



GREEN BANKING TRENDS IN INDIA

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Abstract

The world has seen much focus on economic progress and mankind has made giant steps in its journey through time. The side effects of the development process have, however, also been equally enormous loss of biodiversity, climatic change, environmental damage, etc. Bank is also not the exception for this. This paper tries to find out the ways to go Green through 'Green Banking'. Generally, the banks are using 1. Online banking instead of branch banking. 2. Paying bills online instead of mailing them. 3. Opening up accounts at online banks, instead of large multibank banks 4. Finding the local bank in your area that is taking the biggest steps to support local green initiatives.

Keywords: Green Banking, Sustainable Growth, RBI, Global Warming.

INTRODUCTION

Green banking means promoting environmental-friendly practices and reducing your carbon footprint from your banking activities. This comes in many forms. Using online banking instead of branch banking, paying bills online instead of mailing them open up CDs and money market accounts at online banks, instead of large multi-branch banks or finding the local bank in your area that is taking the biggest steps to support local green initiatives. Green Banking helps to create effective and far-reaching market-based solutions to address a range of environmental problems, including climate change, deforestation, air quality issues and biodiversity loss, while at the same time identifying and securing opportunities that benefit customers.

Based in Eustis and Clermont Florida USA, First Green Bank is the first bank of its kind to promote positive environmental and social responsibility while operating as a traditional community bank providing excellent service to investors and clients. The progressive approach to the community and the Earth sets it apart from other banks. State Bank of India (SBI), India's largest commercial bank, took the lead in setting high sustainability standards and completed the first step in its 'Green Banking' initiative with **Shri.O.P.Bhatt, Chairman, SBI**, inaugurating the bank's first wind farm project in Coimbatore. Recent Green Bank initiatives include a push for solar powered ATMs, paperless banking for customers, clean energy projects and the building of windmills in rural India. State Bank of India is a leader in green banking. Green banking is relatively easy. It means promoting environmental- friendly practices and reducing your carbon footprint from your banking activities. This comes in many forms. Using online banking instead of branch banking, paying bills online instead of mailing them Open up CDs and money market accounts at online banks, instead of large multi-branch banks or finding the local bank in your area that is taking the biggest steps to support local green initiatives. Green Banking helps to create effective and far-reaching market-based solutions to address a range of environmental problems, including climate change, deforestation, air quality issues and biodiversity loss, while at the same time identifying and securing opportunities that benefit customers.

DEFINITION

Green Banking is like a normal bank, which considers all the social and environmental factors; it is also called as an ethical bank. Ethical banks have started with the aim of protecting the environment. These banks are like a normal bank which aims to protect the environment and it is controlled by same authorities as what a traditional bank do. 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. It is also called as an ethical bank or a sustainable bank. They are controlled by the same authorities but with an additional agenda toward taking care of the Earth's environment / habitats / resources. For banking professionals green banking involves the tenets of sustainability, ethical lending, conservation and energy efficiency.

There are many differences compared with normal banking, Green Banks give more weight to environmental factors, their aim is to provide good environmental and social business practice, they check all the factors before lending a loan, whether the project is environmental friendly and has any implications in the future, you will awarded a loan only when you follow all the environmental safety standards.

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.

Green banking can benefit the environment either by reducing the carbon footprint of consumers or banks. Either a bank or a consumer can conserve paper and benefit the environment. Ideally, a green banking initiative will involve both. Online banking is an example of this. When a bank's customer goes online, the environmental benefits work both ways. Green banking means combining operational improvements and technology, and changing client habits.

THE FIRST GREEN BANK

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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 Equipments, IT etc.), high paper wastage, lack of green buildings etc. Banks should adopt technology, process and products which result in substantial reduction of their carbon footprint as well as develop a sustainable business. Green banking means promoting environment friendly practices and reducing carbon footprint from banking activities.

The main objective of green banking is to use the resources in favor of the society and environment. They provide finance to many green projects which also ensures the economic growth of the country. Banks have promoted different green banking products. These products include ATM booths, SMS banking, Credit Card and Debit Card. If banks conduct green banking activities in large amount, the customers will be interested to conduct their activities with them which will result in higher profit for banks.

BENEFITS OF GREEN BANKING

1. **Avoids Paper Work:** Paperless banking almost all banks in India are computerized 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 NGO's and environmentalists are propagating environment consciousness among the public in general by arranging awareness programs and organizing seminars etc. Banks may associate themselves by sponsoring such programs. Besides, many corporate bodies are organizing similar program in their own line of business such as "free pollution check program" organized by a car manufacturer. Banks may tie with such corporate. These will help to brighten the image of the bank.
3. **Loans at Comparatively Lesser Rates:** Banks can also introduce green bank loans with financial concessions for environment friendly products and projects such as fuel efficient vehicles, green building projects, housing and house furnishing loans to install solar energy system etc.
4. **Environmental Standards for Lending:** Banks follow environmental standards for lending, is really a good idea and it will make business owners to change their business to environmental friendly which is good for our future generations.

