

Green Banking: An Initiative for Sustainable Development

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Abstract

Change is the need of the hour for survival in all spheres. The world has seen much focus on economic progress, the side effects of this, has resulted in climate change, environmental damage. The Government can play an important role between economical 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 is also a part of India’s mission of “Go Green” and plays an active role to take environmental and ecological aspects as part of their lending principle. Green banking practices will be useful not only for environment but also lead to reduction of banking activities. To reduce the external carbon emissions, bank should finance green technology and pollution reducing projects. This paper touches on various and simple methods which could be adopted by any bank for educating customers on technology based transactions, saving energy etc. Also highlight the steps taken by RBI to motivate banks to take initiative to contribute in sustainable development of country.

KEYWORDS; green banking, environmental protection, green banking products and services, carbon emissions.

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. Banks may not be the polluters themselves, but they usually have a banking relationship with some companies or investments or projects that are polluters are could be in future. Banks can utilize green banking as an opportunity to gain advantage in the market by creating a difference in their strategy making process. Also, banks need to be more active in communicating the green banking concept and its associated benefits to the consumers. It was also observed that green banking consciousness is high in the higher levels of management in the banks and this consciousness reduces with the lower levels of management and least with the employees who are in day to day direct touch with the customers. Thus, the banks must focus on promoting the consciousness and benefits of the green banking to the employees who are in direct touch with the customers. Green banking is a pro-active way of energy conservation and environment protection. The prime benefit of the green banking approach is the protection of the natural resources and the environment. Green banking avoids paper work to the optimum level and focuses on electronic transactions like use of ATM, mobile banking, online banking etc for various banking transactions by the customers. Electronic transaction not only aids towards sustainability but also provides convenience to the customers as well as to the banks. Less paperwork means less

cutting of trees. For implementing eco friendly business, banks should adopt environmental standards of lending as it improves the asset quality of the banks. This activity of the bank also has a very significant influence on the environmental performance of its clients.

Meaning

Green banking means promoting environment friendly practices and reducing carbon footprint from banking activities. It is like a normal bank, which considers all the social and environmental/ecological factors with an aim to protect the environment and conserve natural resources. It is also called as an ethical bank or a sustainable bank. They are controlled by the same authorities but with an additional agenda toward taking care of the Earth's environment/habitats/resources.

Research methodology:

The prepared paper is descriptive in nature. The study has been carried out based on the collection of relevant secondary data. Secondary data collection was based on various sources such as newspaper, articles, internet websites etc. The collected data and information is processed for understanding the current scenario.

Objectives

- To study the concept of Green Banking.
- To understand the role of Green Banking in sustainable development of country.
- To highlight the initiatives taken by Indian banks to make them Green Bank.
- To know the products and services in Green Banking.
- To identify methods and challenges in Green Banking.

Significance of the study

Green Banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environment, and social dimensions. It aims to make banking processes and the use of IT and physical infrastructure as efficient and effective as possible, with zero or minimal impact on the environment. Enterprises are now increasingly interested in establishing and implementing strategies that will help them to address environmental issues and also pursue new opportunities. The reasons for going green are manifold, and the key among them are: increasing energy consumption and energy prices, growing consumer interest in environmental friendly goods and services, higher expectations by the public on enterprises' environmental responsibilities and emerging stricter regulatory and compliance requirements. Further, enterprise will increasingly feel the effects of environmental issues that impact their competitive landscape in ways not predicted earlier.

Banks affect the environment indirectly by financing intermediaries who are the major source of long term funding to various industries that pollute the environment heavily. Hence, it is imperative to understand the need for sustainable practices for banking. Foreign countries have understood the need of green banking and creating many opportunities in their country to develop this but in India, the concept of green banking is catching up and banks are actively looking for ways to portray themselves

as a Green Bank. So, need is to create new strategies to develop Green banking in India and aware the public about the need and importance of green banking.

Green Banking Strategies

Indian Banks can adopt green banking as business model for sustainable banking. Some of following strategies little reflected in their banking business or must be adopted by banks-

I. **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 helps customers to save money by avoiding late payments and also save their time.

II. **USE OF GREEN CHECKING ACCOUNTS:** Customers can check their accounts on ATM. They can avail services including online payment, debit cards and online statements.

III. **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.

IV. **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.

V. **MOBILE BANKING:** By using it customer can check balances, transfer funds or pay bills from the phone. It also helps to save time and energy of the customers.

VI. **DIRECT PEPOSITS:** Most employers will give employees the option to receive their pay check electronically. It saves time, saves paper and lots of paper work.

VII. **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

VIII. **Mobile Banking:** Mobile banking refers to operating the banking transactions through cell-phones by customers of banks. Bank customers can check their account balances. They can transfer funds or pay bills from the cell phones and it also helps to save time and energy of the customers.

