

Green Banking- A Theoretical study based on previous research and an initiative from commercial banks including rural banks to reduce global warming and enhance safe environment for future lives

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ABSTRACT: Finance is the lifeblood for every person and business. It can be raised from many sources but banks play a major role in lending loans to start a business and run the business successfully. The banking activities are operated mainly in paper forms that creates more pollution to the environment and leads to global warming. Green banking means promoting environmental friendly practices and reducing the carbon footprints from banking activities. Because of such reason we are in need to talk about the green practices followed by banks to mitigate the risk and provide enough guidelines to the account holders about their technologies framed and adopted to overcome the problem. This article aims to discuss the concepts, practices, challenges and opportunities of green banking concept. It also highlights the green practice strategies adopted by banks and disseminate knowledge to the bankers, customers and employees. The lending hands of private, public and rural banks that helps to control usage of papers that affects our environment and conclude based on the initiatives by banks to enhance ethical and eco friendly environment.

Keywords: Green banking, Risks, Strategies, initiatives by banks, Social Responsibilities

1 Introduction

In the process of economic development, it has led undesirable effects on environments and creates the issues of increased carbon emission, global warming, climate change, green house gases, flood, drought, tsunami etc. As a result, the quality of environment damages. Because of this, sustainable development and preservation of environment have become the prime importance at the global context. As responsible institutes, banks and financial institutions can play an important role for protecting the environmental degradation through financing environment friendly projects and adopting environment friendly products and services. Technology oriented banks help to reduce the usage of natural resources and for environmental protection. It will also ensure to less use of paper, water and energy consumption. Banks are actively

engage in green process, strategies, green infrastructure and introducing a variety of green products and services and ensure the environmental protection. The issues of global warming should not be only restricted to a debate but has to be dealt with going green. Thus, green banking is one of the ways of going green. There is a need to involve key stakeholders and creating awareness about environment-friendly banking.

1.1. GREEN BANKING - CONCEPT

Green banking refers to the banking business managed in such a manner that helps for overall reduction of external carbon emission and internal carbon footprint. It involves use of online banking, mobile banking, green channel counters, e-statement, green loans, solar ATMs etc. i.e. using banking services through online activities. This comes in

many forms like using online banking instead of branch banking, paying bills online instead of mailing them, opening up accounts at online banks, instead of large multi-branch banks and finding the local bank in your area that is taking the biggest steps to support local green initiatives. Green banking refers to how environmentally friendly your bank is, and how committed to green and ethical policies they are. 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. Some of the characteristics of GB are:

- (a) Integrating banking operations with technologies, customer's need, make an attempt to change client's habits, using renewable energy,
- (b) Promoting environment friendly practices, CDM, recycling business, natural resource conservation, green projects, opening online deposits, loan and money market accounts, mobile banking, phone banking, green deposit, green credit cards and green mortgages.
- (c) Adopting paper less practices, softer approach and flexible terms for financing green projects, environmental standards for lending.
- (d) Create awareness about GB among bank employee, customers, associates and general public.
- (e) Design and launch green products and services.

1.2 .OBJECTIVES OF THE STUDY

1. To understand the basic concepts , risks and strategies involved in green banking.
2. To know the green banking practices adopted by the banks to save environment.
3. To study the efforts taken by the banks to disseminate the go green concepts to the users.
4. To give conclusion about the impact of green banking on users and environment.

2. Review of Literature

Jeucken and Bouma (1999) in their study identified four stages or attitudes of banking toward sustainability. The first stage is defensive banking, in which bank is non-active and tries to delay or oppose the new legislation as it may damage the interest of banks directly or indirectly. The Second stage is preventive banking in which bank has to comply with legislation to avoid any constraint on its activities. The third stage is offensive banking in which banks are concerned about internal as well as external activities. The final stage is sustainable banking, which is, a win-win solution. Banks under this stage looks for highest sustainable rate of return not for

highest financial rate of return. Getzner and Kra"uter (2004) in their research paper tested the respondents' willingness to invest in green shares. Authors found education, income, environmental awareness and the expected profit are the main explanatory variables.