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 programmes, high level meetings, bank's news letter, 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.

STEPS IN GREEN BANKING

The 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. Online Banking includes: a. Paying bills online, b. Remote deposit, c. Online fund transfers and d. Online statements. It creates savings from less paper, less energy, and less expenditure of natural resources from banking activities. Customers can save money by avoiding late payments of fees and save time by avoiding standing to queues and paying the bill from home online.
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 account. Using a green checking account helps the environment by utilizing more online banking services including online bill payment, debit cards, and online statements. Banks should promote green checking by giving some incentives to customers by giving higher rate of interests, waiver or discount in fees etc.
3. **Use Green Loans for Home Improvements:-** 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 equipments. The rate of interest is as low as 4% p.a. Before you undertake a major home improvement project, study if the project can be done in an eco-friendly manner and if you might qualify for a green loan from a bank Green loan are perfect for energy-saving project around the house. The new Green Home Loan Scheme from SBI, for instance, will support environmentally friendly residential projects and offer various concessions. These loans will be sanctioned for projects rated by the Indian Green Building Council (IGBC) and offer several financial benefits –a 5 percent concession in margin, 0.25 percent concession in interest rate and processing fee waiver.
4. **Power Savings Equipments:-** 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 owned premises. In December 2009 Indusind Bank inaugurated Mumbai's first solar-powered ATM as part of its 'Green Office Project' campaign titled 'Hum aur Hariyali'.
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 nonprofit organization from every rupee you spend on your credit card to a worthwhile cause of environment protection.
6. **Save Paper:-** Bank should purchase recycled paper products with the highest postconsumer waste content possible. This includes monthly statements, brochures, ATM receipts, annual reports, newsletters, copy paper, 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 for captive use. As part of its green banking initiative, SBI has installed 10 windmills with an aggregate capacity of 15 MW in the states of Tamil Nadu, Maharashtra and Gujarat.

- 8. Mobile Banking:-** Mobile banking is tricky. On the one hand, it is great to have the ability to check balances, transfer funds or pay bills from you phone. On the other hand, it saves time and energy of the customers. It also helps in reducing use of energy and paper of the bank. Most of the Indian banks introduced this paper-less facility.

GREEN BANKING: CONCEPT AND POLICY GUIDELINES

Global warming is a burning issue of the time. The rapid changes in the climate pattern cause many problems and directly leave impact on biodiversity, agriculture, forestry, water resources, and human health, which need immediate global response.

Historically, banks have been viewed solely as financial institutions, which should concern themselves with all things simply financial. Banks naturally run their business on the basis of security and profitability, which hardly touch morality. This public perspective, however, makes banks vital with regard to ethical standards. This is because they have not been associated with the actions 'taken by the businesses'. This has turned out to be different, because the clients viewed it as 'interference'. However, the scenario has been changing gradually and now under altered circumstances, the attitudes of banks and clients are also changing.

Green banking is a new initiative throughout the world. The leading bankers and entrepreneurs have come forward to save man from environmental disasters. In the context of Bangladesh, if we think about it, we will find the situation to be terrible. Our people have little awareness about environment, air and water pollution, industrial and medical, and household wastes.

But it is the obligation of the authorities to stop all these acts of environmental misconduct and pollution, and, as such, green banking campaigns should be taken forward and strengthened. In this way, we can say green banking is nothing but an 'eco-friendly socially responsible banking system' which drives the whole nation towards a healthy environment and presents an excellent and hazardless banking. First of all, Americans started turning to eco-friendly banking as a way to lower the 'carbon footprint' in their normal banking activities. This movement, away from branch and paper banking, is being led by green banking that believes in social responsibility.

Bangladesh is one the least developed countries (LDCs) where natural calamities are a common phenomenon, which often causes huge losses. Even climate change impacts are high in our country, which needs proper dealing and management, effective guidance from all quarters, especially from banks. Green banks involve pursuing financial and business policies that are friendly to environment. The Bangladesh Bank has shown keen interest in it, and as such formulated guidelines in this respect, and encourages the scheduled banks to take measures to create a congenial atmosphere through 'green banking methodology'. Green banking can also reduce the need for expensive branch-banking and customer services.

