
A STUDY ON PROBLEMS AND PERSPECTS OF GREEN BANKING WITH REFERENCE TO COASTAL REGIONS, KARNATAKA, INDIA

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ABSTRACT

Green banking is defined as promoting eco-friendly banking practices and reducing emitted carbon mark from banking activities. Green Banking mainly focuses on two prolonged approaches. First, it puts emphasis on green revolution of internal operations of all banks, meaning all bank should adopt proper ways of consuming renewable energy, digitalization and other measures to minimize carbon mark from banking sectors. Secondly, all banks should adopt financing in an environment-friendly way. The main objective of green banking is to minimize filth and give importance to environment and society. This paper analyzes the various problems and the prospects on the topic. Green banking practices will be useful not only for environment but also lead to cost reductions on banking activities. It means that banking business should be conducted in such areas and in such a manner which would help in overall reduction of external carbon-emission and internal carbon footprint.

Key words:

Green banking, problems, prospects, economy, environment.

Introduction

During the past decade, there has been a growing awareness of wide spread environmental degradation and also complicated issue that the world is facing today is climate-change. There have been continuous endeavors across the world to measure and mitigate the risk of climate change caused by human activities. Many countries, including India, have made commitments necessary to do so. As socially responsible corporate citizens (SRCC) banks are considered environment friendly and do not impact the environment greatly through their own internal operations, the external impact on the environment through their customers activities. The banking sector is one of the major sources of financing industrial projects such as steel, paper, cement, chemicals, fertilizers, power, textiles, etc., which cause maximum carbon emission. Therefore, the banking sector can play an intermediary role between economic development and environmental protection, for promoting environmentally sustainable and socially responsible investment. Green banking refers to the banking business conducted in such areas and in such a manner that helps the overall reduction of external carbon emission and internal carbon footprint. To aid the reduction of external carbon emission, banks should finance green technology and pollution reducing projects. Green banking is a new concept that considers environmental and socially responsible investing. Green banking is defined as promoting environmental-friendly practices and reducing the carbon footprint from banking activities. In simple words, green banking is a banking that benefits the environment.

Literature Review

Based in Eustis and Clermont Florida USA, First Green Bank is the first bank of its kind to promote positive environmental and social responsibility while operating as a traditional community bank providing excellent service to investors and clients. The progressive approach to the community and the Earth sets it apart from other banks.

A general scanning of literature available in India from different published sources indicates that very few detailed studies have been conducted in India in the field of Banking, particularly in the field of Green Banking. However, many studies have been conducted abroad, particularly in the western developed countries. But these are not very relevant in Indian context. This section reviews empirical literature on Green Banking conducted in country as well as abroad.

Nath, Nayak, and Goel(2014) conducted a study on green banking practices and recommended for change in routine operations of banks by adoption of paperless banking, online banking, and mobile banking, and mass transportation system, green cards made up of recycled plastic. They carried out SWOC analysis wherein, they explained time and cost saving as the major strength, lack of infrastructure, computer illiteracy are the major weakness, opportunities that are available is people are becoming tech-savvy and environmentally conscious, but the major challenge is internet connectivity and moreover no banking practices are not fully secured.

Rajput, Khanna and Kaur (2014) in their study endeavors made by SBI, the market leader in Educational Loans, Auto Loans, and the no.1 home loan, on the road of green banking and sustainable development. The Bank has also been an active participant in wildlife conservation projects like 'Save the Tiger'. State Bank of India has become a signatory investor to the Carbon

Disclosure Project (CDP) to disclose its carbon footprints.

Objectives of study

- To study management of environmental risk and identify opportunities for innovative environment friendly financial products.
- To identify the various strategies for adopting Green banking Approach.
- To understand the concept of green banking.
- To study the issues and challenges faced during the adoption of green banking.
- To understand the sustainable growth of green banking in India.

Methodology

The paper is descriptive and analytical in nature. The present study is based on necessary information collected from both primary and secondary source of data. The primary data like questionnaires (with 100 respondents) in the coastal regions of Karnataka. Secondary sources like Books, Articles, Journals, Newspaper, Web browsing etc., have been used.

