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**GREEN BANKING: AN INITIATIVE FOR SUSTAINABLE
DEVELOPMENT**

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ABSTRACT

In each and every aspect of business “Go Green” mantra has become relevant in the environment friendly society. Green Banking ensures environment friendly practices in banking sector and reducing internal carbon foot prints and external carbon emission. This paper makes an attempt to understand and examine “Green Banking” and its role toward sustainable development. It elicits the various initiatives taken by the Indian Bank industry to protect the natural environment and brings about sustainable development in the society. It aims to highlight the means to create awareness in internal as well as external subsystem among target groups and enumerate effective methods for green banking and impart education to attain sustainable development through green banking.

Introduction

Sustainable Banking is a philosophy that reinforces everything about banking as, a value system that says a bank’s commercial activities must not only benefit its staff and shareholders, but also its customers and the wider economy, at the same time preventing, or at least minimizing and take steps to improve society and the environment. Banks can play an influential role in encouraging the shift to a low-carbon society – providing access to capital and measuring risk of investments.

The banking sector is one of the major sources of financing industrial projects such as steel, paper, cement, chemicals, fertilizers, power, textiles, etc., which cause maximum carbon emission. Therefore, the banking sector can play an intermediary role between economic development and environmental protection, for promoting environmentally sustainable and



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socially responsible investment. ‘Green banking’ refers to the banking business conducted in such areas and in such a manner that helps the overall reduction of external carbon emission and internal carbon footprint. To aid the reduction of external carbon emission, banks should finance green technology and pollution reducing projects. Although, banking is never considered a polluting industry, the present scale of banking operations have considerably increased the carbon footprint of banks due to their massive use of energy (e.g., lighting, air conditioning, electronic/electrical equipment’s, IT, etc.), high paper wastage, lack of green buildings, etc. Therefore, banks should adopt technology, process and products which result in substantial reduction of their carbon footprint as well as develop a sustainable business.

Sustainability will imply performing a triple bottom line analysis i.e. an analysis that takes into account environmental, and social, along with the traditional financial performance.

Literature Review

Jeucken (2001) compared 3 world regions Europe, North America and Oceania for the period 1998-2000 and analyzed some important differences between regions, countries and banks with regard to sustainable banking. The results showed that a defensive position towards the environmental issue is adopted by 53% of the banks and many of banks are unaware of the role that they can play for sustainable development. **Goyal & Joshi (2011)** in their study “A study of Social and Ethical issues in Banking Industry” highlighted social and ethical issues such as social Banking, ethical Banking, green Banking and rural banking 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 loan only to those organizations which have environmental concerns. **Weber and Remer (2011)** described Social Banking as a way of value-driven banking that has a positive social and ecological impact at its heart, as well as its own economic sustainability. These banks attract the interest of clients looking for safe and sensible ways to deposit their money and the conventional banks also embark on the potential of a more socially oriented approach towards banking. **Bahl, Sarita (2012)** conducted an empirical study on “Green Banking – The new strategic imperative” tried to find out the most significant strategies while going ahead with green banking by using Garrett’s ranking technique. Researcher found that Carbon footprint reduction by Green building had been



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given top priority in green banking strategies and green banking financial products has also been given due weightage. However, Paper less banking and using mass transportation system has been rated low as green banking strategies. **Chaurasia (2014)** in his paper “Green Banking practices in Indian Banks” highlighted the benefits, confronting challenges, strategic aspects of green banking and status of Indian banks regarding green Banking adoption. He found that there has not been much initiative in this regard by the banks in India. Investigator suggested that bank should go green and play a proactive role to take 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. After reviewing the studies done in India and abroad, it is very clear that concept of Green banking needs careful attention to promote sustainable development in our society.

Objectives

- To understand and examine green banking processes/..
- To elicit the role of green banking in sustainable development of the economy.
- To check the awareness of green banking among bank employees, associates and general public.
- To create awareness about green banking among the general public.
- To study effective methods for green banking.
- Various initiatives taken by Indian Bank industry to protect environment and sustainable development.

Methodology

The research methodology used in this study is based on secondary data. Secondary sources include , available literature, reports and data . The data has been obtained from various journals, reports, magazines and websites. The data pertaining to the study has been analyzed and interpretation of data is done for the achievement of the study objectives and findings of the existing studies and it is more on qualitative terms than on quantitative terms.



