

## Chapter 2

# Customer Perception and Awareness of Green Banking Practices: An Alternative Strategy of Environmental Sustainability

**Niranjan Devkota**

 <https://orcid.org/0000-0001-9989-0397>  
*Quest International College, Pokhara University,  
Lalitpur, Nepal*

**Rekha Rai**

*Quest International College, Pokhara University,  
Lalitpur, Nepal*

**Ghanashyam Khanal**

*Tribhuvan University, Nepal*

**Ihtsham Ul Haq Padda**

*Department of Economics, Federal Urdu  
University of Arts, Science, and Technology,  
Islamabad, Pakistan*

**Udaya Raj Paudel**

*Principal-Quest International College, Pokhara  
University, Lalitpur, Nepal*

**Seeprata Parajuli**

*Quest International College, Pokhara University,  
Lalitpur, Nepal*

**Udbodh Bhandari**

*Quest International College, Pokhara University,  
Lalitpur, Nepal*

## ABSTRACT

*The governments, business firms, policymakers, advocacy groups, and even the public recently are hotly debating on the issues of environmentally friendly practices. In this context, being a part of ‘going green’, green banking, which plays an important role in environmental sustainability, has been a buzzword in the global banking industry. This study identifies how the customers perceive the emerging concept of green banking initiatives of banks and also analyzes the factors that influence such practices of the customers. Using a structured questionnaire, the primary data were collected from 403 commercial banks of Kathmandu valley, Nepal. The awareness index was prepared, and the binary logit model*

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*was applied for the econometric analysis. This study observed that the customers are positive towards the environmentally friendly practices of banks and ready to adopt the green banking practices. The research implies that in order to promote environmental sustainability, banks and financial institutions should be able to educate the customers about green banking practices and their benefits.*

### **1. INTRODUCTION**

All over the world in the last few decades, the governments, business firms, policy makers, advocacy groups and even the public are providing prime concerns on the issues of environmentally friendly practices (Shaumya, & Arulrajah, 2017). To mitigate environmental degradation, banking sector has introduced the concept of green banking recently (Tara et al., 2015). Green banking refers to the environmental- friendly practices that reduce the carbon footprint from both internally as well as externally by using online practices for banking activities to contribute environment protection with green banking products (Deepa & Karpagam, 2018). Green banking adopts the modern technology, change client habits in banking activities and improve operation of bank by considering environmental, economic and social factors to endorse environmental-friendly practices and reducing carbon foot print from banking activities (Singh and Singh 2012; Bihari, 2015; Masukujjaman & Aktar, 2013; Thombre, 2011; Jha and Bhoome, 2013; Mishra, 2013; Biswas, 2011). Therefore, greening the banking sector refers to ethical and environmental banking that promotes corporate social responsibility in financial aspects (Ibe-enwo et al., 2019).

In the view of Shaumya & Arulrajah (2016) green banking saves the environment in two ways: technological innovation and behavioral management. Technological innovation encourage banking system to deplete their negative environmental effect using online banking instead of traditional banking system; whereas behavioral management helps to reduce negative environmental effect of the banks using environmental-friendly initiatives of bank employees, waste reduction efforts of bank employees, energy saving behavior of bank staff in their respective branches, providing loans to the environmental friendly project and etc. In regard to banks themselves, green banking offers the substantial benefits include increased goodwill and reputation, customers' loyalty, positive effects on the environment on the environment and simplicity of bank process which is more than monetary benefits (Vijay& Natarajan 2015). It also helps to aware bank's corporate and social responsibility & environmental activities along with maintaining their ethical standards (Manzano et al. 2009).

To the customers, green banking helps to reduce wastage from their lives by eliminating paper wastage and also makes their life easier and more secure with online banking by providing facilities like balance enquiry, check balance statement, fund transfer and deposit, opening and closing account and easy-to-access location to prevent identity theft (Wessel & Drennan, 2010). Similarly, it saves time and money through mobile and electronic banking by reducing amount of fuel and time consumed on those numerous trips to bank for the banking activities (Sahni & Dhamija 2018). Likewise, it also helps to online payment services avoiding late payments and save the fines. Customers' satisfaction and expectation will be different as per customers comparatively analysis between the perception and services performance because the success of any organization depends on it (Parasuraman, 1991). Customers expect that banks should provide the required information about the green banking financial products (Shampa and Jobaid 2017). It shows customer's interest on green banking practices.

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