



International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

IMPACT OF GREEN BANKING

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ABSTRACT

The objective of the project “**IMPACT ON GREEN BANKING**” is to spread awareness about the concept of “**GREEN BANKING**” and its changes which might brought into the society. **Green banking** is that it protects the environment for future generations. **Green banking** minimizes paperwork to the greatest extent possible and concentrates on electronic transactions such as ATM, mobile banking, and other forms of electronic banking by customers.

KEYWORDS: Tools od green banking, Credit risk, legal risk and reputation risk, carbon footprint.

INTRODUCTION

Green Banking is like a normal bank, which considers all the social and environmental factors; it is also called as an ethical bank. Ethical banks have started with the aim of protecting the environment. These banks are like a normal bank which aims to protect the environment and it is controlled by same authorities as what a traditional bank do. There are many differences compared with normal banking, Green Banks give more weight to environmental factors, their aim is to provide good environmental and social business practice, they check all the factors before lending a loan, whether the project is environmentally friendly and has any implications in the future.

Defining green banking is relatively easy. Green Banking means promoting environmentally friendly practices and reducing your carbon footprint from your banking activities. This comes in many forms

1. Using online banking instead of branch banking.
2. Paying bills online instead of mailing them.
3. Opening accounts at online banks, instead of large multi-branch banks
4. Finding the local bank in your area that is taking the biggest steps to support local green initiatives.

OBJECTIVES

The following things are the objectives of the GREEN BANKING:

- a) To spread the concept of GREEN BANKING to public
- b) To move towards sustainable development
- c) To allocate funds for projects regarding GREEN BANKING
- d) To initiate green revolution and cut down the cost and amount of paperwork through digitalization

IMPORTANCE OF GREEN BANKING:

Like many sustainable alternatives, green banking is important because it tries to combat the environmental and social challenges we're facing. From food to fashion, more of us are facing up to the damage our consumption causes. And the realization that money is at the heart of it all is sinking in. That's a massive win for the global sustainability sector, climate, and natural environment – because greener finance could be key to creating a more sustainable society and future. Following are the risks involved in the GREEN BANKING:

- a) **CREDIT RISK:** The risk associated with the security side of the customer who are applying for the GREEN BANKING fund

- b) **LEGAL RISK:** The risk associated with the eligibility criteria of the customer. This decides the amount of fund can be sanctioned for the customer who are availing for such fund.
- c) **REPUTATION RISK:** The risk which makes the bank to face the reputation risk when they sanctioned fund for the project

PRODUCTS OF GREEN BANKING:

1. **Green mortgages**
2. **Green loans**
3. **Green credit cards**
4. **Green savings accounts**
5. **Green checking accounts**
6. **Green CDs**
7. **Green money market accounts**
8. **Mobile Banking**
9. **Online banking**

RESEARCH METHODOLOGY

The research took place in two phases:

- a) The first phase was an up-to-date literature review on Green Banking and sustainable development in the banking sector and particularly in green banking that identified results, and suggested future steps.
- b) The second phase included data collection about Indian banks through secondary published sources. Secondary published sources were the reports on Green Banking and other relative information published on the banks and other internet sites

STRATEGIES TO GREEN BANKING BY BANKING SECTOR:

Following are the initiatives taken by banking sector in India:

- 1) **DEBIT CARD**
- 2) **CREDIT CARD**
- 3) **UNIFIED PAYMENT INTERFACE**
- 4) **MOBILE BANKING**
- 5) **DEMAT ACCOUNT**

DEBIT CARD:

Debit card is one of the components in green banking. This helps the bank to initiate the green banking concept in India. This card is also called as GREEN CARD. This enables the account holder to withdraw or deposit money in their account without stepping into the bank.

CREDIT CARD:

Credit card is also called as GREEN CARD. The card helps the users to withdraw or use the card even the cash in their respective bank is low or not available.

UPT:

UPI is one of the latest technologies initiated in India. UPI was so helpful the users during the pandemic situation in the year 2020-21. It helps the bank to reduce the circulation of cash in hand with the customer.

MOBILE BANKING:

Mobile banking is the one which helps the customer especially business people to deposit bulk amount of money in single transaction and helps them to transfer such amount to another person's account. RTGS AND NEFT are the components of Mobile Banking.

DEMAT ACCOUNT:

DEMAT account is the one which holds the statement of the consumer in the electronic form. This helps the customer to trade their shares and get details of their shares.

CHALLENGES OF GREEN BANKING:

Following are the challenges faced by GREEN BANKING:

- **OPERATING EXPENSES AND COSTS ARE HIGHER:** Green banks require specialized talent, skills, and expertise as well, due to the kind of customers they are servicing. Employees, such as loan officers, need to have additional background and experience in dealing with green businesses and consumers. Plus, giving breaks to such clients via discounted loan rates can eat at their profit margins
- **PROPER LEGISLATION IS NOT YET FRAMED:** Government must design proper legislation of environmental rules for banks and ensure enforcement. The problems in India are the legislation is not yet framed and, in few cases, things are not strictly enforced, but things can change overnight resulting in major compliance problems for the companies concerned and increased risk for the banks that have lent to them.
- **NON-AUTOMATION OF BUSINESS PROCESS:** Mostly banks are not adopting automation process Banks should conduct energy audits in all their offices for effective energy management using compact fluorescent lighting (CFL) can help banks save on energy consumption considerably.
- **LACK OF ENVIRONMENTAL AUDITS:** Lack of environmental audits are required to determine the environmental status of a facility, property, and operation and to identify regulatory compliance status, past present problems and potential environmental risks and liabilities associated with the project. These should be done by an independent body or by any environment investigation team.

IMPACT OF GREEN BANKING:

Following are the impact of the GREEN BANKING in India:

- a) Reduction in footprint
- b) Reduction in paperwork
- c) Loan for carbon reduction activity
- d) Loan for solar panel installation
- e) Loan for windmill projects

REDUCTION IN FOOTPRINT:

GREEN BANKING helps the ecosystem to reduce the carbon footprints by initiating projects of green banking. It also leads to saving cost to the bank because through automation they can avoid the cost of storage of paper also the cost of courier and vehicle fuel consumption and emissions.

REDUCTION IN PAPERWORK:

GREEN BANKING made the banking sector to reduce the paperwork load into smaller number of quantities. Banks can change their routine operations through recycling programs, paperless banking, using energy efficient resources, and support for community events for reducing pollution and so on.

LOAN FOR CARBON REDUCTION ACTIVITY:

Bank provide loans for the activities which involve the action of reduction of carbon content from the vehicles, heavy plants, and machinery. They also provide loan for maintenance charge of such machines and vehicles.

LOAN FOR SOLAR PANEL POLLUTION:

Bank provide loans to the industries to setup or install the solar panel for generation of electricity from the solar light. Not only for industries but also for households the banks are providing loan for installation.

LOAN FOR WINDMILL PROJECTS:

Bank also provide financial assistance to the projects like setting up of windmills in the region. This step is successive in certain regions in Tamil Nadu. The are windfarms in the district of Ramanathapuram, Nagercoil, Tuticorin, Tirunelveli, Tenkasi, Theni and Tirupur districts.

CONCLUSION

In conclusion, GREEN BANKING is a proactive and smart way of thinking towards future sustainability. Now days it is very important for the banks to adopt green banking for growth of the economy. It helps the government towards the act of reducing the emission of large amount of carbon-dioxide and spreading the concept of GREEN BANKING. The concept has been successfully going around the country and soon the aim of the government in this field can be achieved.

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