

Analysis of Customer on Boarding Implementation in Supporting Green Banking at BMI KCP Ponorogo

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Article Info	Abstract
<p>Article history: Received June 13, 2024 Revised October 17, 2024 Accepted October 28, 2024</p> <hr/> <p>*Corresponding author email: dikanugroho053@gmail.com</p> <hr/> <p>Keywords: Customer on Boarding, Digital Banking, Green Banking</p>	<p>Introduction: Banks are responding to environmental concerns by adopting green banking practices. Financial institutions such as Sharia banking can contribute to sustainable development that meets current and future needs. Furthermore, the banking industry can play a role in balancing the economy and the environment. The customer onboarding service facilitates quick and precise transactions.</p> <p>Research Methods: This research analyzes the implementation of the customer onboarding service at Bank Muamalat Indonesia Ponorogo Head Office (BMI KCP Ponorogo) in support of green banking. This research is descriptive qualitative research. The primary data source used includes interviews, documentation, and observation.</p> <p>Results: The research findings indicate that customer onboarding at BMI KCP Ponorogo supports green banking through online transactions. BMI KCP Ponorogo implements customer onboarding as its commitment to conducting healthy operational activities in line with the principles of green banking and the requirements of Bank Indonesia.</p> <p>Conclusion: Customers benefit from customer onboarding as it makes the transaction process more effective and efficient, providing flexible access while supporting the green economy for sustainable development.</p>
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INTRODUCTION

The concept of green banking is mandated by Bank Indonesia, particularly in business practices. Law No. 32 of 2009 concerning Environmental Protection and Management promotes environmental sustainability with criminal sanctions till the revocation of environmental permits for offenders (BPK, 2009). In Indonesia, green banking refers to banking operations aligned with sustainable development (Aryani, 2020). According to Schultz, green banking involves environmentally friendly practices to reduce carbon emissions from banks' operational activities (Shaumya & Arulrajah, 2016).

Banks address environmental concerns by implementing green banking practices, and financial institutions, including Islamic banking, can contribute to sustainable development that meets present and future needs. In other words, the banking industry could help balance the economy and the environment. Environmental damage is closely related to human activities that exploit natural resources for business gains. Therefore, banks can adapt to their environment by addressing market competition while preserving the environment.

In today's globalized world, the banking industry plays a crucial role as a financial institution that offers credit and attractive services, facilitates payments, and distributes money to the public in the financial sector, as outlined in Article 1 of Banking Law No. 14 of 1967 (Ministry of Finance, 1967). The banking sector offers various services such as deposits, withdrawals, money transfers, and clearing. However, some of these transactions still require face-to-face interaction and queuing, leading to long waiting times due to an imbalance between the number of customers and service facilities (Suhartina, 2018). To address this, banks often need to invest significantly in physical infrastructure, such as expanding their premises and adding queue chairs, as highlighted by Irsyad (2010). In line with the Financial Services Authority Regulation Number 12/PJOK.03/2018 on the Provision of Digital-Based Banking Services, banks are encouraged to enhance service facilities without being limited by time and place and at the lowest possible cost for customers (Yusuf et al., 2023).

The development of banking in Indonesia needs an increase in the quality of competitive services between financial institutions to maintain professionalism. It will help improve the efficiency and quality of financial products and innovation. Service quality can be a competitive advantage for banks in attracting customer interest. Digital technology is a significant innovation, where operational activities no longer rely on humans but instead use automatic methods controlled by computers (Rahmi et al., 2022).

Bank Muamalat Indonesia (BMI) offers *Muamalat DIN* facilities, which are digital services based on applications that are accessible anytime and anywhere by all users, including both customers and non-customers. It is easier for customers to find information about services and access BMI financing products without physical contact, thereby reducing administrative queues (BMI, 2016). Changes in consumer behavior are also a factor for Bank Muamalat Indonesia in developing digital-based service innovations. The services are faster, more comprehensive, and integrated into society.

The usage of *Muamalat DIN* has increased by 27% as of June 2023, with a total of 434,000 users (BMI, 2023). This data highlights the significant role of technology in enabling

banks to provide more efficient and cost-effective services to customers for their transactions. One of the innovative features is the customer onboarding service through *Muamalat DIN*, which allows users to open accounts online independently. This process includes selecting savings products, completing account opening requirements, and verifying personal data, all done online. The formed account can be used for transactions directly through *Muamalat DIN*. This customer onboarding service aims to provide quick and accurate transaction convenience for customers.

Muamalat DIN service is widely available to facilitate customer transactions. The savings products through the customer onboarding feature of *Muamalat DIN* include *Tabungan iB Hijrah*, *Tabungan iB Hijrah Prima*, *Tabunganku*, *Tabungan iB Hijrah Haji*, dan *Tabungan iB Hijrah Payroll* (Aryani, 2020). The convenience also prompts BMI to pay attention to environmental sustainability by striving to implement the regulations of Bank Indonesia and the Ministry of Environment and Forestry (KLHK) (BMI, 2016). One such initiative is a green economy adoption, known in the banking sector as green banking (Laila, 2022). Based on all the background above, this study aims to examine how customer onboarding service implementation can support green banking initiatives in an Islamic bank in Indonesia.

