

Innovation Green Banking in Banking Service (Electronic Banking)

Resi Juariah Susanto

STIE EKUITAS, Jalan PHH Mustofa No. 31 Bandung, Indonesia

resi.juariah@ekuitas.ac.id

Abstract-The concern about environment is now even more intensive than some time before. This concern comes from various organizations, one of them is from the bank bringing the idea of Green Banking. Green banking is an environmentally friendly bank activity by considering three aspects: 3Ps (profit, planet and people). There are two points of view in defining Green Banking. First, Green banking is in the implementation of credit or financing intended for entrepreneurs who are friendly to the environment. This is generally given to the SMEs as well as to agricultural and plantation sector. Second, there is also a thought that Green Banking is the bank using environmentally friendly tools in its banking activities.

This paper is aimed at analyzing the relationship between the electronic banking as operational support and the improvement of customer service. The bank can also facilitate and be more environmentally friendly for example by reducing paper in each transaction or using recycled materials. Thus, this increases the bank's service quality perceived by the customer.

This is a qualitative research using descriptive method and the analysis is based on the study of literature. The results of this research paper are intended for the banks who want to implement or have implemented Green Banking, for which the knowledge of this Green Banking is believed to increase service quality.

Key note: Green Banking, Innovation, Banking Service

A. Introduction

Currently green banking is an issue that is being discussed in a crowded banking world from the viewpoint of various aspects of green banking. The aspects of green banking can be a green marketing, green financing, green operations and so on. Green banking itself is something pertaining to the 3p ie people, planet and profit where their savings and also be environmentally friendly activities. Green banking activities in its own banking operations in terms usually change of habits of use of materials of paper to electronic transactions. Electronic transactions contained in banks in general, ie transactions at ATM machines, mobile banking and internet banking. Aside from saving paper material also saves fuel by mean when in the earlier period consumers abuzz with the bank approached the vehicle but today consumers can transact at home or in a

place where it is good consumer homes, offices and even on the road though

In green banking can be explained again about green marketing green marketing which can save in terms of advertising spending due to the use of green marketing in use today is in terms of informative websites are also usually the main page or the so-called home usually includes advertising or promotion that is being took place at that time or in that period.

Meanwhile, here in green financing bank made a self-defense in the operations so that the ability of banks to pay the risks safer and more secure long-term debt in the sense of not bankrupt. Green operations where operational green taken here is in terms of innovation. Innovation is often used today is from the corner in the form of electronic banking ATMs, internet banking and mobile banking. The products here savings in terms of money and activities. Electronic banking products to make savings in terms of reduction of the deposit slip (paper), the reduction of fuel emissions (the consumer does not need to come to the bank using the vehicle), do not need such a long queue at the teller, can do a lot of transactions in one activity (toll payments, telephone, electricity, etc.), in terms of the price of both banks and consumers do not need to spend a lot of money for the operations of the bank's activities.

Green banking activity is highly influential on the environment make the air cleaner vehicles effect of customers who will go to the bank also reduces paper waste and reduction of logging for kertas.keuntungan received by the people is to reduce the activities go to the bank just to transact.

B. Literature Review

Definition of green banking is also diverse, including green banking assume that similar to the ethical bank, where the bank has a social responsibility to the environment (Marzio, 2007). Actually, term green banking has a broader scope than just green, which is associated with the development environment. However, the term also cover community development towards a better social life. The basic principle of green banking is an effort to strengthen the bank's risk management capabilities, especially related to the environment and to encourage

banks to increase financing portfolio of environmental friendly such as renewable energy, energy efficiency, organic agriculture, eco-tourism, environmentally friendly transportation, and various eco-label products. (Yuniarti, 2013)

Green marketing is used to express a responsible corporate marketing activity which regards environmental issues as the opportunities for further developing and growing, and validates them in all operation areas. In other words, green marketing consists of all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, while integrating all short- and long-term, direct and indirect environmental implications of these exchanges, and minimizing the negative environmental implications of these exchanges (Polonsky 2000).

