

GOING BEYOND THE NORMAL: A NEW PARADIGM IN BANKING INDUSTRY

DIKSHA SAHNI¹ & VINITA ARORA²

¹Assistant Professor, Management Department, PMCC College, New Delhi, India

²Professor, Management Department, PMCC College, New Delhi, India

ABSTRACT

This paper has made an attempt to highlight the major benefits, Challenges, Opportunities, sustainable Development, Strategies and Methods of Green Banking. Green Banking is like a normal banking activity which involves all the social, environmental technological factors. It is also called as Ethical Bank. The main objective of Ethical bank is to protect the environment, by the means of Mobile Banking, Online Banking, Green Loan, Sustainable Banking, Green Checking Accounts etc. Today's the world's major problem is environment management. It is not the responsibility of any specific organization; it is the responsibility of every Individual as well as institutions to work in this direction. Green banking strategies will not only be benefit for environment, but also benefit in greater operational Efficiency and cost reduction in banking activities.

KEYWORDS: Green Banking, Benefits, Challenges and Opportunities

INTRODUCTION

Banking Sector influence our country in two aspects first is Economic Growth Second is development in term of both Quality & Quantity .One of the major sources of financing investment for commercial project is banking Sector, Which plays a most vital role for economic growth therefore banking sector considered as environmentally responsible & socially responsible investment. The impact of environment on banks is not related to physical terms; it is related to banking Activates with the customer activities. Dima (2001), The impact of Internal environment of the baking sectors includes use of energy, paper & water are relatively low & Clean whereas the impact of External Environment is huge & difficult to predict more over environment management is like risk management in banking Business. Goldar,(2007) It increase the value of en enterprise & Reduce the loss ratio as better quality loan portfolio results in higher earnings thus promoting Environmental Friendly , Environmentally sustainable & social Responsible investment should be the one of the responsibility of Green Banking Sector. Further, Those Banks which have already follow the concept of green baking & those which are taking are serious steps to grow green should be as per the priority by the banks. We can be called this method as "Green Banking.

In a rising economy like India environmental Management is the Key focus area of Business organization & especially the banking Industry plays a major Role of Intermediary.

Goldar, (2007) The Green Banking Method will ensure the organization grow green & in the process to the utilize their limited resources in an optimum way & face the global challenge of sustainability & it will also facilitate improving the assets quality of the bank without harming the natural environment in successful manner.

Banking; Green Banking

Dima (2001), Green is flattering a symbol of eco consciousness in the world. Green banking means advertising environment friendly practices & decreasing carbon foot prints from the banking activities like: paying bill online instead of mailing them, using online banking instead of branch banking, opening CD's and money market accounts & Online banks instead of large multi branch banks or searching the local bank in area which is taking the largest steps to support local green initiative. According to Indian bank association (IBA-2014) "Green bank is like a general Bank which consults all the social & environmental factors. Its purpose to save the environment & conserve natural resources" It is also called as ethical bank or sustainable bank. Green Banking is formulating operational improvements, technological improvements and transforming clients habit in the banking Sector. Goldar,(2007) It exists positive correlation between environment performance & Financial Performance but this correlation is not adequate it requires a correlation between social & Environment performance as well.

Now a day's Business organizations are much interested in establishing the implementing strategies related to environmental Issues. Dima (2001), the main objective of going green are increasing energy consumption, energy prices, Consumer Interest in environmentally friendly services & goods.

There are four major approaches for green banking: Steps taken for Green Banking, Product & Services, Plan of action & other activities. There are many benefits & few challenges for implementing the strategies of Green banking which are described as under:

RESEARCH METHODOLOGY

The research Methodology used in this study is based on secondary data, called from the sources such as research papers, Articles, Company official website's Etc. This research examines major aspects concerned with the green banking, to identify the steps necessary to adopt green banking, Product & Services, Challenges & benefits of green Banking. The main Findings of the study are presented here with: -

Methods of Green Banking

From the preliminary study, it is found that following are some of the methods that can be taken for going green in banking:

- Online Banking: Online banking is also known as Internet Banking. Online banking is where a customer can access his/her Bank account via the internet using their laptop, Personal computer & through mobile phones. It is a Developing Concept in young & Corporate India. Online Banking Includes Transactions Such as transfer & payments access of latest balance , Account details , Downloading of statements , remote deposits, paying bill online, statement viewing, account detail viewing, customization, print & online loan application etc. It saves our natural resources by using less paper & less energy. Goldar, (2007) Now a day's time plays a vital for any individual or customers, by online banking they can save money and time by avoiding, Standing in queues and the paying the bill from any location online, but it depends on the customer ability to subscribe the internet and many factors such as user friendly interface, knowledge of internet, attitude and perception & Experience with the internet.
- Green Loans: Hamilton, James T (1995), Green Loans refers to an initiative to go green by paying low interest

loans to the customer to buy solar equipments, it is specially for assisting small business and individuals in starting or expanding eco friendly products or services. Stamp fenbachstrass, Zurich, 2005. Jeucken, M (2001) the interest rate of Green Loan are very low approximately 4% PA. It supports those project which can be done in an eco friendly manner & energy saving.

