

Green Banking: A Step towards to Paperless Economy

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ABSTRACT

Green banking refers to the banking business managed in such a manner that helps for overall reduction of external carbon emission and internal carbon footprint. The present study attempts to understand the use of Green Banking Products in banking sector and examine the green banking initiatives towards to paperless economy. Today's Climate change is the most complicated issue the world is facing. In this era, the world has seen much focus on economic progress, the side effects of this, has resulted in environmental damage. The banks can play an important role in economic growth and environmental protection. To save the environment the banking sector introduces the "Green Banking". It is paperless banking, which not only reduces the cost of banking activities, but also helps in environment sustainability. To reduce the external carbon emissions, the bank should finance green technology and pollution reducing projects. Green banking is a part of the green initiative taken by the banking sector to save the environment. This paper has attempted to highlight the importance, challenges and benefits of green banking.

1. Introduction

Green banking is relatively a new concept. It is paperless banking, which not only reduces the cost of banking activities, but also helps in environment sustainability. It helps in reducing the use of paper, power and energy. Green bank is not the separate bank. It is the normal bank using electronic transactions, which helps in reducing use of paper, manual efforts and time in order to uplift the environment as a whole. Green banking is comparatively new development in the financial world. The activities of the banks are associated with environmental protection and sustainable development. As responsible institutes, banks and financial institutions can play an important role for protecting the environmental degradation through financing Environment friendly projects and adopting environment friendly products and services. Green banking refers to the banking business managed in such a manner that helps for overall reduction of external carbon emission and internal carbon footprint. Banks can reduce external carbon emissions through green finance, which includes concessional finance for green technologies and pollutant free projects. On the other side bank reduces internal carbon footprint through product innovations. Technology oriented banks help to reduce the usage of natural resources and for environmental protection. It will also ensure to less use of paper, water and energy consumption. Banks are actively engage in green process, strategies, green infrastructure and introducing a variety of green products and services and ensure the environmental protection. In general, Green Banking refers to the efforts of the banking sector to keep the environment green and to minimize green house effects through in-house operational activities and green finance. Two major approaches of Green Banking are green transformation of internal operations and environmentally responsible financing (Md Shafiqul and Prahalled - 2015). Green Banking internal operations includes online account opening, online banking, mobile banking, SMS banking, net banking, e-fund transfers, as well as the use of ATM, cash and cheque deposit machines, credit and debit cards, e-statements, SMS alerts, email correspondence, image statements and more. The purpose of green finance is to provide financial assistance to green

technology and pollution reduction projects to reduce external carbon emissions. Major steps involved in Green Banking are online banking which involves paying bills online, online fund transfer, e- statements etc, Green accounts, Green financing, Power saving equipments, Green debit cards/ credit cards, save paper and Mobile banking.

2. Objectives of study

- Highlights the products of Green banking to make a paperless economy.
- Challenges faced by banks in implementation of Green banking.

3. Review of literature

Jha & Bhome (2013) found that out the ways to go green through green banking. Paper is based on primary and secondary data. Researcher has interviewed 12 bank managers, 50 bank employees and bank customers. Further Paper highlights on steps in green banking.

Meena, Ravi (2013) aimed to highlight the means to create awareness in internal as well as external subsystems among target groups and impart education to attain sustainable development through Green Banking in his research paper. Further, the author has enumerated effective methods and benefits of Green Banking. Author has suggested ways which can be adopted by banks to encourage Green Banking activities among customers.

Bahl, Sarita (2012), in her research study "The role of Green Banking in Sustainable Growth", highlighted the means to create awareness in internal as well as external sub systems among target groups and impart education to attain sustainable development through Green Banking.

Kandavel, D (2013), explained the concept and benefits of Green Banking. Author has used case study approach, wherein banks who have successfully implemented Green Banking practices in their operations are studied.

According to **Indian banks association (2014)** "Green bank is like a normal bank, which considers all the social and environmental factors with an aim to protect the environment and conserve natural resources.

4. Green Banking Products Used In Banking Sector

• **Online banking**

Online banking is an emerging concept, which helps in preservation of natural resources. Online banking saves paper, energy and outlay of natural resources. It also helps customers to save money by avoiding late payments and save their time.

• **Mobile Banking**

Mobile banking refers to operating the banking transactions through cell phones by customers of banks". Banks" customers can check their account balances. They can transfer funds or pay bills from the cell phones and it helps to save time and energy of the customers.

• **Net Banking**

Net banking helps customers to achieve most of their banking related activities without personally visiting the bank's premises. To avail these facilities, one must have an internet banking identity and a password provided which is generated and provided bank. Online banking entails of use of credit and debit cards, online bill payment, Electronic Fund Transfer.

• **Green Cards**

By using Green Credit Cards, banks donate funds to an environment friendly non-profit organization where funds can be utilized for ecofriendly social activities.

• **Recycled paper**

Banks may use recycled paper products to reduce replanting with highest post customer waste content. This process may include Automated Teller Machine receipts, monthly statements, annual reports, envelopes etc.

• **Electronic Pay Cheque**

Banks have to promote the Electronic pay cheques in its place of paper cheques. Most companies will give an option to employees to receive their paycheck electronically, which saves paper, time and even paper work.

• **Green Checking**

Green checking refers to checking of account related information through Automated Teller Machine or with special touch screens, which are located in banks. This process may help the account holder by providing more online banking services like online bill payment, debit cards, and online statements.

• **Green Loans**

Banks provide loans for home solar system with low rate of interest whereby banks are contributing in save dependency on hydropower and to Go-green. The Ministry of Non-renewable Resource in association with some nationalized and scheduled banks undertook an initiative to Go-green by paying

low interest loans to the customers who would like to buy solar equipment's.

• **Power Hoard Kits**

Banks are taken inventiveness in making the rainwater harvesting in their own constructions, usage of GSL bulbs whereby they are directly causative to control climate change.

5. 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 those that 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".

6. Challenges In Green Banking

• **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.

• **Startup Face**

Many banks in green business are very new and are in start-up face, generally it takes 3 to 4 years for a bank to start making money thus it does not help banks during recession.

• **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.

• **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)

• **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 because of uncalculated expenses for capital investment in production facilities, loss of market share and third party claims.

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