



A Conceptual Study On Challenges And Issues Of Green Banking Facilities Towards Cooperative Banks

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ABSTRACT

Green finance is a concept that has emerged relatively recently. The digital banking system eliminates the need for paper and provides environmental benefits. Additionally, it reduces the expenses associated with financial operations. Green Banks are institutions with a distinct objective of expediting the transition to renewable energy sources and addressing the issue of climate change. This study aimed to investigate the different factors regarding green cooperative banking facilities associated with cooperative banking performance. An analysis was conducted on multiple previously published research to gain insights into the performance, challenges and issues of green cooperative banking.

Key words: Cooperative banks, Green Banking, Green Banking Challenges, opportunities.

INTRODUCTION

Combatting global warming is not a hypothetical endeavour. The issue at hand is the need for a sustainable overhaul of our economic models, which should consider the long-term effects of human activity on the environment. Co-operative banks, uniquely positioned in close proximity to their

members, possess an unparalleled understanding of the challenges at hand. This proximity allows them to grasp the intricacies of the issues and respond with tailored solutions. Consequently, they are actively intensifying their endeavours towards fostering a sustainable economy that upholds environmental integrity.

Banking operations, particularly those of retail and proximity banks, are pivotal in this essential shift. They are not passive observers, but active participants in this extensive initiative. They support the distribution of services and investment or savings products that drive sustainable development within their network. Furthermore, co-operative banks implement creative strategies to responsibly utilise the essential resources required for their everyday operations. In this manner, they also align with the desires of their employees to actively contribute to the betterment of the globe. Their branches are engaged in national and regional activities, focusing on green financing and investing. They also support the energy transition on an international scale. Their proficiency in project finance enables the development of infrastructures that contribute to reducing carbon emissions. The new project finance for energy production is centred around renewable energy. Due to their innovative capabilities, several cooperative banks are significant financial partners in green bonds, which are crucial in channelling savings towards sustainable projects.

The primary objective of green cooperative banking is to ensure that an organization utilizes its resources in a manner that is advantageous to society and the environment. Green cooperative banking has had significant global expansion in recent decades. The global climate change resulting from environmental degradation is the catalyst for the emergence of the green movement in the banking sector. Recent research has confirmed that banks have a significant role in directly and indirectly contributing to global climate change. This responsibility was previously thought to be held mainly by the manufacturing sector.

Green cooperative banking is a burgeoning trend in the financial sector, with banks at the forefront of promoting sustainable development. As key players in financing economic and developmental activities, banks are instrumental in driving overall sustainable development. Green cooperative banking, therefore, represents a shift in banks' environmental responsibilities and practices. The term 'green cooperative banking' encapsulates the establishment of inclusive banking practices that foster sustainable economic development. The goal of 'green cooperative banking' is to improve the environment by encouraging ecologically sustainable investments and prioritizing financing for enterprises that have already embraced environmentally friendly practices or are actively working towards them. This approach to banking integrates technical advancements, operational improvements, and changes in client behaviour to create a more sustainable banking sector. It involves promoting actions that are helpful to the environment.

Various methods can be employed, such as opting for online banking instead of visiting physical branches, making electronic payments instead of traditional mail, establishing certificates of deposit and money market accounts with small, community-oriented banks rather than large, widespread organisations, etc. Foreign financial institutions are placing significant importance on green cooperative banking. Indian banks are currently conducting limited trials of this banking model. Nevertheless, many of them are enthusiastic about implementing this idea. Green cooperative banking, also called an ethical bank, considers social and environmental considerations, similar to traditional banking. The primary emphasis of ethical banking was on environmental conservation. These banks operate similarly to traditional banks, as they aim to protect the environment and are regulated by the same authorities. Green Banks aims to foster exemplary environmental and social business practices. Before granting a loan, they thoroughly evaluate many issues, such as the project's environmental sustainability and potential long-term impacts. Loan approval is contingent upon strict compliance with all environmental safety regulations. Green cooperative banking can be defined with moderate ease. Green cooperative banking refers to promoting environmentally friendly behaviours and reducing one's carbon footprint through banking activities. There are various manifestations of this.

Switching to internet banking instead of using traditional branch banking, making online bill payments instead of mailing checks, and opening accounts with smaller online banks rather than larger banking chains. Identifying the local bank making the greatest efforts to support environmental initiatives in the region.

