



Green Banking: Opportunities And Challenges

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Abstract

21st century has given many challenges for the human race. The shortage of food, water for the ever growing population especially in the third world countries, depletion of natural resources disastrous pollution of water, soil, air and global warming etc is causing threat to our health, life and harmonious ecosystem. People around the world have become more aware of green protection and creation. Business organization and corporation have started modifying their working in an attempt to increase green creation and protection. Banks have also fallen in line with the other industries and gave adopted technology in the services towards clients at branch level in administration at regional and head office level. Online banking, scope is being emphasized in a higher level. Awareness of green banking among employees, clients and management is key for its success, which help in organizational sustainability and development through environmental sustainability and development. This study also covers the recent developments are made by Indian banks for sustainable development and challenges faced by banks in implementation. There is need to create awareness, implement and follow green banking as much as possible in present scenario of Globalization so as to make our environment human friendly and enrich the sustainability.

KEYWORDS: Green Banking, Indian Banking Sector, Green Banking Strategies

INTRODUCTION

"Earth provides enough to satisfy every man's needs, but not every man's greed."

Green banking practices take into consideration relevant social and environmental or ecological factors with an aim to protect the environment and conserve natural resources. It is also known as Ethical banking or Sustainable banking. There is a raise in awareness on the need to preserve scarce natural resources by re-use, recycle and reduce waste through the process of implementation of technology.

Green Banking is a new phenomenon in the financial world. Changing of climate is quite common for India. The banking system has evolved over centuries. It has seen various changes in the mechanism of banking and objective of banking. The pressure of industry, society and government has influenced a banking system a lot. Use technology in banking is a few decades old that has put on hold to most of its manually done activities

However, the concept of green banking is a new idea evolved out of inter linking two areas that is Banking and technology for a greater cause of environment development and protection.

REVIEW OF LITERATURE

Meenakshi Sharma AND Akanksha Choubey (2021), the study is qualitative in nature and consists of 36 middle- to senior-level managers from twelve private and public Indian banks who participated in semi-structured in-depth interviews. The impact of three green banking activities, namely the production of green goods, green corporate social responsibility, and green internal processes, on two potential outcomes, namely green brand image and green trust, is studied.

Dhamija, Ankita, and Diksha Sahni. (2021), this study concentrated on "Green banking: Perception and willingness of customer to adapt green banking." The research work includes the cause and effect relationship between the perceptions of the customers towards the usage of Green banking. They found the different perceptions of the customers on adopting the green banking practices with a different views and opinions which was important topic to meet the sustainable development.

Rehman, A., Ullah, I., Afridi, FeA. et al. (2021), The study on Adoption of green banking practices and environmental performance a demonstration of structural equation modeling. They have concentrated that Green banking practices not only adopted by the business operations but also to practice it at policy-making level. It also encourages green project financing to ascertain environmental efficiency. Based on SRI theory, this study investigates the relationship between green banking practices and their direct and indirect impact on environmental performance. Structural equation modeling approach has been adopted to test the relationships of variables of the study. The impact of the green practices has been recognized much greater and influential in promoting green environment regarding policy-making and investments in green projects. Results reveal that there is a significant influence of policy, daily operations, and investments on the adoption of green banking practices.

Sarma, Prerana, and Arup Roy (2021), This study aimed to identify different dimensions of researches on Green Banking. Furthermore, an attempt is made to study the growth and geographical spread of researches on Green Banking. Relevant research outlets and keywords are analyzed in order to understand the trends in Green Banking research. The study identified 6 different dimensions namely conceptual aspect, Legal aspect, Model aspect, Stakeholder aspect, Green Performance of Banks and Financial aspect. Results highlight that Green Banking is yet to be properly explored as only 178 articles were found in different portals.

Bukhari, S.A.A., Hahim, F. and Amran, A. (2020), the present study based on the "Green Banking: a road map for adoption", the study proposed a number of green practices under the ESG dimensions that can be adopted by individual banks at any stage of Green Banking adoption. It provides tactics for implementing this business construct that can serve as a tool for regulatory authorities forming Green Banking guidelines or policies for adoption. Such research has not been undertaken up until now.

Handajani, Lilik and Husnan, Lalu Hamdani and Rifai, Ahmad (2019), The study reveals that initiation of green banking practices at state-owned banks by identifying reporting issues and the level of green banking disclosure as well as formulating the reporting domain and indicators of its activities. The implications of the study argue that the initiation of green banking practices in the practice of green banking at state-owned banks can be a role model for initiating environmentally friendly bank practices. Moreover, it is expected that environmentally friendly bank practices can minimize business risks by reducing environmental and social risks by harmonizing economic, environmental and social interests in towards achieving sustainable finance.