WHAT IS GREEN BANKING

Green Banking is not a separate bank. Green Banking means ensuring environment friendly practices in banking sector and thereby reducing internal and external carbon footprints. Banking industry is generally not considered as polluting industry. But it impacts the environment in terms of increasing energy consumption (lighting, air conditioning), paper consumption. A broader view of this is that banking industry is linked to the external environment as it provides funds to others and hence finances their activities. Banks are a source of funds. So they can contribute to environment by ensuring environmentally responsible investment and a carefully evaluated lending.

Green Banking therefore 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. So Green Banking is not only about making sustainable use of resources but also about environment friendly dispensation of credit. A proper scrutiny of all projects that are financed in terms of environment is another major element of Green Banking.

Definition

Green banking can be defined in a number of ways, in a broader perspective, it is the environment-friendly banking practices that promote their customers to reduce the carbon footprint through their banking activities. The Indian Banks Association defines it as “Green Bank functions like a normal bank along with considering the social and environmental factors for the protection of the natural resources”. According to RBI, green banking is to make internal bank processes, physical infrastructure and Information Technology effective towards environment by reducing its negative impact on the environment to the minimum level. The UNEP-FI (2007) states that sustainable bank considers the impacts of its operations, various products and services for

the current as well as future generation. In order to promote reduction in the external carbon emission, the banks should focus on financing the technology and projects that are environment friendly. Green banking aims at improving the operations and technology along with making the clients habits environment friendly in the banking business. It is like normal banking along with consideration for the social as well as environmental factors for protecting the environment. It is the way of conducting the banking business along with considering the social and environmental impacts of its activities. There are other definitions for green banking concept but the central meaning is the same i.e. protecting the environment and resources for future generation by looking for sustainable development. It includes various activities in banks' day to day activity. Green banking includes several products and services like green mortgage, green loans, green credit cards, green savings accounts, green checking accounts, green money markets accounts, mobile banking, online banking, etc. Green Bank provides effective market based solution for addressing a wide range of environmental problems like climate change, deforestation, issues related to air quality and loss of biodiversity. Besides this, it also aims at identifying and creating various opportunities for the benefit of the customers. Banks should prioritize in providing loans to the sectors that promote various environmental protection activities.

Methods of Green Banking

- I. **GO ONLINE:** Online banking is a developing concept; it helps in conservation of natural resources. It saves paper, energy and expenditure of natural resources. It also help customers to save money by avoiding late payments and also save their time.
- II. **USE OF GREEN CHECKING ACCOUNTS:** Customers can check their accounts on ATM. They can avail services including online payment, debit cards and online statements.
- III. **USE OF GREEN CREDIT CARD:** Some of banks use green credit cards; by using it the banks will donate funds to an environment friendly non-profit organization.
- IV. **AVING OF PAPER:** Banks should purchase recycled paper products with highest post-customer waste content. This includes monthly statements, ATM receipts, annual reports, envelopes etc.
- V. **MOBILE BANKING:** By using it customer can check balances, transfer funds or pay bills from the phone. It also helps to save time and energy of the customers.
- VI. **DIRECT PEPOSITS:** Most employers will give employees the option tom receive their paycheck electronically. It saves time, saves paper and lots of paper work.
- VII. **ONLINE (NET) BANKING:** It means customers can perform most of their banking related functions without visiting the banks personally. For this customer must possess an internet banking ID, a password provided by the bank in which customer has an account. Online banking includes use of credit cards, debit cards, online bill payment and electronic fund transfer.

Challenges and Problems

Green banks while adopting green banking face following challenges:

- I. **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.
 - II. **STARTUP FACE:** Many banks in green business are very new and are in startup face, generally it takes 3 to 4 years for a bank to start making money thus it does not help banks during recession.
 - III. **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.
 - IV. **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.
 - V. **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 as a result of uncalculated expenses for capital investment in production facilities, loss of market share and third party claims.
- It's a new concept and customer will take time to adopt this.
 - Green banking requires a technology which will highly costly.
 - It requires renewable and recycling technique which is costly.
 - Data protection is another challenge for the adoption of green banking.
 - Bank employees need training for all this practice.

