

# Green Banking Sustainable Economic Development

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**Abstract—** In the world of globalization, as we move on so fast in the 21st century, we are lacking behind many things, one of which is greenery and its depletion. As the natural environment is declining day by day, all over the world business organizations and corporates have started working on it. They are modifying their work styles and are trying to increase greenery to its maximum level. The banking sector is also one of them. It is also working on it. Adopting green banking it is promoting environmental-friendly practices.

Green banking means uniting together functional, mechanical and operational changes in working mode. This is done for changing customer behavior in banking organizations. These include many forms of services such as using online banking mode; payment of bills online; opening up of accounts. These are certain biggest steps to support nature. Moving further, this study also conceals the latest progress and improvements that have been made by Indian banks for the supportable expansion of green banking as well as the challenges and hurdles encountered by Indian banks in its enactment. The research is grounded on the secondary data published in journals and papers. Coming together with all the facts and findings, it was concluded that there is an extreme need of creating responsiveness and alertness among people. It will be helpful for implementing the methods of green banking. In this scenario of innovation and technology, it will make our environment healthy for us and enrich our supportability.

**Index Terms:** Globalization, greenery, depletion, online banking, and green banking.

## INTRODUCTION

Green Banking is an innovative portent in the financial world. It is the most learning and latest trend in the banking world that requires more attention from people. The term Green banking is used by the banking sector to make them much more accountable and liable towards the environment. It will show their responsibility towards nature. Technically green banking includes the development

of all banking strategies. It will safeguard, protect and ensure ecological development.

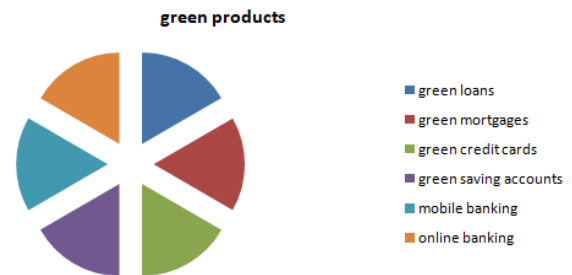
In simple words, green banking is a combination of technical and operational improvements in banking practices for improving customer habits to promote eco-friendly practices. It includes the following services:

- Compulsory use of online banking services and practices instead of going to banks.
- remunerating bills and doing payments online for saving time
- opening up CDs accounts as well as money market accounts by online process
- Follow and monitor all the environmental safety standards and norms to protect the environment.

As it takes into consideration all the social and environmental factors, it is also called an ethical bank. They are initiated with an aim of protecting nature and also giving more weightage to environmental factors. It simply encourages conservation-friendly ecological practices by sinking carbon impression and its uses from banking culture.

Green banking discusses ecological banking specifically with respect to or with special reference to the environment, in consideration of ESG factors that banks. These factors require a little extra attention from the banks. Climatic changes and natural calamities is the most common factor included in banks' sustainability tactic.

## GREEN BANKING PRODUCTS



Green Loans:

It associates those loans or providing loans to those projects or businesses that are considered naturally supportable or simply eco-friendly that do no harm to nature.

#### Green Mortgages:

It indicates mortgages that provide us money-saving schemes as well as discounts. It is a bigger loan given by a bank than normally the limit permitted. In that given by the bank as a prize or incentive for making developments which save energy it is awarded for purchasing a product that fulfills certain energy-conserving standards.

#### Green Credit Cards:

These are credit cards that are going green. By using decomposable credit card materials, banks are stimulating green banking services. It also endorses paperless banking services.

#### Green Saving Accounts:

In these, the certain donation is made with banks with the savings of the customer. As the savings of customer increases, the donation given by the bank also increases.

Mobile banking and online banking services include

- Doing less paperwork,
- Less mail services
- less travel as it consumes time in going to branch offices
- All those activities have a constructive influence and effect on the natural environment.

## REVIEW OF LITERATURE

T.Rajesh and A.S. Dileep (2014) established that this activity is a canopy. It refers to and covers all the practices, obligations, rules, and guidelines which are helpful in making banking practices suitable and efficient in economic, environmental, and social dimensions. He stated that green banking is a wide path that reduces pollution and saves the environment.

His study elaborates that before financing any project, the bank must recapitulate the following points:

- environmental risks of the project
- aiding economic growth in nature by the project

- environmental safety measures by the project players
- recycling facilities used in projects
- impact of smoke and gas dispensing units of the project
- disincentives for pollutants
- incentives provided for responsible banks

VikasNathi, Nitin Nayak & Ankit Goel (2014) together in their work stated the present state of green banking in India. They concluded that India is running behind as compared to other developed economies in the use of green banking services. As it has started using green banking practices and services but still its effects are not fully satisfying. They are not up to the mark. They are just at the start-up level. They should increase their use at three levels as follow:

1. business operations,
2. credit extension
3. investment decisions

According to RBI (IRDBT, 2014), the process of making the inner bank processes, its bodily infrastructure, and its IT infrastructure effective. It is done with an aim to have zero effect or minimal impact of all its activity on the environment and nature.

