

Exploring the Impact of Green Banking during Pandemic

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Abstract

Pandemics affect the people and the nations on the whole on the global level whether in terms of finances, health concerns or crisis in the normal living. The recent encounter with the pandemic was with the catastrophic, unpredictable and uncontrolled spread of Covid-19 throughout the world, which resulted in never seen before lockdowns and immense burden on healthcare as well as financial systems of all the countries. This has severely affected the economies of different countries and lives of their people. But the path of recovery towards a new normal is a balance between the social and medical well-being and the economic growth. In this paper, we aim to discuss the impact of the pandemic, specifically Covid-19 on the finance system of a country and how the acceptance of the concept of green banking can help in coping up the economic and financial slowdown in the lives of the people by easing the banking system. Here, we will also be discussing the popular green banking techniques which were of great importance in the times of pandemic so that they can be included in our regime to achieve the new normal in the post pandemic era.

Keywords: *Pandemic, Financial Slowdown, Green Banking, New Normal*

Introduction

The pandemic is an outbreak of any disease which generally engulfs a whole country or the entire world at once. Recently, the world is facing such a pandemic in the form of Covid-19, which is the spread of infectious corona virus that has caused millions of deaths around the world. All the countries across the world have taken their own measures to deal with the situation. India, also has taken several measures to contain the impact of the pandemic including countrywide lockdowns, shutting down of public places and transport facilities, limiting the assembly of large numbers of people at a place and their movement from one place to another, maintaining safe distances and last of all working from home. But, the effects of this pandemic will be long lasting. The

economic disruption in the country is enormous and there is decline in businesses at both small and large scale.

The major sectors that are worst hit by Covid-19 pandemic are the manufacturing sector, retail, automobile, aviation, hospitality and last but not the least, the banking sector. Banking services in India come under the essential services list, but because of that the banking and the financial institutions have been under immense pressure to make the situation normal and to cater to the needs of the public as well as the businesses. The pandemic has made us realize that there is a need of digitizing and optimizing the bank-end operations of the banks. It is high time for the Indian banks to move away from the traditional way of banking towards implementing green banking

techniques to deal with the crisis (Zhang et. al., 2021).

Green banking is known to solve environmental problems and has proved to be a blessing in disguise to deal with the ongoing pandemic in the country. The green banking practices has helped the people a lot in the times of lockdowns as they were not required to postpone their bank related works. These practices have helped to attain no crowd, paperless works while maintaining prescribed social distance, saving time, lower cost and saving the environment. The contribution of green banking in saving the environment as well as the people's health along with the effort to uplift the economy of the country is tremendous (Perwej, 2020). Hence, the green banking practices are essential not only during the occurrence of any pandemic but also essential for man-made environmental crisis situations. Green banking, as the name itself implies, is promoting banking practices which are environment friendly and helps to reduce the carbon footprints because of different banking activities. In a simpler way, green banking can be defined as a form of banking which guarantees less utilization of natural resources and optimal reduction in carbon footprints (Bihari et. al, 2015). Some of the major green banking products that can help to fulfill the intended motives include:

- Green financing which includes green automobile loans and green architectural loans with interest rates lower than the regular average interest rates.
- Green and energy efficient mortgages mainly targeting green buildings.
- Green credit and debit cards that could help to monitor and manage consumption of goods and services that contribute green house gases in the environment.
- Green home equity loans to facilitate the customers to make a home that is more energy efficient with interest rates lower than the regular home equity loans.
- Green certificates of deposits (CDs) using money invested in energy efficient, pro environmental projects.

- Green insurances which not only covers people in case of any injury or damage, but that also protects our environment.

Also, there are several opportunities for a bank to make its functional units and activities green (Murugan et. al, 2021). Some of these are:

- **Supply chain management:** SCM is the management of flow of goods or services in the market. In this, different techniques and plans can be adopted to minimize the inventory and wastage.
- **Enterprise resource management:** This type of application is used to collect, store, manage and interpret the data regarding different business activities. This facilitates paperless transactions and optimization techniques can also be deployed.
- **Sourcing and procurement:** Sourcing and procurement involves such practices which are aimed at finding, evaluating and getting suppliers from which goods or services can be acquired. These activities can also be outsourced to attain sustainability rating for products, services and operations.
- **Customer relationship management:** CRM helps in managing the interaction between the customer and the service provider. The system of CRM can be so designed that the information can be compiled from different communication channels like website, telephone, email, chat, social media etc.
- **Product lifecycle management:** Different banking products and services can be designed and offered so as to consume less energy thus reducing the carbon footprints. Also, effective systems can be implemented for product end of life management with minimal negative impact on the environment.

