

Green Banking for Environmental Sustainability

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ABSTRACT

Sustainable development and preservation of environment are now recognised globally as overriding imperatives to protect our planet from the ravages inflicted on it by mankind. Various global initiatives are underway to counter the ill effects of development that we encounter today such as global warming and climate change. Green Banking is one of such initiatives. It is a form of banking taking into account the social and environmental impacts and its main motive is to protect and preserve environment. As major implementers of technology, banks themselves can adopt green practices and thereby lead the way in this global initiative. In this context, the aim of this paper is to discuss the various 'Green Banking strategies adopted by banks in India for environmental sustainability.

INTRODUCTION

Sustainable development and preservation of environment are now recognised globally as overriding imperatives to protect our planet from the ravages inflicted on it by mankind. Various global initiatives are underway to counter the ill effects of development that we encounter today such as global warming and climate change. A common thread running across all these initiatives is the focus on reducing the demand for fossil fuels by implementing the 3R's viz. Reduce, Reuse and Recycle.

Banks and financial institutions can play a major and decisive role in these global efforts to make our planet a better place to live in. As providers of finance, banks can ensure that businesses adopt environment-friendly practices. Incentives by way of offering cheaper funds for adopting green technologies will have a long term beneficial impact on the environment. As major implementers of technology, banks themselves can adopt green practices and thereby lead the way in this global initiative. Also, product innovation and leveraging on the use of technology enable banks and their customers today to reduce the usage of resources such as paper, thereby aiding in environmental protection.

DEFINITION

Green Banking is like a normal bank, which considers all the social and environmental factors; it is also called as an ethical bank. Ethical banks have started with the aim of protecting the environment. These banks are like a normal bank which aims to protect the environment and it is controlled by same authorities as what a traditional bank do. Green banking 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. For banking professionals green banking involves the tenets of sustainability, ethical lending, conservation and energy efficiency. There are many differences compared with normal banking, Green Banks give more weight to environmental factors, their aim is to provide good environmental and social business practice, they check all the factors before lending a loan, whether the project is environmental friendly and has any implications in the future, you will awarded a loan only when you follow all the environmental safety standards. Defining green banking is relatively easy. Green Banking means promoting environmental – friendly practices and reducing your carbon footprint from your banking activities. This comes in many forms

1. Using online banking instead of branch banking.
2. Paying bills online instead of mailing them.
3. Opening up accounts at online banks, instead of large multi-branch banks
4. Finding the local bank in your area that is taking the biggest steps to support local green initiatives.

Green banking can benefit the environment either by reducing the carbon footprint of consumers or banks. Either a bank or a consumer can conserve paper and benefit the environment. Ideally, a green banking initiative will involve both. Online banking is an example of this. When a bank's customer goes online, the environmental benefits work both ways. Green banking means combining operational improvements and technology, and changing client habits.

OBJECTIVES OF THE STUDY

The objective of the study is to enlist significant avenues for green banking that contributes towards environmental sustainability.

RESEARCH METHODOLOGY

A descriptive and qualitative research has been done with a goal of describing the avenues of green banking. This paper reviews the literature on the basis of secondary data collected from the sources such as articles, research papers, annual reports, sustainability reports, company's official websites, etc.

LITERATURE REVIEW

Goyal and Joshi (2011) highlighted social and ethical issues such as social banking, ethical banking, green banking, global banking, rural banking and agri-banking etc. which facilitate the achievement of sustainable development of banking and finance. They concluded that Banks can act as a socially and ethically oriented organization by disbursement of loans only to those organizations, which have environmental concerns.

Vadde Suresh Chandra (2011) highlighted the green banking initiatives taken by the Indian banks.

He described Green banking as Ethical banking as it also aims to protect the environment. Ethical banks award loan to a company only when all the environment safety standards are followed. As banks are a major source of finance to the industrial sector, they have an important role in controlling the environmental damage, and so, they need to scrutinize the effects of their lending and investment decisions to achieve the object of sustainability.

Sahoo Pravakar et al (2008) described banking sector as a main economic agents influencing overall industrial activity and economic growth. So, while lending to the industries, the banks should take care of the environmental and ecological aspects so that industries are forced to take in account the environmental management, use of appropriate technologies and management principles.

Bahl Sarita (2012) in her paper described green banking as banking conducted in selected area and technique that helps in reduction of internal carbon footprint and external carbon emissions. The research paper highlighted the means to create awareness in internal and external sub-systems and impart education to attain sustainable growth through green banking.