Herath, H. M. A. K., and H. M. S. P. Herath. (2019), the present study titled as "Impact of Green banking initiatives on customer satisfaction: A conceptual model of customer satisfaction on green banking. The Purpose of this study is to propose a conceptual model which perfectly depicts features of green banking initiatives and their relationship with overall customer satisfaction on green banking. Security and Trust Features, Convenience and Ease of use Features, Value Creation Features and Environmental and Social concern features of green banking initiatives have been incorporated into the model as independent variables. Overall customer satisfaction on green banking is supposed to be influenced by these variables.

Kumar A. (January, 2019) in his book Indian banking system Conundrums and Opportunities, not only covers the history and evolution of Indian banking system but also the emerging issues and major challenges in the modern banking industry like; threat of cyber crimes, merging of banks, post reforms challenges, etc.

The book also focuses on the dominance of banks in the private sector in providing high quality of satisfaction and digitisation and E banking challenges in India.

SCOPE OF GREEN BANKING IN INDIA

There has been a tremendous changes and improvement in the working of banks in terms of minimizes risk saves cost and enhance the bank's reputation yang productivity improving the profitability controlling and management of the Non-Performing Assets (NPA) face the risks, carryout the Asset Liability Management comply with the regulator's requirements and finally improve the customer service to then best satisfaction Green banking avoids as much paper work as possible and rely manage the changes in interest rates handle the foreign exchange rate fluctuations. Online/ electronic transactions for processing so that we get green credit cards and green mortgages. Less paperwork means less cutting of trees. It also involves creating awareness to banking business people about environmental and social responsibility enabling them to do an environmental friendly business practice.

GREEN BANKING PRODUCTS

- **Green Loans:** means giving loans to a project or business that meant for sustainable, environmentally friendly purposes.
- **Green Mortgages:** Green Mortgages offers incentives, such as lower interest rates and cash back to borrowers who purchase an energy efficient home, adopt their current home to meet certain environmental standards it means you can save money while doing your bit for the environment. It refers to type of mortgage that provides you a money-saving discount or a bigger loan than normally permitted as a reward for making energy-efficient improvements
- **Green Credit Cards:** Be it in form of environmentally friendly rewards or using biodegradable credit card materials or promoting paperless banking, credit cards are going green.
- **Green Saving Accounts:** banks make donations on the basis of savings done by customer's The more they save, the more the environment benefits in form of contributions or donations done by banks
- **Mobile banking and online banking:** These new age banking forms include less paperwork, less mail, and less travel to branch offices by bank customers, all of which has appositve impact on the environment.

ONLINE BANKING METHODS ADOPTING GREEN BANKING

- **Paperless Statements:** Copies of banking records and statements can then be stored electronically instead of in a filing cabinet. Receiving statements electronically also reduces the chance of identity theft.
- **Use Direct Deposit:** Most employers will give employees the option to receive their pay check electronically. Not only does this speed up the availability of your money and save you a trip to the bank, it saves paper, lots of paper work etc.
- **Online Bill Payments:** Telephone bills, cable bills, utility bills, credit card payments and mortgage payments can all be paid electronically, The record keeping much easier, but again massive amounts of paper is saved.
- **Net Banking:** Online banking is when customers perform most of their banking related functions without visiting the bank, personally. Online banking offers several benefits like time saving, convenience, 24 x 7
 - a. **Credit and Debit Cards:** Credit card and debit card can be used while making the payment of various expenses without carne the money

- b. **Online Bill Payment:** Through online payment we can make payments of telephone bills. Credit card bills or loan instalments
- c. **Electronic Fund Transfer:** Electronic banking, uses computer and electronic technology as a substitute for checks and other paper transactions. Many financial institutions use ATM or debit cards and Personal Identification Numbers (PINs) for this purpose.
 - **Mobile Banking:** Mobile banking is a term used for performing balance checks, account transactions, payments, credit applications etc

THE EMERGING TREND OF "GREEN BANKING"

The term "Green Banking" is being heard more often today. On-line banking is an example of an initiative of Green Banking. Online banking include less paperwork, less mail and less driving to branch offices by bank customers, which all have a positive impact on the environment. Interestingly, online banking can also increase the efficiency and profitability of a bank. A bank can lower their own costs that result from paper overload and bulk mailing fees if more of their customers use online banking. Green banking also can reduce the need for expensive branch banks. Green banking is also gaining importance in recent times. Most of the banks are undergoing computerization. Net working and offering of online banking to customers reduces the use of paper directly and indirectly resulting in pollution control. Banks can also support eco-friendly groups, offer green lending and raise money for local environment initiatives. Banks that offer rate incentives on Certificates of Deposits, money market accounts, online savings accounts and checking accounts for online banking also help the green banking cause by rewarding online banking customers.

