

***GREEN BANKING: AN INITIATIVE FOR
SUSTAINABLE ECONOMIC AND ENVIRONMENTAL
DEVELOPMENT***

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Abstract:

In the modern era of globalization, it has become a challenge to keep the customers as well as our natural environment safe and that is the biggest need of the time. As society is becoming more aware of the environmental issues, businesses have begun to modify their behavior in an attempt to address society's "new" concerns. The banking sector can play an intermediary role between economic development and environmental protection, for promoting environmentally sustainable and socially responsible investment, banking of this kind can be termed as "Green Banking". This paper provides an overview about green banking, advantages associated with it and different green banking initiatives taken by Indian banks.

Key Words: Green Banking, Green House Effect, Online –Banking, Global Warming, Sustainable development, environment friendly, carbon footprint, Customer satisfaction.

Introduction:

Banking sector plays a crucial and decisive role in promoting environmentally sustainable and socially responsible investments as it increases the value and lowers loss ratio as higher quality loan portfolio results in higher earnings. Thus, encouraging environmentally responsible investments and prudent lending should be one of the responsibilities of the banking sector. The reasons for going green are manifold, and the key among them are: increasing energy consumption and energy prices, growing consumer interest in environmentally-friendly goods and services, higher expectations by the public on Bank's environmental responsibilities and emerging stricter regulatory and compliance requirements.

'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. According to **Clark Schultz (2012)** Green banking means promoting environmental-friendly practices and reducing your carbon footprint from your banking activities. The concept of green banking helps to create cleaner and greener future as Green Banking has direct impact on the environment

Definition:

Green Banking is like a normal bank, which considers all the social and environmental factors; it is also called as ethical bank. Ethical banks have started with the aim of protecting the environment. 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.

What does GREEN mean in business?

Green business means **“Turning Unnecessary Expenses into Necessary Profits!”** It is giving better service to your customer, more benefits to your employees and using more efficient, cost-effective technology; resulting in greater profitability and sustainability to your business.

“The Supreme reality of our time is the vulnerability of our Planet.” – John F. Kennedy

To avoid falling into similar trap, the impulse of ‘going green’ is running faster than blood in Indian Incorporations veins. From IT giants to luxurious hotels, from Automobiles to Aviation’s, from Mutual Funds to Banks corporate India is moving fanatically ahead with green initiatives.

Objectives of the Study:

The main objectives of the study are as follows:

- 1) To identify the steps necessary to adopt Green Banking
- 2) To create awareness of green banking among consumers and bank employees

Research Methodology:

The present empirical study has incorporated the collection of both primary and secondary data for the in-depth investigation. All the information, data and opinion are collected which have a direct or indirect relevance to the information. An intensive desk research has been undertaken to collect published data. For collecting primary data, structured questionnaire has been used from the HDFC bank employees.

Steps in Green Banking:

From the empirical study, it is found that following are some of the steps that can be taken for going green in banking:

- 1. Go Online:** - Online banking is the developing concept in young and corporate India. Online banking helps in additional conservation of energy and natural resources. Like construct website and spread the news. Educate through the Bank's Intranet and Public Websites.
- 2. Use green checking accounts:-** Customers can check their accounts on ATM or special touch screens in the banks. This can be called as green checking of accounts.
- 3. Use green loans for home improvement:-** The Ministry of Non-renewable Resource in association with some nationalized and scheduled banks undertook an initiative to go green by paying low interest loans to the customers who would like to buy solar equipment's.
- 4. Power savings equipment's:-** Banks can directly contribute to controlling climate change and as an initial step they intend to start a campaign to replace all fused GSL bulbs, in all owned premises offices and residential. Banks can also make a feasibility study to make rain water harvesting mandatory in all the Bank's premises.
- 5. Use green credit cards:-** Some of the banks introduced Green Credit Card. The benefit of using a green credit card is that banks will donate funds to an environment-friendly non-profit organization from every rupee you spend on your credit card to a worthwhile cause of environment protection.
- 6. Save paper:-** Banks should purchase recycled paper products with highest post-consumer waste content possible. This includes monthly statements, brochures, ATM receipts, envelopes etc. whenever available, vegetable-based inks are used instead of less environmentally friendly oil-based inks.
- 7. Use of solar and wind energy:-** using solar and wind energy is one of the noble cause for going green. State bank of India (SBI) has become the first bank in the country to venture into generation of green power by installing windmills to captive use.

- 8. Mobile banking:-** Mobile banking is tricky. On the hand, it is great to have the ability to check balances, transfer funds or pay bills from your phone. It also helps in reducing use of energy and paper of the bank.