IX. **Green Loans:** Banks provide loans for home solar system with low rate of interest whereby banks are contributing in save dependency on hydro-power and to Go-green. The Ministry of Non-renewable Resource in association with some nationalized and scheduled banks undertook an initiative to Go-green by paying low interest loans to the customers who would like to buy solar equipment's.

X. **Electronic Pay Cheque:** Banks have to promote the Electronic pay cheques in its place of paper cheques. Most companies will give an option to employees to receive their pay-check electronically which saves paper, time and even paper work.

Benefits Of Going Green

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 give 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”.

Initiatives taken by Indian banks

The various banks in India which provide green banking services to their customers are as follows

State Bank of India:

SBI has launched green banking policy and set up windmills in Tamil Nadu, Maharashtra and Gujarat in generating 15MW power. This is the first bank in India which is in green banking and promoting green power projects.

Punjab National Bank:

They had taken various steps for reducing emission and energy consumption.

Bank of Baroda:

They had taken various green banking initiatives such as financing a commercial project. BOB is giving preference to environment friendly green projects such as windmills, biomass and solar power projects which help in earning the carbon credits.

Canara Bank:

As a part of green banking initiative it had adopted environmental friendly measures such as mobile banking, internet banking, telebanking, solar powered biometric operations.

ICICI Bank Ltd:

ICICI bank had started ‘Go Green’ initiative which involves activities like Green products/offering, Green engagement and green communication with customers.

HDFC Bank Ltd:

HDFC bank is taking up various measures for reducing their carbon footprints in waste management, paper use and energy efficiencies.

Kotak Mahindra Bank:

Through the ‘Think Green’ initiative this bank had taken several initiatives such as to reduce the paper consumption and encouraging their customers to sign for e-statements and they had become partners with ‘Grow- <http://Trees.com>’ to plant one sapling for every e-statement on behalf of its customers.

IndusInd Bank:

It has initiated its Green Office Project under which it had installed solar powered ATMs in different cities targeting energy saving as well as reducing CO2 emissions.

YES Bank:

It has projects portfolio in the areas of alternative energy and cleans Technologies.

HSBC Group:

HSBC has separate targets for data centre, paper consumption and business air travel. The purposes of the targets are to drive efficiency, reduce its operational impact on the environment and generate cost savings.

IDBI:

IDBI Bank is providing various services in the field of Clean Development Mechanisms (CDM) to its client.

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 start-up 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

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.

GREEN BANKING -A SWOC ANALYSIS

An analysis of strengths weaknesses opportunities challenges (SWOC):

1 .Strengths

- ⑩ Green banking practice saves time of customer as well as bank.
- ⑩ It reduces the cost of bank operation and cost to the customer too.
- ⑩ Transaction can be done any time and at any place.
- ⑩ By financing in solar energy and wind energy program the bank is reducing carbon environment footprint from the environment.

2. Weaknesses

- ⑩ Quality customer practice password in green banking practice takes time.
- ⑩ Lack of knowledge among the employee has been noticed.
- ⑩ There are some geographical barriers for the implementations of green banking practices.
- ⑩ All banks are not coming equally for the practice of green banking
- ⑩ Problem of security is always with green banking practices.

3. Opportunities

- ⑩ People are becoming more computer literate so it's easy to start green banking practice and grape the customer toward the activities.
- ⑩ Most of customer are using ATM card only. So it is a time to start all the initiatives for green banking practices.
- ⑩ Mobile banking and internet banking is increasing day by day so it's a time to spread the green banking practice.

4. Challenges

- ⑩ It's a new concept and customer will take time to adopt this.
- ⑩ It requires renewable and recycling technique which is costly.
- ⑩ Green banking requires a technology which is costly.
- ⑩ Data protection is another challenge for the adoption of green banking.
- ⑩ Bank employees need training for all this practice.

CONCLUSION AND SUGGESTIONS

Indian economy is an emerging economy and there is a huge potential of growth of Indian banks by adoption of innovative approach in their strategy making process. There is a need of an approach towards paradigm shift by setting up of the business model which would consider all the three aspect of triple bottom line approach i.e. the people, the planet and the profit. The future of green banking seems to be very promising in India as lots of green products and services are expected in the future. Green excellence awards and recognitions, Green rating agencies, Green investment funds, Green insurance and Green accounting and disclosure are some of the things that would be heard and seen in operation in the near future. Proper green banking implementation will act as a check to the polluting industries. Banks can act like a guideline towards the economic transformation and create a platform that would create many opportunities for financing and investment policy and contribute towards creation of a low carbon economy.

Some suggestions for the banks to encourage green banking are:

- ⑩ Communicate through press
- ⑩ Construct websites and spread the news
- ⑩ Impart education through E-learning programmers

- ⑩ Making green banking as part of annual environment reports
- ⑩ Training and development of relevant skills among bank employees
- ⑩ Banks may formulate innovative financial solutions to incorporate environmental perspective
- ⑩ Banks can introduce green funds for customers who would like to invest in environment friendly projects.

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