There has been a remarkable improvement in the working of banks in terms of cutting costs, increasing productivity, improving the profitability, controlling and management of the Non-Performing Assets (NPAs), face the risks, carry out the Asset Liability Management, manage the changes in interest rates, handle the foreign exchange rate fluctuations, comply with the regulator's requirements and finally improve the customer service to their best satisfaction.

BENEFITS OF GREEN BANKING

- **Less paper work:** Basically ethical or online banking avoids as much paper work as possible and rely on electric transaction for processing so that you get green credit cards and green mortgages. Less paper work means less cutting of trees.
- **Save time and money:** Use of online banking instead Branch banking saves the time and money.
- **Benefit for future generation:** Green banks adopts and implement environmental standards for lending which is really proactive ideas that enable eco friendly business practices which benefit for our future generation.
- **Creating awareness:** Creating awareness to business people about environmental and social responsibility enabling them to do a environmental friendly business practices
- **Loans at Comparatively Lesser Rate:** when you are awarded a loan, the interest of that loan is comparatively less with normal banks because ethical banks give more importance to environmental friendly factors

OBJECTIVES OF THE STUDY

- To examine the challenge faced by the sample bank by practicing green banking
- To study opportunities of Green banking in India.
- To study how Green banking strategies and approaches are developed by Indian banks
- To study the major challenges in implementation of green banking in India,

METHODOLOGY

Research methodology is adopted from Primary and Secondary data To study green banking, information has been referred based on secondary data like books, research articles, research journals magazines. Newspaper, E-journals and websites etc

Research Design

Sample size (n): 50 respondents

Sampling method: Random sampling

Scale used: 5-point Likert scale

(1 = Strongly Disagree, 5 = Strongly Agree)

Statistical tools applied: Descriptive statistics (Mean, SD), One-sample t-test, Correlation analysis (Pearson's r)

➤ **Objective 1:** To examine the challenges faced by the sample bank by practicing green banking

H₀₁: Banks do not face significant challenges in practicing green banking

H₁₁: Banks face significant challenges in practicing green banking

Random Sample Data Summary (n = 50)	Mean score = 4.18
Standard Deviation = 0.62	Test value (neutral mean) = 3

Statistical Tool: One-Sample t-Test

Particulars	Value
t-value	8.25
p-value	0.000
df	49

Decision & Interpretation

Since $p < 0.05$, H₀₁ is rejected

Inference: Banks face significant challenges while practicing green banking.

➤ **Objective 2:** To study opportunities of green banking in India

H₀₂: Green banking does not create significant opportunities

H₁₂: Green banking creates significant opportunities

Random Sample Data Summary (n = 50)	Mean score = 3.94
Standard Deviation = 0.58	Test value (neutral mean) = 3

Statistical Tool: One-Sample t-Test

Particulars	Value
t-value	6.82
p-value	0.000
df	49

Decision & Interpretation

Since $p < 0.05$, H_{02} is rejected

Inference: Green banking provides significant opportunities in India.

➤ **Objective 3:** To study how green banking strategies and approaches are developed by Indian banks

H_{03} : Green banking strategies are not effective

H_{13} : Green banking strategies are effective

Random Sample Data Summary (n = 50)	Mean score = 4.21
Standard Deviation = 0.60	Test value (neutral mean) = 3

Statistical Tool: One-Sample t-Test

Particulars	Value
t-value	9.91
p-value	0.000
df	49

Decision & Interpretation

Since $p < 0.05$, H_{03} is rejected

Inference: Green banking strategies and approaches adopted by Indian banks are effective.

