



“Green Banking: Opportunities and Challenges”

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Abstract

Green banking is different from traditional banking, as green banking focus on promoting environment friendly banking. Green banking is also known as ethical banking. The paper renders the green banking practices in India. Society is facing most byzantine issues of climate change. Change is the need of hour to for endurance in all spheres. So change is the need of the hour for the endurance and unbroken exertions which should be made for the environmental management in a sustainable manner. Sustainable enlargement can best be accomplished by consenting markets to work within a fitting framework of cost proficient conventions and pecuniary instruments. The banking industry can play an owing role between economic progression and ecofriendly shield for endorsing environmentally sustainable and socially viable institution. The banking of this benevolence can be termed as "Green Banking". Green Banking denotes to the banking business steered in selected area and technique that helps the inclusive lessening of external carbon emission and internal carbon trail. The objectives of this paper is to conceptualize the concept of green banking which has gained prominence post 2009 and focus on the green rating standards given by RBI. In addition the paper highlights the World Bank's environmental and social norms, the ingenuities taken by public and private sector banks in India in the espousal of Green Banking practices and to enlist the strategies for adoption of Green Banking. The paper focuses on the current practices and the gaps in the same in relation to green banking practice.

Keywords: - Sustainable Growth, Green Banking, Online Banking and RBI

1. Introduction

“The supreme reality of our time is... the vulnerability of our Planet.” –John F. Kennedy

Today, the way we are recklessly consuming resources on earth, the question arises what we will leave for future generation. The concept of sustainable development that is taking care of the need of present generation without compromising the needs of future generation, has given rise to green marketing and then green banking. Green banking is different from conventional banking as convention is based on the principal of security and profitability and morality has a very little role. Green banking is a new concept that considers environmental and socially responsible investing. Green banking is defined as promoting environmental-friendly practices and reducing the carbon footprint from banking activities. In simple words, green banking is a banking that benefits the environment. The green banking is also known as ethical banking. The bank can minimal the use of paperwork by promoting paperless banking through online banking. To initiate sustainable development, there is a need to promote green banking practices so that we can tackle the problems like global warming, natural calamities, and disaster. Bank is a financial institution that deals with masses and banks by adopting green activities can influence the attitude of the customers towards the environment. Various banks in India have formulated strategies and initiated green banking practices to support environment-friendly banking and reduce the carbon footprints of bank and customers. The banks in India also started green banking practices such as online banking, mobile banking, Green channel counters, e-statement, green loans, solar ATMs, etc. The issues of global warming should not be only restricted to a debate but has to be dealt with going green. Thus, green banking is one of the ways of going green. There is a need to involve key stakeholders and creating awareness about environment-friendly banking.

. 2. OBJECTIVES OF THE STUDY

- To understand the concept of green banking.
- To study the issues and challenges faced during the adoption of green banking.
- To understand the sustainable growth of green banking in India

3. Green Banking Products

- (1) Green loans
- (2) Green credit cards
- (3) Green CDs
- (4) Online banking
- (5) Green saving accounts
- (6) Mobile banking

Thus green banking helps to create effective solutions of a range of environmental problems and at the same time identify opportunities that benefit the customers.

4. 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 help to save time and energy of the customers.

VI. DIRECT PEPOSITS: Most employers will give employees the option of receives 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

5 .Opportunities for Green Banking

GREEN PROCESSES:

A Green bank requires each of its functional units and activities to be green-environmental friendly and help for sustainable development.

Some of opportunities are:

SUPPLY CHAIN MANAGEMENT

· (i) Adopt techniques and plans to minimize inventory wastage (ii) Adopt carbon footprint design

CUSTOMER RELATIONSHIP MANAGEMENT

· (i) using electronic means to maintain contact and correspond with customers

ENTERPRISE RESOURCE MANAGEMENT

· (i) Promoting paperless transactions (ii) Adopting techniques for workforce and parts optimization

6. GREEN BANKING STRATEGIES

- Create financial products and services that support commercial development with
 - Environmental benefits. Stakeholders should also be engaged and create awareness about environmental
 - Issues and necessity of green banking services. Adopting environmentally sustainable technologies should not be considered as
 - Financial burden by the banks rather it should be considered as new opportunity for higher profits. It will help the banks to fulfil their objectives and social responsibility. Banks should conduct energy audits and assess the IT's environment cost and impact
 - And identify the areas which needed to be green. Encourage, motivate the workforce to follow green practices and also encourage the
- Clients, suppliers to adopt green practices.

7. Benefits of Going Green banking offers the following benefits:

(1) Green banking avoids paper work and makes use of online transactions such as Internet banking, SMS banking and ATM banking. Less paper work means less cutting of trees.

(2) Green ethical banks adopt environmental standards for lending which would benefit future generations.

(3) Green banks give more importance to environmental friendly factors like ecological gains thus interest on loan is comparatively less.

(4) Free electronic bill payment services.

(5) Online account opening form for opening green account.

(6) Cash back will be credited to all new customers, opening “green accounts”

8. 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(Heim, G et al, 2005)
- 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.

9. CONCLUSION

Banks are responsible corporate citizens. Banks believe that every small ‘Green’ step taken today would go a long way in building a greener future and that each one of them

can work towards to better global environment. ‘Go Green’ is an organization wide initiative that moving banks, their processes and their customers to cost efficient automated channels to build awareness and consciousness of environment, nation and society There is an urgent need to create awareness and follow green banking in today’s business world of innovative technologies so as to make our environment human friendly. Green banking if implemented sincerely opens up new markets and avenues for product differentiation. In India there has not been much initiative in this regard by banks and financial institutions. They are not as green as foreign banks. As initially, these commitments will cause a huge financial burden for Indian banks. For effective adoption of green banking, the RBI and the Indian government should play major role and formulate green policy guidelines and financial incentive. This concept of “Green Banking” will be mutually beneficial to the banks, industries and the economy. Not only “Green Banking” will ensure the greening of the industries but it will also facilitate in improving the asset quality of the banks in future.

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