Research Paper Commerce

Green Banking Initiative to Sustainable Development in India

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ABSTRACT

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". Green Banking refers to the banking business conducted in selected area and manner that helps the overall reduction of external carbon emission. The green technology and pollution reducing projects are financed by the bank in order to aid the reduction of external carbon emission. Green finance as a part of Green Banking makes great contribution to the transition to resource efficient and low carbon industries i.e. green industry and green economy in general. Green banking is a component of the global initiative by a group of stakeholders to save environment.This paper aims to highlight the means to create awareness in internal as well as external sub systems among target groups and impart education to attain sustainable development through green banking. Further, an attempt has been made to enumerate effective methods for green banking.

KEYWORDS | Green Banking, Sustainable Development, Environment friendly

INTRODUCTION

Sustainable Banking is a philosophy that underpins everything about banking, 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, while at the same time preventing, or at least minimizing, any undue effects on society and the natural environment. It also requires banks, where appropriate, to be proactive 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. Considering environmental and social factors in thoseinvestment decisions can have a significant role in shifting the global economy toward sustainable business practices.

Although banks are considered environment friendly and do not impact the environment greatly through their own 'internal' operations, the 'external' impact on the environment through their customers activities is substantial. 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 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.

The best way for a bank to develop commercially is to look at the big picture and act in a way that benefits consumers, the economy, society and the environment. Presently most banks follow single bottom line analysis while making decisions regarding loans and investments i.e. they consider only the financial performance of borrowers. 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.

OBJECTIVES OF THE STUDY

The objectives of the study are as:

- To study concept and identify the steps necessary to adopt Green Banking
- To check the awareness of green banking among bank employees, associates and general public.
- To create awareness about green banking among the general public.

RESEARCH METHODOLOGY

The research methodology used in this study is based on primary as well as secondary data. The primary data was collected from the study conducted through telephonic interactions and personal interviews.

Sample Size: 12 Bank Managers and 50 Bank Employees.

General Bank Customers: 50

Method of Sample Collection: Random

INDIAN CONSEQUENCE

Banks in India have taken up the challenge of socially responsible finance, providing no-frillaccounts, participating in priority sector lending, linking up with Self-Help Groups for lending toweaker sections, etc. but are yet to address the issue of environmentally responsible banking. No bank in India is a signatory to Equator Principles (EPs); in fact awareness of these principles among bankers is very poor (Biswas 2011). No bank has an environment cell or an environment policy, nor do environmental factors find a place in banks' risk management systems. In other words, the implementing bank would find itself on an unleveled playing field. The fear that EP early adopters would risk losing business keeps all banks from adopting these vital principles. But if the environment is not factored into project appraisal and investment decisions, banks face very strong, very real risks of project suspension or closure, resulting in losses for the bank almost certainly in the long run and quite possibly in the immediate future as well.

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. ICICI Bank has been assisting various organizations to undertake clean energy and environmentally sustainable projects/initiatives. 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 GHG emissions and financing clean technologies.

GREEN BANKING BENEFITS

Banking is never considered a polluting industry, the present scale of banking operations have considerably increased the carbon footprint of banks due totheir massive use of energy (e.g., lighting, air conditioning, electronic/electricalequipment'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: Paperless banking almost all banks in India arecomputerized 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 NGOsand environmentalists are propagating environment consciousness among the public in general by arranging awareness programs and organizing seminarsetc. Banks may associate themselves by sponsoring such programs. Besides,many corporate bodies are organizing similar program in their own line ofbusiness such as "free pollution check program" organized by acar manufacturer. Banks may tie with such corporate. These will help tobrighten the image of the bank**.**

3. Environmental Standards for Lending: Banks follow environmentalstandards for lending, is really a good idea and it will make business owners tochange their business to environmental friendly which is good for our futuregenerations.

4. 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

There are many methods of adopting green banking in India. Some of them are discussed in this paper:

1. Use Direct Deposit: Most employers will give employees the option to receivetheir paycheck electronically. Not only does this speed up the availability ofyour money and save you a trip to the bank, it saves paper, lots of paper worketc.

2. Online Savings Account: Online savings account and mobile banking is the easiest way that you can do your part to bank green and help the environment.Green banking includes setting up direct deposit to receive your paychecks, 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.

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, someonline banking customers have thrown away their checkbooks and completelyconverted to online payments. Not only is the recordkeeping much easier, butagain massive amounts of paper is saved.

4. Reward Debit and Credit Cards: Some banks have joined up withenvironment-friendly groups like The Sierra Club or Defenders of Wildlife tocreate reward debit cards and reward credit cards. Participating banks willmake a small charitable donation as a percentage of your online bankingactivity to help the environment**.**

5. Paperless Statements: Sending out bank statements by mail is a big waste ofpaper. Signing up for online banking at most banks includes an option forcustomers to receive their statements electronically through a secure log – in.Copies of banking records and statements can then be stored electronicallyinstead of in a filing cabinet. Receiving statements electronically also reducesthe chance of identity theft**.**

6. Net Banking: Online banking is when customers perform most of theirbanking related functions without visiting the bank, personally. To doso, customers must possess an internet banking ID and a password provided bythe bank in which the individual customer has an account.

CONCLUSION

India's growth story and commitment to cut its carbon intensity by 20-25 percent from 2005 levels by 2020 provides tremendous opportunities for Indian banks from funding sustainable projects to offering innovative products and services in the areas of green banking. Initially, these commitments to environmental and social guidelines will cause a huge financial burden for Indian banks. For effective green banking, the RBI and the Indian government should play a proactive role and formulate a green policy guidelines and financial incentives. The survival of the banking industry is inversely proportional to the level of global warming. Therefore, for sustainable banking, Indian bank should adopt green banking as a business model without any further delay.India today has the opportunity to grow in a manner that moderates the costs of environmental degradation, and this, in turn, presents a vast range of opportunities for India's financial sector.Banks not only need to make direct investments in sustainable development, they also need toleverage their indirect control over investment and management decisions to influence business into fulfilling broader social and environmental goals. There is a plethora of opportunities in the area of environmentally responsible finance, which banks can profitably exploit. Indian banks have a mammoth task ahead of them. But they have no choice in the matter: sustainable finance is the future and more so for Indian banks desirous of becoming global players.

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