RESEARCH METHODS

The type of research is field research (Sugiyono, 2019). This study uses a qualitative descriptive approach. Qualitative research is a research procedure that produces data on people or behavior that can be observed (Moleong, 2000). The presence of researchers in observations at BMI KCP Ponorogo plays an important role, especially in obtaining information regarding customer onboarding in supporting green banking. The data source used is a primary data type with data collection techniques including interviews, documentation, and observation using questionnaires with 30 random BMI KCP Ponorogo customer respondents. The author chose the location BMI KCP Ponorogo. The author chose the location because the implementation of existing customer onboarding can be reached and accessed by the community, especially in rural areas, making it easier for the community to access banking services that can save time and costs, in addition, from the operational side it has an impact on environmental conservation.

Green banking is determined by several factors, as outlined in the Green Coin Rating (GCR). The GCR has six indicators: carbon emissions, green rewards, green building, 3R (Reuse, Recycle, Refurbish), paperless or paperwork, and green investment (Nath et al., 2014). Many banks have positioned themselves as green banks. However, the challenges in implementing green banking are diverse in practices and reporting. Despite regulatory pressure from financial authorities and environmental regulations requiring banks to adopt green banking, the absence of technical guidelines makes it difficult to assess compliance or enhance implementation capacity.

RESULTS AND DISCUSSION

Customer Onboarding Implementation at BMI KCP Ponorogo

Financial Services Authority Regulation Number 12 /POJK.03/2018 outlined Digital Banking Services related to the implementation of customer onboarding results in several aspects (Junitama et al., 2022) :

1. Account registration using customer onboarding
2. Transaction authorization
3. Financial product services

Based on the the data collected from the field, customer onboarding for BMI KCP Ponorogo involves opening accounts digitally to verify customer data and input it into the system. The registration process and stages are according to policies and standard operating procedures. The transition to digital onboarding services is done gradually through socialization and guidance to switch to using digital services via Muamalat DIN. This digital transition helps customers access product information efficiently and economically. The following is the implementation of customer on boarding at BMI KCP Ponorogo:

1. *Account registration using customer onboarding*

Customers can install the Muamalat DIN application on their mobile phones. During the registration, they only need to follow the steps by uploading documents online and verifying their data. There's also a video tutorial available on BMI social media. Customers don't need to worry about the security of their data as the system has a password and TIN to protect customer data. The account opening process follows specific procedures and stages, requiring several files of personal information data. After registration, the bank maintains customers' relationships by providing services and transactions.

2. *Financial authorization*

On implementing policies, the customer onboarding process is adjusted based on several factors. First, it depends on whether the registrant is a new customer or had an account previously but was blocked. Second, the customer's limitations or capabilities in using the system. Third, it considers the savings features and products of the Muamalat DIN service. Fourth, it considers the capacity of each customer's mobile phone version, as it requires adequate storage space. Fifth, it relates to the customer's trust using the Muamalat DIN service.

3. *Information delivery and guidance*

BMI KCP Ponorogo aims to enhance the quality of its services and products by providing guidance and information to customers on opening accounts online, allowing them to access their needs and obtain information quickly. The bank offers this guidance both in person at the bank and during customer visits. Importantly, BMI KCP Ponorogo respects customers' preferences and does not compel them to switch to digital services, recognizing different levels of technological proficiency. To ensure security, the bank implements transaction authorization to enable customers to use digital services independently. Additionally, BMI KCP Ponorogo ensures the confidentiality of customer data by aligning its digital operations with BMI's monitoring standards.

4. Products and services

BMI KCP Ponorogo continues to develop a range of products and services, including account registration, savings deposits, electricity bill payments, health insurance (BPJS) payments, and airline ticket payments. The onboarding service focuses on meeting personal needs and facilitating online financial transactions for customers. However, there are several challenges to address, such as the limited availability of human resources in Islamic banks who understand the digital banking process and the need to ensure that digital contracts adhere to Sharia principles.

Customer Onboarding Implementation in Supporting Green Banking at BMI KCP Ponorogo

Online account opening and customer onboarding in support of green banking are important steps banks can take to address environmental challenges. By implementing a digital-based banking service system, including ATMs, internet banking, and mobile banking, banking can significantly reduce paper usage. There are three key advantages to adopting green banking. First, the bank's commitment to environmentally friendly business financing encourages customers to engage more in sustainable practices. Second, green banking allows all transactions to go online, resulting in a paperless and more efficient process. Third, it raises public awareness about the importance of environmental sustainability in business practices ([Rachman & Saudi, 2021](#)).

The issuance of Financial Services Authority Regulation Number 12/PJOK.03/2018 regarding digital-based banking services encourages banks to provide services without restrictions related to time and location at the lowest possible cost. Data collected from respondents at BMI KCP Ponorogo indicated that customer onboarding implementation is motivated by sustainable development. Therefore, BMI actively pursues technological innovations in its business activities and service operations while prioritizing the environmental sustainability factor. In this study, indicators for green banking include ([Andarsari & Firdiansyah, 2020](#)) :

1. Carbon Emissions

Carbon emissions are byproducts of fuel combustion outside the engine, including the fuel released through the exhaust system.