Projects qualifying for green includes recycling, Community gardens, composting, and Janitorial uses for eco friendly Products.SBI has launched few schemes which supports environmentally friendly residential projects and offer various concessions, but loans will be sentinel for projects rated by (IGBC) Indian Green Building Council.

- Zenklusen (2005) Green Checking Accounts: Our Life becomes simple and easy through GREEN CHECKING ACCOUNTS. No monthly service charge, No minimum balance, online banking electronic Statements (E-Statements), and online bill payments. Customers can check their accounts on ATM. This is called as Green Checking Accounts. Zenklusen (2005) Open a life a green checking accounts for more green more freedom , best of all, we pay the low monthly fee when we use direct deposit on maintain a low average monthly balance. It saves time & money while we bank on the go like-Use online banking with bill pay, access simple and safe mobile banking, carry regions VISA check cards etc. Access your funds on the GO with chemical bank's paperless account. If you really prefer to access your funds electronically or with the Debit cards, this account will be an absolutely fit for you. "GO GREEN" with chemicals bank's paperless green checking account. Stampfenbachstrass, Zurich, 2005. Jeucken, M (2001) There is no requirement of minimum balance , free master card, Debit card, free online Banking with bill pay, free E- Statements, etc.
- Mobile Banking: - Mobile banking is a service provided by a bank. It is usually available on a 24 hours basis, which reduces the cost of handling trisections, ability to check balances, transfer funds or pay bills from your phone. It also saves time and energy of the customer. Zenklusen (2005) now days mobile banking is gaining is popularity over internet banking. While using internet or online banking you need and internet connection a7 this becomes the big problem when you don't have internet connection. Hamilton, James T (1995), however this is not a problem with mobile banking as you will easily get network connection in remote area. With the use of mobile banking you can get your work done within few minutes. Stampfenbachstrass, Zurich, 2005. Jeucken, M (2001) Mobile banking keeps you updates with any activity. For instance: A money transfer, money withdrawal and other transaction will be brought to your knowledge Via SMS. Mobile banking is not only use for banking service but also to sell the products of bank such as Credit cards, Loans etc.
- Paper saving: banks consume tons upon tons of paper in the monthly statements, ATM receipts, envelopes, loan documents, newsletters, Brochure etc. Zenklusen (2005) this consumption introduce not only on Operation Cost, but also a significant environmental impact. Bank should purchase Recycled paper Products with the highest post-Consumer waste, Content Possible whenever available, use vegetable- based Inks instead of less environmentally Friendly oil – Based inks. The most common technique to reduce to paper use is to encourage to customers to switch to electronic statements. Hamilton, James T (1995), Therefore, Telephone Bills, Cable Bills, Credit card payments, electricity Bills, Mortgage payments can also be paid electronically. Even most of the customers have thrown their check books and completely converted to online payments. This will help to easy record keeping and saving paper.

- Customer can opt for Go Green through various channels through Online Banking, Branches and Call Centre.

PRODUCT & SERVICES OF GREEN BANKING

- E-Personal Online
- Direct Deposit
- ATM card
- Debit Card
- E-Personal Online
- Direct Deposit
- ATM card
- Debit Card



Figure 1

BENEFITS OF GREEN BANKING

Green Banking offers with a bundle of benefits such as:

- Green banking reduces paper work and makes use of online transactions like: Internet banking, SMS banking and ATM banking. Less use of paper work means safety of our trees & environment.
- Green ethical banks follow environmental standards which would be beneficial for future generations.
- Green banks emphasis to environmental friendly factors such as ecological gains by which interest on loan is

comparatively low.

- Free Electronic Bill Payment Services
- Online account opening form for opening green account.
- Cash back will be credited to all existing and new account holders converting into Green. It creates benefit to account holder.
- E-Statement will be generated and sent to the account holder's email, which reduces the paper work.
- Customer can also choose for Go Green through various modes like: Online Banking, Branches and Call Centre.

