

## **Green Banking: An Overview**

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### **ABSTRACT**

Change is the law of nature. The environment and climate change are the most complicated issues that world is facing today. So adoption of change is the need for the survival. Today's business is all about being green. From Wal-Mart to Apple, everyone is talking about how green they are<sup>15</sup>. Being a financial organization banks are responsible for the economic development of the nation. Green banking means promoting environmental friendly practices and reducing carbon footprint from banking activities<sup>2</sup>. Adoption of green banking practices will not only be useful for environment, but also benefit in greater operational efficiencies, a minimum errors and frauds, and cost reductions in banking activities. The present paper aims to highlight Indian initiatives by various banks adopting green banking in India. Further, an attempt has been made to highlight the major benefits, confronting challenges of Green Banking.

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**Key words:** Banking, Eco-Friendly, Green, Online

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### **Introduction**

In the environment friendly society "Go Green" mantra has become relevant in each and every aspect of business. There is a wave of change with all business activities to not only focus on profit but also on people and planet. Sustainability is the key issue. In this new era it becomes essential to address the green issues. Now each action is required to be environmentally responsible. Green is the word now 'Green Computing', 'Green Banking', 'Green Strategic Management' and so on<sup>3</sup>. Enterprises are now interested in implementing strategies that help to address environmental issues. The growing interest of consumer in environmentally friendly goods and services, higher expectations by public, regulatory compliance requirements are some of the reasons to go for green banking. Green banking means promoting environment friendly practices and reducing carbon footprint from banking activities. Green banking refers to practices which considers all the social and environmental factors, aims to make use of IT and banking processes with minimal impact on the environment<sup>2</sup>. Green Banking comes in many forms like,

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1. Online Payment
2. Online fund transfer
3. Online account opening
4. E-Commerce etc.

### **Objectives**

1. To know the concept of Green Banking
2. To identify the Methods for adopting Green Banking
3. To identify the Opportunities for Green Banking
4. To enlist Green Banking challenges

### **Research Methodology**

The study mainly includes literature review from secondary data. The secondary data sources include reports of the respective banks and other relative information published on the banks and other internet sites, Research Paper and Various articles on Green Banking.

### **Banking and Green Banking**

Banking is a business of accepting deposits and lending money. It is carried out by financial intermediaries, which performs the functions of safeguarding deposits and providing loans to the public. In other words, Banking means accepting for the purpose of lending or investment of deposits of money from public repayable on demand. Banking System is a principal mechanism through which the money supply of the country is created and controlled. The banking system enables us to understand Commercial Banks, Central Banks, Merchant Bank or Accepting Houses and Discount Houses and other intermediaries. Green is becoming a symbol of Eco consciousness in the world. According to Indian Banks Association (IBA, 2014) “Green Bank is like a normal bank, which considers all the social and environmental factors with an aim to protect the environment and conserve natural resources”<sup>1</sup>. Green Banking is also known as ethical banking or sustainable banking. The purpose of Green Banking is to take care of earth’s ecology, environment and natural resources along with banking activity. Green banking is responsible for technological improvements, operational improvements and changing client habits in the banking system which promote environmental friendly practices and to reduce the carbon footprint in banking operations. Banks should promote those products, process and technology which substantially reduce the carbon footprint from the environment. Green Banking is not only a CSR activity of the bank but also a process of sustainable development. However, there is lack of awareness on Green Banking. Hence there is need to promote Green Banking.

### **Green Banking Initiatives by Indian Banks**

SBI became the first bank in the country to venture into generation of green power by installing windmills for captive use in 2010 as part of its green banking initiative in the, Maharashtra Gujarat and Tamilnadu. On the occasion of State Bank Day, the bank had launched 'Green Channel Counter' (GCC) facility on 1st July 2010 at 57 select branches spread across the country and the same was expanded to more than 14,981 branches in 2014. This is a pioneering concept which is eco-friendly and convenient<sup>1</sup>. Bank of Baroda has constructed buildings at Varanasi and Jaipur equipped with ultra-modern gadgets and systems as per green building norms. Punjab National Bank has started using energy efficient appliances & conducting the electricity auditing of their offices. Bank of India has undertaken initiatives to popularize use of solar street lights and rain water harvesting in rural areas<sup>16</sup>.