Role of Green Banking in sustainable growth:

Green banking can help a lot in attaining sustainable development by creating awareness and by imparting education. Awareness can be through communication. The first step would be defining target groups and means of communication. We can divide the whole system into two subsystems that is internal and external sub-system. For internal sub systems, means which can be followed to create awareness on the issue can be weekly green news on internet, clearing programs, high level meetings, bank's newsletter, publication etc. and the target groups are managers and other personnel. As far as external subsystems are concerned, effective means which can be followed are websites, capacity building, road shows, events meetings, bench marking, media etc. whereas clients, subsidiaries and general public are target groups.

Education can be imparted to related people by -

- Interactive E-learning Programs.
- Interactive Internet Applications.
- Special Fields on the Internet.
- Participation in Conferences and Meetings.
- Publication of Information Material.
- Annual Environmental Report.

Green Banking initiatives in India:

The Government of India has issued guidelines / instruction to banks on Green initiatives. In order of implement the green initiatives of the government, all public sector banks and all regional rural ere asked to:

- I. Increase use of Electronic Payment
- II. Increase use of Core Banking Solution (CBS)
- III. Increase use of Video Conferencing.

IV. Offer centralized payment system through sub-membership route to all the banks to facilitate direct Electronic Benefit Transfer (EBT)

Many banks in India have taken various green banking initiatives be it in form of green products or services, green communication (like online bill pay or online payment etc.), green projects or green events. Some of them have been listed below:

- State Bank of India, the country's largest Public Sector Bank had launched its 'Green channel Counter' facility on State Bank Day (01.07.2010), at 57 select branches of the Bank spread across the country as a step towards paperless 'Green Banking' for deposit, withdrawal and remittance transactions. With this facility the customers need not fill up any pay-in-slips or draw cheques for depositing or withdrawing money from their accounts, saving paper, and thereby contributing to the concept of 'Green Banking'. SBI became 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, it installed windmills with an aggregate capacity of 15 MW in the states of Tamil Nadu, Maharashtra and Gujarat. Under its campaign 'Hum aur Hariyali', IndsInd Bank Ltd inaugurated Mumbai's first solar-powered ATM to save on 1980 Kwh of energy annually. It is also supporting various environment friendly finance programs and projects.
- ICICI Bank's Green initiatives range from Green offerings/incentives, Green engagement to Green communication to their customers. Paperless initiatives like e-statements and e-greetings helped ICICI Bank save 30,000 trees from being felled in 2009-10, besides cutting down spending on stationery by Rs.7.36 crore.
- IDBI has been actively complementing Government of India's policies, initiatives and targets set for sustainable economic development and environment protection. IDBI has been involved in implementing several projects under Montreal and Kyoto Protocol obligations for over two decades. IDBI Bank is the first among the public sector banks to have entered into carbon credit business and is actively involved at national and international levels in various forums on climate change.

- The recycling initiative of Axis bank under the Green Banking banner has helped the bank productively use around 21,572 kilograms of dry waste during the year.
- Punjab National Bank launched green e-vigilance for the bank which involves paperless dealings in complaint and vigilance procedures through e-network which drastically cuts down cost and time.

Green Banking is using a more efficient “eco-friendly” technology to process your payment needs at a fraction of the cost of traditional payment methods! E.g.:-

- Green Car Loans
- Energy efficiency mortgages
- Eco-savings deposits
- Green credit cards
- Alternative energy venture capital

Mechanism of Green Banking: The program is comprised of four (\$) basic high-tech-e-payment options and a host of discount services; all of which yield significant savings, convenience, efficiency and other benefits to your business, your payees and your clients:

- E-Payroll
- E-Payment Cards
- E-Wallet
- E-ARN
- Turn your Payroll Expenses into e-Payroll Profits!

Green e-Payroll: Helps preserve the environment and increase your bottom-line one click at a time! With i-GO-Green e-Payroll both employers and employees can manage and access all payroll and HR information in a secure web environment 24/7/365. The program eliminates the expenses associated with the production and distribution of paper payments, i.e. checks, pay stubs, HR documents, envelopes, postage & delivery costs, lost/stolen check fees; and other expensive consumable, i.e. printer costs, ink, toner, cartridges and replacement parts. Additionally, e-Payroll

reduces your overall payroll administrative costs; and saves you time, and money to invest in the growth of your business.

The Environmentally friendly way to PAY & GET PAID!

Green e-Payment Cards: provide many benefits to both employers and employees helping even those with challenging or no credit histories stay plugged into the new economy. The card is a pay-as-you-go Prepaid Master Card issued by an FDIC insured bank; it backed by Master Card's Zero Liability protection and has an opening balance \$0.00. NO credit issued! Once money is loaded/deposited onto the card the cardholder has the "Power of a Checking Account, Credit Card ATM/Debit Card, and Money-transfer Card all-in-ne."

