESULTS

### *Customers' Perceptions*

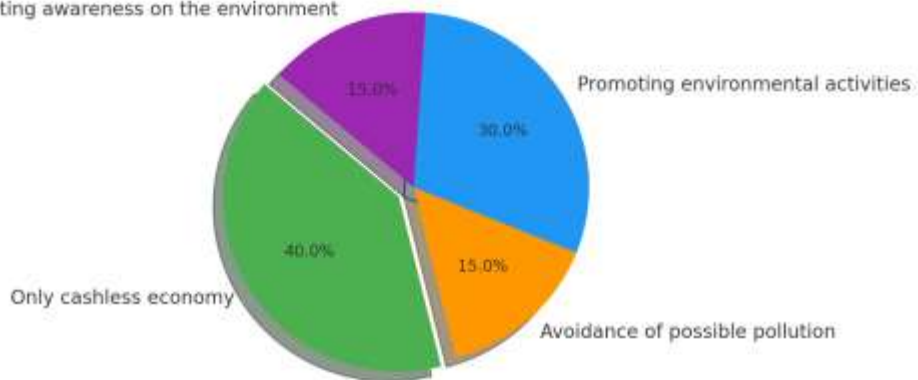
**Table 1: Basic Idea of Green Banking**

Particular	No. of Responses	Percentage (%)
Only cashless economy	40	40
Avoidance of possible pollution	15	15

Promoting environmental activities	30	30
Only creating awareness on the environment	15	15
Total	100	100

#### Basic Idea of Green Banking

Only creating awareness on the environment

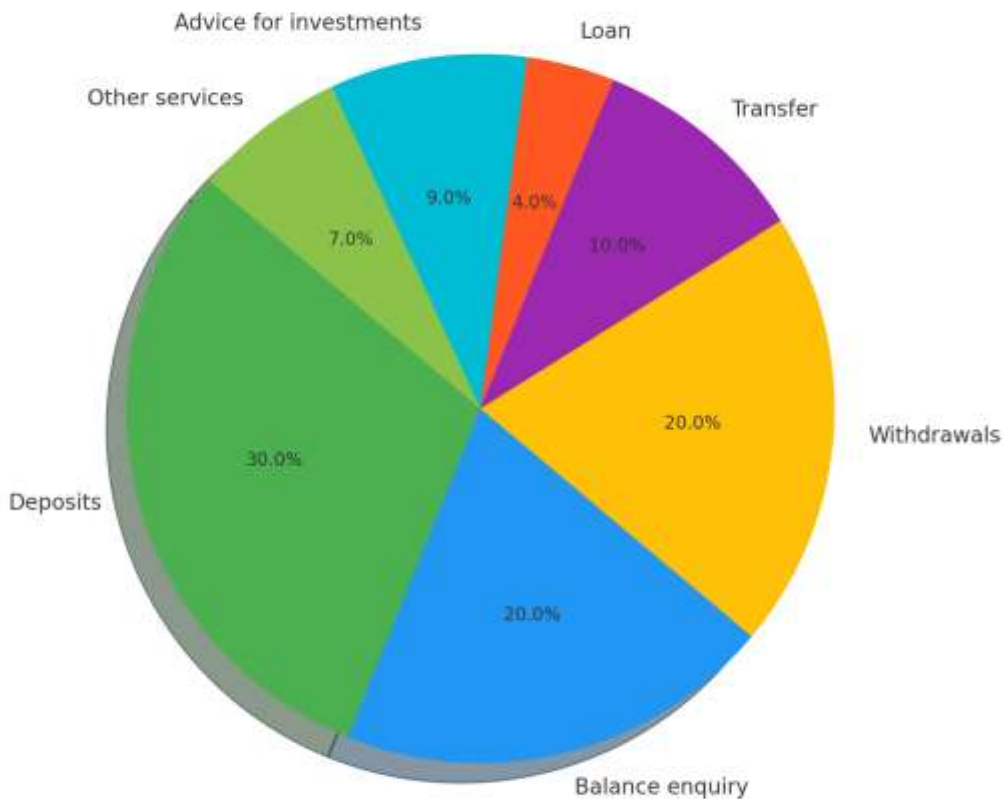


*Observation:* Most respondents (40%) believe that green banking means only a cashless economy—a misconception. Very few recognize that it encompasses environmental protection.