Mr. Nigamananda Biswas, (2011) concludes that the banking sector influences the economic growth and development in terms of both quality and quantity, there by changing the nature of economic growth. Banking sector is one of the major sources of financing investment for commercial projects which is one of the most important economic activities for economic growth. Therefore, banking sector can play a crucial role in promoting environmentally sustainable and socially responsible investment.

AVENUES FOR GREEN BANKING

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. Banks offer different channels to access their different banking products and services through ATM, Branch, Mobile banking, Internet banking etc. There are four major avenues for greening banks – processes, products and services, strategies and other activities–which are briefly outlined here.

GREEN PROCESSES

A Green Bank requires each of its functional units and activities to be green – environmentally friendly and help to improve environmental sustainability. Several opportunities are available for banks to green their functional units and activities. Key among them are:

Supply Chain Management:

- Adopt techniques and plans to minimize inventory and wasted freight.
- Adopt networked design using a carbon footprint.

Enterprise Resource Management:

- Facilitate paperless transactions.
- Adopt techniques for workforce and parts optimization as well as intelligent device management.

Customer Relationship Management:

- Use electronic means, wherever possible, to maintain contact with and correspond with customers and potential customers, and minimise paper-based correspondences.
- Sourcing and Procurement
- Select vendors by the sustainability rating of their products, services and operations.

Product Life Cycle Management:

- Design and offer banking products and services in such a way that consume less resources and energy and thereby reduce carbon footprint.
- Implement effective systems for product end-of- life management that have minimal impact on the environment.

GREEN PRODUCTS AND SERVICES

Banks are developing new products and services that respond to consumer demand for sustainable choices. Following are some of the options that banks should offer to their customers, if they are not offering already:

- Electronic and telephone banking, facilitating customers to perform most of their banking needs anytime, anywhere
- Automatic payments reduce the need to write and send cheques by mail
- Electronic (paperless) statements, product information, guides and annual reports to customers and stakeholders.
- Offering and promoting mutual funds that focus investment in 'green' companies
- Offering a special line of credit to help homeowners invest in energy-efficiency upgrades for their home
- Offering credit cards co-branded with environmental charities.

GREEN BANKING STRATEGIES

- Engage with key stakeholders and create awareness of environmental issues and their impact on the economy, the environment, and the society. Also, explain to them the business and environmental value and the necessity of greening the bank processes, products, and services
- Conduct energy audits and review equipment purchases and disposal policies and practices. Assess IT's environmental and cost impact and identify areas to be “greened”.

- Set SMART (Specific, Measurable, Attainable, Realistic, and Timely) green goals as the internal targets to reduce your carbon footprint along with timelines. 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
- Publicize your environmental policy, actions, and achievements and thereby get credits and accolades from customers, peers, industry groups, environmental advocates, government agencies, and society at large.

OTHER GREEN BANKING ACTIVITIES

- Banks may formulate innovative financial solutions and redesign the existing ones so as to incorporate environmental perspectives
- Banks may provide loans with concessions to corporates or individuals who undertake environment-friendly projects such as projects employing sun, wind equipment, manufacturer of fuel-efficient automobiles.
- Banks can introduce green funds for customers who would like to invest in environment-friendly projects
- Banks can involve themselves in carbon credit business, where in they can provide all the services in the area of clean development mechanisms and carbon credit business
- Banks can support projects ranging from community clean ups to national initiatives on climate change, water, air, bio diversity and more.

Drawing on the above guidelines, opportunities and options, banks need to set their near-term and long-term green goals, develop their green strategies, and execute their greening activities in a phased manner.

CONCLUSION

Banks are responsible corporate citizens. Banks believe that every small 'GREEN' step taken today would go a long way in building a greener future and that each one of them can work towards to better global environment. Green banking is really a good way for people to get more awareness about global warming; each businessman will contribute a lot to the environment and make this earth a better place to live. Until a few years ago, most traditional banks did not practice green banking or actively seek investment opportunities in environmentally- friendly sectors or businesses. Only recently have these strategies become more prevalent, not only among smaller alternative and cooperative banks, but also among diversified financial service providers, asset management firms and insurance companies. Although these companies may differ with regard to their stated motivations for increasing green products and services (e.g. to enhance long-term growth prospects, or sustainability principles on which a firm is based), the growth, variation and innovation behind such developments indicate that we are in the midst of a promising drive towards integrating green financial products into mainstream banking. This concept of "Green Banking" will be mutually beneficial to the banks, industries and the economy. Not only "Green Banking" will ensure the greening of the industries but it will also facilitate in improving the asset quality of the banks in future.

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