

Original Article

Impact of Lending Practices on the Adoption of Green Banking Practices for the Sustainable Development

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Abstract

The adoption of green banking practices for sustainable development is a pivotal focus in today's financial landscape. This abstract aims to explore the impact of lending practices on the integration and proliferation of green banking initiatives. Lending practices wield significant influence on the adoption of green banking principles within financial institutions. The relationship between lending decisions and sustainable initiatives is multifaceted, impacting not only the financial sector but also broader environmental and societal spheres. This study delves into the intricate dynamics between lending practices and the adoption of green banking principles, investigating how lending norms, criteria, and policies affect the implementation of sustainable practices. The methodology employed comprises a comprehensive analysis of existing literature, case studies, and empirical data. Interviews and surveys within the financial sector provide insights into the decision-making processes and perceptions regarding green lending. Ultimately, this study aims to offer a nuanced understanding of the interplay between lending practices and the adoption of green banking principles. It seeks to provide recommendations for policymakers, financial institutions, and stakeholders to foster a more robust integration of sustainable practices into lending frameworks, thereby contributing to the attainment of broader environmental and societal sustainability goals.

Keywords: Sustainability, Green Banking, Banks, Lending Practices, Environment

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INTRODUCTION:

RBI initiated a guideline to the bankers is to introduce a systematic and justifiable idea of the deed for ecological expansion. However, all this is volunteer initiative on the portion of the bankers. Green banking has a prospective to renovate the Indian economy. The theory of green banking is holding up in our nation with the bankers who are actively aiming for means to depict themselves as green bankers.

Because of global warming issues in our nation, a massive population in millions live in parts of deprived water class ranges. This is one of the highly worrying matters in India. Around 6 bankers of India have enthusiastically contracted to embrace the moralities of Colle Vecchio Announcement. There is no systematic effort to incorporate ecological worries into the commercial procedures by Indian bankers, additionally, despite the absence of a specific RBI's rule for bankers on green lending. Nevertheless, RBI distributed notifications directing the bankers to incorporate societal and ecological worries in their professional setups.

Regarding green banking practices in our Nation, the bankers are still far behind the agenda paralleled to the worldwide developments. Very few Indian bankers are counter signers of UNs' environment program-finance initiatives. Not even a single banking business of government or private have incorporated the equator principles of hazard administration context for defining, measuring, and dealing ecologically and communally hazard schemes.

This announcement is sanctioned by over 200 civilian society establishments containing bankers that provide a clarion call to all the monetary associations and bankers to clinch six pledges and take instant footsteps to implement it towards sustainability. Additionally, fewer bankers identified as counter signers to Carbon Disclosure Project (CDP) in India, which is inventiveness towards avoiding hazardous weather variation and defending our natural resources.

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LITERATURE REVIEW:

Laxman (2014) described the significance of green funding, Varieties of Green Funding Products, and formed through the widespread review of related literature. Since significantly fewer drives by the bankers on this concern, including other monetary establishments in our nation. Therefore, suggestions related to probable policy actions & inventiveness to encourage green funding in our country were given. In their study at Bangladesh,

Ahmed, Zayed, and Harun (2014) connected factor investigation and finding uncovered that precisely six components, namely financial factor, policy rule, credit request, bank customers pressure, environmental intrigued, and legitimate factor were the major components behind the green banking implementation.

Jinwala (2013) described the significance of green lending highlighted worldwide understandings. This paper added a new point of encouragement and trend setter in improving green stuff, compared to the paper of Laxman (2014). He concluded that very few such green drives have been taken place by the bankers and various funding agencies in our country and proposed a suggestion to come out with possible procedure actions to encourage green bankers in the country.

Masukujaman et al. (2013) studied the grade of green bankers in Bangladesh. It was compared with global initiatives along the same lines. It was found that Bangladeshi banks are very slow in executing the green banking concept against other banks in the world. But still considered in-house and other than internal green events, wherein banks focused on the online salary, e-tender, etc. It was concluded that green buildings and movements could ensure environmental sustainability. Bankers' practices and activities of green lending for economic advancement.