Data Analysis and Results

➤ Customers Perceptions

Table 1: Basic idea of green banking

| Particular | No. of Responses | Percentage (%) |
|--|------------------|----------------|
| Only cashless economy | 45 | 45 |
| Avoidance of possible pollution | 10 | 10 |
| Promoting environmental activities | 25 | 25 |
| Only creating awareness on environment | 20 | 20 |
| Total | 100 | 100 |

The above table depicts that: Most of the respondents (45%) are believed that Green Banking means only the cashless economy, it is a misconception. And very few know that it is an environmental friendly activity which focuses on avoidance of possible pollution.

Table 2: Main reasons to visit bank branch. (multi optional)

| Particular | No. of Responses | Percentage (%) |
|------------------------|------------------|----------------|
| Deposits | 33 | 33 |
| Balance enquiry | 17 | 17 |
| Withdrawals | 18 | 18 |
| Transfer | 12 | 12 |
| Loan | 05 | 05 |
| Advice for investments | 07 | 07 |
| Other services | 08 | 08 |
| Total | 100 | 100 |

From the above table, we find that, 33% of the respondents visit bank for deposit, because bank is the main source for the deposit. Second priority is on withdrawals and balance enquiry. Respondents who are withdrawing lump sum will visit branch and same as the enquiry. The rest of the respondents are undergone for the remaining activities.

Table 3: Usage of net banking

| Particular | No. of Responses | Percentage (%) |
|--------------------|------------------|----------------|
| Less than 1 month | 15 | 15 |
| 1 to 6 months | 20 | 20 |
| More than 6 months | 15 | 15 |
| Not using | 50 | 50 |
| Total | 100 | 100 |

It is observed that nearly 50% out of 50 respondents are not using the net banking facilities. Only 50% of them using the net banking service which includes 15% of respondents have started recently. This shows that the banks should promote net banking facilities among the people.

Table 4: Used any personal financial management programs (PFMP)

| Particular | No. of Responses | Percentage |
|------------|------------------|------------|
| Yes | 65 | 65 |
| No | 35 | 35 |
| Total | 100 | 100 |

From the above table we can interpret that more than 50% of the respondents are using the personal financial management programs like Paytm, Freecharge, etc.

Table 5: Problems faced while using PFMP

| Particular | No. of Responses | Percentage |
|---|------------------|------------|
| Lack of knowledge | 31 | 31 |
| Lack of confidence in handling | 15 | 15 |
| No direct interaction with second party | 08 | 08 |
| Fear about security | 46 | 46 |
| Total | 100 | 100 |

From the above table we inferred that most of the respondents have fear towards security, some have lack of knowledge. And some are lack of confidence in handling. No direct interaction with second party is also one of the problems.

Table 6: Activities performed in online.

| Particular | No. of Responses | Percentage |
|---|------------------|------------|
| Tax filing | 15 | 15 |
| Purchase and sale of financial products | 10 | 10 |
| Purchases or sale of goods | 55 | 55 |
| None of these | 20 | 20 |
| Total | 100 | 100 |

It is observed from the above table that most of respondents using online for the purpose of purchase or sale of goods. 15% and 10% of them are using for tax filing and purchase and sale of financial products respectively.

Table 7: Problems on adoption of Green Banking (customers)

| Particular | No. of Responses | Percentage (%) |
|--|------------------|----------------|
| Limited scope for personal advice. | 35 | 35 |
| sometimes Problematic for transactions | 10 | 10 |
| Fear about security | 30 | 30 |
| Lack of knowledge | 25 | 25 |
| Total | 100 | 100 |

The above table shows that 35% customers are facing the problems under limited scope for personal advice. 10% are facing problematic transaction. And rest of them are facing the problems on security and knowledge.