A "green loan" provides financial support to a project or enterprise that is believed to have positive environmental impacts. Green mortgages are a specialised type of mortgage that offer a reduced interest rate or a higher loan amount than standard mortgages, in return for making energy-efficient improvements to your property or buying a home that meets particular energy-efficiency standards. Eco-friendly credit cards: Credit cards are becoming more environmentally friendly by implementing measures such as offering eco-friendly rewards, using biodegradable materials for credit cards, and promoting paperless banking. Accounts designed to promote environmentally-friendly practices and encourage individuals to save money while contributing to a sustainable future. Banks contribute funds based on the money their customers save in these accounts. The environment benefits greatly from the savings made through bank contributions or donations. Online and mobile banking positively impact the environment by minimising paper use, reducing the volume of mail delivered, and saving time for bank clients who would otherwise have to visit physical branch offices.

GREEN COOPERATIVE BANKING DETERMINANTS

External determinants of implementing Green cooperative banking	Internal determinants of implementing Green cooperative banking
<ul style="list-style-type: none"> → Regulatory environment and government supporting → Socio – economic status and demand of sustainable development → Infrastructure enhancement of economy 	<ul style="list-style-type: none"> → Banks' strategy → Human factors → Corporate culture → Banking products and services → Technology application in banking operations → Globalization and integration trend

BENEFITS OF GREEN BANKING

Mohmad and Faizanuiddin (2021) reported in their study that major benefits of green banking listed below:

- By eliminating the need for physical paperwork, digital transactions like Internet banking, SMS banking, and ATM banking offer you the convenience of handling your financial matters at your fingertips. What's more, adopting paperless banking practices contributes significantly to mitigating deforestation. Complimentary Electronic Bill Payment Services
- Offers financing at preferential rates to environmentally sustainable products and initiatives.
- Banks can raise awareness among their staff and consumers about the advantages of green banking.
- Banks globally are adopting environmentally friendly efforts and offering innovative green products.
- Paperless banking enables the conservation and efficient utilisation of resources.
- An electronic statement will be created and delivered to the consumers' email.
- The banking industry holds immense potential to make a positive environmental impact through the implementation of green practices. By choosing green banking, you're not just managing your finances, but also contributing to a healthier planet.

- Green banks prioritise environmental sustainability, including ecological benefits, resulting in lower loan interest rates.
- Create a sanitary and hygienic environment. Preservation and maintenance of the environment and the equilibrium of ecosystems
- Online form for starting a green account.
- As a token of appreciation for your commitment to environmental sustainability, a cash back will be deposited into the accounts of all newly registered customers who open "green accounts". This not only rewards your decision but also motivates you to continue your green banking journey.

OBJECTIVES OF THE STUDY

1. To study a different factors respect to the green cooperative banking facilities.
2. To know the advantages, challenges and issues of the cooperative green banking.

RESEARCH METHODOLOGY

This study employs a methodology relying on secondary data from past research investigations. The study utilised secondary data obtained from previously published studies to know the advantages, challenges and issues of the cooperative green banking. The research studies encompass the investigation of various aspects related to implementing and adopting green banking practices in emerging countries. Specifically, these studies examine the determinants of green banking implementation, determinants of green banking adoption, factors influencing customers' expectations towards green banking practices, and factors influencing customers' expectations towards green cooperative banking practices in India. The foundation of this study is based on its descriptive nature.

REVIEW OF LITERATURE

Shampa and Jobaid (2017) conducted a study to discover underlying factors that influence customers' expectations regarding environmentally friendly cooperative banking practices in the banking business of Bangladesh. A total of 246 samples have been selected from the target population using the basic random sampling method. This study employed 23 dimensions condensed into five components through factor analysis. Upon analysis, it has been determined that the availability of information, customer needs, adherence to ethical principles, high yield savings, energy efficiency, product benefits, and integration and personalisation are the five key factors influencing customers' expectations regarding green cooperative banking practices.

Arumugam and Chirute (2018) in their study tried to investigate the variables of environmental interest, stakeholder pressure, policy guideline, economic factor, and loan demand. Additionally, to examine the determinants influencing the implementation of environmentally conscious cooperative banking among Malaysian bankers. The results indicate that all anticipated criteria substantially impact the adoption of green cooperative banking. It was proposed that government regulators should prioritise environmental safety. Overseeing the operations and regulating the activities of various banks. The government should provide additional compensation to institutions who successfully implement the concept of eco-friendly banking in the financial industry. Promoting awareness of green cooperative banking through online banking services and print media. In addition, several seasonal and occasional exhibitions will raise awareness among the general public by adhering to the principles of environmentally-friendly cooperative banking.

