



WWJMRD 2018; 4(1): 281-283

www.wwjmr.com

International Journal

Peer Reviewed Journal

Refereed Journal

Indexed Journal

UGC Approved Journal

Impact Factor MJIF: 4.25

e-ISSN: 2454-6615

Sarvjot Dhunna

Assistant Professor, Khalsa
College for Women, Civil Lines,
Ludhiana, India

Sonia Dara

Assistant Professor, Khalsa
College for Women, Civil Lines,
Ludhiana, India

Green Banking – A Conceptual Approach for Future Sustainability

Sarvjot Dhunna, Sonia Dara

Abstract

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." It's true that monthly paper statements have a big impact. If every household in the US were able to switch to paperless billing, this would save an estimated 16.5 million trees per year or about 46,000 acres (there are about 360 trees per acre). Trees protect watersheds, support wildlife habitats, and build soil fertility while sequestering carbon (deforestation is now the 2nd leading cause of global warming). But there's a problem here.

While we can all agree that preventing deforestation by encouraging paperless billing is great for the environment, the implication that by doing so, a bank is absolved from its environmental responsibility and can now call itself "green" strains credibility. What does it matter if you save a few thousand trees in North America while funding dirty coal operations like Citibank or deforestation in the Congo like HSBC? True "green banking" is about WHERE the bank puts its money. Whether you open a savings account, CD, or IRA, the bank can then use your money as it pleases to build up its equity. So you had better make sure you know what the bank's investment strategies are. Unfortunately, it is quite difficult to sort out. Even despite vows that HSBC and the World Bank would "...not provide facilities and other forms of financial assistance for logging operations that are in violation of local or national laws in respect of illegal logging," they had no problem lending money to a Singapore-based trading group called OLAM, which in turn did fund the illegal logging operations. The present paper study about some green banking practices. Banks can introduce green funds for customers who would like to invest in environment friendly projects. According to this paper Green banking will help to improve the asset quality of the banks. Green banking means promoting environmental friendly practices and reducing your carbon footprint from banking activities.

Keywords: Green Banking, Strategy, Sustainable Development

Introduction

What is Green Banking?

Green banking 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. They are controlled by the same authorities but with an additional agenda toward taking care of the Earth's environment/habitats/resources. Green Banking as a concept is a proactive and smart way of thinking with a vision for future sustainability of our only Spaceship Earth. Though, even today in the New York Times, an article on the success/failure of green banking in US has been analyzed for green banking is making progress though its profit margins are far below than the other commercial banks. Our SBI in India has also gone with an operational segment of green banking. Green banking requires a paradigmatic change in thinking about economics, business and finance. Its success would be greater if the world governments started to revise their economic paradigms from being 'monetary economics' to 'ecological economics' and begin to transform their accounting principles from purely being financial into ecological/operational energy accounting patterns.

Correspondence:

Sarvjot Dhunna

Assistant Professor, Khalsa
College for Women, Civil Lines,
Ludhiana, India

Ideal Benefits of Green Banking

- Basically Ethical (Green) banking avoids as much paper work as possible and rely on online/electronic transactions for processing so that you get green credit cards and green mortgages. Less paperwork means less cutting of trees.
- Creating awareness to business people about environmental and social responsibility enabling them to do an environmental friendly business practice.
- Green (Ethical) banks adopt and implement environmental standards for lending, which is really a proactive idea that would enable eco-friendly business practices which would benefit our future generations.
- When you are awarded with a loan, the interest of that loan is comparatively less with normal banks because ethical banks give more importance to environmental friendly factors - ecological gains. Natural resources conservation is also one of the underlying principles in a green bank while assessing capital/operating loans to extracting/industrial business sector.

So Green banking will help to improve the asset quality of the banks. Green banking means promoting environmental friendly practices and reducing your carbon footprint from banking activities. It comes in many forms like:

1. Using online banking instead of branch banking.
2. Paying bills online instead of mailing them
3. Opening up accounts at online banks, instead of multi branch banks.
4. Finding local bank in your area that is taking biggest steps in supporting local green initiatives. 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.

Review on Green Banking concept

According to Krebsbach (2005), the banks, which adopted socially and environmentally responsible lending and investing strategies were altering their processes and these banks were enjoying a competitive advantage over others as society is aware about the environmental issues. But the author had suggested that banks should adopt the green lending principles in such a way that a customer base will not be affected.

