

Green Banking

Ms. Rozy Jain

Assistant Professor in Commerce Bajaj College, (Chaukimam) Ludhiana
E-mail: jainika07@gmail.com

Abstract—Due to increasing awareness of environment and consciousness, businesses can no longer run after profits only. There is a move towards green economy and in each and every sphere organizations have to be environmentally sensitive. One such sphere is Green Banking. Green Banking means ensuring environment friendly practices in banking sector and thereby reducing internal and external carbon footprints. Broader view is having green criteria as a lending principle. Banking industry is not considered as a polluting industry still it impacts the environment in terms of increasing energy consumption in the form of lighting, air conditioning, paper consumption etc. Governments, enterprises, and people, all have roles to play to combat global warming and build a sustainable environment. Inaction to arrest environmental degradation would significantly affect not only current but also future generations and our further progress. So, a proactive rather than reactive and multipronged action is the need of the hour by all the industry and business sectors, regulatory agencies and the individuals. Through this paper the study visualizes the need and importance of green marketing along with a case study on green initiative of SBI.

Keywords: Carbon footprints, Green Banking, Net Banking, Environmental concerns.

Introduction

It will be very bad to ignore the concern for and need of the society and the environment. Green movement for saving the environment has literally brought a drastic change in the way business is managed. Sustainability is the leading issue. In this new era it becomes essential to address these issues. Now each and every action is required to be environmentally responsible. Green is the buzzword now a day.

Green banking means promoting environmental-friendly practices and reducing carbon footprint from banking activities. This can be done with the usage of online banking instead of branch banking as it used to be, making bill payment online instead of mailing them can be another way to support green initiatives. Any combination of the above personal banking practices can help the environment. So this leads to the question, which banks are green. In general, online banks and smaller community banks have better track record than larger banks.

Statement of the problem

Since a long period of time, environmental concerns are not considered relevant to the banking business and financial

institutions. But now a day it has been realized that proactive multipronged action is necessary by all the industry and business sectors, regulatory agencies and the individuals. It is also being perceived that dealing with environment brings risks to the banking business. Although the banking and financial institutions are not directly affected by the environmental degradation, there are indirect costs to banks. Due to strict environmental laws imposed by the competent authorities across the countries, the industries would have to follow certain standards to run their business. In the case of failure, it would lead to closure of the industry's leading to a likelihood of default to the bank.

Literature review

Jaggi (2014) studies the initiative by SBI and ICICI on Green Banking. SBI has introduced a Green Channel Counter, no queue banking, enhanced commitment towards achieving carbon neutrality, online money transfer, wind farms. Green Products and Services initiative of ICICI Bank includes banking anytime, anywhere, vehicle finance and home finance. Moreover these banks have taken other steps for energy conservation like duplexing (two side printing), recycling, using CFLs, etc.

Nath, Nayak et al. (2014) attempt to study the green rating standard given by RBI, the World Bank's environmental and social norms and the initiative taken by bank in adopting green practices. They also list strategies for adopting Green Banking. Green Rating Standard is known as Green Coin Rating. Under this banks are evaluated on the basis of carbon emissions and amount of recycling activities. World Bank has formed environmental and social norms for financial institution. These norms provide ways to reduce environmental impact. Banks are required to do Environmental Impact Assessment, Annual Reporting and adopt sustainable technology. The researchers study and list the initiative taken in respect of environment by different banks in India. If the Indian banks want to achieve some position in global economy then they have to act as good corporate citizens.

Sudhalakshmi and Chinnadorai (2014) studies present the status of Indian Banks in respect of Green Banking and state that though goes green mantra is essential for emerging

economies like India but significant efforts have not been taken. Banks are required to include their green aspect in the lending principle. So a policy measure to promote Green Banking is needed in India. Indian banks are running behind time in adoption of this green phenomenon. Serious steps are required to be taken in this regard.

Objectives of the study

The objective of the paper includes following aspects:

1. To understand the concept and need for green banking.
2. To examine the strategies of green banking.
3. To undertake a Case study on green initiative of SBI

Research Methodology

This paper has been made as an attempt to study the conceptual issues related with green marketing. The data has been collected from secondary sources. The study is purely explorative in nature which can be used as a guide to further empirical research. The data is collected from the various newspapers, magazines, journals, books, conference proceedings, various websites and reports published by the government from time to time.

Concept of Green banking

First of all, Green Banking means doing environment friendly practices in banking sector and thereby focus on reducing internal and external carbon footprints. Banking industry is generally not considered as polluting industry but it has an impact on the environment in terms of increasing energy consumption for ex: lighting, air conditioning, paper consumption etc. Green Banking therefore covers two aspects. The first one to be wise in use of all resources, energy and reducing carbon footprints and another to encourage and finance only environment friendly investment. So Green Banking is not only about making sustainable use of resources but also about environment friendly dispensation of credit. A proper scrutiny of all projects should be done for the proper adherence to green banking.

The concept of Green Banking has its origin in the year 2009 with the first Green Bank based in Mt. Dora, United States (Florida). The Institute for Development and Research in Banking and Technology established by RBI defines the term Green Banking:

‘Green Banking is an umbrella term refers to the practices and guidelines that make banks sustainable in economic, environment as well as social dimensions. It aims to make banking processes and the use of information technology and physical infrastructure as efficient and effective with almost zero impact on the environment.’



Why green banking?