'Ethical' banks: A green bank must be ethically motivated as a social, alternative or sustainable bank concerned with social and environmental impacts of its investments and other matters. Ethical banks are the larger social movement towards social and environmental responsibility in the financial sector. This movement includes ethical investment, socially responsible investment, rendering corporate social responsibility. Thus it shows its separate quality and entity other than the banks not abiding by the special rules. Ethical banks, sometimes, work with lesser profit than the traditional ones. They do not always run on the basis of their interest, rather they think about the overall sustainable growth and development of a country.

Features: In general, conventional banks are based on security and profitability, and as such they are reluctant to broaden the scope of their external ethical policies. Now the theme has changed because of international propaganda on green banking activities. Especially the Islamic banks and financial institutions introduced and rendered green banking system and CSR activities in a big way. Green banks must abide by ethical obligations which require an objective way to determine ethical values by exploring their responsibilities towards mankind. Banks should change their behavior in line with socio-economic situations, improving environmental conditions in their own arena.

Some important features of green banking operations are as follows:

- Banks can help environment through automation and online banking.
- Green banking focuses on social safety and security through changing the negative impacts of the society
- In financing, it always gives priority to investments / loans which consider risk factors regarding environmental conditions.
- It always cares for sustainable and green growth in industrialization and for social purposes.
- It creates a congenial atmosphere inside and outside the bank.
- It considers the clients as its family members, and as such, guides and supervises the projects to reduce pollution and thus implement scientific methods in the real sense by implementing environmental due diligence (EDD) checklist.

- It reduces cost and energy, thus saving money and increasing GDP of a country.
- It changes the mental faculties of the officials and customers, in line with green sensibilities.
- It helps institutions; men and the nation in general live with dignity.

Rationale: Green banking is a new concept that derives from the awareness of intellectuals, scientists, bankers and Entrepreneurs, who thought about the future of mankind regarding sustainable growth, saving the nations from painful, un-healthy environment, natural calamities and disasters. Mankind is the best creation of this earth, which has to survive with dignity. But if the society is adverse, unity gets disrupted, the environment is against the healthy survival then man has to face uncertainty, diseases and other maladies. We, the conscious people, want to save mankind and environment for the betterment of our nations. Therefore, we would like to propose some rationales for green banking:

- Green banks must have sustainability assessment tools, which screen investment applications.
- The bank will ascertain customers' feelings about where and how their money is invested for earnings.
- This is truly a mission-oriented approach towards banking depositors to be assured that every deposit is used to support a sustainable eco-friendly project.
- They are to adopt environmental procedures that have 'greened' up the bank from the IT department to waste diversion methods.
- The bank will ensure prevention of carbon footprint, environmental pollution and global adversities within its jurisdiction.
- Banks may play a pivotal role by reducing and prohibiting credit risk against unethical activities by unruly industrialist of the country.
- By creating a congenial atmosphere, it helps acceptance of the international area in the socio-economic one.
- It helps green plantation and reduces pollution throughout the country.
- Due to IT support in all respects, it significantly reduces mass gathering, energy and cost-related adversities.
- Since extraordinary cost is reduced, it offers less cost fund to its customers, the effects of which include least income- generating profile.
- It increases the credibility of the employees and thus improves the environmental situation with more hopes and aspirations.
- It enhances productivity within the office and invested projects due to check and balance.
- Owing to its activities, many people may enjoy better life due to eco-friendly equipment and environment.
- It creates mass awareness regarding healthcare, environment and pollution.
- All the parties like customers, employees and stakeholders are involved in these operations with cordiality.
- It helps the people to be careful and alert about cost consciousness, environmental matters and all other life-related issues with sharing and caring.
- Implementation of this methodology may help an institution for better CAMELS rating.

Scopes

- All the branches of the banks may prepare a list of their goods, furniture fixture etc. to arrange or keep the important commodities and reject the unnecessary goods / things and thus clean up the branch with better set-up and get-up.
- Power, gas and water use and all other day-to-day activities ought to be cautiously carried out.
- Banks may introduce all sorts of IT-based online services to its customers to reduce hazards and huge rush inside their premises.
- Banks may offer higher rates of profit to the depositors if they opt to conduct their banking activities only through online services.
- Green banks think about environment, especially climate changes, natural calamities and pollution. As such many scopes to establish eco-friendly industries and pro- environment projects are created.
- All the industrial units under their command should be advised to complete BMRE if required, and establishment/ installation of Effluent Treatment Plants (ETPs) at their industrial units.
- Implementation of the solar energy programme is a must. It will help the banks in the projects of electrification of schools, houses, hospitals and other places.
- Banks may help the organizations dealing with environment in establishing special projects or resisting the anti-environment elements and conserving the resources.
- Bangladesh has enormous potential for generating bio-mass electricity.
- Biomass resources are available in our country from products like rice husk, crop residue, wood, jute-stick, cow dung etc, which may help in the production of huge volumes of natural electricity