Ginovsky (2009) had emphasized that in order to implement ecologically friendly practices, banks should launch new banking products which promotes the sustainable practices and also needs to restructure their back office operations. The author suggested some strategies which bank should follow to go for green banking like Use of paperless banking which results in reducing the carbon footprint from internal banking operations. It also leads to saving cost to the bank because through automation they can avoid the cost of storage of paper and also the cost of courier vehicle fuel consumption and emissions

Biswas (2011) revealed some strategies for the adoption of environmental management in the banking sector. Banks should do Environmental Impact Assessment (EIA) in

which they design the environmental system to evaluate the risk involved before investing in different projects. They should adopt the Annual Reporting System (ARS) in which they prepare an annual report on environmental risk guidelines for every project they invest or finance.

Jha & Bhome (2013) did the empirical study on the steps that can be taken for going green in the banking sector and to check the awareness among bank employees, associates and the general public about green banking concept. They did this study by collecting data from 12 bank managers, 50 bank employees and 50 general customers. The authors were of the opinion that online banking, green loans, power saving equipments, green credit card, use of solar and wind energy that should be followed for going green.

According to Dharwal & Agarwal (2013) green banking is a key in mitigating the credit risk, legal risk and reputation risk. The author had suggested some green banking strategies like carbon credit business, green financial products, green mortgages, carbon footprint reduction (paperless banking, energy consciousness, mass transportation system, green building), and social responsibility services towards the society.

According to Malu, Agrawal, & Jajoo (2014), banks can play an important role in reducing the carbon footprint in the society. Earlier economic development means reducing poverty, inequality and unemployment in the society, but the concept of Economic development had changed to Sustainable development which means "development that meets the needs of the present without compromising the ability of future generation to meet their own needs (World Commission Environment and Development 1987).

How we can do Green Banking

- **Go Online:** Online banking is a developing concept; it helps in conservation of natural resources. It saves paper, energy and expenditure of natural resources. It also helps customers to save money by avoiding late payments and also save their time.
- **Use of Green Checking Accounts:** Customers can check their accounts on ATM. They can avail services including online payment, debit cards and online statements.
- **Use of Green Credit Card:** Some of banks use green credit cards; by using it the banks will donate funds to an environment friendly non-profit organization.
- **Saving of Paper:** Banks should purchase recycled paper products with highest post-customer waste content. This includes monthly statements, ATM receipts, annual reports, envelopes etc.
- **Mobile Banking:** By using it customer can check balances, transfer funds or pay bills from the phone. It also helps to save time and energy of the customers.
- **Direct Deposits:** Most employers will give employees the option to receive their pay check electronically. It saves time, saves paper and lots of paper work.
- **Online (Net) Banking:** It means customers can perform most of their banking related functions without visiting the banks personally. For this customer must possess an internet banking ID, a password provided by the bank in which customer has an account. Online banking includes use of credit cards, debit cards, online bill payment and electronic fund transfer.

Requirement for Green Banking

A. Green Processes

Green bank requires each of its functional units and activities to be green- environmental friendly and help for sustainable development. Some of requirements are:

- **Supply Chain Management**
 - (i) Adopt techniques and plans to minimize inventory wastage
 - (ii) Adopt carbon footprint design
- **Customer Relationship Management**
 - (i) using electronic means to maintain contact and correspond with customers
- **Enterprise Resource Management**
 - (i) Promoting paperless transactions
 - (ii) Adopting techniques for workforce and parts optimization

B. Green Banking Strategies

- Create financial products and services that support commercial development with environmental benefits.
- Stakeholders should also be engaged and create awareness about environmental issues and necessity of green banking services.
- Adopting environmentally sustainable technologies should not be considered as financial burden by the banks rather it should be considered as new opportunity for higher profits. It will help the banks to fulfil their objectives and social responsibility.
- Banks should conduct energy audits and assess the IT's environment cost and impact and identify the areas which needed to be green.
- Encourage, motivate the workforce to follow green practices and also encourage the clients, suppliers to adopt green practices.

Conclusion

There is an urgent need to create awareness and follow green banking in today's business world of innovative technologies so as to make our environment human friendly. Green banking if implemented sincerely opens up new markets and avenues for product differentiation. In India there has not been much initiative in this regard by banks and financial institutions. They are not as green as foreign banks. As initially, these commitments will cause a huge financial burden for Indian banks. For effective adoption of green banking, the RBI and the Indian government should play major role and formulate green policy guidelines and financial incentive. Banks may formulate innovative financial solutions to incorporate environmental perspective. Banks can introduce green funds for customers who would like to invest in environment friendly projects.

References

1. Mr. Nigamananda Biswas, "Sustainable green banking approach : The need of the hour", Business spectrum, vol1, no.1, (2011)
2. Green banking – A Practical Approach For Future Sustainability, Tajmmr, Vol.3, Issue1, (2014)
3. " A study of green banking trends in india", International referred journal of research in management & technology, vol. 11, may (2013)

4. "The role of green banking in sustainable growth", International journal of marketing, financial services &management research, vol. 1, no.
5. www.scribd.com
6. www.greenbank.com