

A CONCEPTUAL STUDY ON GREEN BANKING INITIATIVES AND CHALLENGES IN INDIA

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Abstract

Change is the survival of any business organisation. Banking industry is not an exception many reforms taken by the government in mid and late 1990's has forced banks to change and provide service by adopting to Information Technology. Banks which are crucial in any economic environment has to play a crucial role in protecting and to provide eco-friendly environment for sustaining environment from global warming. In realisation of this concept and part of their CSR initiatives banks started adopting to green banking strategies to protect environment. This paper studies the various benefits that are provided by practising green banking and even various challenges that act as a hurdle in implementing the strategies of green banking in our economy.

Key Words: Green Banking, Environment, eco-friendly strategies.

Introduction:

In the progression towards economic development many undesirable effects on environment were created the issues have increased carbon emission, global warming, climate change, green house, flood, drought, tsunami etc. As a result, the quality of environment damaged. Hence sustainable development and preservation of environment has become the prime importance at the global context. So every industry has been taking certain initiatives towards protecting environment even banking industry has also taken various initiatives in form of "Green Banking" towards eco-friendly environment. Post demonetization period Indian government is showing signs towards developing digital payment and cash less transaction which is a part of Green Banking initiative.

Green banking concept might be comparatively a new development to our economy as compared to world. As responsible institutes, banks and financial institutions have a key role to play safeguarding environmental dilapidation through financing environment friendly projects and adopting environment friendly products and services. Green banking basically refers to reducing the usage of internal and external carbon footprints. Internally banks can reduce usage of carbon by adopting technology to reduce the usage of paper and energy. Externally it can provide fiancé to only such projects which are pollutant free and eco-friendly.

Green practices of banks are the efforts of the banking sector to keep the environment green and to minimize greenhouse effects through implementing their strategies, policy, decisions and activities pertaining to banking service, business and in-house operational activities. Thus, green banking is to deliberately promotes green industry, including environmental pollution prevention projects and renewable energy development projects.

Review of Literature:

K.Sudhalakshmi and Dr.K.M.Chinnadorai (2014) in their analysis found that Indianbanks are not taking much initiative in this regard, though they play key rolein India's emerging economy. Banks should go green and play a pro -active role to take environmental and ecological aspects as part of their lending principle, which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems.

Indira C.M (2011) her article has concluded that in our economy Banking institutions play a major role, every small initiative will have a greater impact on the entire environment. Adoption of green banking will mutually benefit the industry, banking and economy and will also facilitate the improving of the assets quality of the banks in future.

Dr.NishikantJha and Shraddha Bhome (2013) their article has stated that green banking was not initiated by the most traditional banks and financial institutions but the changes happening in the world economy strategies related to green banking have become more prevalent, not only among smaller alternative and cooperative banks, but also among diversified financial service providers, asset management firms and insurance companies enabling them to do an environmental friendly business practice.

Dr.DeeptiNarangi (2015) in her study, she found that the Indian banks are running behind the time towards green banking and its implementation this is there is skill gap in the employee's to implement it, if proper training is provided to the employees we can see a sea change as far as green banking activities are concerned in our economy. RBI has to play a proactive role in this regard to change the present climate and move towards green banking initiatives by the Indian Banks.

Dr.GobindaDeka (2015) his study stated that green banking practices are easy, convenient and cost effective for the bank customers, it is even beneficial to the banks because they cause less postage cost and also reduce the workload of the bank personnel. In his study he found that the as far as green banking is concerned Indian banks are far behind their counterparts from developed countries. The common people are yet to come forward to adhere these practice due to lack of awareness. Therefore, banks must literate their customers about the using procedures of green banking practices and adopt all strategies to save earth.

Objectives of the Study:

1. To study concept of 'Green Bank'
2. To know the various benefits to different communities through services of Green Banking.
3. To identify challenges in adopting Green Banking.

Research Methodology:

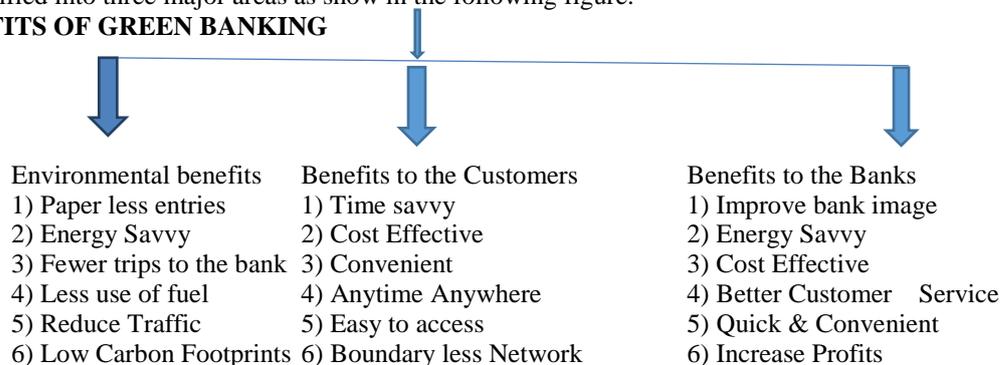
The study focuses on extensive study of secondary data collected from various books, National and international journals, publications from various websites which focused on various aspects of Green Banking Practices.