**Eco-Friendly Vehicle Finance** - As an initiative towards more environment friendly way of life, ICICI Bank offers 50% waiver on Auto Loans processing fee on car models which use alternate mode of energy. HDFC bank is using Social and Environmental Risk Management System (SEMS) that help in screening projects negative social and environmental impacts before approval.

### **Methods for Adopting Green Banking**

**Online Banking:** Online Banking and Mobile Banking is the easiest way for adopting Green Banking. Online Banking includes Paying bills online, Remote deposit, Online fund transfers and Online statements. Online Banking and Mobile Banking are highly effective ways to keep track of your finance and to avoid late payment fees<sup>14</sup>. and save time by avoiding standing to queues.

**Paperless Statement:** Sending out bank statement by mail is a big waste of paper. Receiving Bank Statement electronically can be a method of Green Banking. Receiving Statement electronically can reduce a chance of misplace of statement, warn out of statement or identity theft.

**Save Paper:** Banks should purchase recycled paper products with highest post- customer waste content. Whenever possible, use vegetable-based inks instead of less environmentally friendly oil-based inks<sup>11</sup>.

**Use of 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<sup>12</sup>.

*Use of Eco-Friendly Energy Source:* Banks can switch over to renewable energy like solar, wind etc. to manage their offices and ATMs for going green. Banks can conduct energy audits in all their offices for effective energy management.

### **Benefits of Green Banking**

- 1.Green banking avoids paper work. Less paper work means less cutting of trees.
- 2.E-Statement will be generated and sent to the customers' email<sup>13</sup>.
- 3.Free electronic bill payment services.
- 4.Green banks gives more importance to environmental friendly factors like ecological gains thus interest on loan is comparatively less.
- 5.Customer can opt for Go Green through various channels through Online Banking, Branches and Call Centre<sup>12</sup>.

### **Green Banking Opportunities**

- 1.Create financial products and services that support commercial development with environmental benefits.
- 2.Adopting environmentally sustainable technologies should not be considered as financial burden by the banks rather it should be considered as new opportunity for higher profits<sup>2</sup>.
- 3.Adopt techniques and plans to minimize inventory wastage.
- 4.Adopt carbon footprint design.
- 5.Customer Relationship Management by using electronic means to maintain contact and correspond with customer.
- 6.Encourage, motivate the workforce to follow green practices and also encourage the clients, suppliers to adopt green practices<sup>2</sup>.

### **Challenges of Green Banking**

- 1.Green banks restrict their business transactions to those business entities who qualify screening process done by the bank. With limited number of customers they will have a smaller base to support them<sup>11</sup>.
- 2.Many banks in green business are very new and are in startup face.
- 3.Green banks require talented, experienced staff to provide proper services to customers.
- 4.If banks are involved in those projects which are damaging the environment they are prone to loss of their reputations.
- 5.Credit risks arise due to lending to those customers whose businesses are affected by the cost of pollution, changes in environmental regulations and new requirements on emissions levels. Therefore it has higher probability that customer become defaulting because of uncalculated expenses for the new requirements<sup>2</sup>.

### **Conclusion**

There is a need to create awareness about green banking to make our environment human friendly. Green banking if implemented sincerely opens up new markets and avenues for product differentiation. Green Banking will be mutually beneficial to the banks, industries and the economy. Green Banking will ensure the greening of the industries and improving the asset quality of the banks. Government should play major role and formulate green policy guidelines and financial incentive for going green. Proper training and educational programs by banks for the green initiatives will actually make Green Banking successful.

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