Green banking is becoming a long-term business strategy, which in addition to the pursuit of profit is also building sustainability in nature and society. From here, it can be explained that green banking is marketing in the banking sphere. Marketing is based on the values and the human spirit and not just the pursuit of profit, but also care for people and the planet. (Yuniarti, 2013)

The principle of sustainable development should ensure that the balance between economic development, social life, and environmental preservation (profit, people, planet). In this context of financial institutions became one of the important pillars in the mainstream of sustainable development, so as to contribute actively to the protection and management of the environment. Green banking policy will be poured into bank regulation that will ensure the bank as a financial institution to consider the principles of sustainable development and improve the ability to manage credit risk impact on the environment. (Yuniarti, 2013)

In a word we can say that green banking refers to the attempt of the banking sector to consider social, ecological and environmental factors with an aim to protect the environment and conserve natural resources. The banking sector plays a major role in financing investment for commercial projects, which is one of the most important economic activities for economic growth. Hence, by taking various measures to save the environment the banking sector can play a crucial role in promoting environmentally sustainable and socially responsible investment. As such, Green Banking is also known as Ethical Banking and Sustainable Banking. The purpose of green banking initiatives taken by the central bank is to ascertain required measures to save the environment and reduce pollution while serving or financing our customers and improve in-house environment management through efficient and effective use of resources in all the branches and head offices of the banks. (proquest report, 2015)

Green banking, which considers all the social and environmental factors, is also called "ethical banking". Ethical banks started with the aim of protecting the environment. These banks are like normal banks that aim to

protect the environment and are controlled by the same authorities. Green banking, compared to normal banking, attaches more importance to environmental factors. Its aim is to provide good environmental and social business practices. It checks all the factors before considering a loan whether the project is environment-friendly and has any implications on the future of people and planet. One would be awarded a loan only when all environmental safety standards are followed. Basically, green banking avoids as much as paper work as possible- from go-green credit cards and go-green mortgages to all transactions done online. It creates awareness around business people about environmental and social responsibility, enabling them to adopt environment friendly business practices, and follows environmental standards for lending. When a person is awarded a loan, the interest is less than normal banks because ethical banks give more importance to environment-friendly factors – they do not operate with high interest rates only. Over all, green banking is a good way of making people aware of global warming. Each businessman will contribute to the environment and make this earth a better place to live and enjoy. (Rashid, 2015)

By implementing this policy banks intend to accomplish certain definite objectives which are: (1) Increase goodwill or improve brand image by showing their commitment to save and protect the environment; (2) reduce giving loans to certain environmentally harmful projects; (3) check the necessary environmental due diligence factors before lending a loan/investment; (4) make efficient and effective use of resources and channel financing in an environment friendly manner; (5) introducing new technology in banking operations that would not only benefit our customers but also increase the productivity of our employees; (6) reduce carbon foot print in all branches and head offices of all bank; and (7) create awareness amongst the stakeholders about environmental and social responsibility enabling them to adopt environmental friendly business practices. (proquest report, 2015)

Green Economy is one whose growth in income and employment is driven by public and private investments that reduce carbon emissions and pollution, enhance and resource efficiency, and prevent the loss of biodiversity and ecosystem services. These investments need to be catalysed and supported by targeted public expenditure, policy reforms and regulation changes. This is why green banking initiatives by all banks are a moral obligation to save the people. And the time has come for all lenders to "go green" and "think green" by setting their mindset taking remarkable footsteps through successful green banking initiatives. (proquest report, 2015)

C. Research Method

Green banking in banking service include many aspect and we can see how the green banking making great service to consumer and making great innovation. This

research is a qualitative and descriptive research using literature study as the method of analysis.

D. Result and Discussion

Green benefits of online banking by vilano (2011:38) it should come as no surprise that the financial industry represents a significant percentage of paper use worldwide. But according to PayItGreen, a consortium of financial companies designed to promote electronic banking, the numbers are downright staggering. In one year, by switching from paper to electronic billing, statements and payments, the average American household would save 6,6 pounds of paper, eliminate 171 pounds of paper of greenhouse gas emissions, avoid the release of 63 gallons of wastewater into the environment and forgo the need for 4,5 gallons of gasoline to mail paper items.

The main goal of green marketing is to transform environmental benefits to competitive advantages through the creation and selling of new, greener products and services. Green marketing also helps corporations to find new ways and methods for satisfying existing market necessities or generating them, to achieve leader position in the competition, and to increase environmental awareness inside and outside of the given corporation. (Pinter, Deutsch & Ottmar: 2006)

Internet banking it has given banks a wider reach at a marginally higher cost and has helped improve customer experience by providing banking services at their fingertips. Customers can now handle transactions like payments, remittances, trading, wealth management and portfolio management online. This has significantly reduce customer footprint at the branches. (manohar & kumar, 2013)

Mobile banking make customer can check their account balance, transfer funds 24 x 7, bill payments, booking of bus/flight tickets, recharge prepaid mobile and do a lot more effortlessly and securely. Banking through cell phone benefits the banks too. It cuts down on the cost of tele-banking and is more economical. (manohar & kumar, 2013)

ATM is designed to perform the most important function of bank. It is operated by plastic card with its special features. The plastic card is replacing cheque, personal attendance of the customer, banking hours restrictions and paper based verification. ATM itself can provide information about customers account and also receive instructions from customers/ATM card holders. (manohar & kumar, 2013)