Benefits of Green Banking:

Green Banking faster, easier and eco-friendly and it is one click banking. It helps to reduce our carbon footprint. Adopting these practices, we can not only reduce our carbon footprint but make our lives simpler and more efficient.

Adopting green banking practices, entities will not only be helping the environment, but will also benefit from greater operational efficiencies, a lower susceptibility to manual faults and fraud, and cost reduction. Benefits of Green Banking can be classified into three major areas as show in the following figure.

BENEFITS OF GREEN BANKING



Other Benefits by adopting Green Banking:

1. **Increase in Productivity of an Employee:** Traditionally bank employees need to spend lot of manual hours to settle the transactions and accounts of their respective customers every daily by reducing their visits to banks and making transactions online the transactions can be updated immediately which will reduce the physical burden of working for additional hours of time at bank in order to settle the day balances which will result in increased morale and job satisfaction of the employees which will show in increased productivity of the concerned banks.
2. **Satisfied Customers:** Round the clock service and reduction of visits to banks physically for transaction's all these various benefits provided by the green banking services will make a customer to get banking services at a click. All these will result in energy and fuel saving to a customer which will satisfy his emotions and will enhance reputation of the bank in which is a having an account.
3. **Benefits to Retailers:** Green banking initiatives will help the retailer to use POS machines which enables them to use NEFT and RTGS to settle the transactions with customers without using paper currency and the same will be available with the banker of the retailer immediately. This helps the retailers to also adopt eco-friendly technology to protect the environment and initiate the process of his contribution towards CSR.

Green banking ensures assured quick payment and settlement to the various transactions made by the traders. It provides a variety of services to the businessmen at par with the international standards with low transaction cost. Cost and risk problems involved in handling cash which are very high in business transactions are avoided. It leads to the growth of global and local clientele base with the development of e-Banking.

4. **Enhanced Goodwill to the Financial Institutions:** Increased productivity of the employees will help the bank to retain the best talent and increase their competencies in the modern business world which is more crucial to sustain and win in the competitive world. Secondly satisfied customers are always a great advantage for any business organisation green banking strategies will enable a customer to avail services of the bank round the clock which increases their productivity which will help the bank to gain a better brand position in the minds of customer to win the market.
5. **CSR Initiatives:** By adopting of green banking practices by the financial institutions particularly in bank will benefit the environment in many ways. Some of the various uses of green banking practices will result savings of energy, fuel, paper as well as water. As for example, use of paperless ATMs, Online Banking, Mobile Banking and Tele-banking will result savings of fuel as well as paper. All these practices are helping towards protecting environment and bank which is a active player in the economy will fulfil its Corporate Social Responsibility initiatives towards eco-friendly environmental practices.

Challenges towards Adopting Green Banking in India:

Banks would face the following challenges or obstacles while implementing the green banking strategies.

1. **High operating cost:** Our country having spread through vast geographical area need to spend more to acquire, retain and train the staff to provide proper services to customers to implement green banking strategies. Higher operating costs is the primary hurdle towards implementing green banking in our country.
2. **Literacy of Customers:** Even today we can see primary education is not been reached to the people in the rural India. So the second major challenge is though the people are literate the banks has to educate the people to use various e-banking services to ensure that green banking is been implemented in our country. This is particularly true in case of rural India where maximum of the population still lives.
3. **Lack of Infrastructure facilities:** India banks are spread throughout the country and they lack with basic infrastructure facilities in that scenario implementation of green banking will become a tedious task for the banks. There are still certain banks operate on traditional or manual operating system. So until all the banks provide full infrastructure to their branches it will be a nightmare to adopt green banking in our economy.
4. **Fear of Security:** Security concern of the transaction's done by the customer is another important obstacle towards adopting green banking. Still the banking cyber law in our country has to be so strong as we can still witness the online frauds particularly in financial service industry that are being happening every day in one or the other places. So the fear of security regarding the online activities are again a major treat towards adopting green banking.
5. **Reputational Risk:** All the above discussed points are few of the important reasons for Indian banks being still far behind their world counter parts. Banks or financial institutions business runs basically on the reputation so in this regard to safeguard their reputations the banks are adopting a green banking in the areas in which they are more comfortable and which reduces the risk of losing the reputation of the banks.

Conclusion:

In the dynamically changing environmental conditions policy measures and initiatives are the need of the hour to promote green banking in our economy. The banking and financial industry has to work towards sustainable development of environment. As far as green banking is concerned, Indian banking industry is far behind their world counter parts and it is the need of the hour to think it seriously for the sustainable growth of the nation. Green Banking concept will be beneficial for both the banking industry but also to many of the stakeholders of the banking and financial industry. Not only the discussed benefits "Green Banking" will also ensure the greening of the industries towards environmental friendly but it will also facilitate in improving the asset quality of the banks in future.

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