**Table 2: Main Reasons to Visit a Bank Branch (Multiple Options)**

Particular	No. of Responses	Percentage (%)
Deposits	30	30
Balance enquiry	20	20
Withdrawals	20	20
Transfer	10	10
Loan	4	4
Advice for investments	9	9
Other services	7	7
Total	100	100

### Main Reasons to Visit a Bank Branch (Multiple Options)



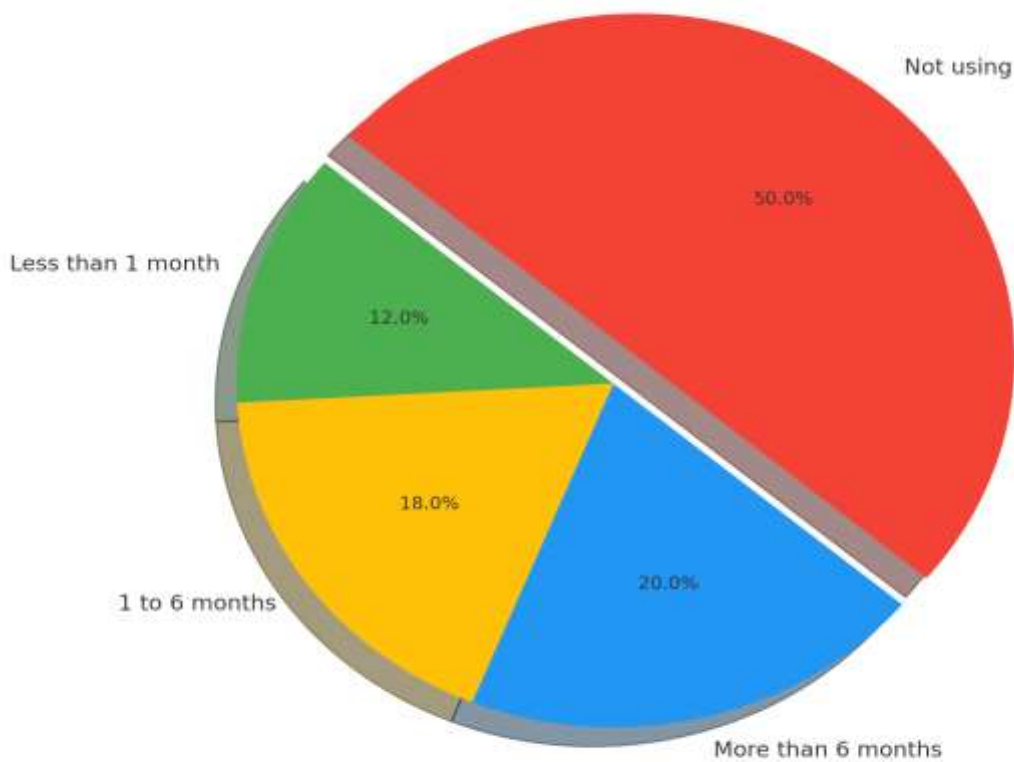
*Observation:* Thirty percent of respondents visit the bank primarily for deposits, while withdrawals and balance inquiries take the second priority. The remaining respondents use the branch for other activities.

