

# Fintech – A Step Towards Green Banking

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## Abstract

*Green banking is a recent idea used in the banking segment that offers reducing carbon footprints, investments in renewable energy projects, green building, planting trees, and cutting down on paper usage by using various financial technologies and digital platforms. Fintech plays a major role in promoting green banking by shifting cash-based transactions into digital ones by using various digital apps like Google Pay, Paytm, PhonePe, BHIM, etc., which can contribute to reducing the environmental footprint. Fintech helps customers use their account anytime, anywhere, to check their bank balance and transfer funds from one bank account to another without visiting the branch bank. That will induce the banks to promote paperless transactions based on the "green banking" concept. The paper focuses on concept of fintech in banks, benefits and fintech methods used in green banking.*

**Keywords: Fintech, Green Banking and Paperless Transaction**

## Introduction

Fintech is a key part of the digital platforms that allow customers to receive their banking services from anytime, anywhere and making physical branches less important. The bank thinks that every small step we take today will have an effect on the future. Banks have the potential to engage in "green banking" practices, which involve employing various financial instruments to promote societal and ecological considerations aimed at environmental preservation and the sustainable management of natural resources. This can be achieved through the adoption of online banking platforms, the utilization of video conferencing for customer communication, and the provision of online account opening services as an alternative to in-person visits to local branches. Banking institutions can actively promote eco-friendly practices like green lending, green car loans, green building, etc. to reduce their carbon footprints both inside and outside the bank. Fintech is good for the environment, helps the economy grow, and brings people together. It helps to change the way banks work so that they are better and more sustainable in the future by using a variety of new methods and technologies.

## **Review of Literature**

Dr. S. Chandrasekaran & Sri. M. Narayanan (2020) explain how green banking activities make it possible through the adoption of e-banking for waste recycling, water treatment plants, rainwater harvesting, solar-powered equipment, green building construction, and so on. Due to their lack of trust in online purchases, a wider range of customers choose cash on delivery. Banks should take initiatives to educate customers in Tamil Nadu about the privacy and security practices of online banking transactions. The banking sector in Tamil Nadu, particularly public sector banks, should adopt measures to promote green banking activities in order to raise customer awareness of their value.

Diya Lestari and Rahmanto (2021) stated in their study that banks have effectively adopted a new approach in order to contend in the digital era and demonstrate high adaptability in response to challenges presented by creative entities, notably those in the financial technology sector. Automated teller machines (ATMs), mobile banking applications, online banking platforms, and electronic money systems represent a selection of innovative financial offerings and services provided by banks. Additional strategies employed by banks encompass investment strategy and bank corporate governance. These encompass a bank's investment strategy in fintech enterprises as well as a bank monitoring system that is overseen by the board of directors.

Sarah Alsadi and Haitham Nobanee (2021) suggested that sustainable development should be a global priority. When it comes to long-term economic growth, green finance is environmentally friendly. Fintech is among the most potent catalysts. This is due to the fact that it will encourage developments in clean technology and industrial reorganization, both of which will serve to lessen the world's dependence on dirty fuels. Green finance will eventually need the widespread adoption of fintech because of its green attributes.

## **Objectives**

- To study the concept of fintech in banks.
- To evaluate the benefits of fintech in green banking.
- To identify the various fintech methods used in green banking.

## **Research Methodology**

The paper is mainly descriptive in nature. The current analysis relies on secondary data obtained from many sources, including articles, journals, RBI websites, newspapers, and web browsing.

## **Concept of Fintech in Banks**

The word "FinTech" refers to enterprises that integrate contemporary technologies with financial services. The conventional bank sector exhibits the capacity for technical advancements, and financial institutions are progressively embracing this trajectory. However, there exist financial technology firms that suggest insurance and financial instruments, either through direct provision or by partnering with third-party entities. FinTech encompasses enterprises that facilitate the utilization of new technologies by financial service providers. However, it is crucial to keep in mind that there are significant distinctions in the legal frameworks and regulations governing banks and FinTech enterprises.

As per the Financial Stability Board, financial tech is a nascent domain within the financial sector that utilizes cutting-edge technologies to augment diverse financial activities, including procedures, offerings, and even organizational frameworks. The expansion of the financial technological industry may be categorized into three different time periods: The initial period under consideration covers from 1866 to 1967, during which an examination is conducted on the enlargement of the economic apparatus of globalization. The second period refers to the time span

from 1967 until the onset of the global financial crisis. The current era is characterized by the transition towards digital technologies. During this period, significant developments took place, including the introduction of automated teller machines (ATMs), the establishment of NASDAQ as the world's inaugural digital stock exchange, and the foundation of the Society for World Bank Interbank Financial Telecommunications Company (SWIFT), a network facilitating the transmission of encrypted messages to securely transmit information and instructions. The recent success of fintech is exemplified by the proliferation of e-banking and e-commerce, which have profoundly influenced individuals' everyday routines through their impact on the banking system.

