


INTERNATIONAL CONFERENCE  
ON  
COMMERCE AND MANAGEMENT IN DIGITAL ERA  
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in Association with  
DEPARTMENT OF COMMERCE  
VIVEKANANDA COLLEGE  
Agastheeswaram

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SERVICES - A STUDY IN NAGERCOIL TOWN for the  
INTERNATIONAL CONFERENCE ON "COMMERCE AND MANAGEMENT IN DIGITAL ERA"  
Organised by Cape Research Forum in Association with Vivekananda College, Agastheeswaram  
at Vivekananda Kendra, Kanyakumari on 19th January 2019.

  
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# COMMERCE AND MANAGEMENT IN DIGITAL ERA

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# CHALLENGES FACED BY GREEN BANKING SERVICES – A STUDY IN NAGERCOIL TOWN

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## **ABSTRACT**

*Change is the need of hour for survival in all spheres. Climate is most complicated issue the world is facing. The world has seen much focus on economic progress, the side effects of this, has resulted in climate change, environmental damage. The banks can play an important role between economic growth and environmental protection. The banking of this kind is termed as "Green Banking". It means combining technology and changing client habits in banking business. Green banking practices will be useful not only for environment but also lead to cost reductions in banking activities. To reduce the external carbon emissions, bank should finance green technology and pollution reducing projects. Green banking is a part of green initiative taken by stakeholders to save environment. This paper has made an attempt to highlight methods, opportunities, challenges and benefits of green banking.*

*Key Words: Challenges, Green Banking Services*

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## **INTRODUCTION**

Enterprises are now interested in implementing strategies that help to address environmental issues. The growing interest of consumer in environmentally friendly goods and services, higher expectations by public, regulatory compliance requirements are some of the reasons to go for green banking. Green banking refers to practices which considers all the social and environmental factors, aims to make use of IT and banking processes with minimal impact on the environment. Green banking will help to improve the asset quality of the banks. Green banking means promoting

environmental friendly practices and reducing your carbon footprint from banking activities. It comes in many forms like:

- Using online banking instead of branch banking.
- Paying bills online instead of mailing them
- Opening up accounts at online banks, instead of multi branch banks.

• Finding local bank in your area that is taking biggest steps in supporting local green initiatives The first green was state bank of India(SBI), India's largest commercial bank, who took initiative in setting high sustainability standards and completed the first step in "green banking" with shri O.P.Bhatt, chairman, SBI, Inaugurating the bank's first wind farm project in Coimbatore. After that green bank initiative include ATMs, paperless banking for customers and building of wind mills in rural India.

### **Green Banking Products**

- (1) Green loans
- (2) Green credit cards
- (3) Green CDs
- (4) Online banking
- (5) Green saving accounts
- (6) Mobile banking

Thus green banking helps to create effective solutions of a range of environmental problems and at the same time identify opportunities that benefit the customers.

### **Methods in Green Banking**

#### **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.

#### **Use of Green Checking Accounts**

Customers can check their accounts on ATM. They can avail services including online payment, debit cards and online statements.

### **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.

### **Saving of Paper**

Banks should purchase recycled paper products with highest post-customer waste content. This includes monthly statements, ATM receipts, annual reports, envelopes etc.

### **Mobile Banking**

By using it customer can check balances, transfer funds or pay bills from the phone. It also help to save time and energy of the customers.

### **Direct Deposits**

Most employers will give employees the option to receive their paycheck electronically. It saves time, saves paper and lots of paper work.

### **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.

### **Opportunities For Green Banking**

#### **A. GREEN PROCESSES:**

A Green bank requires each of its functional units and activities to be green- environmental friendly and help for sustainable development. Some of opportunities are:

#### **SUPPLY CHAIN MANAGEMENT**

- (i) Adopt techniques and plans to minimize inventory wastage
- (ii) Adopt carbon footprint design

#### **CUSTOMER RELATIONSHIP MANAGEMENT**

- (i) using electronic means to maintain contact and correspond with customers

## ENTERPRISE RESOURCE MANAGEMENT

- (i) Promoting paperless transactions
  - (ii) Adopting techniques for workforce and parts optimization
- ### GREEN BANKING STRATEGIES:

Create financial products and services that support commercial development with environmental benefits.

