

# Factors Affecting Adoption of Green Banking by Customers in India: A Quantitative Study

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## Abstract

There are a number of variables that can affect whether Indian consumers choose green banking. Raising customer awareness of sustainability issues and environmental difficulties is crucial for promoting green banking. It is possible to accomplish this through public education campaigns and focused communication tactics. Adoption rates can also be significantly influenced by how readily accessible and available green financial services are. Customers that care about the environment may be drawn to banks that offer a variety of green banking services, such as credit cards that are environmentally friendly or loans for renewable energy projects. Government regulations and policies may compel or encourage banks to use green banking techniques, which may affect client behaviour. Banks can get an advantage in the market and attract customers that value social and environmental responsibility by putting an emphasis on environmental sustainability. The adoption of green banking by clients in India can be significantly influenced by a combination of these factors.

**Keywords:** *Green Banking, Consumer Behavior, Environmental Sustainability, Government Regulations, Competitive Advantage.*

## Introduction

To encourage green banking practices in India, Sahoo and Nayak (2007) emphasized the value of public awareness, legislative requirements, and financial incentives. They revealed that educating and raising consumer knowledge of green banking practices is essential. This can be accomplished through targeted advertising

campaigns and public awareness-building communication tactics. They also emphasized on significance of government rules and incentives including tax breaks, grants, and subsidies. Banks may be encouraged by incentives to fund eco-friendly initiatives and provide their clients with green banking goods and services. The adoption of green banking practices by banks may be required by government legislation, which may affect consumer behavior. Overall, they made the case that encouraging clients in India to embrace green banking practices can be greatly aided by a mix of customer awareness, governmental rules, and incentives.

Nath et al. (2014) examined the situation of green banking practices in India and pinpointed the elements that encourage banks to embrace them. They showed that the adoption rates of green banking practices can be greatly impacted by the availability of green banking goods and services. Customers that care about the environment may be drawn to banks that provide a variety of green banking services, including credit cards and loans for renewable energy projects. To ensure the successful implementation of green banking practices, they also emphasized the significance of educating and training bank personnel on these practices. Additionally, this emphasized how important government policies and rules are in supporting green banking practices. Regulations may compel or encourage banks to use environmentally friendly banking procedures, which may affect client behavior. They indicated that in order for green banking practices to be adopted in India, a mix of government legislation, green banking products

that are readily available, employee education, and customer awareness is needed.

According to Tara et al. (2015), green banking is crucial for India's environmental management. They asserted that banks may considerably help to reduce environmental risks by adopting "green banking practices." By encouraging responsible lending and investing, green banking practices can lessen the banking industry's impact on the environment. They also emphasized the need of customer education and awareness in encouraging the use of green banking practices. Customer education can encourage environmentally friendly behavior and persuade clients to buy environmentally friendly banking goods and services. This brought home the need for a paradigm shift in banking practices, which calls for a dedication to sustainability and a change in mindset, in order for green banking practices to be adopted in India. In order to promote sustainable development, banks must integrate environmental issues into their basic business strategies, products, and services. It was determined that "adopting green banking practices" may provide banks a competitive edge in the market and allow them to meet the growing demand for sustainable financial services.

### Literature Review

India's banking industry is embracing the idea of "green banking," and there is growing curiosity on the variables that influence consumer adoption of these practices. Green banking was examined by Bihari (2010) as an Indian banking practice that was socially conscious. This brought home how crucial it is to build client confidence while pushing green banking methods. If clients trust their banks and think of them as ethical organizations, they are more inclined to adopt green banking practices. The importance of government legislation in advancing green banking practices was also emphasized. Banks may be required by the government to use environmentally friendly procedures, which may affect clientele. This

also emphasized the significance of education and awareness campaigns for promoting green practices.

According to Bhardwaj and Malhotra (2013), corporate entrepreneurship plays a key role in advancing green banking initiatives in India. They emphasized how vital creativity and innovation are to advancing green banking practices. In order to create new ecologically friendly goods and services, banks must embrace innovation and take a proactive approach to sustainability. In promoting green banking practices, they also emphasized the significance of cooperation between banks and other stakeholders, including regulators, clients, and suppliers. Collaboration may help banks create sustainable business plans and make sure that green banking practices are successfully implemented.

