

GREEN BANKING: A new perspective

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Abstract:

The advancements in technology have given birth to new information age which enabled us to understand and know our mother earth holistically. We are aware of the ill effects of the development we encounter today such as global warming and climate change. The growing awareness and no other option have forced us to think about mending our ways towards preservation of our environment. Various global initiatives are underway to curb the havoc posed on our mother earth. A common thread running across all these initiatives is the focus on reducing the demand for fossil fuels by implementing the 3R's viz. Reduce, Reuse and Recycle.

In these global efforts, banks and financial institutions can play a pivotal role to make our planet a better place to live. As providers of finance, banks can ensure that businesses adopt environment-friendly practices. Incentives by way of offering cheaper funds for adopting green technologies will have a long term beneficial impact on the environment. As major implementers of technology, banks themselves can adopt green practices and thereby lead the way in this global initiative. Also, product innovation and leveraging on the use of technology enable banks and their customers today to reduce the usage of resources such as paper, thereby aiding in environmental protection.

This paper tries to find out the ways to Go Green through 'Green Banking', explores its importance and highlights important lessons for sustainable banking and development in India. Last but not the least, the present paper aims to create awareness on green banking.

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Introduction

Green Banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environment, and social dimensions. It refers to the banking business conducted in selected area and technique 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 an integral part of the Bank's environmental policy as applied through its wider Corporate Social Responsibility strategy. The adoption of green banking strategies will help the bank to deal with these risks involved in their business operation.

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 called as an ethical bank or a sustainable bank which aims to protect the environment and it is controlled by same authorities as what a traditional bank do but with an additional agenda toward taking care of the Earth's environment / habitats /resources. For banking professionals green banking involves the tenets of sustainability, ethical lending, conservation and energy efficiency.

Banks should go green and play a pro-active role to take environmental and ecological aspects as part of their lending principle, which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems.

Objectives

The present paper aims to fulfil the following objectives:

- To study concept of 'Green Bank'
- To identify the steps necessary to adopt Green Banking
- To create awareness about green banking among the general public and consumers and bank employee
- To study green banking initiatives by two public and private banks each.

Research Methodology

An intensive desk research has been undertaken to collect and incorporate the collection of secondary/ published data for the in-depth investigation. 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. For analyzing the green banking initiatives taken by Indian banks, top performing banks are selected in both public and private sector in India

Literature review

Based in Eustis and Clermont Florida USA, First Green Bank is the first bank of its kind to promote positive environmental and social responsibility while operating as a traditional

community bank providing excellent service to investors and clients. The progressive approach to the community and the Earth sets it apart from other banks. State Bank of India (SBI), India's largest commercial bank, took the lead in setting high sustainability standards and completed the first step in its 'Green Banking' initiative with Shri O.P .Bhatt, Chairman, SBI, inaugurating the bank's first wind farm project in Coimbatore.

Drivers for green banking are:

a. Environmental Knowledge & Coverage-

With the advancements of technology, the new emerged information age has rendered an unprecedented awareness about the sources, severity and implications of various environmental challenges. Along with it the widespread media coverage lead consumer behaviour to change. In response, consumer and shareholders are beginning to shift towards climate-friendly actions and behaviour, and heightening demand for the implementation of climate regulations.

b. Environmental Awareness & Public Opinion-

The relatively high degree of environmental awareness and government support is reflected in the ever-growing consumer demand for “eco-friendly” products and services.

Steps in Green Banking

From the empirical study, it is found that following are some of the steps that can be taken for going green in banking:

1. Go Online:-

Online banking is the developing concept in young and corporate India. Online banking helps in additional conservation of energy and natural resources. It includes:

- | | |
|-------------------------|------------------------------|
| a. Paying bills online, | c. Online fund transfers and |
| b. Remote deposit, | d. Online statements. |

2. Use Green Checking Accounts:-

Customers can check their accounts on ATM or special touch screens in the banks. This can be called as green checking of account. Using a green checking account helps the environment by utilizing more online banking services including online bill payment, debit cards, and online statements.

3. Use Green Loans for Home Improvements:-

The Ministry of Non-renewable Resource in association with some nationalized and scheduled banks undertook an initiative to go green by paying low interest loans to the customers who would like to buy solar equipments. The rate of interest is as low as 4% p.a.

4. Power Savings Equipments:-

Banks can directly contribute to controlling climate change and as an initial step they intend to start a campaign to replace all fused GSL bulbs, in all owned premises offices and residential. Banks can also make a feasibility study to make rain water harvesting mandatory in all the Bank's owned premises. In December 2009 Indusind Bank inaugurated Mumbai's first solar-powered ATM as part of its 'Green Office Project' campaign titled 'Hum aur Hariyali'.

5. Use Green Credit Cards:-

Some of the banks introduced Green Credit Card. The benefit of using a green credit card is that banks will donate funds to an environment-friendly non-profit organization from every rupee you spend on your credit card to a worthwhile cause of environment protection.

6. Save Paper:-

Bank should purchase recycled paper products with the highest post-consumer waste content possible. This includes monthly statements, brochures, ATM receipts, annual reports, newsletters, copy paper, envelopes etc. Whenever available, vegetable-based inks are used instead of less environmentally friendly oil-based inks.

7. Use of Solar and Wind Energy:-

Using solar and wind energy is one of the noble cause for going green. As part of its green banking initiative, SBI has installed 10 windmills with an aggregate capacity of 15 MW in the states of Tamil Nadu, Maharashtra and Gujarat.