**Table 3: Usage of Net Banking**

Particular	No. of Responses	Percentage (%)
Less than 1 month	12	12
1 to 6 months	18	18
More than 6 months	20	20
Not using	50	50
<b>Total</b>	<b>100</b>	<b>100</b>



### Usage of Net Banking



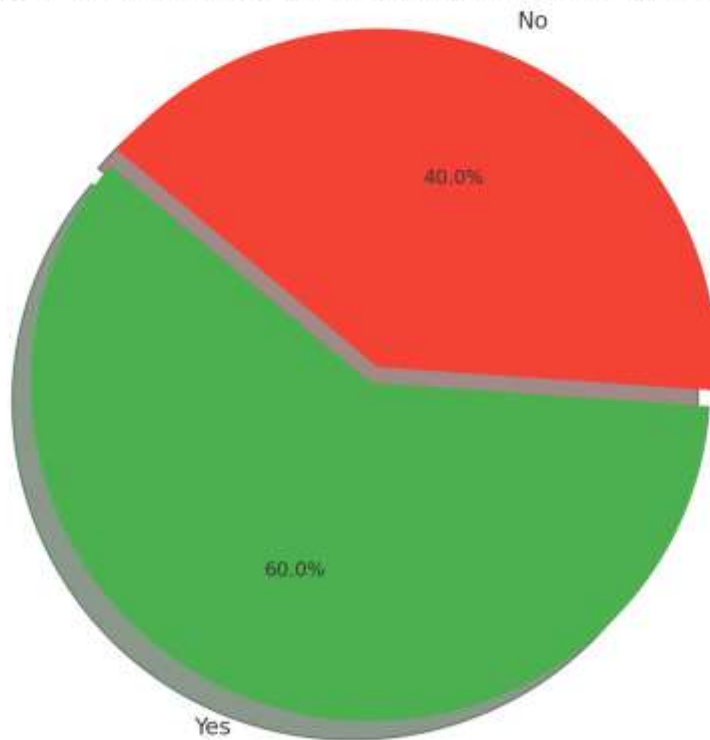
*Observation:* Nearly 50% of the respondents are not using net banking facilities. The remaining 50% use the service, though only 12% have started recently. This suggests that banks should promote net banking more effectively.

**Table 4: Usage of Personal Financial Management Programs (PFMP)**

Particular	No. of Responses	Percentage (%)
Yes	60	60
No	40	40
<b>Total</b>	<b>100</b>	<b>100</b>