But there are some challenges as well which the banks can face in their journey towards going green (Murugan et. al, 2021). Some of these challenges include:

1. **Reputational risk:** If a bank somehow gets involved in any activity which is damaging the environment, then they will lose their reputation in the business market.

2. Credit risk: This type of risk arises if the bank has lent to the customers whose businesses are affected by change in environmental regulations and new requirements floated regarding emissions levels.

3. High operational cost: Green banks require experienced staff so that green banking compliances can be done and proper services can be given to the customers.

4. Heterogeneity problem: The green banks restrict their business to some specific business entities only. This will result in limited customers for the banks and a smaller base to support them.

5. Prone to recession: Most of the banks are new to the green businesses and are still in the startup phase. Thus, the banks lack a strong base which does not help them in the times of recession.

Further Mishra et. al. (2021) studied the practices regarding green human resource management in the leading Indian banks during the pandemic of Covid-19. All the Indian banks have adopted Green banking nowadays and have focused their human resources using practices of green human resource management in their business model. The importance of the need of Green Human resource management was felt even more during the time of the Covid-19 in which the new culture of working was work from home and working over digital platforms. Both private and public sector leading banks in the country like SBI, Axis bank and HDFC banks were among the ones to adopt practices for this purpose. The findings of the study show that on adopting practices for green HRM, there has been improvement in the effectiveness of digital banking and implementation of "Work from home" culture, training exercises for the banking staff and better performance management.

Srividya et. al. (2021) conducted a similar study on the green banking practices in India during Covid-19. From the studies it has been seen that green banking practices play a very important role for everyone especially in the times of pandemic. At the time of Covid-19, green banking practices have helped in catering the needs of different customers at remote places with different needs.

The green banking practices has facilitated the customers especially during the lockdown period as they were able to complete their bank related works without any delay. In this study, it has been concluded that there is a need for the banks to focus on measures that would help to mend the effect of the pandemic and to fill the financial gap. Barua et. al. (2020) conducted research on the implications of the recent pandemic on the banks and how it has weakened the financial system of an emerging economy like India. The pandemic has generated multifaceted crisis for the banks with the increase in number of defaults. And it was found to be worse in the developing economies where the architecture of the financial system is way too weak. In this paper, the author analyzed the impact of the pandemic on three dimensions i.e., the capital adequacy, firm value and the income from the interests of NPLs using a stress testing model on the banking system of Bangladesh. It was found that the larger banks were relatively more vulnerable and the decline in all the three dimensions will be larger if the NPL shocks become larger.

Perwej (2020) in his work analyzed the impact of the pandemic that recently hit all the countries worldwide i.e., the COVID-19 on the banking system in India. This includes the sudden fall in demand as the incomes of the people got lowered and the shutdown of the productions. Also, the situation got aggravated because of shortage of the staff at the workplace, digital immaturity of the customers as well as the banking officials and the pressure which came suddenly on the existing infrastructure to cope up the effects of the pandemic on the financial sector. In the research, it was concluded that to manage the direct impact of the pandemic on the economic sector of the country, it is important for the banks to have an action plan to protect their personnel as well as the customers from its spread.

Some of the influence areas of Covid-19 include digitalization of all the activities of the banks in the country, service and guidance to the customers, credit management, pressure to boost the revenue, changing habits of the customers etc. As

banks are the heart of the economy, it is crucial to keep the system running amid this scenario of widespread pandemic. Ramasamy (2020) also conducted an impact analysis in banking, insurance and financial services industry due to the pandemic of covid-19. From the studies it was found out that India was the third most hit country in the world if we talk about the recent pandemic. The author in this study talked about different factors like worldwide lockdowns, moratorium and their impact on the banking, insurance and on the financial sector on the whole.

The impact on the BFSI sector was seen in the areas like more usage of moratorium by the people who were left jobless or had less salary during the pandemic. Also, loan EMIs and funds recovery from the default customers had also been affected. There was also an impact on the personal loans as being a risky investment it was put on hold or increased rate of interest by most of the banks and finance companies during this period. Many bank branches were forced to close due to various restrictions and shortage of employees which also impacted the regular banking activities like deposits, withdrawals, loans, other miscellaneous operations as well. The pandemic also led to an increase in cyber crimes as banks were forced to develop communications with the customers through internet and mobiles. As not every customer is well aware of the advisories from the banks, it has become a very risky area.

Material and Method

The data for the research that is to be undertaken in this paper is based on the secondary research sources like available literature, reports and data. The surroundings have been analyzed to get the experiences of the people who dealt with the recent lockdowns caused by the pandemic of Covid-19. Also, the literature of the people who have worked or researched the similar aspect of the pandemics have also been studied. This includes some authors like Mishra et. al. (2021), Srividya et. al. (2021), Zhang et. al (2021), Barua et. al. (2020), Perwej (2020), Ramasamy (2020), Dey (2020) and others. The ultimate aim is to get the perspective of the people associated regarding

the green banking techniques implemented by different banks based on some parameters and to find out if these techniques have helped to ease the situation or not and to what extent.