The banking operation and investment by financial institutions should take care of environmental management of these polluting industries by improving the overall environment, the quality and conservation of life, level of efficiency in using materials and energy, quality of services and products. (sahoo and nayak, 2008)

The adoption of green banking strategies will help the bank to deal with these risks involved in their business operation. To manage environmental risk, the banks have to design proper environmental management systems to evaluate the risks involved in the investment projects. The risks can be internalized by introducing differential interest rates and other techniques. Moreover, bank can withdraw itself from financing high-risk projects. The second component of green banking entails creating financial products and services that support commercial development with environmental benefits. These includes investment in renewable energy projects, biodiversity conservation, energy efficiency, investment in cleaner production process and technologies, bonds and mutual funds meant for environmental investment etc. (sahoo and nayak, 2008)

In Chadical and Misra (2015) a bank is a financial institution engaged in so many financial transactions and activities through its website, like monetary transactions, manage banking campaigns, helping an enterprise to identify and target their best customers, formation of individualized relationships with customers, customer satisfaction and maximizing profits etc. Website of the banks is ensuring its e-service quality by supporting the customers in their banking transactions with which the customer feel better relationship management through the institutional website. Internet banking, online banking or website based banking services concepts are new in emerging country like india and are poised to change the face of banking services. The diffusion of new technologies with user-friendly service dissemination models is supposed to improve the banking services and developing customer relationship. Service quality is found to be a strong predictor of customer satisfaction (Cronin and Taylor, 1992; Cronin et al., 2000; Dabholkar et al., 2000; Spreng and Mackoy, 1996). In traditional retail banking service quality dimensions of relational performance, core performance and features performance were found to be significant predictors of customer satisfaction (Levesque and McDougall, 1996). Various studies have been conducted in similar area, where in banking service quality dimensions have been tested as predictors of customer satisfactions (kreppa et al., 2003; McDougall and Levesque, 2000; Ndubisi and Wah, 2005). In case of automated banking service quality dimensions have been found to affect customer satisfaction (Al-Hawari and Ward, 2006)

Green banking can be efficiently implemented through the use of technology. A bank can make improvement in the operational area by replacing the daily courier service with scans and electronic delivery. Employees can be sent paychecks and reimbursement checks electronically to save paper. Implementation of online banking system can also lead to an increase in customer convenience, reduction in the costs incurred by the banks and an improvement in the banking performance. (Chadical and Misra, 2015)

Green banking functions in two ways. First, it concentrates on the green renovation of the inner operations

of all banks. It defines that banks, in their activities, must implement proper ways of utilising renewable energy, turn to computerisation and additional procedures to reduce carbon dependence. Second, all banks must agree to ecologically sensible financing, emphasising ecological hazards of assignments before making funding judgements. Online fund transfers, paying bills online, remote deposit and online statements are presently a few steps towards green banking. Online banking may generate savings from less paper, less power, and less expenses of natural assets from banking activities. Any of these individual banking performances can assist in environmental protection. (shamir, 2015)

Yuniarti, Sari. 2013. Peran Perbankan Dalam Implementasi Bisnis Hijau dan Pembangunan Berkelanjutan. *Jurnal Keuangan dan Perbankan*

E. Conclusions

That green banking is a program that is beneficial for all parties concerned both banks, consumers and the environment, because of the presence of green banking makes the whole aspect of being more concerned about saving raw materials, especially paper and fuel for transportation, so the presence of green banking, environmental conditions more awake again and also allows consumers to access their needs with their electronic banking.

F. References

- Polonsky, M. J. (2000): Green marketing
- Pinter, Eva. Deutsch, Nikolett. Ottmar, Zoltan. (2006) New Direction Line of Sustainable Development and Marketing in Green Banking. Social Science Research Network
- Marzio, R. 2007. Green Banks, Ethical Banks, Seed Banks: Too Many Eco Something Banks?. Covalence Analyst Papers. Geneva: Covalence SA.]
- B. Manohar, CH. Vijaya Kumar. 2013. Green Banking : Bye-bye cheques, hello electronic payments. Vol 1 pg. 60
- Chadichal, Shilpa Santosh. Misra, Sheelan. 2015. Exploring Web Based Servqual Dimensions In Green Baning Services Impact on Developing e-CRM. ProQuest
- ProQuest Report. 2015. Green Banking: Go Green, Think Green. ProQuest
- Rashid, Mamun. 2015. Green Banking. ProQuest
- Shamir, Ahmed. 2015. Green Banking for Sound Environment. ProQuest
- Sahoo, Pravakar. Nayak, Bibhu Prasad. 2008. Green Banking in India. *Indian Economic Journal*