### Usage of Personal Financial Management Programs (PFMP)

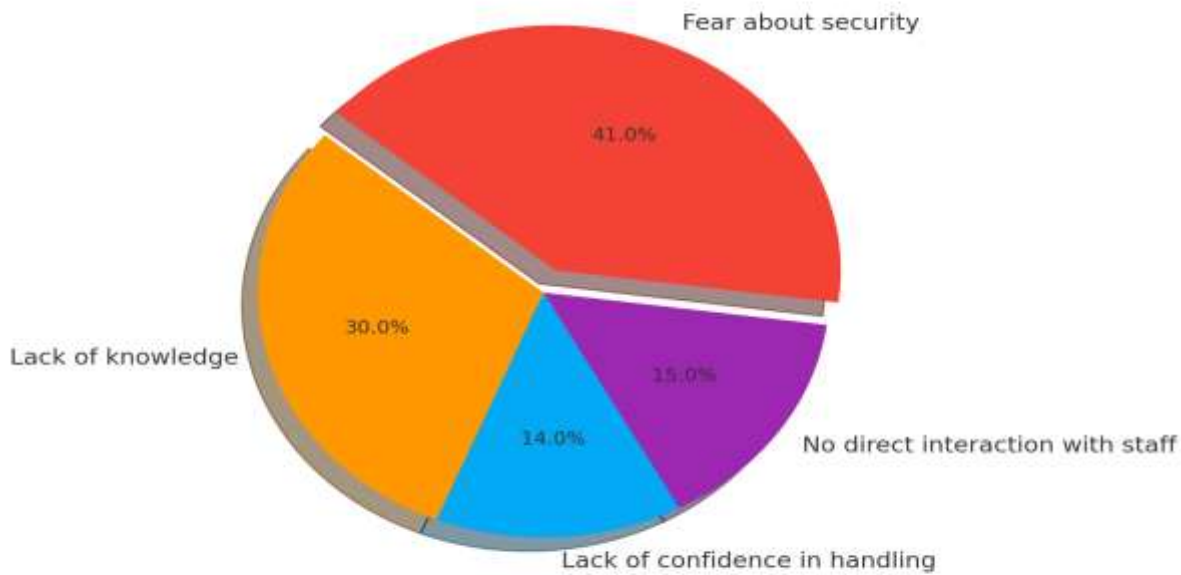


*Observation:* Over 50% of respondents are using personal financial management programs such as Paytm and Freecharge.

**Table 5: Problems Faced While Using PFMP**

Particular	No. of Responses	Percentage (%)
Lack of knowledge	30	30
Lack of confidence in handling	14	14
No direct interaction with staff	15	15
Fear about security	41	41
<b>Total</b>	<b>100</b>	<b>100</b>

### Problems Faced While Using PFMP

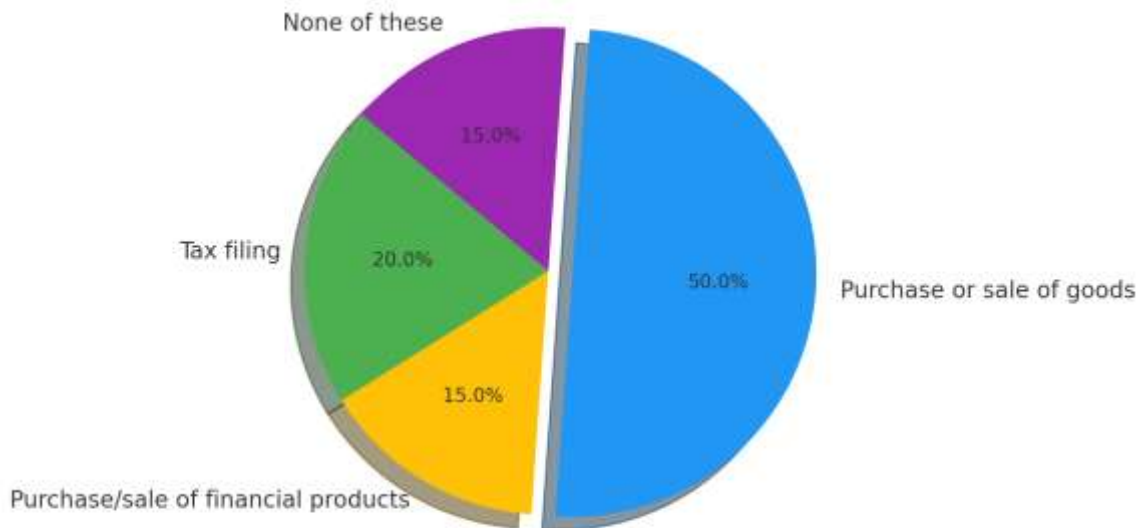


*Observation:* Most respondents express fear about security, with additional concerns about lack of knowledge and confidence, as well as insufficient direct interaction with bank personnel.

**Table 6: Online Activities Performed**

Particular	No. of Responses	Percentage (%)
Tax filing	20	20
Purchase/sale of financial products	15	15
Purchase or sale of goods	50	50
None of these	15	15
<b>Total</b>	<b>100</b>	<b>100</b>

### Online Activities Performed



*Observation:* Most respondents use online services for purchasing or selling goods. Only 20% use these services for tax filing and 15% for dealing with financial products.

**Table 7: Problems on Adoption of Green Banking (Customers)**

Particular	No. of Responses	Percentage (%)
Limited scope for personal advice	30	30
Problematic transactions	15	15
Fear about security	35	35
Lack of knowledge	20	20
<b>Total</b>	<b>100</b>	<b>100</b>

## Problems on Adoption of Green Banking (Customers)



*Observation:* Thirty percent of customers report limited personal advice as a problem, 15% face issues with transactions, while the remainder express concerns over security and lack of knowledge.

