

GREEN BANKING –AN OVERVIEW

Shakkeela Cholasseri

M.Phil Scholar in Commerce

Sree Narayana Guru College

Chaavadi,Coimbatore,Tamilnadu

Abstract

The problem related to environment, maintaining the ecological balance and environmental sustainability has become issues for debate around the globe. The organizations as well as consumer have understood the importance of the environment for the survival of human beings. The concept of Green banking is comparatively a new concept. It is a paperless banking, which not only reduces the cost of banking activities but also helps in environment

sustainability. It promoting environmental friendly practices and reducing carbon footprint from banking activities. It helps in reducing the use of paper, power and energy. This paper covers introduction, meaning, ideal benefit of green banking, methods in green banking and green banking product and services.

keywords; *green banking, environmental protection, green banking products and services.*

Introduction

The banking industry influences economic growth and development, both in terms of quality and quantity, leading to a change in the nature of economic growth. There for banking sector plays an important role in promoting environmentally sustainable and socially responsible investment. Banks may not be the polluters themselves, but they usually have a banking relationship with some companies or investments or projects that are polluters are cold be in future. Banks can utilize green banking as an opportunity to gain advantage in the market by creating a difference in their strategy making process. Also, banks need to be more active in communicating the green banking concept and its associated benefits to the consumers. It was also observed that green banking consciousness is high in the higher levels of management in the banks and this consciousness reduces with the lower levels of management and least with the employees who are in day to day direct touch with the customers. Thus, the banks must focus on promoting the consciousness and benefits of the green banking to the employees who are in direct touch with the customers. Green banking is a pro-active way of energy conservation and environment protection. The prime benefit of the green banking approach is the protection of the natural resources and the environment. Green banking avoids paper work to the optimum level and focuses on electronic transactions like use of ATM, mobile banking, online banking etc for various banking transactions by the customers. Electronic transaction not only aids towards sustainability but also provides convenience to the customers as well as to the banks. Less paperwork means less cutting of trees. For implementing eco friendly business, banks should adopt environmental standards of lending as it improves the asset quality of the banks. This activity of the bank also has a very significant influence on the environmental performance of its clients.

Meaning

Green banking means promoting environmental friendly practices and reducing carbon footprint from banking activities. It is like a normal bank, which considers all the social and environmental/ecological factors with an aim to protect the environment and conserve natural resources. It is also called as an ethical bank or a sustainable bank. They are controlled by the same authorities but with an additional agenda toward taking care of the Earth's environment/habitats/resources.

Definition

According to RBI (IDRBT, 2013), green banking is to make internal bank processes, physical infrastructure and Information Technology effective towards environment by reducing its negative impact on the environment to the minimum level.

Institute for Development and Research in Banking Technology defines Green Banking as Green Banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environmental, and social dimensions. It aims to make banking processes and the use of IT and physical infrastructure as efficient and effective as possible, with zero or minimal impact on the environment“.

Objectives

1. To study the concept of Green Banking.
2. To know the products and services in Green Banking.
3. To identify methods and challenges in Green Banking.

Ideal Benefits of Green Banking

1. Basically Ethical (Green) banking avoids as much paper work as possible and rely on online/electronic transactions for processing so that you get green credit cards and green mortgages. Less paperwork means less cutting of trees.
2. Creating awareness to business people about environmental and social responsibility enabling them to do a environmental friendly business practice.
3. Green (Ethical) banks adopt and implement environmental standards for lending, which benefit our future generations.
4. When you are awarded with a loan, the interest of that loan is comparatively less with normal banks because ethical banks give more importance to environmental friendly factors - ecological gains. Natural resources conservation is also one of the underlying principles in a green bank while assessing capital/operating loans to extracting/industrial business sector.
5. Green banks gives more importance to environmental friendly factors like ecological gains thus interest on loan is comparatively less.
6. Free electronic bill payment services.
7. Online account opening form for opening green account.
8. Cash back will be credited to all new customers, opening “green accounts”.

Methods in Green Banking.

- I. GO ONLINE: Online banking is a developing concept; it helps in conservation of natural resources. It saves paper, energy and expenditure of natural resources. It also help customers to save money by avoiding late payments and also save their time
- II. USE OF GREEN CHECKING ACCOUNTS: Customers can check their accounts on ATM. They can avail services including online payment, debit cards and online statements.
- III. USE OF GREEN CREDIT CARD: Some of banks use green credit cards; by using it the banks will donate funds to an environment friendly non-profit organization
- IV. SAVING OF PAPER: Banks should purchase recycled paper products with highest post customer waste content. This includes monthly statements, ATM receipts, annual reports, envelopes etc.
- V. MOBILE BANKING: By using it customer can check balances, transfer funds or pay bills from the phone. It also helps to save time and energy of the customers.
- VI. DIRECT PEPOSITS: Most employers will give employees the option to receive their paycheck electronically. It saves time, saves paper and lots of paper work
- VII. ONLINE (NET) BANKING: It means customers can perform most of their banking related functions without visiting the banks personally. For this customer must possess an internet banking ID, a password provided by the bank in which customer has an account. Online banking includes use of credit cards, debit cards, online bill payment and electronic fund transfer.