Challenges of Green Banking

Green banks face a lot of challenges:

Diversification Matters

Green banks limiting and restricting their business transactions to those business organization who qualify screening of their customers by green banks. . With a less no. of customers they'll automatically have a limited profit base to support them.

Startup Face

In today's business many banks are very new and are in startup face. In general, it takes 4 to 5 years for a typical bank to start making profit thus it does not help banks during the time of recession.

Higher Operating Expenses

Green banks require specialized talent, experienced staff, skills and expertise as well as knowledge to provide proper services to customers to whom they are dealing. Experienced loan officers are required with additional skills and experience in dealing with green businesses and customers.

Reputational Risk Problem

If banks are involved in that kind project which is harmful to the environment they are more prone to loss of their reputations. There are also few cases where environmental management system has resulted in cost savings, increase in bond value etc. (Heim, G et al, 2005). In some cases the environmental management system shows the lesser risk, greater environmental protection and increase in operating profit. Reputation risks refers to the financing of environmentally-safe and ethically questionable projects.

Credit Risk

Credit risks affected by the cost of pollution, changes in environmental regulations and new requirements on emissions levels and arise due to lending to customers. Hamilton, James T (1995), It is higher due to possibility of customer delinquency as a result of uncalculated expenditures for capital investment, loss of market share and claims of third party.

OPPORTUNITIES FOR GREEN BANKING

- **GREEN PROCESSES:** A Green bank requires, every activity of its function unit to be Green and environmentally safe and help to improve environmental progress. Hamilton, James T (1995), there are many opportunities available for banks to green their unit activities. Few of the opportunities are:
 - **Customer Relationship Management**
 - Facilitate electronic means, to maintain correspond with customers and potential customers, and minimize paper-based transactions.
 - **Supply Chain Management**
 - Adopt techniques and plans to minimize wastage of inventory & freight.
 - Adopt networked design using greenhouse gas emissions which is also known as carbon footprint design.
 - **Enterprise Resource Management**
 - Encourage paperless transactions
 - Adopting techniques for intelligent device management as well as workforce and parts optimization.
 - **Product Life Cycle Management**
 - Design the banking products and services in such a manner that consume limited resources and energy.
 - Implement impressive systems for product end-of life management that have least impact on the environment.
 - **Sourcing and Procurement**
 - Select vendors by the reasonable rating of their products and services.

GREEN BANKING STRATEGIES

- Create financial products and services that promote commercial and environmental development.
- Stakeholders should create awareness about environmental issues and their effect on the society, the environment, and the economy. Also, demonstrate to them the value of environment and business as well as the necessity of green banking products, services and processes.
- Encourage, motivate, and energize the workforce to incorporate the green practices and to come up with and implement new ideas & suggestions also motivate clients, suppliers, and outsourcers to adopt green practices.
- Banks should review purchased equipments and assess the IT's environment cost and effects and diagnose the areas which required to be green.
- Banks should engage in development and implement of a green policy that purposes to achieve higher utilization of resources and lessening their environmental impact.
- Adopting environmentally friendly technologies should not be treated as financial strain by the banks rather it

should be treated as new opportunity for higher income. It will help the banks to achieve their purpose and social responsibility.

- Banks should Set SMART (Specific, Measurable, Attainable, Realistic, and Timely) green goals to reduce your carbon footprint. Also, set criteria for measuring progress towards the goals
- Monitor the growth, industry trends and new developments systematically. Revise the green policy as needed.

CONCLUSIONS & SUGGESTIONS

In today's banking world, Green Banking has become a buzz word. Green banks are at start up mode in India. They should extend the use of environmental information in their business functions, credit extension and investment decisions. The endeavor will support them proactively improve their environmental performance and creating long term image for their business.

The study concludes that in-spite of a lot of opportunity in green banking; Indian Banks are running behind their counterparts from developed economies. There is wide scope for all banks and they can not only protect our earth but can change the whole world towards energy conscious. Banks must educate their customers about green banking benefits and adopt all strategies to protect earth and build banks image. Green Banking now is not only limited to educate their customers but also in practice. Now all scheduled banks are expected that they would not only allocate budget for green finance, green projects, green marketing and capacity building but ensure the effective utilization of budget. The banks should change their routine functions through the adoption of paperless banking, online banking, mobile banking, Green loans, Green Checking Accounts ,Green cards made up of recycled plastic and efficient utilization of resources. Overall Green banking is really a best method for people to get more awareness about Environmental protection, each bank will contribute a lot to the environment and make this earth a better place to live. Finally we can say that going green should be the main objective of all banks. Thanks to green banking.

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