

Impact of Green Banking

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Abstract: Banking industry plays an important role in economic growth and environmental protection by promoting environmentally sustainable and socially responsible institutions. Change is the need for survival in all spheres. Green banking is a form of banking from which the country and nation gets environmental benefits. A conventional bank becomes a green bank by directing its core operations towards the betterment of environment. Green banking has become a buzz word in today's banking world. Adopting green banking practices will not only be useful for environment but also benefit in greater efficiencies, lowers manual error, fraud, and cost reduction in banking activities.

This paper focuses on green banking activities, concepts, impacts, challenges, benefits and suggestions of implementing green banking in banking sector in Indian economy.

Keywords: Environmental production, social responsibility, green banking, betterment, cost reduction.

1. INTRODUCTION

Banks play a very pivot role in the society. As a financier to major developmental projects their role in the society and impacts on the environment cannot be neglected. Banking sector is considered as a clean sector which is technologically strong with minimum negative impact on the environment and the society. Internal operations of the banks may increase greenhouse emissions, like energy consumption from lights, use of computers and ATM machines, water, waste disposal, business travels etc. The direct impact of banks' energy, waste and paper use on the environment is comparatively less than many other sectors but since the size of the banking sector is large, their impact on the environment as a whole sector cannot be ignored. Banks are focusing on their roles in the society and they have realised to work towards their corporate social responsibility. CSR and ethical banking are the main drive towards green banking concept.

State bank of India is the First bank in our country to adopt green power by installing wind mill. As a part of its green banking initiative, it installed 10 wind mills in Tamilnadu and Maharashtra. This study tries to analyse concept of green banking, products of green banking and to find out the impact of adoption of green banking on Indian economy.. This paper focuses on the impotances of green banking and the challenges faced by the banks to adopt green banking.

Objectives of the study:

1. To study the concept of Green banking.
2. To know the Products of green banking.
3. To identify the importance of Green banking
4. To find out the challenges of Green banking
5. To analyse the impact of Green banking on the economy.

2. RESEARCH METHODOLOGY

This study mainly includes literature review from secondary data. It includes diferent articles, other relative information published from the bank and other internet sites. The study is based on earlier research done in this particular aspects. This study is a discriptive study based on findings of other researchers.

Meaning:

Green banking means promoting environmental friendly practices and reducing carbon footprint from banking activities. This may be in way of using online banking instead of branch banking, paying bill online instead of mailing them, opening up cds and money market accounts at online banks instead of large multy branch banks. It is like a normal bank which considers social and environmental factors. It is also called ethical banking which aiming at protecting the environment and controlled by same authorities as what a traditional banks do.

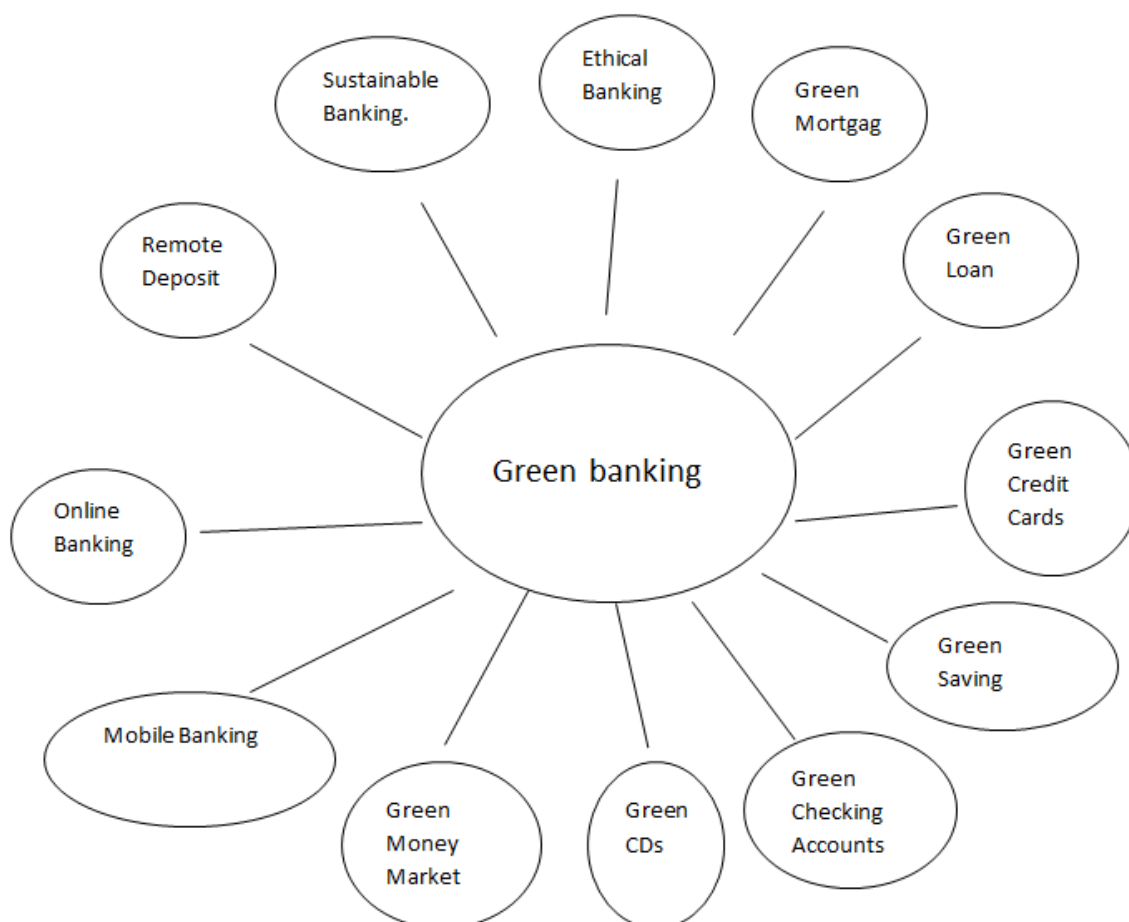
Self ATM pin generation, mobile banking transaction record, online Banking through internet, SMS, phone and ATM, free electronic bill payment services, e-remit services, e-statements, online account opening and cash backs for new customers for opening green accounts application are some of the examples of green banking.

