

## CONSUMERS PERSPECTIVE OF GREEN BANKING - A REVIEW

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### **Abstract**

*In a time when vast numbers of citizens, entrepreneurs, bankers, politicians et cetera from all over the world are beginning to realize the negative impact of the human factor on the environment, a shift in the attitude of these groups of people towards the way they tackle their everyday tasks can be observed. Moreover, judging from the ongoing changes worldwide, it is obvious that there is a compelling need for the philosophy and function of financial institutions, organizations and foundations of all kinds to follow suit. Green banking and all that it comprises such as 'green bonds', appears to have drummed up an ever growing interest globally. The purpose of this study/essay is to gather and present information about how consumers see the steps taken by banks towards a 'greener' approach nowadays. Furthermore, the importance of the carbon footprint of the strategy of banks is emphasized and consumers' opinion is documented on numerous occasions. According to the findings of this research, Green banking practices are indeed an outlet for a viable financial system which supports and encourages business ventures of an eco-friendly nature while, at the same time, they enjoy customers' favor.*

**Keywords:** *The environment, Green Banking, Eco-friendly approaches and practices, Consumers, Customers.*

### **Introduction**

Nowadays, and especially in the beginning of the 3rd decade of the 21st century, factoring the environment and climate change in whatever one does is a top priority. Indeed, the environment and climate change can, sometimes, be a part of aspects of one's every-day life hard to even imagine.

Both the banking sector and the economy could be ideal for doing business while being eco-friendly. Even though this may seem hard to even imagine, there are a number of feasible ways to manage customers' money in an ethical, eco-friendly way.

From 2009 until 2019, there has been a continuous growth of the banking sector globally, as it became clear that strong, developed economies for the most part depend greatly on banks and capital markets' functioning properly. However, banks have ranked low as being eco-friendly and medium to high as being viable.

Worries about environmental issues have been expressed by banks time and again creating the idea of 'green banking'. This idea will be mutually beneficial, for banks, the industry and the economy alike. 'Green funding' constitutes part of green banking. Green banking means the promotion of eco-friendly practices and the reduction of the carbon footprint of banking in general. Green banking aims at the improvement of the function of banks and of the technology they use while, at the same time, it renders customers' habits when it comes to dealing with banks more eco-friendly. In effect, green banking is just like

traditional banking with the addition of the fact that it takes into account social and environmental factors so as to protect the environment. In other words, it is a way of doing business while ensuring the protection of our society and the environment.

The global crash of markets in 2008 because of the collapse of Lehman Brothers has sparked an interest in the assessment of the viability of banking products such as 'green bonds' and especially in the so-called 'triple bottom line (3BL)' which is a triple bottom line used in accounting consisting of 3 parts, namely: an economic, a social and an environmental one.

As a direct consequence of all the above, there has been a movement for banking activities which focus on protecting the environment while doing business which is a token of corporate social responsibility.

Green banking has a vast scope; however, its main focus is how eco-friendly a bank is and how important an eco-friendly and ethical policy on the part of both banks and customers is.

### **Research methodology**

Our methodology aims at describing the means used and the techniques adopted to conduct research within a specific spectrum of information. This study outlines bibliography based on data from various sources such as articles, scientific papers, yearly reports, viability reports, official sites of companies et.c. . The aim of this essay is to study matters concerning green banking and to outline initiatives conducive to a more eco-friendly and viable banking sector.

### **Bibliography overview**

According to: 'Green banking: An overview (SHRUTI, 2015)', green banking aims at following internal banking procedures to improve banking facilities and information technology along with its applications. In a nutshell, green banking aspires to functioning with the maximum possible efficiency combined with the minimum possible carbon footprint. To that end, green assessment tools for banks have been developed. Ever since 2015, when climate change and the need to protect the environment became an issue, consumers-customers have been taking these tools into very serious consideration. Within the framework of a gradation system, banks are being assessed based on their carbon footprint, and on how much they recycle (from furniture to hard ware and office supplies of all kinds). (Green banking practices - A review, Vikas Vath, Ntin Nayak, Ankit Goel)

Last but not least, entrepreneurs can make their businesses more eco-friendly by taking advantage of green projects which allow for special provisions to take out loans under favorable terms. Consumers are pleasantly surprised by these assessment protocols and gradation systems and they seem to wholeheartedly support them. (A customer's perspective of Green banking : A case of commercial banks in Mauritius, 2017)

### **Working research assumptions**

While doing research into green banking, one can understandably realize that it is a practical tool that can be used to formulate a policy that will ensure the long term viability of the banking sector and also to devise a strategy aiming at protecting the environment while being profitable as well.

