GREEN BANKING: AS BANKS INITIATIVE FOR SUSTAINABLE DEVELOPMENT

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ABSTRACT

Green Banking means ensuring environment friendly practices in banking sector and thereby reducing internal and external carbon footprints. In India the first green bank is the State Bank of India (SBI), India’s largest commercial bank, which took initiative in setting high sustainability standards and completed the first step in “green banking” with shri O.P. Bhatt, chairman, SBI Inaugurate the bank’s first wind farm project in Coimbatore. The green bank initiative which includes ATMs, paperless banking for customers and building of wind mills in rural India. Green Banking covers two aspects. The first one being judicious use of all resources, energy and reducing carbon footprints and second being encouraging and financing only environment friendly investment. So Green Banking is not only about making sustainable use of resources but also about environment friendly dispensation of credit. This paper mainly focuses on role of banks initiative for sustainable development in green banking.

Key words: Green banking, Carbon footprint, Sustainable development, Environment friendly

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1. INTRODUCTION

The concept of green banking emerged in 2009 with coming of the first green bank based in Mt. Dora, Florida, United States. In India the first green was state bank of India (SBI), India’s largest commercial bank, who took initiative in setting high sustainability standards and completed the first step in “green banking” with shri O.P. Bhatt, chairman, SBI, Inaugurating the bank’s first wind farm project in Coimbatore. After that green bank initiative include ATMs, paperless banking for customers and building of wind mills in rural India.

Green Banking means ensuring environment friendly practices in banking sector and thereby reducing internal and external carbon footprints. It makes technological improvements, operational improvements and changing client habits in the banking sector. The recent developments in Indian banking technology have transformed banking from the traditional system towards a more inclusive one incorporating the interests of customers, the bank and the environment. Nowadays, banking operations can be carried out...
through various banking delivery channels away from the bank branches. ATM is the most popular banking delivery channel and the extraordinary success of ATMs had made the banking sector courageous to develop more innovative alternative delivery channels such as Internet banking, mobile banking, Green channel counters, kiosk banking, credit card, debit card, online bill payment services etc. In the environment friendly society Green Banking has become relevant in each and every aspect of business.

2. GREEN BANKING SCENARIO IN INDIA

India being one of the most fast emerging economies of the world has a vital role in ensuring that development and growth are sustainable in nature and the any adverse impact of industry on ecology should be avoided. The country emits 6% of the total global CO2 emission with the metropolitan cit-ies contributing the maximum to greenhouse emissions. The various polluting industries in India are primary metallurgical industries namely zinc, copper, steel etc., paper & pulp, pesticides/ insecticides, fertilizers, tanneries, sugar, textiles, chemicals/ pharmaceuticals etc. These industries rely heavily on banks for funding needs. Thus, the banking operations should ensure that financing is provided to the company’s managing environment and ecology to keep the nature in equilibrium. The Reserve Bank of India (RBI) issued a circular Dec 2007, emphasizing the important role banks play in establishing institutional mechanisms to contain sustainability and so to act responsibly. One of the primary lenders to MSME sector, SIDBI, has committed itself to achieve sustainability by incorporating Environmental and Social (E&S) aspects in its core business.

The Government of India has issued guidelines / instructions to banks on Green Initiatives. In order to implement the green initiatives of the government, all public sector banks and all regional rural were asked to:

- Increase use of Electronic Payment.
- Increase use of Core Banking Solution (CBS).
- Increase use of Video Conferencing.
- Offer centralised payment system through sub-membership route to all banks to facilitate direct Electronic Benefit Transfer (EBT)

3. IMPORTANCE OF GREEN BANKING

Green banking plays an important role in our country. Adopting of greener banking practices will not only be useful for environment, but also benefit in greater operational efficiencies, a lower vulnerability to manual errors and fraud and cost reduction in banking activities. So there is need for banks to adopt green strategies into their operations, buildings, investments and financing strategies. Green banking can help a lot in attaining sustainable development. Green banking avoids as much paper work as possible and rely on online/electronic transactions for processing. Green Banking has become relevant in each and every aspect of business. Green Banking covers two aspects. The first one being judicious use of all resources, energy and reducing carbon footprints and second being encouraging and financing only environment friendly investment. So Green Banking is not only about making sustainable use of resources but also about environment friendly dispensation of credit.

4. OBJECTIVE

- To know the importance of Green Banking.
- To identify the steps necessary to adopt green banking.
- To identify the initiative taken by banks for sustainable development.
- To know the challenges and benefits of green banking.
5. RESEARCH METHODOLOGY
The research is conducted on the basis of secondary data and these data are collected from newspaper, different research journal.

6. REVIEW OF LITERATURE
Uma Rani Purusothaman (2012), in their study deals with the industries and firms are vulnerable to stringent public policies, severe law suits or consumer boycott due to globalization. The banks should play a pro-active role which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems. Green Banking if implemented sincerely will act as effective regulatory mechanisms. As Green Bank has rapidly expanded its operations, the challenge for its leadership has been on managing this growth successfully and prudently. Through strategic partnerships Green Bank seeks out advice and insight from outside experts to gain fresh ideas on new product development, marketing and business solutions to overcome the inevitable problems of rapid growth and to reach customer base in a competitive market.

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.

Ragupathi. M and Sujatha. S (2015) in their paper entitled Green Banking Initiatives of Commercial Banks in India, studied the way to go green through green banking. According to this paper, earlier bank was not aware about the concept green banking. But now a day’s banks are playing very important role in environment sustainability program. By the green banking practice people is getting more aware about the global warming and each business man's contributing in environment sustainability to make this earth a better place to live in. Green banking is not only greening the industries but it will also facilitate in improving the assets quality of the bank in future.

7. INITIATIVE TAKEN BY BANKS FOR SUSTAINABLE DEVELOPMENT
(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 TamilNadu, 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:
7.1. 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 popularize e-statements.

7.2. 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.

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

7.4. 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. These measures will not only help banks reduce their carbon footprint but also save the operational costs considerably.

8. CHALLENGES AND BENEFITS OF GREEN BANKS
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. Biswas (2011) emphasized on the confronting challenges of green banks. 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 which were viewed as socially and environmentally damaging. The author had also discussed the benefits of green banking to the society like 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 etc.

9. SUGGESTIONS
Some of the suggestions that can be adopted by banks to encourage green banking:
- Construct websites and spread the News
- Educate through the banks Intranet and public Websites
- Communicate through the Press
- Impart Education through e-learning Programmes
- Social Responsibility Services done by banks.

10. CONCLUSION
Now days green banking is getting more and more popularity all over the world. Green banks could not be a good profit business avenue. But certainly it has great potential to gain market share and substantial profit in future. For effective green banking, the RBI and the Indian government should play a proactive role and formulate a green policy guidelines and financial incentives. Green banking can be an avenue to reduce pollution and save the environment aiding sustainable economic growth. 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.

**REFERENCE**