Duong et al. (2019) conducted a study to investigate the factors that influence the implementation of 'Green cooperative banking' in transitional nations. The research employed in-depth interviews, survey questionnaires, and statistical analysis, focusing specifically on Vietnam banks. The findings indicated that in a developing nation like Vietnam, the degree of adoption of 'Green cooperative banking' is primarily influenced by the Human determinant, followed by the Strategy, Product & Services, Culture, and Technology determinants, in that order. Several recommendations were made based on the findings to improve the performance of environmentally friendly financial products in a transitional country. By identifying and analysing these elements, the banking sector in transitional

countries will improve the implementation of 'Green cooperative banking' and attain sustainable development in the face of increasing environmental pollution.

Bukhari et al. (2019) aimed to investigate the correlation between factors influencing organisational adoption and the adoption of Green cooperative banking. This study emphasised the crucial role of stakeholders in influencing and supporting the adoption of Green cooperative banking. Therefore, it is important to prioritise the involvement of stakeholders to ensure the successful adoption of Green cooperative banking. According to the current literature, the research suggests that various pressures from stakeholders can positively impact the implementation of Green cooperative banking.

Redwanuzzaman (2020) attempted to evaluate the impact of environmental factors on the adoption of green cooperative banking in Bangladesh. The analysis conducted by the survey unit employed a basic random sampling technique to gather data from 323 respondents. This was done through the use of a structured questionnaire. The study revealed that customer pressure, competition pressure, and community pressure are significant environmental factors that positively influence the adoption of green cooperative banking in Bangladesh. The variables of Competitor Pressure, Community Pressure, and Customer Pressure exhibit a positive correlation with the adoption of green cooperative banking.

Sharma and Verma (2020) investigated the underlying factors influencing customers' expectations of environmentally friendly cooperative banking practices in the Indian banking industry. A sample size of 160 respondents was selected for examination. The study revealed that customers expected banks to decrease their excessive paper use. Reducing paper consumption will significantly decrease deforestation. Eco-friendly technologies with multi functionality and equipment that emit less polluting substances also contribute to the "Energy Efficiency" factor. Another notable research finding is that banks should make their energy-efficient initiatives more apparent to clients. Implementing solar power panels, utilising energy-efficient lighting, minimising paper usage, installing sensor taps to decrease water consumption, and maintaining a clean office environment are all measures that should be visibly apparent.

Sharma and Choubey (2022) aimed to determine the effects of three Green cooperative banking activities, including the development of green products, green corporate social responsibility, and green internal processes, on two potential outcomes: Green brand image and Green trust. The qualitative research involves 36 middle- to senior-level managers from twelve public and private Indian banks who took part in semi-structured in-depth interviews. By enhancing the accessibility of financial resources and addressing the requirements of a sustainable economy, the banking sector has the potential to play a crucial role in promoting environmental sustainability within the banking system. The study revealed that 63% of the participants expressed confidence in their bank's development of multiple environmentally friendly cooperative banking products and services. Additionally, 53% of bankers believed their bank successfully incorporated green internal processes into their daily operations. Furthermore, a significant majority of 78% of respondents believed that their bank actively participated in various green corporate social responsibility initiatives. Furthermore, this inquiry uncovers that over 60% of participants affirmed that green cooperative banking initiatives have restored client confidence by bolstering the reputation of environmentally friendly brands.

Zhang et al. (2022) conducted a study to determine the influence of green banking activities on bank environmental performance and green financing. The researchers used convenience sampling to obtain primary data from bankers working at PCBs in Bangladesh. Ultimately, 352 participants were included in the final sample size. The Structural Equation Modelling (SEM) approach was used to evaluate the correlation between the study variables. The empirical findings indicate that green banking operations substantially positively impact banks' environmental performance and sources of green financing. Additionally, the sources of green financing considerably influence the environmental performance of banks. Furthermore, it was noted that green finance acts as a mediator in the relationship between green banking activities and banks' environmental performance. The study also found that green banking development has several key benefits, including enhancing banks' competitiveness, reducing

long-term costs and expenses, offering online banking services, improving customers' goodwill, and decreasing carbon footprints. These benefits contribute to the achievement of sustainable economic development in the country.

