GREEN BANKING APPROACH TOWARDS ENVIRONMENTAL SUSTAINABILITY

Dr. Ashok Kumar

Assistant Professor, Institute of Management Studies and Research

Maharshi Dayanand University, Rohtak

Komal Dhiman

Research Scholar, Institute of Management Studies and Research

Maharshi Dayanand University, Rohtak

Anika

Research Scholar, Institute of Management Studies and Research

Maharshi Dayanand University, Rohtak

Abstract

Green banking combines operational enhancements, technological advancements, and shifting customer behaviour in the banking industry. In a market where competition is on the rise, it is a win-win situation for all parties involved. Adopting sustainable banking practises would not only improve the environment, but it will also increase operational effectiveness, reduce the risk of fraud and manual errors, and minimise costs associated with banking operations. Numerous services that businesses require to take advantage of these advantages are already provided by banks. This paper aims to understand the concept of Green Banking Products adopted by various Banks and also how these measures help in reducing the carbon footprint by the Banks. In addition, this study also highlights the advantages of Green Banking adoption and challenges faced by the Banks due to Green Banking adoption. Despite their active participation in India's developing economy, it is discovered that Indian banks have not taken much initiative in this area. In order to push enterprises to make mandated investments for environmental management, usage of relevant technologies, and management systems, banks should become green and take a proactive role in considering environmental and ecological concerns as part of their lending principles. They need to speak out more in support of the underlying green value proposition.

Keywords: *Green Banking, Green Banking Products, Carbon Emission, Environmental Sustainability*

INTRODUCTION

All industries, including the financial services sector, are under pressure to adopt "green" strategies as environmental issues receive more attention. While most clients still do not choose one financial institution over another primarily due to green banking, more financial institutions are starting to do so in response to customer requests and growing environmental consciousness. The environment is a major concern for both ethical banks (in this industry, referred to as sustainability or green banks) and many conventional banks that want to look more ethically oriented or that believe converting to more environmentally friendly operations will be to their benefit. Generally speaking, bankers "believe themselves to be in an industry that is reasonably ecologically beneficial (in terms of emissions and pollutants). They have been remarkably hesitant to look into their clients' environmental performance, despite the possible risk they could be exposed to. The inspection would "demand interference" with a client's activities, according to a stated justification for this. While it is understandable that a bank would prefer not to meddle in its customers' affairs, it should be noted that in order to determine whether a client's business plan is viable before extending a loan, banks are compelled to regularly meddle in their affairs. Known as a single bottom line analysis, this type of analysis is conducted by all banks (this analysis only considers financial performance). It is questionable whether or not completing a triple bottom line analysis an analysis that considers environmental, social, and financial performance would be any more intrusive in the case of the banking sector.

When it comes to a bank's internal ethics, it all starts with the health of the staff, their pleasure with their jobs and with their customers, as well as with their benefits, wages, unionisation, equitable representation of women and people of colour, and their environmental status. Banks converting to more eco-friendly activities (such as using less paper, less electricity, solar power, and energy-efficient procedures) have a significant potential environmental impact. Previous research has been done in Bangladesh on various areas of green banking, such as paperless banking procedures and services for example [(Ahmad et al., n.d.), (Mozib Lalon, 2015), (Chandra Das Jatiya Kabi Kazi Nazrul et al., n.d.)] After Bangladesh, a few research on managing green credit policy were also carried out in China and India, such as [(Zhang et al., 2011), (Biswas, n.d.)] Banks do not, however, use as much energy, water, or paper relative to many other economic sectors. Due to the common intermediary function that all banks play in the economy, banks have a significant opportunity to support sustainable development. Additionally, banks can create environmentally, socially, or ethically responsible investment funds, among other more sustainable products. Banks have a lot of room to improve their internal environmental performance as well. Banks can encourage socially and ecologically conscious businesses and penalise those that do not uphold these standards by establishing environmental and social screening criteria. However, it's crucial that these various options (such as internal environmental practises, ethical products, and social and environmental filters) be used together. If not, there is a risk that banks will continue to operate in the manner that makes them appear to be the most moral (such as promoting their recycling programme) while not making changes to other areas that would have a greater impact. If the changes are purely driven by the needs of the customer, the bank will feel pressure to give preference to what the depositors perceive desirable, but will have limited power to penalise unwanted behaviour.

