

GREEN BANKING: AN APPROACH FOR ACHIEVING SUSTAINABLE AND BALANCED GROWTH IN NEW MILLENNIUM

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ABSTRACT

In the new millennium, there is a revolution with all aspect of business activities and that is to not only focus on profit but also on people and environment. With this respect "Go Green" hymn has grown to be significant in each and every phase of business. A widespread approach running across Go green initiatives to focus on 3R's viz. Reduce, Reuse and Recycle. Banks and financial institutions occupy a significant role in these global efforts due to their intermediary position in the economy and hold a unique position with regard to sustainable development. Green Banking is an initiative in the same sphere. Green Banking means following environment pleasant practices and in so doing reducing carbon footprints practices. Green Initiatives in banking includes e products and services, promoting eco-friendly procedures to e waste management and to reduce the external carbon emissions, it also includes financing green technology and pollution reducing projects. Since banks are one of the important professional institutions that interact with the masses, they are able to adopt green activities within their organizations and influence their customers to come about the environment. This objective of the paper is to understand and examine "Green Banking" and its role towards sustainable development. It also discuss the a range of initiatives adopted by the banking industry to shield the natural environmental surroundings and bring about sustainable development in the society. Secondary data from various sources is used a research methodology. This paper also presents that embracing of greener banking practices will not only be constructive for environment, but as well benefit in bigger operational efficiencies, a lower vulnerability to manual errors and fraud, and cost reductions in banking activities. The paper concludes by focusing on the current challenges, opportunities and future trends and scope of the green banking.

KEYWORDS: Green Banking, Sustainability, Environmental Friendly Products.

Introduction

Sustainable development states that we must make use of our environment in the manner that we do not hinder the utilization of the coming next generations. In this approach sustainable development means a type of growth which is environment well-matched and socially responsible. As environmental issues put on larger consideration, pressure is being sited on all industries, including financial institutions to implement Green Initiatives. Banks as financial institutions occupies a significant role in these global efforts due to their intermediary position in the economy and holds a unique position with regard to sustainable development and influences the economic development of the country both in terms of

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Quality and Quantity. Banking industry perform a very important function in increasing environmental sustainable and in a social context as it increase the significance and down the loss ratio as superior quality loan range results in privileged earnings. Thus, cheering environmentally accountable investments and practical and sensible lending should be one of the responsibilities of the banking sector. Green banking means handling of the banks resources with responsibility, evading waste and giving main concern to options that regard as sustainability into consideration. It also signifies encourage environmental-friendly practices and plummeting your carbon footprint from your banking activities. This conception of Green banking will be equally and jointly favorable to the Consumers, banks, industries and the economy. For consumers this means that the deposit is available more through online and mobile banking and as well as loan proceeding will be shift more towards electronically. It also means better deposit rates on CDs, money market accounts and savings accounts. Green banks come up with less charges and fees and give loans at less rate which are going towards energy-efficient and related projects. In brief green banking is a long-view approach towards business that besides aim profitability also concerning advantage to the empowerment and sustainable environmental conservation. Based on the World Bank, the green banking approaches concerned about the ecosystem and the quality of human life, which in turn can generate output such as operating cost efficiencies, competitive forte, corporate identity and a strong brand image as well as the achievement of a balanced business that is not only pursuing profit but also care about the people and the planet.

Review of Literature

Jaggi (2014) studies the schemes and plans initiated by SBI and ICICI on Green Banking. SBI has introduced a number of schemes in this direction like introducing of Green Channel Counter, enhanced commitment towards achieving carbon detachment, online money transfer, wind farms etc. Green Products and Services initiative of ICICI Bank includes anytime, anywhere banking through online, vehicle finance and home finance. In addition these types of banks have taken initiative steps for energy protection like depleting (two side printing), recycling, CFLs etc.

Sudhalakshmi and Chinnadorai (2014) in their study discusses the situation and position of Indian Banks in respect of Green Banking and affirmed that though following green mantra is vital for emerging economies like India but noteworthy efforts have not been taken and still a lot is being required like banks are required to include their green aspect in the lending principle too. He further stated that each and every action taken today will stand for enhanced global environment in future. So a guideline determines to promote and support Green Banking is needed in India. Indian banks are in a row at the back point in time in adoption of this green phenomenon. Serious steps are required to be taken in this regard.

Jha and Bhome (2013) carry out a research study to validate the status of banking with respect to environment friendly steps and also to build consumer awareness on Green Banking. To carry out their research they used structured questionnaires and conducted interview through that questionnaire and stated that certain steps needed in Green Banking. Online Banking, Automated Teller Machine, Special Touch Screens in terms of green service, less rate to those who are inclination to buy solar equipments in terms of green loans for supporting environment friendly residential projects, less power consumption equipments, Green Credit Cards, Mobile Banking reducing the usage of paper are among few steps suggested by them. Green Banking will make certain organization's shift on the way to sustainability.

