

A Conceptual Study of Green Banking: Issues and Challenges.

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Abstract

Green banking is like a normal bank which considers the entire social and environmental, ecological factors with an aim to protect the environment and conservative natural resources. It is also called as an ethical bank or sustainable bank. They are controlled by the same authorities but with an additional agenda towards taking care of the earth's environment/ habitats / resources. Bank support eco-friendly groups and raise money for local environment but also leads to cost reductions in banking activities. This paper emphasis on concepts, methods, opportunities, challenges and benefits of green banking .Therefore there is a 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, environmental protection, green banking financial products and sustainable development.

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I. Introduction:

The concern of environmental friendly practices and reducing carbon footprints from banking activities, green banking aims at improving the operations and technology along with making the clients habits environment friendly in the banking business.

DEFINITION:

Green banking as refers to “promoting environment friendly banking practices and reducing ‘carbon footprints’ from banking activities by improving banking operations as well as technology and making the habits of the clients environment friendly”

OBJECTIVES OF THE STUDY.

- To know the green banking financial products
- To study the benefits of green banking
- To know the risks or challenges of green banking
- To know the steps that are adopted for reducing carbon footprint in banks
- To know the problems related to green banking.

II. Methodology:

Research method is descriptive. For this study information has been collected with the help of magazines, journals, research articles, newspapers, e-journals and websites.

Green banking financial products

1.Green loans:

It means giving loans to a project or business that is considered environmentally sustainable.

2. Green mortgages:

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 or for buying a home that meets particular energy efficiency standards

3.Green credit cards

Be it in the form of environmentally friendly rewards or using biodegradable credit card materials or promoting paperless banking, credit cards are going green.

4.Mobile banking:

Mobile banking is great to have the ability to check balances, transfer funds or pay bills from mobile phones. 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 paperless facility.

5. Online banking:

Online banking also known as internet banking. E-banking or virtual banking is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institutions website

6. Remote Deposit Capture:

Remote deposit capture (RDC) is a system that allows a customer to scan cheques images to a bank for deposit, usually via an encrypted internet connection. When the bank receiver a cheque image from the customer, it posts the deposits to the customer account and maker the funds available based upon the customer's particular availability schedule. Banks typically offer remote deposit capture to business customer rather than to individuals.

7. Carbon credit business (CBS)

All nations must reduce greenhouse gases emission and reduce carbon to protect our environment. These emissions must be certified by certified emission reductions commonly known as carbon credit

CHALLENGES OR RISKS IN GREEN BANKING

Green banking is very important in mitigating the following challenges or risks involving in banks.

1. Credit Risks

Due to climate change and global warming there will be direct as well as indirect costs to banks. It has been observed that due to global warming there had been extreme weather condition which affects the economic assets financed by the banks thus leading to high incidence of credit default. Credit risks can also arise indirectly when banks lead to companies whose businesses were affected due to changes in environmental regulations.

2. Legal Risks.

Banks like other business entities face legal risk, if they do not comply with relevant environment regulation. They also face risks of direct leader liability for clean up cost for damages in case they actually take possession of pollution causing assets.

3. Reputation Risks.

Due to increasing environmental awareness banks are prone for reputation risks if their direct or indirect actions are viewed as socially and environmentally damaging. Reputations risks emerge from the financing of environmentally objection process.

4. Diversification Problems.

Green banks restrict their business transaction to those business entities who qualify screening process done by green banks with limited number of customers they will have smaller base to support.

Strategies.

Indian Banks can adopt green banking as business model for sustainable banking. Some of the strategies little reflected in their banking business or must be adopted by banks.

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 trees.
2. Free electronic bill payment services
3. E-Statement will be generated and send to the customer's E-Mail.
4. Online account opening form for opening green account.
5. Cash back will be credited to all new customers, opening "Green Account".
6. Green banks will give more importance to eco friendly transactions.

Measures to Encourage Green Banking.

1. Make customers more and more aware about green banking through their websites.
2. Promote different forms of Electronic banking.
3. Create customer's awareness through mass media.
4. Carbon footprint reduction by saving energy and paper.
5. Carbon footprint reduction by offering transportation services for their employees.
6. Provide environment friendly Rewards to customers
7. By financing more and more environment friendly projects.
8. Join hands in more and more environment preserving causes.
9. Focus on Greening IT Infrastructure.
10. Participate in events and communicate through press on the related matters of eco friendly banking and importance of environmental protection.

III. Conclusion

Green banking refers to the initiatives taken by banks to encourage environment friendly investment. Green banking as a concept is a proactive and smart way of thinking towards future sustainability. It is very important for the banks to be proactive and accelerate the rate of the growth of the economy. As there is a continuous change in the environmental factors leading the banks face intense competition in the global market. Banks need to apply morality of sustainability and responsibility to their business model, strategy and formulation for products and services, operations and financing activities and become stronger. By adopting the environmental factors in their lending the return from their investments and make the polluting industries become environment friendly.

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