Green Banking Products and Services

1. **GREEN DEPOSITS:** Banks can offer higher rates on CDs, money market accounts, checking accounts and savings account if customers opt to conduct their banking activities online.
2. **GREEN MORTGAGES AND LOANS:** A bank can offer green mortgage with better rates or terms for buyers of energy –efficient houses. Some green mortgages allow home buyers to add as much as an additional 15 percent of the price of their house into loans for upgrades including energy –efficient in do s, solar panels, geothermal heating or water heaters. The savings in monthly energy bills can offset the higher monthly mortgage payments and save money in the long run. An Energy Efficient Mortgage (EEM) is a type of HUD –approved green mortgage that will credit you for your home’s energy efficiency in the mortgage itself. Many home improvements also qualify for the energy tax credit. Anyone undertaking an energy–saving house project should shop around for a bank that offers a special rate for a green mortgage or loan.
3. **GREEN CREDIT CARDS:** A green credit card allows cardholders to earn rewards or points which can be redeemed for contributions to eco-friendly charitable organizations. These cards offer an excellent incentive for consumers to use their green card for their expensive purchases. Imagine the millions of dollars that could be raised for worthwhile environmental groups if green credit cards really took off.
4. **GREEN REWARDS CHECKING ACCOUNTS:** Rewards checking accounts may pay a bonus rate for customers who go green. Customers can earn higher checking account rates if they meet monthly requirements that might include receiving electronic statements, paying bills online or using a debit or check card. With this type of banking product, higher rates and eco-friendly living go hand-in-hand.
5. **MOBILE BANKING:** By using it customer can check balances, transfer funds or pay bills from the phone. It also helps to save time and energy of the customers.
6. **ONLINE BANKING:** It means customers can perform most of their banking related functions without visiting the banks personally. For this customer must possess an internet banking ID, a password provided by the bank in which customer has an account. Online banking includes use of credit cards, debit cards, online bill payment and electronic fund transfer.
7. **GREEN CDs:** With a Green Bank CD, customer can earn a guaranteed rate of interest over a term that customer can choose. Banks offer a wide variety of certificates, ranging from seven days to five years. Interest on these accounts can be compounded quarterly, paid monthly by check or transferred to a Green Bank deposit account.

Challenges of Green Banking

Green banks while adopting green banking face following challenges:

- I. **DIVERSIFICATION PROBLEMS:** Green banks restrict their business transactions to those business entities who qualify screening process done by green banks. With limited number of customers they will have a smaller base to support them
- II. **STARTUP FACE:** Many banks in green business are very new and are in startup face, generally it takes 3 to 4 years for a bank to start making money thus it does not help banks during recession.
- III. **HIGHER OPERATING COST:** Green banks require talented, experienced staff to provide proper services to customers. Experienced loan officers are needed with additional experience in dealing with green businesses and customers
- IV. **REPUTATIONAL RISK:** If banks are involved in those projects which are damaging the environment they are prone to loss of their reputations. There are also few cases where environmental management system has resulted in cost saving, increase in bond value.
- V. **CREDIT RISK:** Credit risks arise due to lending to those customers whose businesses are affected by the cost of pollution, changes in environmental regulations and new requirements on emissions levels. It is higher due to probability of customer default as a result of uncalculated expenses for capital investment in production facilities, loss of market share and third party claims.

GREEN BANKING -A SWOC ANALYSIS

An analysis of strengths weaknesses opportunities challenges (SWOC):

1 .Strengths

- Green banking practice save time of customer as well as bank also.
- It reduces the cost of bank operation and cost to the customer too.

- Transition can be done any time and at any place.
- By financing in solar energy and wind energy program the bank is reducing carbon footprint from the environment.

2. Weaknesses

- Quality customer practice password in green banking practice take time.
- Lack of knowledge among the employee has been noticed.
- There are some geographical barriers for the implementations of green banking practices.
- All banks are not coming equally for the practice of green banking.
- Problem of security is always with green banking practices.

3. Opportunities

- People are becoming more computer literate so it's easy to start green banking practice and grape the customer toward the activities.
- Most of the customer are using ATM card only. So it is a time to start all the initiatives for green banking practices.
- Mobile banking and internet banking is increasing day by day so it's a time to spread the green banking practice.

3. Challenges

- It's a new concept and customer will take time to adopt this.
- Green banking requires a technology which will highly costly.
- It requires renewable and recycling technique which is costly.
- Data protection is another challenge for the adoption of green banking.
- Bank employees need training for all this practice.

CONCLUSION

Indian economy is an emerging economy and there is a huge potential of growth of Indian banks by adoption of innovative approach in their strategy making process. There is a need of an approach towards paradigm shift by setting up of the business model which would consider all the three aspect of triple bottom line approach i.e. the people, the planet and the profit. The future of green banking seems to be very promising in India as lots of green products and services are expected in the future. Green excellence awards and recognitions, Green rating agencies, Green investment funds, Green insurance and Green accounting and disclosure are some of the things that would be heard and seen in operation in the near future. Proper green banking implementation will act as a check to the polluting industries. Banks can act like a guideline towards the economic transformation and create a platform that would create many opportunities for financing and investment policy and contribute towards creation of a low carbon economy.

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