The environmental stewardship of India's private and public sector banks was assessed by Yadav and Pathak 2013. Private sector banks exhibit a larger preference for "green banking practices" as compared to public sector banks, they found. They stressed the significance of client awareness and education while promoting "green banking practices". It was revealed that other important elements influencing the "green banking practices" included the accessibility of green banking goods and services and the adoption of environmental policies and practices. Overall, they argued that key factors influencing whether Indian consumers adopt "green banking practices" include customer awareness and education, the availability of green banking goods and services, and environmental rules and practices. Customers' inability to adopt green banking in India is influenced by a number of variables, including lack of awareness, perceived usefulness and usability, perceived risk, trust, and transparency. Banks may encourage green banking by informing clients of its advantages, offering incentives and regulatory support, assuring the security and privacy of mobile banking, and exhibiting openness and dependability in their business

dealings. Green banking in India faces a number of obstacles and opportunities, according to Mishra and Sharma (2010). They found that the greatest impediments to adoption were a lack of understanding and education about environmental issues, as well as the high expense of putting in place green banking practices. Since consumers are frequently ignorant about the benefits of "green banking," such as reduced energy use and a lower "carbon impact," they may not be willing to pay extra for environmentally friendly goods and services.

Shankar and Kumari (2016) identified the variables affecting India's adoption of mobile banking, a key element of "green banking." "They revealed that important variables impacting customers' adoption behavior included perceived utility, convenience of use, and risk. Customers who thought mobile banking was practical and simple to use were more inclined to use it. Customers were less likely to use mobile banking, nevertheless, if they felt that there were significant dangers involved, such as security and privacy issues. Trust and transparency are crucial elements affecting customers' behavior, according to Goyal and Joshi (2011), who observed the social and ethical difficulties in the banking business. Green banking practices are more likely to be adopted by customers who view banks as reliable and open in their dealings with them. As a result, banks must be open and honest about their effects on the environment and society, as well as practice sustainable behaviors like conserving energy and utilizing renewable resources. The banking sector must "implement green banking practices" that promote environmental sustainability and social responsibility for there to be sustainable economic growth.

The implementation of green building technologies, which is a crucial component of green banking, is hampered by a number of obstacles. Chan et al. (2017) identified several barriers to the "adoption of green building technologies" in the construction industry,

including a lack of knowledge and understanding, high start-up costs, and a lack of government incentives and regulations. These also apply to India, where a lack of experience, high expenses, and regulatory support are the main obstacles to the "adoption of green banking practices."

With an emphasis on the significance of environmental awareness and values in determining such behavior, Joshi and Rahman (2016) examined the determinants of young consumers' green purchase behavior in India. They showed that personal values, perceived relevance of environmental issues, and environmental awareness were all powerful predictors of green purchasing behavior. In a similar vein, customers were more likely to make green purchases if they felt that environmental issues were essential. Additionally, it came out that green purchasing behavior was favorably connected with personal values including social responsibility and environmental sustainability. In order to encourage clients to adopt green banking practices, banks can specifically raise awareness of environmental issues and emphasize their significance to them. For instance, banks might begin green marketing efforts that inform clients of the environmental effects of their banking operations and emphasize the advantages of implementing green banking practices, such as a smaller carbon footprint and money-saving opportunities. Internet banking is a crucial component of green banking, and Marakarkandy et al. (2017) looked at the factors driving its uptake in India. They found that these three factors—"trust, perceived risk, and perceived riskiness"—are also crucial for "green banking practices," such as paperless transactions, energy-efficient corporate practices, and sustainable investment methods. Customers are more likely to use green banking practices if they trust their banks and think they are doable, easy, and low-risk.

**Objective of the Study**

To measure the factors affecting adoption of green banking by customers in India

**Methodology**

This study utilized a structured questionnaire to conduct a survey, and statistical methods such

as mean & t-test were used to analyze the responses from 227 participants. The sampling method used in this research was convenience sampling, where individuals were selected based on their accessibility & willingness to participate.