2. Paperwork or Paperless

The policy for reducing paper use in banking operations aims to promote environmental sustainability.

BMI is motivated by its commitment to environmentally responsible practices in line with the principles of green banking. The reduction of carbon emissions and paper usage by implementing customer onboarding is considered part of green banking indicators. Respondents also noted that there are internal benefits to customer onboarding, such as saving time and resources, which can enhance operational efficiency and return on assets (ROA), ultimately leading to increased profit margins. As a result, BMI KCP Ponorogo can allocate more affordable and stable funds, thereby reducing reliance on interbank loans and boosting profits from product and service sales.

Respondent interviews indicated that the availability of digital banking services, such as customer onboarding, allows banking activities online, anytime and anywhere. They offer a higher level of security, facilitate easier transactions, and provide a fast and convenient experience, eliminating the need to queue at bank branch offices. Additionally, digital banking tends to be more cost-effective. Based on this information, the data can be analyzed as follows:

1. Carbon emissions reduction

Carbon emissions significantly negatively impact our environment, contributing to climate change. These emissions can be generated from vehicle mobility when coming to the office, as they play a role in global climate change. By implementing a customer onboarding service, BMI is actively contributing to reducing the emission rate caused by the customers. For instance, a customer does not need to go to the bank in person only to open an account. Instead, he can do it online from his home or office. Reducing emission rates further will lead to a greener environment.

2. Paper reduction or paperless

The aim of reducing paper usage is to help companies achieve environmental sustainability. Papers are from tree fibers. It takes quite some time for trees to grow. Before digital services for customer onboarding, BMI used between 30 to 60 reams of paper each month. Paper usage was reduced to 12 reams each month after the transition to digital documentation.

Interviews conducted by researchers with respondents from BMI KCP Ponorogo revealed that this branch is committed to sustainable practices and environmental responsibility. The implementation of customer onboarding has the potential to support green banking initiatives, including reducing carbon emissions and minimizing paper usage.

The research entitled Green Banking Innovation in Islamic Banking Services shows that the development of information technology that is more optimal is a form of support for banking service innovation and increases concern for the environment (Putri, 2022). This study states that e-business in Islamic banks in Indonesia has a significant positive impact on realizing the implementation of sustainable green banking. The findings of another research study entitled Innovation of Technology-Based Islamic Banking Services as a Form of Implementation of Green Banking shows that digital banking services are a form of implementation of green banking from the existence of application-based banking service innovations that are carried out not only for the sake of banking existence but also as a form of support for Islamic financial institutions in realizing a sustainable environment (Yusuf et al., 2023).

Contrary to previous findings, Masukujjaman & Aktar's (2013) study entitled Green Banking in Bangladesh: A Commitment Towards the Global Initiatives found that green banking practices in developing countries such as Bangladesh are still far behind when compared to other countries, but during the transition period, banks in Bangladesh have made consistent efforts to implement green banking through infrastructure preparation and acceleration of stages towards sustainability.

Customers Perception of Customer Onboarding Implementation in Supporting Green Banking at BMI KCP Ponorogo

This study examined the perspective of BMI KCP Ponorogo customers regarding customer onboarding through interviews. Many customers are unfamiliar with the term "customer onboarding," primarily because it is in foreign language terms. Instead, customers and BMI typically use the phrase "digital service." Thus, we consider that "digital service" is the same as "customer onboarding" to make data collection easier in this study.

From the customers' perspective, customers noted that implementing customer onboarding can assist in:

1. Customer transaction process,

Opening an online account with customer onboarding helps create a sustainable environment by reducing paper usage in banking. Online banking minimizes paper usage by allowing customers to receive their financial statements electronically through a secure login. Additionally, banking transaction reports can be documented electronically rather than in physical filing cabinets, decreasing paper waste.

2. Time efficiency, cost, flexible access

By appropriately utilizing technology, banks can reduce reliance on physical documents and manual processes. By adopting digital customer onboarding, they can achieve better time and cost efficiency, as it allows for flexible access and has a lower environmental impact. Additionally, customer involvement plays a role in environmental protection and sustainable development.

Implementing customer onboarding can enhance customers' understanding of environmental issues linked to their financial activities. Customers can actively support these initiatives by choosing products and services that promote green banking practices like the Muamalat DIN.

CONCLUSION

Customer onboarding services provided by BMI KCP Ponorogo facilitate online transactions such as opening accounts, authorizing transactions, and accessing financial products. Customer onboarding implementation at BMI KCP Ponorogo follows the green banking regulations issued by the Central Bank of Indonesia (Bank Indonesia). So far, at BMI KCP Ponorogo has two indicators of green banking, including reducing carbon emissions and paper use. This reflects BMI's responsibility and commitment to healthy operational practices that align with the principles of green banking. From the customer's perspective, effective onboarding positively impacts their experience by streamlining transaction processes and offering flexible access. Additionally, customers contribute to supporting the green economy by promoting sustainable development efforts, such as reducing paper usage (going paperless) and minimizing fuel consumption (reducing carbon emissions).

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