Alice Mani (2011) has shown that as Sociably Responsible Corporate Citizens (SRCC), bankers have to play an obligatory role towards upgrading administrative endeavours on a significant reduction in the outflow of carbon. The researcher has inspected and compared the green loaning arrangements by banks in India in the light of their compliance and commitment to environment assurance and environment-friendly ventures.

Biwas (2011) translated green lending as combining operational advancements, innovation, and changing client propensities in the marketplace. The selection of greener lending practices will not be valuable for the environment but more prominent operative competencies, inferior helplessness to physical mistakes scam and cost admonishments of banking exercises.

STATEMENT OF THE PROBLEM

Pollution has become routine in the rapidly changing world with an increasing population. Pollution is creeping up daily due to carbon emissions, fossil fuel emissions, industrial waste into rivers and air, deforestation, and urbanization. All these results in climate change, global warming, greenhouse effects, or ozone depletion, which threaten animals and the earth itself. To fight these issues and overcome several

measures, various authorities United Nations, governments, non-government organizations, industries, and CSR from industries.

Need of the Study:

Banks are indirectly affected by giving finance to industries that directly influence the external environment. Banks act as a significant source of finance to many industries like fertilizers, steel, cement, gas and oil, paper material that heavily contaminate the economy and atmosphere. Indian banking segment has played a vital part in encouraging Societal Responsible Investments (SRI) products, ensuring environmental sustainability in the economy.

OBJECTIVES

1. To understand the significance of the adoption of green banking.
2. To study the lending practices of banks to promote environmental development.

HYPOTHESIS

H₀ 1: There is no significant impact of the type of lending on the adoption of green banking.

H₁ 1: There is a significant impact of the type of lending on the adoption of green banking.

H₀ 2: There is no significant impact of electronic-based lending practice on the adoption of green banking practices.

H₁ 2: There is a significant impact of electronic-based lending practice on the adoption of green banking practices.

RESEARCH METHODOLOGY:

The proposed study is descriptive and quantitative research with an explanative method. The primary research practice is derived from the conclusive research design, which defines data characteristics and identifies and examines the relationship within and among the selected variables that helps generalize and explain the description close to the object of inquiry.

Secondary data was congregated with the help of thorough review of various literatures, the policies implemented through State Bank of India and other banks. Secondary data were collected from the magazines, banks reports, seminars, conferences, workshops, journals and various websites etc.

The industrial customers are the target population for the study. The SPSS software had been used for data analysis. To measure the impact of green banking practices one way ANOVA test, regression analysis were used.

Scope of the Study:

This study strives to understand the new vista of banking and the need for the green banking initiative. The ways that green banking initiative is implemented in the real world, the lending practices of the green banking initiatives, the benefits the bank customers enjoy from green banking, the various ways of utilization of sustainable energy, or the sustainable resources by the banks in green banking initiative.

Limitations of the Study:

Every research study will have its limitations, and this work is no exception from, and below are the few limitations:

1. There had been some problem in getting information from respondents as they had to be interviewed in a very short time and a few of them were quite busy to give proper thought to the questions.
2. Time was a limiting factor in conducting the study.

Go Green – The Need of the Hour:

It has been observed that humanity has received massive success in the principles, discoveries, unbeatable traditions, culture. Still, it is sad to quote that we failed in protecting the environment, although there are so many alarming signals by nature.

It is unfortunate that we have reached the moon, created huge buildings touching the sky, launched satellites, established huge setups for production but, tiny things like switching off the power after the usage or even dumping the waste in dustbins are getting missed, which can be smallest and least things that can be done to support the environment and natural eco-system. To go green is not considered an alternative but the utmost necessity.

It can be started with green buildings, wherein the concept of green is accommodated in the structure of buildings. Due to the weather conditions and scarce resources, such structures are required today in India. Various companies commit to green buildings in India to make the employees sustain themselves, assure health, and ultimately increase efficiency.

Considering the industry of automobiles which gives the severe issues of air pollution, green vehicles are getting into the trend. These vehicles are manufactured with the concept of green. It covers battery-operated rechargeable vehicles, natural gas vehicles, ethanol fuel, biodiesel, etc.