Turn your Laptop, PC, PDA & Mobile Phones into a CASH Machine!

Green Mobile-e-Wallet: Make and Receive CASH Payments Worldwide in seconds for FREE! Is a "good funds" transfer gateway whereby business can create international e-payment communities/networks and send-receive up to \$30K+ electronically both domestically and abroad in seconds for FREE!

Members can use their e-Wallet accounts like a credit/debit card to make purchases or pay bills-or-they can off-load funds to their checking/savings account or to their complementary Prepaid Master Card. **You can Bank on it!**

Green with e-ARN:

Electronic Accounts Receivable Network

Why wait for checks to clear or not? Say bye-bye to invoices, envelopes, postage, late payments, excessive administrative costs and bad check fees! If your average receivables are more than a week late and most are you need the power of e-ARN!

How it works: On the specified billing date each cycle e-ARN electronically collects (via ACH) your payments from your customer's bank account and credits thee funds to your business checking account "as CASH for your immediate use."

Advantages of Green Banking:

- Avoids paper work
- Creates awareness to business people about Environmental & Social responsibility
- Environmental Standards for lending
- Use of online banking instead of branch banking save time.
- It leads to rationalization of paper usage.
- Green banks are more environmental friendly.
- Green banking makes people aware about effects of global warming
- It provides support to development of new projects which are more environmental friendly.

Findings:

1. Basically Green banking avoids as much paper work as possible and rely on online/electronic transactions for processing so that we get green credit cards and green mortgages. Less paperwork means less cutting of trees.
2. Green Ethical banks adopt and implement environmental standards for lending, which is really a proactive idea that would enable eco-friendly business practices which would benefit our future generations.
3. Natural resources conservation is also one of the underlying principles in a green bank while assessing capital/operating loans to extracting/industrial business sector.
4. The value proposition for corporations to go green includes many of the same issues as that for individual consumers but on a much large scope and with additional concerns. Corporations may share a desire to reduce carbon footprint and enhance security by eliminating paper waste, but they are also extremely concerned with eliminating or decreasing errors due to manual processing and with creating a profitable bottom line. For these reasons more, corporations are actively pursuing green programs, many companies are taking active steps to reduce waste, implement sustainability measures and increase profitability by going green.

Suggestions:

Following are some of the suggestions that can be adopted by the banks to promote green banking in India:

- Make customers more and more aware about green banking through their websites.
- Promoting different forms of electronic banking.
- Creating customer's awareness through the media.
- Carbon footprint reduction by saving energy and paper.
- Carbon footprint reduction by offering transportation services for their employees.
- Providing environment friendly rewards to customers.
- By financing more and more environment-friendly projects.
- Join hands in more and more environment preserving causes.

Conclusion:

With increasing concern about global warming and conserving environment, Indian banks are becoming more responsive towards the green aspirations of their customers. New initiatives like green products and new environment friendly policies are being adopted. But still there is a long way to go. Indian banks should adopt effective strategies for green banking by considering it as a necessity rather than desirability. This endeavor will surely help them in creating long term value for their business.

Overall 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. Thanks to green banking. With Go Green mantra permitting, the banking sector too has adopted sustainable practices in all spheres of life. Green Banking is a Multi-stakeholders' Endeavour where banks have to work closely with government, NGOs, IFIs/IGOs, Central Bank, consumers and business communities to reach the goal. From the above research we can see that green initiatives like Communication through Press, Bank environmental policy, Concession on energy savings, Solar ATMs, Green CDs is not familiar in Green initiatives by the bank as per the respondents. From the above data we can see that green initiatives like Communication through Press, Bank environmental policy, Concession on energy

savings, Solar ATMs, Green CDs is not familiar in Green initiatives by the bank as per the respondents. To sustain the development of the Indian economy bank and financial institution have to work more hard as compare to big foreign banks as they are playing important role in maintaining the sustainability of their country economy. As the green banking term, some bank and financial institution have taken initiatives like State Bank Of India, Yes Bank and Financial Information Network and Operations (FINO) while making their branches and building environmental friendly and keeping eye on their clients projects to whom they have given the loan. But still Indian banks haven't accepted the principle equator policy to keep a record of their clients. Now it's time that India should take some strict steps so that they can contribute in the protection of environment in future. There is definitely a huge opportunity in clean, renewable energy technologies, emissions reduction and reduced-carbon transportation which can be slowly and steadily be achieved if we get cooperation from all sectors of the economy and bank being an integral part of our economy must lead from the front.

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