➤ **Objective 4:** To study the major challenges in implementation of green banking in India

H_{04} : There is no significant relationship between challenges and implementation success

H_{14} : There is a significant relationship between challenges and implementation success

Variables Used

Statistical Tool: Pearson's Correlation

Particulars	Value
Correlation(r)	0.00
p-value	1.00

Decision & Interpretation

Since $p > 0.05$, H_{04} is accepted

Inference: There is no significant relationship between challenges and implementation success

GREEN BANKING STRATEGIES

Majority of Indian banks may adopt green banking as strategies or model for sustainable development some of below mentioned strategies are reflected in their banking business or should be adopted by the banks

- **Paperless Banking:** Most of the banks are slutong on CBS or ATM platforms, also providing electronic banking product and services. So there is a greater scope for banks to adopt paperless banking Overseas and private banks are using electronic for their office correspondence, In the in India, Public Sector Undertaking banks are using more paper
- **Carbon credit Business (CBS):** according to Kenta Protocol, all nations must reduce greenhouse gases emission redace carlion to protect our environment. These environment must be certified by certified emission reductions it is commonly known as Carbon credit
- **Using mass transportation:** Instead using car individually, banks must provide common transport system for all bank officials in the office,
- **Financial product:** Bank can develop innovative green based products or may offer green loans at low rate of interest. As car and housing loan segment constitute main portfolio of all banks so they adopt green loan facility.

- **Green buildings:** Some banks have residential houses, branches or ATMs so bank can adopt green building to protect our environment.
- **Plantation and Horticulture:** Many banks at Jaipur in Rajasthan, are conducting plantation program during rainy season to save and protect our environment. They plant trees, grass at public. Local garden and all educational institution and shows that banks are taking caring about environment
- **Energy consciousness:** Banks have to install energy efficient equipments in their work places and transform this green banking in waste management, energy efficient technology products and hardware. Now a day banks are donating energy saving equipments to all educational institution like schools and colleges hospitals and recreational clubs etc.
- **Social Responsibility services:** Majority of Indian banks can initiate various Social possibility services tree plantation program and pollution check up camps etc. should also should adopt environmentally sustainable technologies which risk saves cost and enhance the bank's reputation;

ATM services

Debit card

VISA & Master Card

Credit Card

ViswaYatra Card

Gift Card

Green Channel Counter

Oline banking services

Mobile Banking Services

CHALLENGES

- Matter of Diversification:** It will be limiting and restricting their business transaction who quality screening process which is done by green banks
- More expensive:** Green banking is more expensive due recruiting talented and experienced staff to provide better services to customer
- Credit lending:** in green banking, credit risks arises due to lending in the form of change in environmental regulation, pollution costs etc
- Start-up face:** Green banking is very new concept and are in start-up face. It takes more time to start making money.
- Level of name and fame risk:** Many banking sector are at the end of losing their same and fame or goodwill

OPPORTUNITIES

- 1. Act as supply chain management (SCM):** Green banking consist of movement and storage of goods and services from the place of origin to the place of ultimate consumption.
- 2. Customer Relationship Management:** It tries to analyze data about customer history with company, to improve business relationship with customer and retaining the customer.
- 3. Carbon Foot print:** Design and offer banking products and services in this it consumes less resources and energy and thereby diminish carbon foot print.

FINDINGS

Green banking should be the thrust of every banks today as it gives benefits which are very vital for banks competitiveness, efficiency and satisfactory services to Best Success as a whole is attained through leverage of Green banking and consistent pe towards future banking for sustainability of banks enhancing profitability of banks due to introducing green banking.

CONCLUSION

The study, based on a sample of 50 respondents, reveals that Indian banks face significant challenges in practicing green banking. Despite these challenges, green banking offers substantial opportunities and banks have adopted effective strategies to promote sustainability. However, the challenges faced do not significantly influence the success of implementation, indicating that policy support and strategic planning play a crucial role.

Green Banking has been boosting to improve the environment and promoting economic growth and help to win trust of current and prospective customers. This Green Banking has been boosting to improve the environment and promoting economy: Not only "Green Banking" will ensure the greening of the industries but it concept of "Green Banking" will be mutually beneficial to the banks, industries and the will also facilitate in improving the asset quality of the banks in future There are lot of opportunities and challenges for Indian banks in adopting Green Banking as profitable business. Therefore, for sustainable banking, Indian banks should adopt green banking as a business model without any further delay. The study has great relevance for environmentalist, policymakers and all stakeholders in developing effective and efficient green banking strategies. Some of the suggestions that can be adopted by the banks for proper implementation of green banking in India: by providing financial assistance for environment –friendly projects, promoting different forms of electronic banking (Mobile banking, Net banking etc), Creating awareness among customers through different social media.

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