CHALLENGES OF GREEN COOPERATIVE BANKING

According to **Shailaja (2023)**, most cooperative banks face numerous obstacles in implementing green banking services. Agricultural societies generally consist of small members and function within one or two villages. The cooperative society's financial health is determined by its members' capital contributions and capacity to secure loans from state cooperative banks. Because most of their members belong to the poor and medium socioeconomic classes, they cannot generate substantial amounts of money. Therefore, cooperatives may encounter challenges when attempting to implement green banking programmes. A cooperative society is managed exclusively by its members. They do not possess managerial or specialised skills. This is considered a notable drawback of this industry. In order to provide consumers with the services they deserve, green banks require individuals with exceptional talent and extensive experience. Society's administration comprises diverse people from different social, economic, and academic backgrounds. They often have substantial conflicts with each other about several critical issues. Banks would encounter the following challenges while implementing green cooperative banking practice:

Reputational risk refers to the potential danger that banks face in damaging their positive reputation by engaging in activities that affect the environment. The utilisation of an environmental management system has typically not led to reduced expenses or increased bond valuations. There is an issue with diversification: Green banks exclusively engage in business with companies that meet their rigorous screening criteria. Due to a reduced number of clients, they will have a diminished foundation to sustain them. Banks usually require 3-4 years to generate a profit. Several banks have recently entered the green industry. Consequently, it fails to assist banks during an economic downturn.

Credit risk arises when lending to clients whose enterprises are affected by the financial consequences of pollution, alterations in environmental legislation, and heightened emission level standards. Green Bank incurs high operational costs due to maintaining a skilled and knowledgeable team to provide customers the service they expect and deserve. Experienced loan officers are necessary due to their extensive knowledge of green enterprises and clientele.

ISSUES OF GREEN BANKING IN INDIA

A study conducted by Radhika (2023) revealed the various concerns and obstacles encountered by cooperative banks such as,

→ The industrial sector in India plays a key role in the development of the economy. Nevertheless, the Indian business encounters numerous obstacles in managing pollution and reducing emissions from their clients. The subsequent are the principal concerns about green banking in India.

→ While the government has attempted to tackle the problem by enacting environmental laws for many years and urging the banking industry to adopt environmentally-friendly technologies and practices, these measures alone will not suffice.

→ Due to the inadequate deployment of environmental technology and the low level of public awareness, the track records in this area are unsatisfactory.

→ The failure of industries to gain a competitive edge through the production of environmentally friendly products.

→ Green banking requires a comprehensive restructuring of banks' planning processes, encompassing the economy, business, finance, society, and the banks' profitability. This holistic approach is crucial for maintaining ecological equilibrium.

→ A bank that invests in and lends to firms and projects with an ecologically friendly approach can set a precedent for enterprises to thrive in the burgeoning eco-friendly market.

→ In India, no legal provisions or regulations impose accountability on banks for conducting due diligence on investment projects before providing finance, or for the environmental harm caused by their clients.

SUGGESTIONS

- Encouraging press communication is important for implementing green cooperative banking policies.
- Develop websites and distribute information regarding environmentally friendly cooperative banking initiatives.
- Implement widespread education through the utilisation of online learning platforms and mobile applications.
- Integrate environmentally friendly cooperative banking practices into Annual Environment Reports. Offer comprehensive training and skill enhancement opportunities for bank staff.
- Financial institutions can offer innovative financial solutions that incorporate environmental factors. They can also create Green Funds for clients interested in investing in ecologically advantageous businesses.

CONCLUSION

Green cooperative banking is an astute and forward-thinking strategy that promotes future sustainability by encouraging banks to actively support environmentally friendly investments. Moreover, banks in developing nations must adopt a pragmatic approach and expedite the economic growth rate. Due to intense global market competition and the ongoing environmental changes, banks may be compelled to comply with stringent regulatory rules and legal obligations. Banks can enhance their strength by integrating sustainability and responsibility into all aspects of their organisation, including their business strategy, product and service plans, operations, and financing activities. With the expectation of several environmentally friendly products and services, India's green cooperative banking sector seems to have a promising future. In the foreseeable future, we can expect to encounter concepts such as green excellence awards and accolades, green rating agencies, green investment funds, green insurance, and green accounting and transparency implementation. Effective enforcement of green cooperative banking would serve to regulate environmentally harmful firms. Banks can guide the economy's transition and establish a basis that would create numerous chances for financing and investment strategies, ultimately aiding in developing a low-carbon economy.

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