Many fuel-efficient vehicles are also part of the green vehicles as they emit less carbon. In a nutshell, this is the responsibility of every citizen of the nation to contribute in small to the smallest task of varying the stance of the planet. At least we can start with the tiny assurances like categorizing the garbage to identify what can be recycled, consuming less water, or consuming lesser resources, wherever possible.

Banking and Environment:

Banks are institutions that are considered the source of getting funds. The banks' primary function comprises accepting deposits and providing short and long-term funds. However, pollution is created in implementing the process, but banks, directly and indirectly, contribute to carbon footprints.

The banking industry contributes directly to their standard air conditioning and management, consumption of paper resources, automated facilitators, power, illumination, etc. Yes, it is lesser in comparison with other manufacturing segments in operation. It can be said banks disturb the environment not in an immediate context but also by providing funds to such heavy capital industries that create pollution and make environmental issues.

So, considering the facts, there are several motives for following green practices. The principal amongst those is: enhancing energy nourishing and prices, enhancing consumers' awareness in the use of environmental things and amenities, the curiosity of today's consumer to pay high prices for the green produces.

With this framework, evolution among the concept of green practices in banks attains regarding the association of green goods related to banking business.

Study on the Impact of the Adoption of Green Banking on the Type of Lending

H₀ 1: There is no significant impact of the type of lending on the adoption of green banking.

H₁ 1: There is a significant impact of the type of lending on the adoption of green banking.

To test the formulated hypothesis one way ANOVA was performed. The results are displayed in the table.

Table 1: Descriptive Statistics on the Type of Lending

Type of lending	N	Mean	Std. Deviation
Monetary	62	4.4879	.32463
Non-monetary	16	4.5781	.28459
Incentives	21	4.3690	.34113
Subsidy	31	4.4274	.33661
All types	70	4.6250	.31894
Total	200	4.4863	.32504

Source: Primary Data

Table 1 shows the descriptive statistics of the type of lending. 62 respondents opted for a monetary type of lending, and the mean and standard deviation is 4.4879 and 0.32463. 16 respondents opted for a non-monetary type of lending, and the mean and standard deviation are 4.5781 and 0.28459. 21 respondents opted for incentives type of lending, and the mean and standard deviation is 4.3690 and 0.34113. 31 respondents opted for subsidy type of lending, and the mean and standard deviation is 4.4274 and 0.33661. 70 respondents opted for all types of lending, and the mean and standard deviation is 4.6250 and 0.31894. The mean value of the type of lending above 4 and less standard deviation indicates the significant impact of the type of lending on the adoption of green banking.

Table 2: Results of ANOVA for the Type of Lending

	Sum of Squares	df	Mean Square	F-Value	Sig.
Between Groups	.636	4	.159	1.521	.198
Within Groups	20.389	195	.105		
Total	21.025	199			

Source: SPSS Output

Table 2 shows the classification of respondents based on the type of lending. The mean value of all types of lending is greater than the other types of lending. The results of the ANOVA test accept the null hypothesis and reject the research hypothesis as the p-value is >0.05. The results show no significant difference in employees'

perception of the type of lending towards the adoption of green banking. The study found the same or similar perception about adopting green banking based on the type of lending.

Result: Null hypothesis is accepted as the result is insignificant with $p=.198$, greater than $.05$, and F calculated 1.521 is less than F critical (6.63).

Study on Impact of Adoption of Green Banking Practices on Electronic Based Lending Practice

In this part, the impact of overall adoption of green banking (independent variable) on electronic based lending practice (dependent variable) of bank customers in Karnataka is analysed. The average of all adoption of green banking practices is considered together as one independent variable. The impact of overall adoption of green banking practices on electronic based lending practice of employees is analysed through regression analysis. The variables considered for measuring are presented in the table 6.70.