Khawaspatil, S.G. and More, R.P. (2013), in their research study find out that in-spite of many of opportunity available in green banking and RBI notifications, Indian banks are still lacking in full implementation of green banking. They also found that only few banks have initiated in this regard. They further concluded that a lot of opportunities are available for banks in this direction and they can save our earth as well as also having potential to transform the world on the road to energy consciousness. Banks must educate their customers about green banking and adopt all strategies to save earth and build banks image.

Bahl (2012) highlights the ways of creating consciousness and knowledge about Green Banking to ensure sustainable growth. Garrett's ranking technique is used to analyze the most noteworthy strategies in reverence of Green Banking. It is found that if sustainable development is to be achieved it can be achieved by creating awareness and giving education. He further stated that awareness should be created both internally and externally by the various means like emphasizing on publications, newsletters, event meetings, media and websites to create awareness. A proper formulated green policy guideline is needed for effective Green Banking.

Dharwal, Mridul and Agrwal, Ankur (2011), in research article on "Green Banking: An Innovative initiative for Sustainable Development" concluded that Indian banks need to be made fully aware of the

environmental and social guidelines to which banks worldwide are agreeing to. In respect of implementation of green banking in full-fledged manner banks in India are still lacking with their counterparts banks in developed countries. It is important that banks in India recognize their environmental and social responsibilities in order to enter and compete in global markets.

Bihari, Suresh Chandra (2010), in his research article analysed the social responsibility of banking sector. He concluded that the role of banks in controlling the environmental damage is extremely important. As per nature of their environmental and social impacts, banks should consider and observe the decision of their lending approval and investment decisions. Incorporating ecological and green criteria into business verdict can decrease the unfavourable impact of operating actions. Financial institutions can do a lot to support efforts for CSR activities and achieve sustainability.

Objectives of the Study

- To understand and examine the role of green banking in sustainable development of the economy.
- To explore the initiatives taken by the Indian banking industry to protect the natural environment and bring about sustainable development.
- To find out the current challenges, opportunities and future trends of the green banking.

Research Methodology

The source of the information in this research study is the secondary data in order to accomplish the above objectives. All the available Journals, literature Reviews, reports and data, Articles, papers, magazines, websites which provided necessary information have gone through and used. The data pertaining to the study has been analysed and interpretation of data is based on rigorous exercises aiming at the achievement of the study objectives and findings of the existing studies and it is more on qualitative terms than on quantitative terms.

Green Banking and its Product and Services

Green Banking means ensuring environment friendly practices in banking sector and thereby reducing internal and external carbon footprints. To achieve thus banking sector has introduced and implemented many green products and services. Some of which are as follows:

- Sending payment slips, reimbursement slips electronically
- Online Net Banking System
- Paying bills online
- Mobile Banking
- Paper Recycling
- ATM
- Green Checking Accounts
- Conduct meeting through Video Conferencing.
- Green mortgage
- Green loans
- Green saving account
- Green CDS
- Green money market account
- Remote deposit
- Green Credit Cards
- Power saving

Banking and Sustainability-Role of Green Banking in Sustainability Development

In the current era we are facing major challenges like global warming, heavy electronic wastes, and pollution issues. As it's the matter of environment we should not finding the middle ground policy. Green banking is one of the major steps towards the way to achieving sustainable growth. Since banks are one of the important professional institutions that interact with the masses they can play a vital role in sustainable development of a country by creating public awareness and providing education too. The environment impact of banks can be seen in two ways internal and external. Internal activities include utilization of power, water, paper and the amount of various wastes which are generated during the operations of banking activities. However it is low in the comparison of other sectors but then also it

should not be neglected. On the other hand the external activities do not become the direct part of harming the environment but indirectly they become the part of harming the environment by including in various activities like investment, lending, risk management activities etc.

Banks can encourage greening process by some internal and external driving forces. Internal driving forces is derived from employees, shareholders, directors whose awareness, attitude and individual goals can be motivated towards greenery and creating green products and services, making environment friendly policies and in this way they can contribute to sustainability. External forces are from competitors, customers and by creating awareness and showing positive response towards green loans sustainable growth can be achieved.

Now a day's banks are also exposed to green marketing mix to express a responsible corporate marketing activity which regards environment issues as the opportunities for developing and growing and validates them in all operations.

Table-1: Green Marketing Mix

Promotion								
	Taking back of used products	Explanation of ecological problems	Information about green products/ services	Environmentally conscious sales promotion	Environmentally friendly PR activity	Information about the environmental effects of corporate performance	Ecological price formulation	
Place	Minimize, prevent the negative environmental effects through the activities of place policy	Environmentally conscious market segment			Price determination In the light of environmental pollution and resource limitation			
	Creation of resource spare sales organizations	Minimize the negative environmental effects, waste and pollution of production processes	Usage of not limited raw materials	Insure the usage of environmentally friendly products by the help of service department	Less raw material, recyclable	Compensate price determination for environmentally friendly products		
	Product							
							Price	

Source: Szolnoki Gyözőné Karkus Mária: A zöld marketing és gazdasági környezete, Mezőgazda Könyvkiadó, Budapest, 1999, p.140.