\* Stakeholders should also be engaged and create awareness about environmental issues and necessity of green banking services.

\* Adopting environmentally sustainable technologies should not be considered as financial burden by the banks rather it should be considered as new opportunity for higher profits. It will help the banks to fulfil their objectives and social responsibility.

\* Banks should conduct energy audits and assess the IT's environment cost and impact and identify the areas which needed to be green.

\* Encourage, motivate the workforce to follow green practices and also encourage the clients, suppliers to adopt green practices.

Method, Population, Samples  
**Table 1 Green Banking Initiatives Provided by the Bank-Wise Classification of the Respondents**

Sl.No	Green Banking Initiatives	Aware	Neutral	Not Aware	Total	Average Mean	Rank
1.	Green Banking	42 (126)	21 (42)	7 (7)	175	2.5	I
2.	Online Bill Payment	21 (63)	42 (84)	7 (7)	154	2.2	IV
3.	Facility of E-Statement Registration	14 (42)	7 (14)	49 (49)	105	1.5	IX
4.	Cash Deposit System	35 (105)	21 (42)	14 (14)	161	2.3	III
5.	Reduced Wastages of paper and energy through Net Banking Approach	21 (63)	21 (42)	28 (28)	133	1.9	VII

6	Use of Solar Powered ATMs	14 (42)	42 (84)	14 (14)	140	2	VI
7	Using Recycle paper or recycle waste	21 (63)	35 (70)	14 (14)	147	2.1	V
8	Green mortgages	35 (105)	28 (56)	7 (7)	168	2.4	II
9	E-Investment Service	35 (105)	21 (42)	14 (14)	161	2.3	III
10	Conducting workshops and seminars for green banking	21 (63)	42 (84)	7 (7)	154	2.2	IV
11	Green Loans	7 (21)	35 (70)	28 (28)	119	1.7	VIII
12	Providing recyclable debit cards and credit cards	14 (42)	21 (42)	35 (35)	119	1.7	VIII

*Source: Primary data*

Green banking initiatives provided by the bank, sample respondents are green banking; green mortgages and Cash deposit system and E- Investment service, online bill payment and conducting workshops and seminars for green banking. Highly weighted mean score of 2.5, 2.4, 2.3 and 2.2 respectively using recycle paper or recycle waste, use of solar powered ATMs, reduced wastages of paper and energy through Net Banking Approach, Green Loans and providing recyclable debit cards and credit cards and facility of E- Statement Registration least weighted average mean score of 2.1, 2, 1.9, 1.7 and 1.5 respectively.

**Benefits of Going Green Banking Offers the Following Benefits**

(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 of trees.

(2) Green ethical banks adopt environmental standards for lending which would benefit future generations.

(3) Green banks gives more importance to environmental friendly factors like ecological gains thus interest on loan is comparatively less.

(4) Free electronic bill payment services.

(5) Online account opening form for opening green account.

(6) Cash back will be credited to all new customers, opening "green accounts".

### Challenges of Green Banking

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( Heim, G et al, 2005)

#### 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.

### **CONCLUSION & SUGGESTION**

There is an urgent need to create awareness and follow green banking in today's business world of innovative technologies so as to make our environment human friendly. Green banking if implemented sincerely opens up new markets and avenues for product differentiation. In India there has not been much initiative in this regard by banks and financial institutions. They are not as green as foreign banks. As initially, these commitments will cause a huge financial burden for Indian banks. For effective adoption of green banking, the RBI and the Indian government should play major role and formulate green policy guidelines and financial incentive.

#### **Some Suggestions for the Banks to Encourage Green Banking Are**

- Communicate through press
- Construct websites and spread the news
- Impart education through E-learning programmers
- Making green banking as part of annual environment reports
- Training and development of relevant skills among bank employees
- Banks may formulate innovative financial solutions to incorporate environmental perspective
- Banks can introduce green funds for customers who would like to invest in environment friendly projects.

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