



A STUDY OF EVOLUTION OF CONCEPT OF GREEN BANKING

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ABSTRACT

Now a day's society is facing lot of environmental issues because of Global Warming. Environmental factors- internal as well as external affect the environment. So to overcome from those factors, we should adopt the concept of Go Green. This concept is applicable to all the parts of the society. The study in this paper consists of applying and introducing the green revolution in all the sectors of the society, with special effect to the banking sector.

Key Words *Green Banking, Green Banking Strategies, Indian Banks Initiatives, Green Building, and Banking,*

INTRODUCTION

Recently Banks have started this concept of Green Banking. It is a revolution in the banking sector. Banks started paperless working /banking in their field. Environmental Program (UNEP, 2014) defines green economy as “one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities.”

Institutions such as banks are playing a fundamental role in the development of the society. Banks are the major economic agents influencing the industrial sector for lending and financing the projects. They are playing an important role in promoting a sustainable environment. They persuade the economic development and growth of the country. As society is now more concerned and aware about the environmental issues, there is need for banks to adopt green strategies into their operations. Currently, in India, the concept of green banking is new but banks are actively looking for the ways to portray themselves as a Green Bank.

Research Methodology

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This paper reviews the literature on the basis of secondary data collected from the sources such as articles, research papers, annual reports, sustainability reports, company's official websites, etc.

Background of the Study

According to RBI (IRDBT, 2014), green banking is to make internal bank processes, physical infrastructure and IT infrastructure as effective and efficient as possible, with zero or minimal impact on the environment. They had introduced green rating standards for Indian banks, which are termed as 'Green Coin Ratings'. Under this rating system, banks are judged on the basis of carbon emissions from their operations and on the amount of recycling, refurbishment and reuse material being used in their building furnishings and in the systems used by them like servers, computers, printers, networks, etc. They are also being judged on the amount of green projects finance by them and rewards or recognitions given to borrowers for turning their businesses greener.

According to a recent study by Javelin Strategy and Research, bank customers loved this idea. 43% of customers polled said they would rather do business with a bank that seems more "green."

Green Bank and Banking

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 / ecological factors with an aim to protect the environment and conserve natural resources". It is also known as ethical bank or sustainable bank. Their purpose is to perform banking activities but with an additional plan towards taking care of earth's ecology, environment, and natural resources including biodiversity.

According to Clark Schultz (2012), Green banking means promoting environmental friendly practices and reducing your carbon footprint from your banking activities. Green banking is making technological improvements, operational improvements and changing client habits in the banking sector. It means to promote environmental friendly practices and to reduce the carbon foot print from banking operations. It is a smart and proactive way of thinking with a vision of future sustainability. Banking activities are not physically related to the environment, but the external impact of their customer activities is substantial.

Banks should promote those products, process and technology which substantially reduce the carbon footprint from the environment.

Study by Hart & Ahuja (1996) is showing a positive correlation between environmental performance and financial performance. Initially, banks were doing analysis of their financial performance only, but now it is a time to do analysis of social and environmental



performance as well. Green Banking is not only a CSR activity of an organization, but also it is about making the society habitable without any considerable damage.

First Green Bank was a commercial bank based in Mt. Dora, Florida, United States that commenced its operations in 2009. The company is known for its focus on environmentally friendly banking practices. The Bank staffed with employees who have attained the LEED accredited professional designation, meaning they understand green building practices and provides incentives to consumers purchasing high efficiency vehicles like hybrid automobiles and has a hybrid Toyota Prius as its own courier car.

Concept of Green Banking in India-SBI

To elucidate the concept of green banking in India, the initiatives taken by the largest public sector bank i.e State Bank of India(SBI) are listed.

Green Initiatives by SBI

Introduced Green Channel Counters and no queue banking in over 5000 branches across India

Supporting the construction of wind farms in India

Making a commitment that new building will adopt green building standard including utilizing natural lighting and recycled water.

Implementing policies aimed at achieving carbon neutrality

Online money transfers between United States and India from branch banks net banking, The customers need not fill up any pay-in slip or cheque for depositing or withdrawing money from their account. Instead they could access the services of ATMs.

Steps in Green Banking

Go online

It includes the following things.

Pay Bills Online.

Online fund transfers.

Remote Deposits

Use Green checking Accounts

With the help of ATM machines customers can check their accounts. This can be called Green checking of account.

Uses of debit and credit cards help the environment from detritations.



Use Green loans for home improvements

Some commercial banks are taking initiative to go green by allowing low interest loans to the customers who would like to buy solar equipment.

Use Green credit cards

Use of plastic money instead of currency notes will save environment.

CONCLUSION

Green banking is new and time saving concept. Green banking is still a major issue and can take an important for development of our country in India. Green banking is making technological improvements, operational improvements and changing client habits in the banking sector.

The banks should change traditional methods and encourage their routine operations through the adoption of paperless banking, online banking, mobile banking, mass transportation system, green cards made up of recycled plastic and efficient use of resources.

The banks should start investing in low carbon technologies and develop new sustainable products and services.

The bank should motivate customers to adopt environmental standards for the lending and financing principles, so that borrowers could direct themselves towards reducing the carbon footprint by using the appropriate technologies. They can go for discounted loan rates for the hybrid products, adoption of Equators Principles, green mortgages, green loans, etc.

India should take some strict steps to harness these banks and financial institution to adopt the principle equator guideline so that they can contribute in the protection of environment in future.

Green banking is a smart and proactive way of thinking with a vision of future sustainability.

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