Green Banking Strategies towards Sustainable Development

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

- **Carbon Footprint Reduction:** Use of Carbon foot-print is a way of determine of the impact of our activities on the environment. It relates to the quantity of GHG we are producing in everyday business while blazing fossil fuels for electricity, heating, etc. Banks can reduce their carbon footprints by considering the following measures:
 - Banking with Less Paper Work: As presently most of the banks have computerized their branches, there is more than enough possibility for adopting paperless banking. Mostly Public Sector Banks are using enormous quantities of paper for office communication, audit purpose, recording daily public transactions and various entries, etc. These banks can turn over to electronic correspondence and reporting. Banks ought to support their customers also to shift more towards electronic transactions and popularise e-statements.
 - Using Transportation System on Mass basis: Public Sector banks can turn into be more fuel efficient association by providing common transport for group of officials posted at one office.

- 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.
- **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 initiate towards green bank loans with financial concessions for environmental friendly products and projects.
- **Indian Banks** can have also involve themselves in carbon credit business, where they can make available all the services in the area of CDMs and carbon credits including services of recognition and financial support of CDM projects, consultative services for registration of CDM projects and commercialization of CERs under different structures to meet the requirements of its customers, acting as an intermediary for buying CERs on behalf of end-users or carbon funds, financing against CERs and CERs receivables, and other related banking services. As India has huge potential for carbon credit business, Banks in India can set up a committed carbon credit cells to capture and get major share and success in this carbon credit business.
- **Social Responsibility Services:** As part of the green banking strategies, Indian banks can initiate various social responsibility services such as plantation of trees by organizing camps, maintenance of parks on weekends, pollution check-up and awareness for controlling camps, etc. anything that will help the society and also for future generation.

Green Banking Initiatives by Public and Private Sector Banks

In context to green banking many public and private banks have taken initiatives and contributed towards achievement of sustainable growth by putting innovation in product and services. Some of the banks who precipitated in sustainable development are as follows:

- State Bank of India
- PNB
- Bank Of India
- Union Bank Of India
- Canara Bank
- ICICI Bank Ltd.
- HDFC Bank Ltd.
- Axis Bank
- Yes Bank
- Kotak Mahindra Bank
- IndusInd Bank

Findings

- Many bank have now days introduced 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.
- Banks have introduced mobile app to get the statement and account information electronically.

Recommendations and Suggestions

A bank if is to be called green bank, its function and activities should beeco-friendly, help to develop environment sustainability and are promoting the concept of greener in all other allied activities. As many of the banks have started their operations which are friendly to environment but still many opportunities are available to green their activities. Some of the recommendations are as follows:

- By reducing the use of paper by switching to their customers electronically, wherever possible and promote paperless transactions.
- Select vendors on the basis of sustainability procedure which vendors are considering by banks in terms of procurement of various products.

- Design future bank products and services which consume less energy and other resources and are adaptable to sustainable growth.
- Create awareness of environment issue within the organization and with their customers by promoting activities which adhere to reducing carbon footprint.
- Electronic account statements, product information, guides to customers.
- Offering and promoting investment schemes that focus investment in 'green' companies and sustainable choices.
- Offering credit cards co-branded with environmental charities.
- Support by financing those businesses which are promoting sustainable growth such as wind equipment or fuel efficient projects.
- Reduce the brightness of monitors and switch off the laptop when not in use.
- Interior design of the branches should be so that proper sun light can enter the building which reduces the use of energy.
- Reduction in e-waste generation by locating electronic equipment's in proper environment, regular maintenance of equipment's and use of centralized printing or photocopying facilities.
- Banks should conduct energy audits and assess the IT's environment cost and impact and identify the areas which needed to be green.
- Making green banking as part of annual environment reports.
- Energy efficient ratings of banks by RBI to reward those which take green initiatives.
- Integration of PAN and Aadhar card number with all activities and biometric identification should be promoted which reduce the requirement of Xerox copy.

Conclusion

Overall Green banking is in actuality a good way for getting sustainable growth. Though it also helps people to get more awareness and each businessman will also contribute a lot to the environment and make this earth a better place to live. In this way the concept of "Green Banking" will be mutually beneficial to the banks, industries and the economy. As the banking industry has to sustain in this competitive world, they have to adopt the new technologies and electronic communication devices which can delight the customers. For effective adoption of green banking, the RBI and the Indian government should play major role and formulate green policy guidelines and financial incentive. Green banking if implemented sincerely opens up new markets and avenues for product differentiation. The review of literature conducted reveals that what is missing in context of implementation of Green Banking is the level of consumer awareness and education. So, proper training and educational programs by banks for the green initiatives will actually make Green Banking a success.

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