

OPPORTUNITIES AND CHALLENGES OF GREEN BANKING - AN OVERVIEW

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Abstract

Green banking refers to making the banking transactions easily and to avoid paper transactions using through the electronic devices in the day to day activities in the banking sector. 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. In the environment friendly society, “Go Green” mantra has become relevant in each and every aspect of business. This paper mainly focuses on opportunities and challenges of green banking.

Keywords: Green banking, paperless transactions, electronic devices, sustainable banking, environmental sustainability, e-banking, etc.

1. Introduction

The recent developments in Indian banking technology have transformed banking from the traditional system towards a more inclusive one incorporating the interests of customers, the bank and the environment. Nowadays, banking operations can be carried out through various banking delivery channels away from the bank branches. ATM is the most popular banking delivery channel and the extraordinary success of ATMs had made the banking sector courageous to develop more innovative alternative delivery channels such as internet banking, mobile banking, green channel counters, kiosk banking, credit card, debit card, online bill payment services, etc. In the environment friendly society, green banking has become relevant in each and every aspect of business. Green banking plays an important role in our country. Adopting of greener banking practices will not only be useful for environment, but also beneficial for greater operational efficiencies, a lower vulnerability to manual errors and fraud and cost reduction in banking activities. Green banking refers to making the banking transactions easily and to avoid paper transactions using through the electronic devices in the day to day

activities in the banking sector. 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. In the environment friendly society, “Go Green” mantra has become relevant in each and every aspect of business. So, there is a need for banks to adopt green strategies into their operations, buildings, investments and financing strategies. Green banking can help a lot in attaining sustainable development. Green banking covers two aspects. The first one being judicious use of all resources, energy and reducing carbon footprints and second being encouraging and financing only environment friendly investment.

2. Green banking products

Green rewards checking accounts: The free rewards checking account will pay 3.33% for any balance over the \$25,000 if the monthly online banking qualifications are met. In addition, customers can receive up to \$20 in ATM fee refunds every month. Reward checking account offers like this deal to promote green checking by offering strong incentives to rate-sensitive bank customers to convert and use online banking services.

Green mortgage: In this unsettled property, market climate mortgages can be a minefield of jargon and complicated decisions. One should be confident of the ethical stance of their mortgage lender. Since many depositors are curious where their money is being placed, a number of green options have become available to help them make environment friendly and ethically sound financial investments. Green mortgages allow home buyers to add an additional 15% of the price of house into loan for upgrades including energy-efficient windows, solar panels, or water heaters. The savings in monthly electricity bills can offset the higher monthly mortgage payments and save money in the long run. The energy efficient mortgage is a type of HUD-approved green mortgage that will credit you for your home’s energy efficiency in the mortgage itself. Banks offering these green mortgages will give qualified-HUD borrowers.

Green travel insurance: Green travel insurance policies taken as a means to reduce the impact of emissions created while travelling. This includes road, rail and air travel. Offsetting means effectively paying someone else to reduce CO₂ by the same amount as you have just

created. Therefore, neutralizing the overall effect. The price of offsetting is built into insurance premium that depends on the mode and distance of transport.

Green sense rewards: Some banks will pay you ten cents when making a paperless transaction while checking accounts. This can be a significant amount of paper saved for active bank customers who use a debit card, pay bills online, and set up automatic payments.

Green certificates of deposit: Customers can open a 12 month green saver CD or a 24 month green saver CD at a bank. The green savers CDs from bank help promote the environment by utilizing online banking services. A small deposit is required and additional deposits are allowed before the maturity date of a CD. The bank's green program is a simple way to benefit the environment through our normal banking activity.

Mobile banking & mobile payments: Mobile banking gives a solution to the problem of bringing financial services to the rural poor. Countries like India, China and Bangladesh have put more resources into developing mobile infrastructure than improving landlines. Not only the environment is benefited out of mobile banking, but there is also a societal benefit. With the help of mobile banking even the unbanked rural areas are able to tap same resources as people living in metropolitan areas.

Green checking accounts: It helps the environment by utilizing more online banking services like online bill payment, debit cards, and online statements. Consumers should be aware that banks offer green checking account since it helps to increase their profits. They can profit customers as well because many reward checking accounts will pay a high interest rate to bank customers who meet certain monthly requirements. Customers who make online checking requirements earn some of the highest rates for their deposits.

Political consideration: Banks support candidates who support the issues that they care about. If a bank make a contribution to a particular candidate it does not mean the bank is anti-environment. If contributions made to opposition party candidates it does not mean a bank as green.

Green loans used for home improvement: When a customer wishes to go for major home improvement project, he can do in an eco-friendly manner and the customer can apply for

a green loan from a bank as it saves energy. As a customer of a green bank he will go through their sustainability principles demonstrated in their buildings, operations and lending principles. Large multinational banks like ING and HSBC Bank have the ability to really accelerate the green banking movement by changing their products, philosophy and drive to sustainability across borders.

3. Review of literature

Zubair Hossain, Mahjabeen Ahmed and Nabila Nisha(2016)studied the consumer attitudes and perception towards green banking in Bangladesh. They have stated that it becomes important for the Central Bank to monitor or supervise commercial banks' activities more strictly and investigate whether they are adopting the necessary measures to reach the required level, as outlined in the green banking policy formulated by Bangladesh Bank in 2011. It is the banks' responsibility to educate their customers about green products and greener financing options. It is also the government's responsibility to encourage the general people about adopting green banking practices.

European Investment Bank (2016)construes green initiatives from the end of banking institutions as supporting the energy savings projects by funding as well as providing technical assistances for project choice and implementation for the European Union member states, where they indicates the conditions for fund including greenhouse gas emission reduction minimum 30% than that of the previous or meeting up the energy saving ratio minimum 20%.

Vinod Kumar(2018) stated that a truly green bank can reduce their carbon footprint by building more efficient branches, implementing more energy-efficient operational procedures, offering transportation services for their employees and carefully screening their lending in environment-sensitive industries.

4. Opportunities and challenges of green banking

Green Banking is comparatively a new development in the financial world. It is a form of banking taking into account the social and environmental impacts and its main motive is to protect and preserve environment. Green banks give more importance to environmental friendly

factors like ecological gains thus interest on loan is comparatively less. Green banking avoids paper work and makes use of online transactions such as internet banking, SMS banking and ATM banking. Green ethical banks adopt environmental standards for lending which would benefit future generations.

5. Conclusion

It can be concluded that banks must take new initiatives to create awareness about green banking among the customers. Bank should also adopt environment friendly practices which ensure the efficient use of resources. Thus, the banks should play a proactive role to take environmental and natural aspects as part of their lending principles which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management system. 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 have not been many initiatives 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.

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