For this purpose introduction of the green rating system and its standards were done for banks in India. They are termed Green Coin Ratings. According to this rating system, banks are arbitrated and observed on the following basis:

- carbon emissions by banking services from their operations
- the amount of recycling waste and its process
- Reuse of waste material that is being used by them in building and furniture.
- Material used by them like servers and systems.

Jha & Bhome (2013) observed all the phases that will be helpful in going green. They combined done investigational study on the steps taken by banks. It also includes the strategies used for creating awareness of the green banking concept at all levels of banks. For these purposes, data at all levels was collected including managers from 12 banks, 50

employees working in banks at different levels, and 50 general customers. The results were:

1. banks should apply environmental standards for giving loans
2. Green banking will also improve and refine the quality of assets used by banks.
3. While talking about the rate of interest given for different green projects by the banks is also less.
4. Profitability can be of waste increased by reduction generated as well as by recycling method.

Dharwal & Agarwal (2013) considered it to be a significant strategy in lessening the three basic risks of banks that are credit, legal, and reputation risk. The strategies suggested by the author for green banking are:

- carbon tribute business system
- use of green financial products and services
- promoting green mortgages and loans
- carbon footprint reduction used by the banking sector
- encouraging paperless banking
- energy consciousness among the banking sector
- use of mass transportation system
- consumption of a green structure

Nigamanda Biwas (2011) by his work states that Green Banking is combining all together with the operational improvements, technical factors as well as changing client behaviors towards banking services in the marketplace. It includes adopting green banking practices for the mutual benefits of banks, industries, and the economy. It will also lead to

- declination of manual errors
- less banking frauds
- less paperwork
- reduction of cost
- saving time in various activities
- reducing pollution
- greater operational efficiencies
- insurance of greening industries

Mohmed Aminul Islam (2010) studied its importance in the preface. He also studied the reasons for its gaining importance in recent times. He states that as developments are undergoing in the banking industry

like the computerization of the banking sector, changes in the networking process, and the offering of online banking services, it is quite natural that green banking will gain momentum.

#### OBJECTIVES OF THE STUDY

- To study the concept and importance of 'Green Banking' for the environment.
- To classify the steps necessary and required to adopt it
- To check its responsiveness at all the levels
- To understand how its strategies are established by Indian banks.
- To overcome the challenges in its implementation.
- To explore the necessary steps required for its implementation

#### METHODOLOGY

This is experimental research. It was completely based on a literature review and secondary data published in various journals and papers. In the primary phase, a literature review was done of various sources for green banking and its effect on the banking sector. In the next phase, the study was done on the effect of green banking on Indian banks. For this purpose data published in various sources was collected and reviewed. Data were reviewed on the internet also.

#### Green banking in India

As the conception of green banking was extending day by day, its positive effects are seen everywhere, it was adopted by different banks in India. It was adopted by different banks in the following different years:

- In the year 1996, it was adopted by the Union Bank of India.
- In the year 2003, it was adopted by Citi Group INC, HSBC, ING Vyasa, RBS, Syndicate Bank, Standard Chartered, and Royal Bank of Canada.
- In the year 2005, it was implemented by Yes bank, Corporation Bank
- In the year 2006, it was applied by Bank Of America, JP Morgan

- In 2007, ICICI, OBC, and SBI also introduced it
- In 2008, Bank Of Baroda, Karnataka Bank, Industrial Bank, and Dena Bank applied it.
- In 2009, HDFC, Indian Overseas, Indusland Bank, PNB, ABN Amro, Karur Vyasa, and Andhra bank implemented it.
- In 2010, it was applied by Axis bank, Kotak Mahindra, South Indian Bank
- In the year 2011, Canara Bank, IDBI, and EXIM started this concept
- Finally in 2013, IDFC applied it.

#### Benefits of Green Banking in India

- Less paperwork  
It promotes paperless banking or avoids the use of paper. Through it, various banks promote green banking. For the following, computerization is encouraged.
- Loans at Comparatively Lesser Rates  
By this scheme, various green bank loans are given with low-interest rates for certain projects such as:
  1. Fuel-efficient vehicles
  2. housing and house furnishing loans
  3. green building projects
  4. to install a solar energy system
  5. environment-friendly products
  6. eco-friendly projects
- Improving the service standards  
By the green banking system, the service standard is also impacted directly. It has risen as full automation was done and manual work was decreased.
- Automation of manual tasks  
In the green banking system, computerization was elaborated and the use of computers was increased. Through this manual work was decreasing day by day.
- Increase in profitability & sales  
Due to computerization, the work process improved. A systematic approach has been created which has resulted in increasing profit as well as an increase in the sales of the banking system.
- Attracting and retention of staff  
As various awards and incentives are given for promoting green banking practices, employees are attracted and are motivated for doing the work.
- Reducing Cycle time

Cycle time is the time of completion of any process. Through green banking and its automation, cycle time is reduced.