8. Mobile Banking:-

Mobile banking is tricky. On the one hand, it is great to have the ability to check balances, transfer funds or pay bills from you phone. One the other hand, it saves time and energy of the customers. It also helps in reducing use of energy and paper of the bank. Most of the Indian banks introduced this paper-less facility.

Green Banking Initiatives by Indian Banks

Banks include both public sector banks and private sector banks. **Public sector** banks are those where majority stake (more than 50%) is held by the government and **private** sector banks are those where majority stake is held by the private shareholders. Various green initiatives had been taken by public sector and private sector banks in India. In this study, the two public and two private sector banks selected to study their initiatives towards green banking.

Public Sector Banks

State Bank of India (SBI)

- ✚ SBI had launched Green Channel Counter (GCC) facility on State Bank Day (01.07.2010), at 57 select branches of the Bank spread across the country to change the traditional way of paper based banking (SBI, 2014). Customers can use the Green Channel Counter without queues and without taking the token.
- ✚ The bank had also collaborated with Suzlon Energy Ltd for the generation of wind power for selected branches by setting of windmills in Gujrat, Tamil Nadu and Maharastra (Business Standard, 2014)
- ✚ The new Green Home Loan Scheme from SBI support environmentally-friendly residential projects and offer various concessions. These loans are sanctioned for projects rated by the Indian Green Building Council (IGBC) and offer several financial benefits - a 5 per cent concession in margin, 0.25 per cent concession in interest rate and processing fee waiver.
- ✚ It has become a signatory to the Carbon Disclosure Project [CDP], a collaboration of over 550 institutional investors with assets under management of US \$ 71 trillion, in which they undertake various environmentally and socially sustainable initiatives throughout its branches (WWF-INDIA, 2014).
- ✚ Export Import Bank of India (EXIM) and SBI entered into an agreement to jointly provide long term loans up to 14 years to Spain based company Astonfield Renewable Resources and Grupo T-Solar Global SA for building solar plant in India (Yadav & Pathak, 2013).

Punjab National Bank (PNB) –

According to Corporate Social Responsibility Report 2010-11 (PNB, 2011), they had taken various steps for reducing emission and energy consumption.

- ✚ The bank has stopped issuance of circulars in papers. Moreover, the bank has replaced its generators with dual generators which work on sunshine.
- ✚ PNB is conducting Electricity Audit of offices as an energy conversation initiative and maintained a separate audit sheet for assessing the impact of green initiatives taken by them.
- ✚ The bank had organized more than 290 Tree Plantation Drives.
- ✚ It started emphasizing on green building practices such as energy efficient lights immediate repair of water leakage, printing on both sides of paper, mater sensors for lights, fans, etc.

- ✚ The organization had signed a ‘Green Pledge’ with Ministry of New and Renewable energy under which they had set up the butterfly park at the compound of Guruvayur temple which houses 18 types of medicinal plants.
- ✚ The organization had sanctioned nine wind energy projects with an aggregation limit of 185.81 crore and they were also awarded with a second prize for ‘Best Wind Energy Power Financer’ by wind power India 2011.

Private Sector Banks

HDFC Bank Ltd –

HDFC bank is taking up various measures in reducing their carbon footprints in the area of waste management, paper use and energy efficiencies as per HDFC Bank (2013):-

- ✚ The bank is encouraging their employees to prevent any wasteful use of natural resources and emission of greenhouse gasses.
- ✚ The bank is also promoting energy conservation by replacing conventional lighting with CFL, switching off all the lights after 11 pm at all the branches and establishing green data centers with state of the art technologies.
- ✚ The organization is exploring renewable energy by setting up of 20 solar ATMs with a pilot ATM set up in Bihar, and by replacing batteries in ATMs with Lithium-ion batteries.
- ✚ They are also managing their waste by tying up with vendors for recycling of paper and plastic.
- ✚ The bank is procuring green products which are compliant with the norms of the Central Pollution Control Board and which are rated by Energy Star.

Axis Bank Ltd –

AXIS bank implementing several initiatives in green banking such as per Axis Bank (2013):-

- ✚ In august 2011, the bank had initiated the process of collecting all the dry waste generated from the corporate office and thirty four branch offices in Mumbai, and recycle it to notepads, notebooks and envelopes.
- ✚ Till date, more than 1,00,000 kgs of paper has been recycled and converted to 12,000 notebooks, notepads and envelopes which are used at corporate office and branches of the bank;
- ✚ The corporate office of the bank, located in Mumbai, is designed and constructed as a Platinum LEED certified ‘Green Building’;
- ✚ Car pooling has been initiated by a bank to reduce carbon footprint;

- + They are also encouraging their customers to use e-statements and other electronic communications to reduce paper consumption;
- + Annual reports are being sent through emails;
- + The organization had initiated Independent ATM Deployment (IAD) model in which ten solar based ATM has been set up in Coimbatore circle;

Conclusion:

Green Banks give more weight to environmental factors, their aim is to provide good environmental and social business practice, they check all the factors before lending a loan, whether the project is environmental friendly and has any implications in the future, a loan is allowed only when all the environmental safety standards are followed.

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.

Indian banks have initiated environmental friendly programmes and schemes to reduce usage of paper, using green cards, investing in solar setups etc embarking a new approach towards our mother earth.

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