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INDIAN CONSEQUENCE

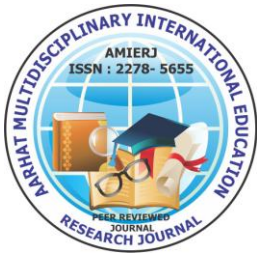
Banks in India have taken up the challenge of socially responsible finance, providing no-frill accounts, participating in priority sector lending, linking up with Self-Help Groups for lending to weaker sections, etc. but are yet to address the issue of environmentally responsible banking. Domestic banks such as State Bank of India, Punjab National Bank, IDBI Bank and ICICI Bank have begun to fund renewable energy projects. Foreign banks such as Standard Chartered and ABN Amro are also focused on renewable energy financing. State Bank of India owns wind farms for generation of green power to partly substitute consumption of thermal power by its offices in Tamil Nadu, Maharashtra and Gujarat. Bank of Baroda has launched a scheme for financing SMEs for acquisition of equipment's, services and adopting measures for enhancement of energy efficiency/conservation of energy. SBI has entered into a MOU with a consortium of leading Clean Development Mechanism (CDM) consultants to provide finance to implement CDM projects, advisory services as well as value added products in the area of carbon credit finance and a Green Home Loan.. It has provided financial assistance to projects that specifically promote energy efficiency, renewable energy, biomass co-generation, biomass gasification, waste heat recovery, etc. The bank has been funding projects that contribute to mitigation of green house gas emissions and financing clean technologies.

GREEN BANKING BENEFITS

Banking operations have considerably increased the carbon footprint of banks due to their massive use of energy (e.g., lighting, air conditioning, electronic/electrical equipment's, IT, etc.), high paper wastage, lack of green buildings, etc. Therefore, banks should adopt technology, process and products which result in substantial reduction of their carbon footprint as well as develop a sustainable business. Some of the benefits of the green banking are as:

1. Avoids Paper Work:

Almost all banks in India are computerized or operate on a core banking solution (CBS). Thus there is ample scope for the banks to adopt paperless or less paper for office correspondence, audit, reporting etc. these banks can switch over to electronic correspondence and reporting thereby controlling deforestation.



2. Creating Awareness to Business People about Environment:

Many NGO and environmentalists are propagating environment consciousness among the public in general by arranging awareness programs and organizing seminars etc. Banks may associate themselves by sponsoring such programs. Besides, many corporate bodies are organizing similar program in their own line of business such as “free pollution check program” organized by a car manufacturer. Banks may tie with such corporate. .

3. Environmental Standards for Lending:

Banks following environmental standards for lending, is really a good idea and it will make business owners to change their business to environmental friendly which is good for our future generations.

4. Green Banking Loans at Comparatively Lesser:

Banks can also introduce green bank loans with financial concessions for environment friendly products and project such as fuel efficient vehicles, green building projects, housing and house furnishing loans to install solar energy system etc.

METHODS OF ADOPTING GREEN BANKING

Green banking helps to create effective and far reaching market based solutions for customers. Banks are developing new products and services that respond to consumer demand for sustainable choices. There are many methods of adopting green banking :

1. Use Direct Deposit:

Most employers will give employees the option to receive their pay check electronically. Not only does this speed up the availability of your money and save you a trip to the bank, it saves paper, thereby controlling deforestation.

2. Online Savings Account:

Online savings account and mobile banking is the easiest way to make your bank green and help the environment. Green banking includes setting up direct deposit to receive your pay checks, receiving electronic statements from your bank and by paying bills online. Online banking and mobile banking are also highly effective ways to keep track of your finances and to avoid late payment fees.



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3. Online Bill Payments:

Paying bills online is something of a lifestyle change, but it can be done. Telephone bills, cable bills, utility bills, credit card payments and mortgage payments can all be paid electronically. In fact, some online banking customers have thrown away their checkbooks and completely converted to online payments. Not only is the recordkeeping much easier, but again massive amounts of paper is saved.

4. Reward Debit and Credit Cards:

Some banks have joined up with environment-friendly groups like The Sierra Club or Defenders of Wildlife to create reward debit cards and reward credit cards. Participating banks will make a small charitable donation as a percentage of your online banking activity to help the environment. Recent move of government on demonetization is a step towards green banking as it encourages use of debit and credit cards.

5. Paperless Statements:

Sending out bank statements by mail is a big waste of paper. Signing up for online banking at most banks includes an option for customers to receive their statements electronically through a secure login. Copies of banking records and statements can then be stored electronically instead of in a filing cabinet. Receiving statements electronically also reduces the chance of identity theft.

6. Net Banking:

Online banking is when customers perform most of their banking related functions without visiting the bank, personally. To do so, customers must possess an internet banking ID and a password provided by the bank in which the individual customer has an account.

7. Loans at Comparatively Lesser Rates:

Banks can also introduce green bank loans with financial concessions for environment friendly products and projects such as fuel efficient vehicles, green building projects, housing and house furnishing loans to install solar energy system etc.

8. Environmental Standards for Lending:

Banks follow environmental standards for lending, is really a good idea and it will make business owners to change their business to environmental friendly which is good for our future generations.



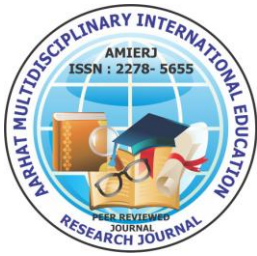
Suggestions that can be adopted by Banks to Encourage Green Banking

- Construct a Website and Spread the News.
- Educate through the Bank's Intranet and Public Website.
- Participate in Events.
- Set up outlets to promote green business.
- Communicate through the Press.
- Disseminate info through Leaflets.
- Social Responsibility services done by banks.
- Carbon footprint reduction by energy consciousness.
- Carbon footprint reduction by mass transportation.
- Impart education through E-learning Programs.
- Making g it a part of annual environment report.