- Bio-gas projects may be established. They are mainly based on animal and municipal wastes.
- There are still many scopes for establishing micro/macro level hydro projects in Chittagong and Chittagong Hill Tracts. The capacity of the Kaptai hydro project can be enhanced.
- Banking authorities in Bangladesh may impose restrictions on establishment of any industry or projects without putting in place the green banking methodology.
- Banks may encourage jute and jute product projects, cottage industries and small industries.
- They may help ensure better sanitation, beatification, drinking water, smooth water supply projects.
- Green plantation may be introduced. Banks may initiate plantation programmes throughout the country.
- The real GDP growth could be increased if the green banking project is implemented properly.

GREEN BANKING: AN INNOVATIVE STRATEGY FOR SUSTAINABLE DEVELOPMENT

Climate change is the most complicated issue the world is facing. Across the globe there have been continuous endeavors to measure and mitigate the risk of climate change caused by human activity. Many countries the world over have made commitments necessary to mitigate climate change. India has committed to cut its domestic carbon intensity by 20-25 percent from 2005 levels, by the year 2010. As socially responsible corporate citizens (SRCC), Indian banks have a major role and responsibility in supplementing government efforts towards substantial reduction in carbon emission. 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., lightning, air conditioning, electronic/electrical equipments, 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.

METHODS ADOPTING GREEN BANKING

1. **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. All of these steps can drastically reduce the amount of paper produced by your bank. Online banking and mobile banking are also highly effective ways to keep track of your finances and to avoid late payment fees. Another green banking step you can take is to suggest that the company you work for sign up for a product called "Remote Deposit". Remote customers have to physically deliver each check to their bank to make a deposit. Remote deposits also allow banks to easily clear checks digitally.
2. **Paperless Statements:** Sending out bank statements by mail is a big waste of paper. Signing up for online banking at most banks includes an option for customers to receive their statements electronically through a secure log-in. Copies of banking records and statements can then be stored electronically instead of in a filing cabinet. Receiving statements electronically also reduces the chance of identity theft.
3. **Use Direct Deposit:** Most employers will give employees the option to receive their paycheck electronically. Not only does this speed up the availability of your money and save you a trip to the bank, it saves paper, lots of paper work etc.
4. **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, some online banking customers have thrown away their checkbooks and completely converted to online payments. Not only is the recordkeeping much easier, but again massive amounts of paper is saved.
5. **Reward Debit and Credit Cards:** Some banks have joined up with environment-friendly groups like The Sierra Club or Defenders of Wildlife to create reward debit cards and reward credit cards. Participating banks will make a small charitable donation as a percentage of your online banking activity to help the environment.

6. **Net Banking:** Online banking is when customers perform most of their banking related functions without visiting the bank, personally. To do so, customers must possess an internet banking ID and a password provided by the bank in which the individual customer has an account. Online banking offers several benefits like time saving, convenience, 24 x 7 service, eco-friendly process, easy access etc.
 - **Credit and Debit Cards.** Credit card and debit card can be used while making the payment of various expenses without caring the money.
 - **Online Bill Payment.** Through online payment we can make payments of telephone bills. Credit card bills or loan installments.
 - **Electronic Fund Transfer.** Electronic banking, also known as electronic fund transfer (EFT), uses computer and electronic technology as a substitute for checks and other paper transactions. EFTs is initiated through devices like cards or codes that let you, or those you authorize, access your account. Many financial institutions use ATM or debit cards and Personal Identification Numbers (PINs) for this purpose.

7. **Mobile Banking:** Mobile banking is a term used for performing balance checks, account transactions, payments, credit applications etc. via a mobile device such as a mobile phone or Personal Digital Assistant (PDA).

CONCLUSION

India's growth account and obligation 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 additional postponement.

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. Until a few years ago, most traditional banks did not practice green banking or actively seek investment opportunities in environmentally friendly sectors or businesses. Only recently have these strategies become more prevalent, not only among smaller alternative and cooperative banks, but also among diversified financial service providers, asset management firms and insurance companies. Although these companies may differ with regard to their stated motivations for increasing green products and services (e.g. to enhance long-term growth prospects, or sustainability principles on which a firm is based), the growth, variation and innovation behind such developments indicate that we are in the midst of a promising drive towards integrating green financial products into mainstream banking.

This concept of "Green Banking" will be mutually beneficial to the banks, industries and the economy. Not only "Green Banking" will ensure the greening of the industries but it will also facilitate in improving the asset quality of the banks in future.