Research Information

Secondary Research data

Impact on satisfaction level of the customers:

Adoption of green banking practices resulted in increased level of satisfaction for the customers as they were able to avail the required services without the need to postpone their works. More and more people have opted for mobile banking and Internet banking facilities. There is an increase in the trend of online banking from 25% to 45% (Ramasamy, 2020). Earlier some people were unaware of the use of the technology which caused hindrance in their movement towards going digital but the pandemic has compelled the customers to indulge in the online banking services. This has motivated them to procure knowledge regarding the use of technology and using banking facilities through digital platforms (Arif et. al., 2021).

Impact on ease of using the banking services for the customers:

Green banking practices have helped to bring the banking services at the doorstep for the customers even at remote places to fulfill their individual needs. Customers were able to avail most of the banking facilities even during lockdown. Because of green banking practices, the customers were not required to stand in crowded bank branches (Ramasamy, 2020). Although people are more inclined towards these banking practices nowadays because of their more awareness of the technology, especially during the pandemic it became mandatory for all of us to act friendly for the environment as well.

Impact on ease of serving the customers by the banking officials:

The green practices of banking have helped the banking officials as well by digitizing the services provided by them. The largest bank of the country, SBI has seen an increase in online banking by almost 20% (Perwej, 2020). People went to the physical branches of the banks only for the services like clearance of cheques, depositing money etc. This has helped

the banks to maintain the hygiene in the banks and they were able to adopt the pandemic norms efficiently (Mishra et. al., 2021). Due to fewer crowds, the banking officials were able to keep themselves safe and also were able to serve the individual customers more effectively and with ease.

Impact on the profitability of the banks:

During the pandemic, the country has witnessed economic slowdown to a whole new level. In the period of 2018-2020, the GDP growth rate of the country dropped from 8.2% to 3.1% at the end of March 2020. Also, in the next financial year, the GDP rate even became negative which was the worst in the history ever (Srividya et. al, 2021). But with the increase in the application of green banking practices, the economy started recovering from the slowdown. The green banking practices like Green mortgages, Green bonds etc. helped the banks to be back on track and hence increased their profitability even in the times of vilest slowdowns (Cojoianu et. al., 2021).

Impact on Environmental Sustainability:

Banking system is considered one of the most polluting sectors whether it comes to the level of carbon emissions, wastage of paper or other types of pollution (Dipika, 2015). After the pandemic, society has started to realize the importance of environmental issues as well. The pandemic has called for a comprehensive response for all the environmental issues. The problems such as global warming can only be dealt with by going green (Zhang et. al., 2021). Hence, adoption of different green banking practices has also helped to encourage the sustainability of the environment in the country.

Findings and Discussion

On the basis of the study undertaken, it has been found that Green banking has helped a lot in coping up with making the economy move by facilitating a lot of banking facilities without which the finances of the entire country would have come to a standstill. Green banking techniques not only helps in ensuring environmental sustainability but also has helped to keep up the pace during the time when there were restrictions of movement, social distancing, and reduced manpower at the

workplace. Some of the green banking techniques which had a positive impact on the banking system during the pandemic are:

- Increased customer satisfaction as people were able to borrow money and make payments through mobile banking and Internet banking without the need to commute from one place to another. Auto payment of ongoing loan EMIs has also been facilitated through online mode (Ramasamy, 2020).
- Even people looking for investments in such a time were able to do so with the help of Green bonds, IPOs, mutual funds etc (Arif et. al., 2021).
- The financial institutions are able to serve the customers better as now they can help the people to stay at home so as to check the spread of the pandemic even further and have helped to gain control over it.
- This has helped the banking business to be back on track.
- People have started paying heed to the environmental issues as well.

If we talk about the other perceptive of green banking, in lack of knowledge, this made people more prone to the cyber thefts and frauds (Kaftan et. al, 2021). But this has also made the existing infrastructure to realize the need of improvement so that the situation can be better handled in the future.

Conclusion

From the study, it seems that life and the world cannot be the same as it was before the pandemic. So, it is high time for all of us to accept the current scenario as the new normal for the things to be and to work accordingly. The pandemic has taught us to identify the problems and focus on their solutions. The major focus remains to make the financial sector as normal as can be and as early as possible. And for this, banks need to take the required measures to fill the financial gaps. Hence, it is time to realize that green banking can play a very important role in helping the associated people to stay at home and be safe. It is the right time for everyone to go green and promote

sustainability of nature by implementing more and more green banking practices in our daily lives.

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