- Drive customer loyalty

With the green banking approach, the rate of accuracy and efficiency increases. Through it, the customer becomes loyal and more addicted to the services.

#### Challenges in implementing green banking

- These banks are at their initial startup phase:  
Introducing any new system in an organization takes large time. But changing the system of organization is even more difficult. So these banks are in their startup phase.
- Operating and maintenance of such banks are comparatively high:  
The operational costs of such banks are very high or we can say they are comparatively higher than normal banks. The reason behind that is it requires to require specialized talent, skills, and expertise.
- Reputation Risk  
From them, risk involves a very high level. They can finance a project which is hazardous to the environment. They are committed to nature and its safety.
- Proper legislation is not yet framed  
This is another major challenge for the implementation of green banks. As it is very difficult to operate them since no proper laws and legal framework is established.
- Unavailability of skilled employees  
For the green banking system, skilled and trained employees are required. But all skill set is not available without training. So its implementation is still a big challenge for management.

#### SUGGESTIONS

Moving towards the next century, as a result of changes all over the world for sustainability, banks are also forced for the same to save their image and for being socially responsible for society. As a result of Sustainable Development Goals (SDGs) established by the United Nations, banks are forced to take social responsibility as well as set targets to fulfill it. Sustainable Development Goals (SDGs)

refer to environmental, economic, and social issues with current importance which are given a score for measuring environmental, social, and governance (ESG) criteria. Banks are applying these criteria through the following:

- Integration and combination of environmental sustainability factors
- By providing green services according to nature sustainability.
- by financing various energy projects
- By issuing bonds.
- to maximize profit by prioritizing nature compatibility
- by reducing their greenhouse gas emissions

Another major step taken to decrease gas emissions of banks by the United Nations is its “Net-Zero Banking Alliance”. It was launched in the year 2021. This agreement carries together all banks. Its aim is to reach the gritty target of net-zero emissions. The limit to reach there is the year 2050.

Here are some suggestions that can be adopted by the banking system of India for proper implementation of green banking and to get its advantages:

1. Creation of awareness among the customers.
2. Providing information on the green banking system through different means such as websites, papers, telecommunication, and the internet.
3. Promotion of different forms of electronic banking by different means.
4. reduction of usage of carbon
5. Providing various prizes, rewards, and incentives to clients.
6. By financing projects which are more environment-friendly and harmless for nature.
7. By establishing clear policies and legal framework for the implementation of a green banking system.
8. By providing training and development programs for employees to enhance their skill set for its implementation.

## CONCLUSION

In these tough time, today as industries and firms are helpless due to strict public policies and rapid competition. They are also facing the pressure of law suits as well as have fear of consumer boycotts. The same is faced by banks and financial institutions.

They are a risk of recovering their return on investment. So for lessening this risk banks should consider environmental and ecological aspects. It would force industries to go for vicarious investment. It will be helpful for environmental management.

Green Banking if executed genuinely will act to restrain the polluting industries. There have not been many initiatives and steps taken. Talking about India, in this regard the banks other financial institutions are still lacking. As they play an important, active and crucial role in India’s emerging economy, they should also work in this direction for the proper economic development. India is still behind in the implementation of green banking policies. It has not to sign the equator principle or UNEP Financial Initiative statement. India should adopt the equator principles guidelines. It uses environment-sensitive parameters to fund projects. Banks have already realized that environmental sustainability and enhancing the profitability of organizations will move on a parallel path.

This concept has a very long way to go. It has to face so many hurdles until it is fully adopted by the banking sector. For these purposes, policy maker has to take all necessary possible steps for awareness among people. It is an influential means to transform and convert the whole banking financial sector and make it effective.

It will massively contribute toward developing countries in meeting their climate targets and goals. Thus, banks have to develop various strategies. It should implement environmental and social safeguard standards. It will enable them to manage their green financial products. It will work with their rules, regulations and guidelines.

Since this concept is in the early phase, it is not been fully adapted till now. There is a very limited number of studies done on it that is available for research. So the result cannot be stated properly. It is too early to draw any supposition regarding green banking. Further extra work should be done and various studies should be conducted for finding the relationship between green banking and various performances of banks.

As its products assist banks to fulfill various purposes and goals such as:

- It can act in accordance with the government's rules, laws, regulations, and guidance
- It will enhance the firm reputation and goodwill.
- It will help to grasp emerging market trends and opportunities.

The size of it has been progressively and unbelievably growing day by day. It is expected and estimated to grow further in the future. Banks that have already adopted this strategy will be market players and leaders. They are more expected to enhance and improve their reputation. It will help them to attract new clients. Also, it could be an interesting topic for future research. It will help to identify the role played by green banking and its performance in banks with respect to their image.

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