Definition:

Institute for Development and Research in Banking Technology defines Green banking as “it is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environment, and social dimensions. It aims to make banking processes and the use of IT and physical infrastructure as efficient and effective as possible, with zero or minimal impact on the environment.”

IDRBT offers guidelines for Green banking in two levels.

1. Making day-to-day business operations, banking products and services greener by following simple practices and making them environmentally friendly.
2. Making IT infrastructure (including data centre) and physical infrastructure (including buildings) greener and taking initiatives so that a bank could itself generate electricity for its own consumption.

Products of green banking:

Advantages of green banking:

Green banking refers to the initiatives taken by the banks to encourage environment-friendly investment. Thus, it is important that Indian Banks should realize their responsibilities towards the environment as well as the society in order to compete and survive in the global market.

RBI, State bank of India, ICICI Bank, IDBI Bank, Union bank of India, Yes bank, Indus Bank and other banks have adopted Go Green Concept.

1. Less paper work:

Green banking avoids as much paperwork as possible and rely on online transactions for processing. Less paper work means less deforestation.

2. Creating environmental awareness:

Green banking creates awareness about environment among business people. It enables them to do an environmental friendly business practice. Green banks adopt and implement environmental standards for lending, which is really proactive idea that would enable eco friendly business practices which would benefit our future generations. Green banking saves Acacia, Bamboo, Neelgiri and other woods.

3. Saves time: It saves time for both customers and bank. Customers can avoid personal visit to branches. By using green banking customer can check balances, transfer of funds or pay bills through the phone. Use of online banking instead of branch banking saves time and cost as well.

4. Corporate social responsibility: CSR has become a standard of sustainable business practices. Green banking is like a normal bank, which considers all the social and environmental or ethical factors with an aim to protect the natural resources.

5. Faster services to the customers: It enables faster service compared to branch banking.

Challenges of green banking:

Challenges and Benefits of Green Banks were at start up mode and if they were restricting their business to a smaller pool of customers, then their profits will be impacted. Green Banks had higher operating expenses as banks, which are going green required specialized talent, skills, expertise due to the kind of customers they were servicing and also the reputation of the banks was impacted if they were involved in the projects emphasized on the confronting challenges of green banks.

1. **Diversification problems:** Green banks restrict their business transaction to those business entities who qualifies screening process done by green bank with limited number of customers they will have a smaller base to support them.

2. **Start-up face:** Many banks in green business are very new and are in start-up face. All banks in India are not having the facilities which are needed for adopting it. To adopt green banking it may take time.

3. **Higher operating cost:** Green banks require talented experienced staff to provide proper services to customers. Experienced loan officers need with additional experience in dealing with green business and customers.

4. **Reputational risk:** If banks are involved in those projects which are damaging the environment they are prone to loose of their reputations. There are also few cases where environmental management system as resulted in cost saving.

5. **Difficult to operate:** The people who are unaware of new technology, it is difficult to them to go green and adopt all the ways.