Past research and especially this study highlights the fact that it is the responsibility of banks to raise customers' awareness of green banking. Research also shows that consumers

appreciate the efforts of banks to expand the range of green products they offer. Thus, banks all over the world will be able to raise their customers’ awareness of both green banking and the environment in general. Finally, it is clear that in order for the banking sector to grow, its viability must be first ensured.

The following chart shows that banks in Asia are becoming more and more friendly. Judging from this chart, one can easily understand that in Western societies, where all consumers are for the protection of the environment, green banking and green practices in general are all the more likely to succeed.

Banks	Online Banking			Internet Banking			Mobile/SMS Banking		ATM		
	No. of Banks	No. of Online Branches	Online (%)	No. of Banks	Accounts Facilitated		No. of Banks	Accounts Facilitated (%)	No. of Banks having	No. of ATM (Own)	No. of ATM (Share)
					No	(%)					
SCBs	3	177	5.08	1	21	.0001	1	0.01	3	67	4244
DFIs	2	77	5.28	0	0	00	0	0.00	1	7	925
PCBs	30	3116	92.24	19	666916	2.62	22	7.73	29	4509	40408
FCBs	9	75	100	6	149541	35.71	1	53.70	6	155	7700
Total	44	3445	41.05	26	816478	1.22	24	3.20	39	4738	53277

Source: Based on BB (2012) information

Moreover, although some of them have begun to adopt green practices, the majority of banks have not followed suit yet. Therefore it is deemed necessary that banks expand their network so that it incorporates information about the environment into their business ventures, and offer more eco-friendly banking products such as green bonds. More commercial banks, and not just the major ones, must adopt green banking. Based on various opinions on the effect of green banking expressed by bankers it can be concluded that products and services such as e-billing, e-banking et cetera can, among other things, increase profits.

What is more, according to the research that this study analyzes, it is clear that the majority of consumers believe that green practices employed by green banks have had an overall positive effect. It can also be noted that most consumers file their applications via the internet or mobile phones and use e-banking in general. One of the findings of this study is that the very existence of green consumers constitutes an opportunity for banks to expand their business operations using eco-friendly banking products. Overall, green banking is ‘the right way’ to raise people’s awareness of global warming and encourage them to protect the environment, thus safeguarding it for future generations.

Finally, banks can take the idea of eco-friendly practices to a whole new level by investing in marketing as a means of communicating to their customers their activities and by launching campaigns to promote programs that take into account the environment, thus enhancing their public image as eco-friendly institutions.

**Conclusion**

Up until recently, the term ‘green banking’ did not seem to interest the banking or business communities both domestically and internationally. Nowadays, on the contrary, huge steps to promote a green way of doing business have been taken. In general, the acceptance of the necessity for such steps on the part of both businesses and the community is obvious.

All research that we studied emphasized the fact that green banking is conducive to sustainable growth and the reduction of the carbon footprint of the banking sector. It is also

evident that both banks and most businesses, if not all, have set the reduction of their carbon footprint as one of their top priorities with satisfactory results.

More specifically, it is obvious that their main effort has been devoted to making their branches more eco-friendly. Furthermore, markets approve of their strategy to motivate private citizens and small businesses to make their houses, facilities et cetera more energy-efficient. However, as far as big investments in renewable energy sources on the part of the industry, shipping, transport and power plants are concerned, small progress has been made. Needless to say, the above mentioned sectors of global economy are the ones that harm the environment the most.

From this analysis, it becomes clear that the key to tackling environmental problems successfully nowadays is 'Green development'. In this endeavor, the leading role belongs to the banking sector. And rightly so, one may add, as banks are the main source of funding for every business or private investment project by providing them with economical and eco-friendly packages. Still, it seems that green development is seen as a matter of academic discussion, as a matter of little practical value. Consequently, an effective solution to the environmental problem can only be achieved by the development of 'green innovation' and banks must, at the same time, help raise public awareness of this fact.

The absolutely fundamental aspect of the development of green innovation is a corporate way of thinking which must, first and foremost, acknowledge the problem and then, incorporate green products into the goals of companies. In addition, investments in renewable energy sources are not only profitable but they also have added benefits for both the economy and the whole of our society.

Last but not least, 'green entrepreneurship' can create new markets and jobs. At the same time, both households and businesses can save money through tax reduction and other means which states devise to reward their citizens.

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