Green Banking: As Initiative for Sustainable Development

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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 and internal carbon footprint. To aid the reduction of external carbon emission, bank should finance green technology and pollution reducing projects. 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. The present 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: Sustainable development, environment friendly, green banking, carbon footprints.

1. Introduction

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., lighting, 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.

2. 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 NGOs 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 carmanufacturer. 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.
3. 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.

4. Initiative Taken by Indian Banks

(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,
has installed 10 windmills with an aggregate capacity of 15 MW in the states of Tamil Nadu, Maharashtra and Gujarat. It has planned to install an additional 20 MW capacity of windmills in Gujarat soon and touch 100 MW power generation through windmills within five years, windmills are set up with a definite objective of reducing the dependence on the polluting thermal power and not on purely economic or business considerations. At present, the bank consumes 100 MW of power per year. So, SBI will try to be energy neutral and reduce its carbon footprints. The total cost of installation of a windmill of 1.5 MW is around Rs 10 crore. The operation cost is close to zero and it is expect to recover the initial investment in four years. "Our mission is to make all Indian banks go green and we are already discussing with 25 banks," said Suzlon CMD Tulsi R Tanti. He said, "Suzlon, which currently holds 55% market share in the country is now more focused on wind power development. Of the 11,000 MW installed wind energy in India, 6,000 MW has been installed by Suzlon.

He said the credit growth will be much better than the 18% registered last fiscal and it might even touch 23% as against RBI expectation of around 20% this year. According to him, retail and agriculture sectors will pick up in the second quarter, while the third quarter will see huge build up in infrastructure front and increase in capex and working capital. "The industry is working at 80% capacity now, which is close to its peak of 85% and so the credit growth will be fairly good this year," he added.

Banks can reduce their carbon footprints by adopting the following measures:

a. Paper-less Banking: As banks have computerized their branches, there is ample scope for doing paperless or less-paper banking. Mostly PSBs use huge quantities of paper for office correspondence, audit reporting, recording public transactions, etc. These banks can switch over to electronic correspondence and reporting. Banks should encourage their customers also to switch over to electronic transactions and popularise e-statements.

b. Energy Consciousness: Developing energy-consciousness, adopting effective office time management and automation solutions and using compact fluorescent lighting (CFL) can help banks save energy consumption considerably. Banks can conduct energy audits in all their offices for effective energy management. They can also switch over to renewable energy (solar, wind, etc.) to manage their offices and ATMs.

c. Using Mass Transportation System: PSBs can become fuel efficient organization by providing common transport for group of officials posted at one office.

d. Green Buildings: The Indian banking industry uses more than one lakh premises for their offices and residential houses throughout the country. These banks should develop and use green buildings for their office and employee accommodation.

b) These measures will not only help banks reduce their carbon footprint but also save the operational costs considerably.
5. Suggestions that can be Adopted by Banks to Encourage Green Banking

• Construct a Website and Spread the News.
• Educate through the Bank’s Intranet and Public Website.
• Participate in Events.
• Set up outlets to promote green business.
• Communicate through the Press.
• Disseminate info through Leaflets.
• Social Responsibility services done by banks.
• Carbon footprint reduction by energy consciousness.
• Carbon footprint reduction by mass transportation.
• Impart education through E-learning Programmes.
• Making it a part of annual environment report.

6. 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 pro active 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.

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