### ***Bankers' Perceptions***

The study also includes feedback from regional banks regarding their involvement in green banking. Key findings include:

- Some banks and their employees are still adjusting to green banking and face challenges related to cost, system maintenance, employee training, and understanding customer behavior.
- Senior management is actively supporting the shift toward green banking practices.
- Banks are focusing on educating customers about services such as SMS banking, mobile banking, and internet banking, while also digitizing internal administrative processes.
- Reported challenges are minimal, indicating that green banking is gradually gaining support and acceptance.

## FINDINGS

- Many people are not fully aware of the features, benefits, and activities related to green banking.
- A significant number of customers are not using digital or computerized banking services effectively.
- Data indicate that security concerns and lack of confidence contribute to the low adoption of digital banking tools.
- Green banking reduces paper usage by promoting online and electronic transactions. This includes the adoption of products like green credit cards and green mortgages and supports environmental conservation by reducing tree felling.
- It emphasizes educating banking professionals about their environmental and social responsibilities, thereby encouraging eco-friendly business practices.
- Green banking is a forward-thinking approach focused on long-term sustainability and responsible banking.

## SUGGESTIONS

- Share news and updates through newspapers, websites, and online platforms.
- Provide education through online learning programs.
- Offer "green funds" for customers who wish to invest in eco-friendly projects.
- Adopt paperless systems such as online and mobile banking while promoting public transportation to reduce pollution.
- Utilize eco-friendly buildings, for example, those certified by LEED (a green building rating system).
- Invest in technologies that produce lower carbon emissions and create programs to help protect the environment.

## CONCLUSION

Green banking is about using eco-friendly practices in the banking sector to minimize environmental harm. This includes using online and mobile banking, e-statements, solar-powered ATMs, and offering green loans. Such practices help reduce paper use, save energy, and cut carbon emissions.

As awareness of ecological issues grows, green banking becomes more and more important. It bridges environmental protection with banking operations and assists banks in reducing their overall environmental impact. The research indicates that green banking can help financial institutions lower energy consumption and support global sustainable development efforts. To capitalize on existing opportunities and technology, banks should establish both short-term and long-term environmental goals and implement strategies to transition gradually.

Overall, green banking benefits banks, industries, and the broader economy by supporting cleaner, more sustainable practices and enhancing the quality of banking assets over the long term.

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  - <https://scholar.google.co>

## ANNEXURE

### Questionnaire for the Customer of the Bank

1. **How long have you been using net banking?**
  - a) Less than 1 month
  - b) 1 to 6 months
  - c) More than 6 months
  - d) Not using
2. **What kind of activities do you usually perform online?**
  - a) Tax filing
  - b) Purchase or sale of financial products
  - c) Fund transfers
  - d) Checking account balance
  - e) Bill payments
  - f) Others (please specify): \_\_\_\_\_
3. **What are your main reasons for visiting a bank branch?**
  - a) Deposits
  - b) Withdrawals
  - c) Balance enquiry
  - d) Loans
  - e) Advice on investments
  - f) Other services (please specify): \_\_\_\_\_
4. **Have you ever used any Personal Financial Management Programs (PFMP)?**
  - a) Yes
  - b) No
5. **If yes, what challenges did you face while using PFMP?**
  - a) Lack of knowledge
  - b) Lack of confidence in using the system
  - c) No direct interaction with bank staff
  - d) Security concerns
6. **What does green banking mean to you?**
  - a) Promoting environmental protection
  - b) Avoiding pollution caused by traditional banking
  - c) Only a cashless economy
  - d) Creating awareness about the environment

### Questionnaire for the Bank

1. What challenges do you face in implementing Green Banking initiatives?
2. What kind of support or guidance do you receive from senior management or regulatory authorities in promoting Green Banking?
3. Which areas does your bank focus on when implementing Green Banking practices? What specific obstacles have you encountered during implementation?