Table 3: Variables Considered for Measuring the Electronic Based Lending Practice

	N	Mean	Std. Deviation
Avg_Adoption of green banking	200	4.456	.0883
Avg_ electronic based lending practice	200	4.4066	0.1781

Source: SPSS Output

The table 3 shows the mean values and standard deviation values of the variable electronic based lending practice. Based on the mean values, it is evident that adoptions of green banking practices are giving importance to interbank transfers, e-check facilities. In addition to that, electronic lending practices also help in better financial management service. The impact of adoption of green banking practices on the electronic based lending practice is measured using simple regression analysis.

Regression Analysis

To measure the impact of adoption of green banking practices on electronic based lending practice following hypothesis was formulated and analysed.

H₀ 2: There is no significant impact of electronic based lending practice on adoption of green banking practices.

H₁ 2: There is a significant impact of electronic based lending practice on adoption of green banking practices.

The simple linear regression model is written as follows.

$$X1 = \beta_0 + \beta_1 Y1 + e$$

Where X is dependent variable and Y is the independent variable.

X1 is the Electronic based lending practice

Y1 is the Adoption of green banking

β_0 is the intercept of regression equations

β_1 is the coefficient of adoption of green banking practices.

e is the error term

Table 4: Regression Analysis of Adoption of Green Banking on Electronic Based Lending Practice

R	.567		
R Square	.321		
Adjusted R Square	.000		
Std. Error of the estimate	.32512		
F – Ratio	2.905		
Sig.	.003		
Coefficients	Beta	t value	Sig.
Constant		17.526	.000
Electronic based lending practice	4.256	.951	.003
Dependent variable: Adoption of green banking Predictors : (Constant), Electronic based lending practice			

Source: SPSS Output

Table 4 shows that 4.256 indicating a positive effect of electronic based lending practice on adoption of green banking practices. This shows that an increase in electronic based lending practice by one unit leads to an increase in the adoption of green banking practices by 4.256 units. The results are statistically significant as the significance value is less than p- value 0.05 (5%) and the acceptable regression model. From the simple linear regression model, it is evident that the electronic based lending practices positively impact on the adoption of green banking practices.

RESULTS:

The null hypothesis is rejected and the research hypothesis that “there is a significant impact of electronic based lending practice on adoption of green banking practices” is accepted.

Findings

After the data analysis, the researcher has come out with many vital inferences about the point of view of bank employees and industrial bank customers. These inferences help the researcher identify and understand the important findings resulting from reasoning. The study results provide valuable suggestions to the bank employees and industrial bank customers on how best the green banking lending system can be adopted and improved. The study's ultimate aim is to protect the environment and reduce the carbon footprint. Hence, banks and industrial units can concentrate on protecting the environment.

Regarding the bank's motives for implementing technology-based green banking lending processes (electronic-based lending system), fund transfers across accounts were cited by 42 % as a justification for the bank's adoption of electronic-based green banking lending practices. 78.5 % said the bank's adoption of electronic-based green banking lending practices was due to shared payment network services. 49.5 % agreed that the bank's use of electronic-based green banking lending practices was motivated by the need for speedy online payment transactions. The inter-bank transfer was cited by 44.5 % as the cause for the bank's adoption of electronic-based green banking lending practices. The bank's adoption of electronic based green banking

lending methods was cited by 42 % as the cause. 66.5 % believed that the bank's use of electronic-based green banking lending methods was due to superior financial management. As a result of the study's findings, most respondents agreed that the bank's adoption of electronic-based green banking lending practices was due to shared payment network services.

CONCLUSION:

Banks and other financial institutions are increasingly promoting ecologically and socially sustainable lending and structured finance. With the rapid increase in environmental concern and awareness, the service sector can no longer go behind profit-making unless it follows an environmentally friendly green services strategy. It has become imperative for business houses, especially banks, to stick towards environmental issues. Green Banking and green management delineate sustainable development, which is linked with the further generation. A major focus is on the concept of environmental protection for the present and future. With their holistic effort, Green banks address environmental problems like climate change, deforestation, and biodiversity loss. Hence, to reinvigorate a better tomorrow, specific substantial changes have to be exercised by framing some guidelines of green movements. These significant changes show specific drastic effects on banking sectors.

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Conflicts of interest

There are no conflicts of interest.

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