The current era in the field of financial technology, commonly referred to as FinTech, represents an important transformation in response to the performance of traditional banking systems. This period is characterized by the emergence of crypto currencies and the extensive utilization of smart phones, facilitating the delivery of diverse financial services. The development of Apple Pay and Google's digital wallet in the past decade has facilitated convenient online payment transactions for users.

### **Benefits of Fintech in Green Banking**

These are the benefits highlight how fintech can empower green banking by leveraging technology to promote environmental friendly practices:

#### **Enhance Efficiency**

Fintech enable automation and streaming of various banking processes, reducing paperwork and manual tasks. This efficiency helps financial institutions offer eco-friendly services and reduce their carbon footprint by minimizing paper usage and energy consumption.

### **Digital Payments and Transactions**

Fintech innovations have revolutionized payment systems, promoting the use of digital transactions over cash. By reducing the reliance on physical currencies, fintech contributes to reducing the environmental impact associated with the production, transportation, and disposal of paper money.

### **Data-Driven Decision Making**

Fintech leverage advanced analytics and data-driven technologies to analyze customer behavior, financial patterns, and risk assessment. This enables banks to make more informed decisions regarding sustainable investments and environmental risk management. By leveraging data, banks can identify environmentally friendly investment opportunities and encourages adopting greener financial practices.

### **Smart Lending and Investment Platforms**

Fintech platforms offer innovative tools for green lending and investment. These platforms can connect borrowers and investors interested in environmentally sustainable projects. By facilitating direct investments in renewable energy, clean technology and other green initiatives, fintech encourages the growth of the green economy and supports the transition to a sustainable future.

### **Encouraging Behavioral Change**

Fintech applications and platforms can educate and incentivize customers to adopt greener financial behaviors. For example, fintech apps can provide insights into carbon footprints, offer tips for reducing environmental impact, and reward customers for sustainable actions, such as choosing green investment options or reducing energy consumption.

### **Fintech Methods used in Green Banking**

Bank is a financial sector that pays attention to the environment and makes a significant effort by implementing green banking through Fintech. Green Bank is comparable to a conventional financial institution, since it takes into account many sociological and ecological considerations in order to save the environment and preserve natural resources. Fintech approaches incentivize banks to embrace green banking principles, thereby mitigating their carbon emissions and minimizing resource consumption through the provision of diverse fintech services such as Remote Deposit Capture

Remote Deposit Capture (RDC) is a technological method that enables clients to remotely scan cheques and then transfer the scanned cheque images to a bank for the purpose of depositing them. This process typically occurs through the use of an encrypted Internet connection. After checking the receipt from the client, the bank proceeds to credit the deposit to the customer's account and thereafter grants access to the money in accordance with the customer's designated availability schedule.

### **Green Channel Counter**

A Teller operates a terminal connected to a Transaction Processing Device (TPD), which functions similarly to a Point of Sale terminal. Customers pay with a swipe of their Shopping cum Debit Cards, then choose their desired transaction, and finally input their PIN. The Bank's move was a bold one, one that would eventually lead to the widespread adoption of card-based Green Financial, which would drastically cut down on paper waste while also speeding up financial transactions. This is an innovative concept that has the potential to reduce the use of paper and time.

### **P2P Payments**

Peer-to-peer (P2P) payments refer to a method by which individuals can electronically transfer funds from their bank accounts to the accounts of other individuals using digital platforms such as the Internet or mobile devices.

### **Online Banking Services**

The provision of online banking services has enabled consumers to indirectly mitigate their carbon footprints and enhance convenience through the availability of a diverse array of financial services. Certain services, such as Fund Transfer to Self Accounts, Third Party Fund Transfer, and Inter Bank Payee Fund, do not require any manual intervention.

### **Green Remit Card**

The green remit card facilitates the transfer of funds to a specified bank account at recurring periods, even in the absence of a personal account. The green remit card is a magstripe-based card that does not require a personal identification number (PIN). The utilization of the SBI green remit card enables the routing of non-cash deposit transactions through either the green channel counter (GCC) or the cash deposit machine (CDM).

### **Biometric Payment Method**

Biometric payment refers to a point-of-sale (POS) technology that employs biometric identification mechanisms relying on physical characteristics to ascertain the identity of the user and grant authorization for the deduction of money from a designated bank account. Fingerprint payment, which depends on the process of finger scanning, is often regarded as the most prevalent biometric payment modality.

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## Conclusion

Banks can introduce various fintech methods like remote deposit capture, Biometric payment method; P2P payments and Green channel counter which will promote paperless banking activities. These paperless banking systems induce the banks to introduce the concept of green banking that helps them to encourage the environment friendly practices and lend for energy efficiency projects. The customer and employees are in the initial stage of using green banking products implemented by the banks. So the banks will create more aware about various green banking products implemented by the fintech methods to safeguard the earth from various natural disasters.

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