➤ **Bankers Perceptions**

The study also includes the banks in the region, for the purpose of clarifying the activities in concern with Green Banking.

As the response given by the bank,

- We found that the bank and bank employees are quite inconvenience towards the adoption of the green banking, as the cost, maintenance, training of employee and understanding the behavior of the customers are the challenges faced.
- The higher authorities are providing with the necessary support to the banks.
- According to the information provided the areas concentrated are like educating the customers on SMS banking, mobile banking and net banking. Along with this they are aiming for the administration works.
- The problems are at the negligible point, which also indicate that the support for the green banking

Findings

- 1) From the survey we found that many people are unaware whole feature, advantages and activity of green banking.
- 2) People are not effectively using computerized banking facilities.
- 3) The data shows that many are having fear about security and less confidence in handling.
- 4) Green banking avoids as much paper work as possible and rely on online or electronic transactions for processing so that we get green credit cards and green mortgages. Less paperwork means less cutting of trees.
- 5) It also involves creating awareness to banking business people about environmental and social responsibility enabling them to do an environmental friendly business practice.
- 6) Green banking as a concept is a proactive and smart way of thinking with a vision for future sustainability.

Suggestion

- Communicate through press and Construct websites and spread the news.
- Impart education through E-learning programmers.
- Bank should enhance security and create awareness among the people.
- Making green banking as part of annual environment reports.
- Training and development of relevant skills among bank employees.

- Banks can introduce green funds for customers who would like to invest in environment friendly projects.
- Bank should change their daily routine work through the paper less banking, online banking, mobile banking, mass-transportation system etc.
- Concept of LEED certified green buildings should be adopted by banking sector
- The bank should start investment in low carbon producing technology and should develop new sustainable development programs to reduce the carbon footprint from the environment.

Conclusion

Green banking is defined as promoting environmental-friendly practices and reducing the carbon footprint from banking activities. It involves use of online banking, mobile banking, green channel counters, e-statement, green loans, solar ATMs etc. i.e. using banking services through online activities. There is an increase in awareness regarding protecting and conserving the environment. Green Banking is an emerging concept here. It integrates management of environment with banking activities and aims at reducing carbon footprints.

It is found from the findings and suggestions that green banking practices would act as a catalyst to banks and financial institutions to further identify their efforts at reducing energy usage and there by contribute their best to the ongoing global efforts on ensuring sustainable development. To conclude with the available opportunities, options and technology, banks need to set their short term and long term green goals, develop their green strategies, and execute their greening activities in phased manner. 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.

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Annexure

Questionnaire for the Customer of the Bank

1. Your idea on green banking?
 - a) Only cashless economy
 - b) Avoidance of possible pollution
 - c) Promoting environmental
 - d) Only creating awareness on environment
 2. What are the main reasons for the visiting bank branch?
 - a) Deposits
 - b) Balance enquiry
 - c) Withdrawals
 - d) Transfer
 - e) Loan
 - f) Advice for investments
 - g) Other services
 3. How long you have been using the net banking?
 - a) Less than 1 month
 - b) 1 to 6 month
 - c) More than 6 months
 - d) Not using
 4. Have you used any personal financial management programs (PFMP)?
 - a) Yes
 - b) No
 5. Problems faced while using PFMP?
 - a) Lack of knowledge
 - b) Lack of confidence in handling
 - c) No direct interaction with second party
 - d) Fear about security
 6. What is the activity performed online by you?
 - a) Tax filing
 - b) Purchase and sale of financial products
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- c) Purchases or sale of goods
 - d) None of these
7. Are any of the problems faced by you while adopting green banking?
- a) Limited scope for personal advice.
 - b) Sometimes problematic for transactions
 - c) Fear about security
 - d) Lack of knowledge

Questionnaire for the Bank

1. What are the problems you are facing from Green Banking?
2. What is the support getting from your higher authority?
3. What are the concentrated areas to implement the green banking? And what are the problems faced while implementation?