Choudhury et al. (2014) advocated for the necessity of stakeholder's influences in green banking practice and recommends some indication for Government, the whole banking sector and for the business community.

Ms. Neetu Sharma et al. The study aims to identify the opinion and awareness of bank employees and customers as regards to green banking concept in public and private sector banks. It is necessary to identify various initiatives taken by bank on the concept of green banking in order influence customer and make them user friendly. Researcher will study the impact of gender on green initiatives taken by public and private sector banks. Whether they face any technical procedural problems as well as administrative problems. The authors have used SPSS technique as a statistical method.

3. RISKS IN GREEN BANKING

Green banking is very important in mitigating the following risks involving in banks.

Credit Risk:

Due to climate change and global warming there will be direct as well as indirect costs to banks. It has been observed that due to global warming there had been extreme weather condition which affects the economic assets financed by the banks thus leading to high incidence of credit default. Credit risk can also arise indirectly when banks lead to companies whose businesses were affected due to changes in environmental regulation.

Legal risk:

Banks like other business entities face legal risk if they do not comply with relevant environmental regulation. They also face risk of direct lender liability for cleanup cost for damages in case they actually take possession of pollution causing assets.

Reputation Risk:

Due to increasing environmental awareness banks are prone for reputation risk if their direct or indirect actions are viewed as socially and environmentally damaging. Reputation risks emerge from the financing of environmentally objectionable projects.

4. STRATEGIES ADOPTED BY BANKS

Some of following strategies little reflected in their banking business or must be adopted by banks to overcome environment protection issues.

Carbon Credit Business (CBS):

All Nations must reduce greenhouse gases emission and reduce carbon to protect our environment. These emissions must be certified by Certified Emission Reductions commonly known as carbon credit.

Green Banking Financial Products:

Banks can develop innovative green based products or may offer green loans on low rate of interest. As Housing and Car loan segments constitute the main portfolio of all banks so they adopt green loans facility.

Paperless Banking:

All banks are shifting on ATM platform providing electronic banking products and services. So there is a scope for banks to adopt paperless banking. Private and foreign banks are using electronics for their office but in PSU banks are still using huge paper quantity.

Energy Consciousness

Banks have to install energy efficient equipment's in their office. Banks have to transform this green banking in hardware, waste management, energy efficient technology products. Banks can donate energy saving equipment to schools and hospitals.

Mass Transportation System:

Banks have to provide common transport for groups of officials posted at one office.

Social Responsibility Services:

Indian banks can initiate various social responsibility services like tree plantation camps, maintenance of parks and pollution checkup camps.

5. CREDENTIALS/ AWARDS

The Financial Times and International Finance Corporation (IFC) is a member of World Bank Group launched Sustainable Finance Awards for institutions that are integrating social, environmental and corporate governance into their business operations. Their awards highlight the partnership between financial and non-financial companies in finding commercially viable and innovative solutions to sustainability challenges. The five categories of Sustainable Finance awards as per Financial Times are as follows

- Sustainable Bank of the Year
- Technology in Sustainable Finance
- Sustainable Investment of the Year
- Sustainable Investor of the Year
- Achievement in Inclusive Business

6. STATUS OF GREEN BANKING PRACTICES ADOPTED BY BANKS IN INDIA

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

State Bank of India:

The concept of GB was initiated in India only after the computerization of banks. State Bank of India (SBI), the largest public sector bank, under its green policy has set up three wind mills to generate 15 MW of power in Tamil Nadu, Maharashtra and Gujarat for its own consumption, first of its kind in India to think of generating green power as a direct substitute to polluting thermal power and implement the renewable energy project for captive use. This has not only encouraged others to think for access the renewal sources of energy but also set a mile stone for GB in India. The bank is also implementing thousands of Green Kiosks to reduce the need for paper. Another green initiative the bank has introduced is 'Green Home Scheme'. Under Green Homes Scheme the bank offers subsidy and interest rates reduction to supports environment friendly housing projects. The recent step towards the green banking of the bank is introduction of Cash Deposit Machines in some selected places. This has given a new dimension to go green moment in banks, particularly in retail banking, where every customer had an opportunity to take the benefit of GB. 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- 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.