Green Bank Process

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 is to:

- Adopt techniques and plans to minimize inventory and wasted freight.
- Adopt networked design using a carbon footprint.
- Facilitate paperless transactions.
- Adopt techniques for workforce and parts optimization as well as intelligent device management.
- Use electronic means, wherever possible, to maintain contact with and correspond with customers and potential customers, and minimize paper-based correspondences.
- Select vendors by the sustainability rating of their products, services and operations.
- Design and offer banking products and services in such a way that it consumes 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.



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Green Banking Strategies:

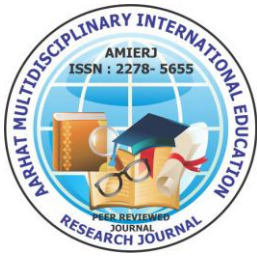
Indian Banks can adopt green banking as a business model for sustainable banking by launching some of the following strategies:

1. Carbon credit business

Clean Development Management projects are those projects that contribute to credible and sustained reduction in Green House Gas emissions. Indian banks can involve themselves in carbon credit business, wherein they can provide all the services in the area of Clean Development Management Projects and carbon credits including services of identification and funding of Clean Development Management projects, advisory services for registration of Clean Development Management projects and commercialization of Certified emission Reductions Certified emission Reductions under different structures to meet the requirements of its customers, acting as an intermediary for buying Certified emission Reductions on behalf of end-users or carbon funds, financing against Certified emission Reductions and Certified emission Reductions receivables, and other related banking services. As India has huge potential for carbon credit business, Indian banks can set up dedicated carbon credit cells to capture a major share of this carbon credit business.

2. Green Banking Financial Products:

Indian banks should develop innovative green banking financial products which can directly or indirectly help in the reduction of carbon emissions. These banks can introduce a 'Green Fund' to provide climate conscious customers the option of investing in environmental friendly projects. Banks can also introduce green bank loans with financial concessions for environmental friendly products and projects. Besides introducing specific green banking products, banks can incorporate an Environmental Impact Assessment in their project appraisal while financing any project to measure the nature and magnitude of environmental impact as well as suggest environmental risk mitigation measures. Banks can also conduct environmental audits of the financed projects. Banks should also include green guidelines in their credit policies to raise the green loan portfolio.



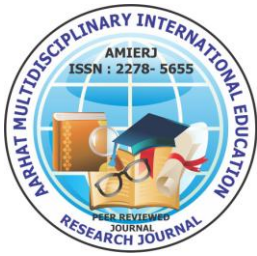
3. Green Mortgages

Banks such as Citigroup Inc., Bank of America, and JP Morgan Chase & Company are just a few of the mortgage lenders offering special discounts on mortgages used to build or update buildings and homes to be more green.

4. Carbon Footprint Reduction

Carbon foot-print is a measure of the impact of our activities on the environment. It relates to the amount of GHG we are producing in day-to-day business while burning fossil fuels for electricity, heating, transportation, etc. Banks can reduce their carbon footprints by adopting the following measures:

- a) **Paper-less Banking:** As banks have computerized their branches, there is ample scope for doing paperless or less-paper banking. Mostly PSBs use huge quantities of paper for office correspondence, audit reporting, recording public transactions, etc. These banks can switch over to electronic correspondence and reporting. Banks should encourage their customers also to switch over to electronic transactions and popularise e-statements.
- b) **Energy Consciousness:** Developing energy-consciousness, adopting effective office time management and automation solutions and using compact fluorescent lighting (CFL) can help banks save energy consumption considerably. Banks can conduct energy audits in all their offices for effective energy management. They can also switch over to renewable energy (solar, wind, etc.) to manage their offices and ATMs.
- c) **Using Mass Transportation System:** PSBs can become fuel efficient organization by providing common transport for group of officials posted at one office.
- d) **Green Buildings:** The Indian banking industry uses more than one lakh premises for their offices and residential houses throughout the country. These banks should develop and use green buildings for their office and employee accommodation. These measures will not only help banks reduce their carbon footprint but also save the operational costs considerably.



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- e) **Social Responsibility Services:** As part of the green banking strategies, Indian banks can initiate various social responsibility services such as tree plantation camps, maintenance of parks, pollution check-up camps, etc.

Conclusion

In a globalized economy, the industries and firms are vulnerable to stringent environmental policies. . If Indian banks desire to enter global markets, it is important that they recognize their environmental and social responsibilities. 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.

In addition to mitigating risks, green banking opens up new markets and avenues for product differentiation. India’s growth story and commitments to cut its carbon intensity by 20-25 percent from 2005 levels by the year 2020 provides tremendous opportunities for Indian banks- from funding sustainable projects to offering innovative products and services in the areas of green banking. The survival of the banking industry is inversely proportional to the level of global warming. Therefore, for sustainable banking, Indian banks should adopt green banking as a business model without any further delay.

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