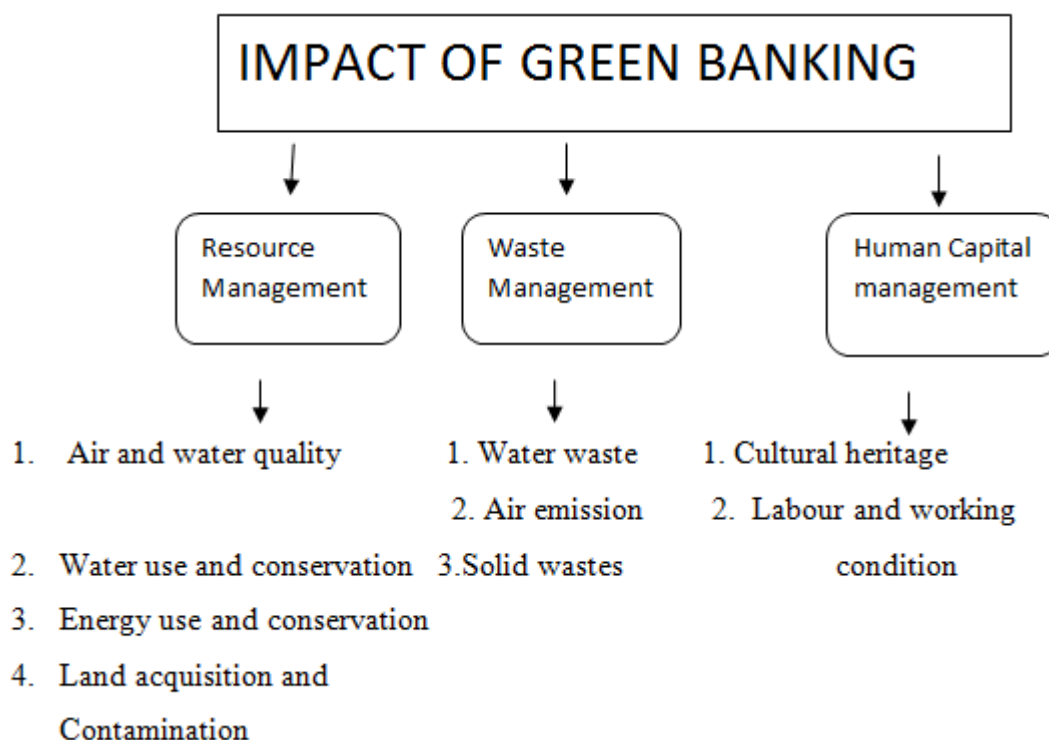
Environmental and social Impact of Green Banking:

- Use of paper less banking results in reducing the carbon footprint from internal banking operations. It also leads to saving cost to the bank because through automation they can avoid the cost of storage of paper also the cost of courier and vehicle fuel consumption and emissions.

- Adoption of Green Street lending, which means offering low rate of interest to consumers and businesses for installing solar energy systems and energy saving equipments like solar hot water systems, highly efficient furnaces, heat pumps and replacement windows.

- Banks can change their routine operations through recycling programs, paperless banking, using energy efficient resources, and support for community events for reducing pollution and so on
- Use of green and recycled material like office doors and cabinetry which are made from wheat boards or carpets and furniture which are made from waste material;
- Use of water and energy efficient products like dual flush toilets, low flow faucets, reflecting roofing material, solar shades that block direct sunlight without eliminating daylight and solar heating system;
- Recycling of construction waste like steel, cardboard and wood.

In short Impacts of green banking can be structured as below:



3. CONCLUSION AND SUGGESTION

Green banking is a proactive and smart way of thinking towards future sustainability. Now days it is very important for the banks to adopt green banking for growth of the economy. By adopting the environmental factors in their lending activities, banks can recover the return from their investments and make the polluting industries become environment-friendly. Banks need to apply morality of sustainability and responsibility to their business model, strategy formulation for their products and services, operations and their financing activities and become stronger. . For effective adoption of green banking, the RBI and the Indian government should play major role and formulate green policy guidelines and financial incentive.

Now, it is a right time for banks to adopt the strategies for implementing green banking.

Some suggestions for the banks to encourage green banking are:

- Making green banking as part of annual environment reports
- The banks should change their routine operations through the adoption of paperless banking, online banking and mobile banking.
- Training and development of relevant skills among bank employees.

- Banks can introduce green funds for customers who would like to invest in environment friendly projects.
- Construct websites and spread the news regarding their activities.
- Banks may formulate innovative financial solutions to incorporate environmental perspective.
- The banks should start to use of renewable energy generated through solar power plants, energy star-rated light fixtures, motion sensors etc. It will also improve the public relations and employee satisfaction and thereby it reduces the attrition rate of employees.
- The banks should start investing in low carbon technologies and develop new sustainable products and services that will mitigate the risks of climate change.

Banks can do much more to help environment than just promoting online banking. It can also implement energy efficient operational procedures, offering transport facilities to employees and increasing their lending in green projects like environmental friendly industries. But as part of Green revolution green banking has its own positive impact on the economy.

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