YES Bank:

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

HSBC Group:

HSBC has separate targets for data center, 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.

7.1 GREEN BANKING EFFORTS BY BANKS

SBI launched a 'Green Home Loan Scheme' which supports environmental-friendly residential projects offering several financial benefits. The Union Bank of India undertakes electrical energy audit annually and has also installed solar water heaters at its premises. IDBI Bank is a member of the council of National Action Plan on Climate Change (NAPCC) and a signatory investor of the Carbon Disclosure Project (CDP). The bank provides advisory services to the clients to deal with Clean Development Mechanism (projects that contribute to credible and sustained reduction in Greenhouse Gas emissions) or Carbon Credits of Kyoto Protocol and Voluntary Emission Reductions (VERs) Authorities.

In the private sector, Yes Bank has made a significant achievement. It has been awarded the Best Sustainable Bank for the Asia/Pacific region in 2012. Yes Bank has incorporated community development initiatives such as clean and green drives, energy efficiency practices, workplace health and safety and the development of local disaster management plans.

The ICICI Bank has introduced innovative concepts like deep beneficiation of coal and coal bed methane for the first time in the country.

Axis Bank offers the facility of e-statement and donates a notebook to a poor and needy child for every e-statement registration. It also supports to the world's largest global climate event- the 'Earth Hour' by switching off all lights in its branches and ATMs between the specified times.

ABN Amro Bank launched the first Socially Responsible Investment i.e. SRI mutual fund. This fund offer funds to companies that meet global standards in environment, social and corporate governance (ESG) issues. Moreover, one of its branches in Ahmedabad is built with LEED certified platinum interiors resulting in saving of energy costs for lighting and reduction in consumption of potable water. On the other hand, the Citibank undertakes Environmental and Social Risk Management (ESRM) Policy with the 'Equator Principles' which serve as the policy's backbone.

7.2 ROLE OF RURAL BANKS IN GREEN BANKING:

Pallavan Grama Bank

An eco friendly branch of Pallavan Grama Bank fully operated by solar power and having LED bulbs in its premises, was inaugurated at Ammapettai in Erode district on Saturday. The branch, inaugurated by DRDA Project Officer Mr R Rethinasamy, is the 96th bank branch and is jointly owned by the Union Government and Tamil Nadu Government. The branch has core banking facilities and the LED bulbs installed in the premises are compatible with solar energy, a bank statement said here. The bank plans to extend the eco friendly initiative to a few more branches. "The bank is planning to provide such green branch operations in five more remote branches in the next financial year", Pallavan Grama Bank Chairman Mr G Rangarajan said.

Pandyam Grama Bank

Financial Literacy Camps and Awareness programmes have been conducted in rural locations, in schools and in colleges. Mobile Van with Demo ATM has been purchased for financial literacy and demonstrating Banking Technology.

NDTV Initiative

An awareness campaign was promoted for the green cause called 'GREENATHON', by NDTV, in collaboration with Toyota for the green entity, the fourth time in a row. The website www.green.ndtv.com is meant to encourage donation towards 'Lighting a Billion Lives' i.e. lighting with the

aid of solar lighting devices, with the initiative of The Energy and Resources Institute (TERI). This is a clear indication of the depth of efforts taken in the country for environmental protection and maintaining a sustainable ecological balance.

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8. 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. Many research papers insisted and highlighted that private banks are introduced online banking services for their customers' convenience amid of knowledge and risk involved in online banking. Whether private/public/rural banks has to create awareness to the internal and external customers and to conduct training programme about paperless initiatives like online banking, mobile banking, ATM usage, online purchase and payment and credit based facilities provided by the banks and cyber crimes. It not only concentrates on paperless work but also consider the utilisation of natural resources to make their environment GREEN and SUSTAINABLE. The green practice adaptation can be promoted by social media to create success and recognition to the banks for their efforts for waste management and to prevent and control environmental hazards.

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