**Table 1 Factors affecting adoption of Green Banking by customers in India**

Serial No.	Statement of Survey	Mean Value	t-value	p-value
1	Educating customers about the importance of environmentally sustainable banking practices can increase their willingness to adopt green banking services.	4.21	9.139	0.000
2	Customers are more likely to adopt green banking if they perceive tangible benefits such as cost savings and reduced carbon footprint.	4.35	10.290	0.000
3	Customers need to have trust and confidence in the green initiatives of banks.	4.43	10.979	0.000
4	The availability and accessibility of green banking services play a significant role in customer adoption.	4.06	5.647	0.000
5	Offering financial incentives such as reduced interest rates on green loans or higher interest rates on green deposits can motivate customers to adopt green banking.	3.82	3.386	0.000
6	Strong regulatory frameworks and policies that promote and incentivize green banking can accelerate customer adoption.	4.45	11.337	0.000
7	Social norms and peer influence can play a significant role in shaping customer behavior.	4.09	7.316	0.000
8	Providing a comprehensive suite of green offerings gives customers more opportunities to participate in sustainable banking practices.	4.17	9.188	0.000
9	Green banking may be more appealing to customers when it is integrated with a broader sustainable lifestyle.	3.78	3.654	0.000
10	Customers are increasingly conscious of a bank's CSR activities and its commitment to environmental sustainability	4.48	12.871	0.000

Table1 demonstrates the mean values for each of the statement of the study done on the “factors affecting adoption of green banking by customers in India”, examining the average scores, the statement that obtains the highest mean score can be described as “Customers are increasingly conscious of a bank's CSR activities and its commitment to environmental sustainability”, which has the mean score of 4.48, Looking at the next statement which is “Strong regulatory frameworks and policies

that promote and incentivize green banking can accelerate customer adoption” the mean score is found to be 4.45. Looking at the mean value of 4.43 for the statement “Customers need to have trust and confidence in the green initiatives of banks” shows that trust and credibility is also responsible for the green banking. Looking at the other benefit of green banking is, “Customers are more likely to adopt green banking if they perceive tangible benefits such as cost savings and reduced carbon

footprint” which displays the mean score of 4.35, and the statement “Educating customers about the importance of environmentally sustainable banking practices can increase their willingness to adopt green banking services” showcase the mean value of 4.21. Then the statement “Providing a comprehensive suite of green offerings gives customers more opportunities to participate in sustainable banking practices” obtains mean value of 4.17 and the statement “Social norms and peer influence can play a significant role in shaping customer behavior” has 4.09. The statement “The availability and accessibility of green banking services play a significant role in customer adoption” showcase the mean value of 4.06. Therefore, the last two statements fall within the lowest category or level, “Offering financial incentives such as reduced interest rates on green loans or higher interest rates on green deposits can motivate customers to adopt green banking” mean value of 3.82, the statement “Green banking may be more appealing to customers when it is integrated with a broader sustainable lifestyle” has 3.78. The significance of the t-value for each statement in the investigation on the factors affecting adoption of green banking by customers in India is significant. The t-value statements were positive, and their significance value was less than 0.05, indicating a significant relationship between the two variables.

### Conclusion

In conclusion, there are a number of internal and external to the banking sector elements that have an impact on India's adoption of green banking. Internal variables include the bank's ability to carry out green banking activities, the knowledge of green banking among bank staff, and the level of client satisfaction with the bank's green banking services. Customers' knowledge of the value of sustainable banking practices, government policies and legislation supporting green banking, and the accessibility of green technologies that allow banks to lower

their carbon footprints are just a few examples of external variables. Banks must concentrate on informing their clients about the advantages of eco-friendly banking procedures in order to promote the use of this type of banking. Campaigns, seminars, and workshops can all be used to do this. In order to provide consumers with green banking goods and services, banks must also make sure that their staff members are properly trained and equipped. By providing incentives to banks that adopt sustainable practices and by enforcing fines against institutions that do not adhere to environmental norms, the government may play a vital role in "encouraging green banking." In order to assist the expansion of green banking in India, the government might also make investments in eco-friendly infrastructure and technologies. In general, India's embrace of green banking is essential for the sustainable growth of the nation.

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