The main reasons for moving towards green mantra in banking sector in this fast changing environment can be summed up as:

1. Going green will give a competitive advantage.
2. Consumers are more interested in environment friendly goods and services because of their increased awareness and consciousness about environment.
3. The wave of globalization has increased awareness of investors and they now opt for environment friendly investment.
4. Stricter government regulations also forced to opt for green banking.
5. Government agencies demand a greater disclosure.

Therefore, banks are required to manage their day- day operations considering the environment impact and also finance only and only those alternatives which are having a positive or at least not having harmful impact on the planet. Moreover, Adoption of green banking practices create win-win situation for all participants. It not only help in safeguarding the environment, but also getting benefited themselves by saving time and cost.

Environmental Management by the Banking Institutions

Each activity of the banks should be environment friendly including paperless transaction, maintaining contacts with customer through online means, offering banking products in a way to have minimal environmental impact. Various Green Products and Services like electronic banking, electronic paperless statements etc. also incorporates green banking. Further, it also includes explaining the key stakeholders about environmental values, setting a green policy and publicizing it. Conduct energy audits and review equipments purchases and disposal policies and practices. Assess IT's environmental and cost impact and identify areas to be “greened”. Banks should set SMART (Specific, Measurable, Attainable, Realistic, and Timely) green goals as the internal targets to reduce carbon footprint along with time. Develop criteria for measuring progress towards the goals. Develop and implement a green policy that aims to achieve higher utilization of systems while reducing energy use and lessening their environmental impact. Encourage, motivate, and energize the workforce to follow the

green path and to come up with and implement their own ideas. In addition, also encourage clients, suppliers, and outsourcers to adopt green practices. Monitor the progress regularly; watch industry trends and new developments. Revise the green policy as required.

Now a day, most of the commercial lending process in different parts of the world scrutinizes projects with a set of tools by incorporating environmental concerns in their day-to-day business. The financial institutions should encourage projects which take care of following points while financing them and take care of the following factors:

- (a) sustainable development and use of natural renewable natural resources
- (b) protection of human health, bio-diversity, occupational health and safety, efficient production, delivery and use of energy
- (c) pollution prevention and waste minimization.

Green banking practices of the SBI

State Bank of India is the largest commercial bank in India and has become the first bank in the country to venture into generation of green power by installing windmills for captive use. As part of its green banking initiative, the bank has installed 10 windmills with an aggregate capacity of 15 MW in the states of Tamil Nadu, Maharashtra and Gujarat and they have also planned to install more windmills in future.

- The bank has introduced a scheme “Green Homes”. Under this scheme, the bank is offering concessions such as reduced margin, softer interest rate and zero processing fees on home loans for environment friendly residential projects.
- The bank has also launched a loan product “Carbon Credit Plus” to finance the future Clean Development Mechanism projects.
- Moreover, the bank has launched its “Green Banking Policy” and decided to run ATMs on solar energy to reduce their power consumption.

The recent green banking initiatives of the bank also include paperless banking for customers, clean energy projects and the building of windmills in rural India. The bank intends to bring down its carbon footprint and to save energy through several green banking practices namely Green Channel Counters, ATM, Internet Banking, Mobile Banking, Green Self Service Kiosks.

Conclusion

Green is the buzzword now. There is an increase in awareness regarding protecting and conserving the environment. Green Banking is an emerging concept here. It integrates management of environment with banking activities that aims at reducing carbon footprints. In a rapidly changing market economy where globalization of markets has toughened the competition, the industries and firms are vulnerable to rigid public policies, rigorous law suits. It would affect the banks and financial institutions certainly. Thus, the banks should play a pro-active role to take environmental and ecological aspects as part of their lending principle which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems. There has not been much initiative in this regard by the banks and other financial institutions in India though they play an active role in India’s emerging economy. The banking and financial sector should be work for sustainable development and address the need of the society. As far as green banking in concerned, India’s banks and financial institutions are running much behind time. There is an urgent need that India should take major steps to gradually adhere to the equator principles-guidelines that use environment-sensitive parameters, apart from financial, to fund projects.

References:

- [1] <https://in.answers.yahoo.com/question/index?qid=20110321043824AAUOAhO>
- [2] http://green.wikia.com/wiki/Green_Banking
- [3] http://www.ripublication.com/gjmbs_spl/gjmbsv3n10_21.pdf
- [4] <http://www.deccanherald.com/content/296615/major-banks-should-lead-way.html>
- [5] <http://indianresearchjournals.com/pdf/IJMFSMR/2012/February/ijm-4.pdf>
- [6] [http://www.idrft.ac.in/publications/Frameworks/Green%20Banking%20Framework%20\(2013\).pdf](http://www.idrft.ac.in/publications/Frameworks/Green%20Banking%20Framework%20(2013).pdf)
- [7] http://www.ecoinnovation.eu/index.php?option=com_content&view=article&id=251:green-banking-piraeus-bank-an-example-of-material-flow-and-marketing-innovation&catid=60:greece
- [8] <http://www.theborneopost.com/2014/02/11/green-banking-practices/>
- [9] <https://www.northcountrysavings.com/neighbor-news/2013/green-banking-advantages-grass-greener-other-side>
- [10] <http://www.cwejournal.org/vol10no3/green-banking-for-environmental-management-a-paradigm-shift/>
- [11] <http://www.studymode.com/subjects/advantages-and-disadvantages-of-green-banking-page1.html>