



## Green Banking: Issues and Challenges

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ABSTRACT

The world has seen much focus on economic progress, the side effects of this, has resulted in climate change, environmental damage. The banks can play an important role between economic growth and environmental protection. The banking of this kind is termed as "Green Banking". Green banking practices will be useful not only for environment but also lead to cost reductions in banking activities. Green banking will help to improve the asset quality of the banks. This paper emphasis on methods, opportunities, challenges and benefits of green banking. This paper is based on secondary data like journals, articles, and websites. Therefore, there is an need to create awareness and follow green banking in today's business world of innovative technologies so as to make our environment human friendly.

KEYWORDS

Green banking, carbon emissions, environment, consumers.

### INTRODUCTION

Green banking is a new initiative throughout the world. The leading bankers and entrepreneurs have come forward to save man from environmental disasters. Green banking is like a normal bank, which considers all the social and environmental or ecological factors with an aim to protect the environment and conserve natural resources. They are controlled by the same authorities but with an additional agenda toward taking care of the Earth's environment or habitats or resources. Green banking trim down the need for expensive branch banks and customer service representatives. Banks support eco- friendly groups and raise money for local environment initiatives. Green banking means promoting environmental friendly practices and reducing your carbon footprint from banking activities. It comes in many forms like:

- Using online banking instead of branch banking.
- Paying bills online instead of mailing them
- Finding local bank in your area that is taking biggest steps in supporting local green initiatives

To aid the reduction of external carbon emission, banks should finance green technology and pollution reducing projects. Although, banking is never considered a polluting industry, the present scale of banking operations have considerably increased the carbon footprint of banks due to their massive use of energy ,high paper wastage, lack of green buildings, etc. Therefore, banks should adopt technology, process and products which result in substantial reduction of their carbon footprint as well as develop a sustainable business.

The first green was state bank of India(SBI), India's largest commercial bank, who took initiative in setting high sustainability standards and completed the first step in "green banking" with shri O.P.Bhatt, chairman, SBI, Inaugurating the bank's first wind farm project in Coimbatore. After that green bank initiative include ATMs, paperless banking for customers and building of wind mills in rural India.

**Meaning of Green Banking:** Green banking refers to the banking business conducted in such areas and in such a manner that helps the overall reduction of external carbon emission and internal carbon footprint. It is also called as an ethical bank or a sustainable bank.

### Objectives of the Study:

- To know the various green banking financial products
- To analyze the measures that are adopted for reducing carbon footprint in banks

- To know the methods of green banking
- To study the benefits of green banking
- To know the problems related to green banking

### Methodology:

Research methodology is descriptive. For this study information has been collected with the help of Magazines, Newspapers, Research Articles, Research journals, E-Journals and Websites.

### Green Banking Financial Products

Various green banking financial products are:

#### Green Deposits:

Banks offer higher rates on commercial deposits, money market accounts, checking accounts and savings account if customers opt to conduct their banking activities online.

#### Green Mortgages and Loans:

Banks offer green mortgage with better rates or terms for 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 windows, 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.

#### 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.

#### Green Reward Checking Accounts:

A bank product called reward checking accounts pays 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.

#### Mobile Banking:

Mobile banking is tricky. On the one hand, it is great to have the ability to check balances, transfer funds or pay bills from mobile phone. One the other hand, it saves time and energy of the customers. It also helps in reducing use of energy and paper of the bank. Most of the Indian banks have introduced this paper-less facility.

#### Carbon Footprint Reduction

Banks can reduce their carbon footprints by adopting the following measures:

**Paper-less Banking:**

As banks have computerized their branches, there is ample scope for doing paperless or less-paper banking. Mostly Public sector banks use huge quantities of paper for office correspondence, audit reporting, recording public transactions etc. These banks can switch over to electronic correspondence and reporting. Banks should encourage their customers also to switch over to electronic transactions and popularize e-statements.

**Energy Consciousness:**

Developing energy consciousness, adopting effective office time management and automation solutions and using compact fluorescent lighting (CFL) can help banks save energy consumption considerably. Banks can conduct energy audits in all their offices for effective energy management. They can also switch over to renewable energy to manage their offices and ATMs.

**Using Mass Transportation System:**

Banks can become fuel efficient organization by providing common transport for group of officials posted at one office.

**Green Building:** The Indian banking industry uses more than one lakh premises for their offices and residential houses throughout the country. These banks should develop and use green buildings for their office and employee accommodation.

**Save Paper:**

Bank should purchase recycled paper products with the highest postconsumer waste content possible. This includes monthly statements, brochures, ATM receipts, annual reports, newsletters, copy paper, envelopes etc. Whenever available, vegetable-based inks should be used instead of less environmentally friendly oil-based inks.

**Use of Solar and Wind Energy:**

Using solar and wind energy is one of the noble cause for going green. State Bank of India has become the first bank in the country to venture into generation of green power by installing windmills for captive use.

**Methods in Green Banking**

**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.

**Use of green checking accounts:** Customers can check their accounts on ATM. They can avail services including online payment, debit cards and online statements.

**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.

**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.

**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.

**Direct deposits:** Most employers will give employees the option to receive their paycheck electronically. It saves time, saves paper and lots of paper work.

**Benefits of Green Banking**

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. Free Electronic Bill Payment Services.

3. E-Statement will be generated and sent to the customers' email.
4. Green banks gives more importance to environmental friendly factors like ecological gains thus interest on loan is comparatively less.
5. Online account opening form for opening green account.
6. Cash back will be credited to all new customers, opening "green accounts".

**Challenges of Green Banking**

Green banks while adopting green banking face following challenges:

1. **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.
2. **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.
3. **Reputational risk:** If banks are involved in those projects which are damaging the environment they are prone to loss of their reputations.
4. **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.

**Findings**

The findings of the study are as under:

- 1) Green banking avoids as much paper work as possible and rely on online or electronic transactions for processing so that we get green credit cards and green mortgages. Less paper-work means less cutting of trees.
- 2) It also involves creating awareness to banking business people about environmental and social responsibility enabling them to do an environmental friendly business practice.
- 3) When a loan is granted, the interest of that loan is comparatively less with normal banks because green banks give more importance to environmental friendly factors - ecological gains.
- 4) Green banking as a concept is a proactive and smart way of thinking with a vision for future sustainability.

**Suggestion**

Some suggestions for the banks to encourage green banking are:

- Communicate through press and Construct websites and spread the news
- Impart education through E-learning programmers
- Making green banking as part of annual environment reports
- Training and development of relevant skills among bank employees
- Banks can introduce green funds for customers who would like to invest in environment friendly projects.

**Conclusion**

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. "Go Green" is an organization wide initiative that is moving towards banks, their processes and their customers. The purpose is to provide cost efficient automated channels and to build awareness and consciousness of environment, nation and society. Green banking is really a good way for people to get more awareness about global warming; each businessman will contribute a lot to the environment and make this earth a better place to live. Green banking if implemented sincerely opens up

new markets and avenues for product differentiation. Green banking is really a good way for people to get more awareness about global warming; each businessman will contribute a lot to the environment and make this earth a better place to live. As far as green banking is concerned, India's banks are running behind time and it is the need of the hour to think it seriously for the sustainable growth of the nation.

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