To make sure that all banks adhere to generally accepted values and ethics, government regulation, begun by a well-informed and engaged public, would be a successful strategy. The banking industry has an impact on economic development, both qualitatively and quantitatively, influencing the character of economic growth. As one of the most significant economic activities for economic growth, funding investment in commercial enterprises comes mostly from the banking sector. Therefore, the banking industry can be extremely important in supporting ecologically and socially responsible investing. (Giridhar & Sudhakar, 2017) highlighted the issues and challenges faced by the banks in India by adopting green banking. In terms of emissions and pollution, the banking industry is typically regarded as environmentally favourable. The banking industry has a comparatively small and clean internal environmental impact in terms of energy, paper, and water use. The activities of the customers, rather than the bank's operations, have a greater impact on the environment. Therefore, despite being challenging to assess, the environmental impact of bank external operations is substantial. In the financial industry, environment management is also similar to risk management. As a higher quality loan portfolio generates higher earnings, it boosts enterprise value and lowers loss ratio. Therefore, one of the tasks of the banking industry should be to encourage environmentally conscious investment and cautious financing. Furthermore, the banks should give preference to financing to sectors of the economy that have already made significant efforts to go green as well as those that are doing so. This financial strategy, sometimes known as "Green Banking," represents a bank initiative to encourage the development of environmentally friendly businesses and, in the process, help the ecosystem recover. (*Indian Journal of Commerce & Management Studies*, n.d.)showed that green banking has a direct impact on sustainability and the general public, however, is not well-informed on green banking. The idea of "Green Banking" will be advantageous to businesses, the economy, and banks alike. "Green Banking" will not only ensure that industries become more environmentally friendly, but it will also make it easier for banks to improve their asset quality in the future. Concerns regarding the role of banks and institutional investors in initiatives involving investments that are socially and environmentally responsible are spreading across the globe. Due to the type of intermediary position, they play in all economies and their possible reach to the number of investors, banking institutions are more effective at reaching this goal. Before approving a project, the banking industry must do a thorough environmental assessment.

OBJECTIVES OF THE STUDY

- To understand the various green banking products and measures adopted by banks in reducing carbon footprint.
- To study the advantages from adoption of green banking.
- To study the challenges faced by the banks by adopting green banking.

RESEARCH METHODOLOGY

Research approach is descriptive. Information for this study was gathered with the aid of magazines, newspapers, research articles, research journals, e-journals, and websites.

GREEN BANKING FINANCIAL PRODUCTS

Various green banking financial products are:

- **Green Deposits**: If clients choose to conduct their banking transactions online, banks will offer greater rates on business deposits, money market accounts, checking accounts, and savings accounts.
- **Green Mortgages and Loans:** For homes that are energy efficient, banks offer green mortgages with better rates or terms. Homebuyers may be able to borrow up to an additional 15% of the cost of their home to pay for improvements like energy-efficient windows, solar panels, geothermal heating, or water heaters with some green mortgages. Long-term financial savings can be achieved by balancing lower monthly mortgage payments with lower monthly energy expenses.
- **Green Credit Cards:** A green credit card enables cardholders to accumulate rewards or points that may be exchanged for donations to non-profits that support the environment. For customers, these cards provide a great inducement to utilise their green cards for pricey goods.
- **Green Reward Checking Accounts:** Customers who use reward checking accounts from a bank receive a bonus rate. If customers fulfil monthly requirements, such as getting electronic statements, making online bill payments, or using a debit or check card, they may be eligible for higher checking account rates.
- **Mobile Banking:** On the one hand, the opportunity to check accounts, transfer money, or pay bills using a mobile phone is fantastic. On the other side, it helps customers save time and effort. Additionally, it aids in the bank using less paper and energy. The majority of Indian banks have used this paperless option.

MEASURES FOR CARBON FOOTPRINT REDUCTION

By putting the following initiatives into practise, banks can lessen their carbon footprints:

- **Energy Consciousness**: Increasing energy awareness, implementing efficient time-management and automation strategies for the office, and utilising compact fluorescent lighting (CFL) can significantly reduce energy consumption for banks. For efficient energy management, banks can do energy audits in every office. They can run their offices and ATMs using renewable energy as well.
- **Paper-less Banking:** There is plenty of room for paperless or low-paper banking since that banks have digitised their facilities. Large amounts of paper are typically used by public sector banks for office communications, audit reporting, recording public transactions, etc. These banks have the option to transition to electronic reporting and correspondence. Banks should promote e-statements and encourage all of their customers to use electronic transactions.
- **Using Mass Transportation System:** By providing shared transportation for a group of officials stationed at one office, banks can become a fuel-efficient organisation.
- **Green Building:** Over one lakh locations serve as the offices and homes of the Indian banking sector nationwide. These banks ought to design and deploy green structures for their workplaces.
- **Save Paper:** The highest feasible post-consumer waste content should be used in the recycled paper goods that Bank buys. This comprises documents like copy paper, envelopes, ATM receipts, annual reports, newsletters, and monthly statements. Vegetable-based inks should always be chosen over oil-based inks because they are more environmentally friendly.
- **Use of Solar and Wind Energy:** One of the noble causes of turning green is the utilisation of solar and wind energy. By constructing windmills for internal usage, State Bank of India has become the first bank in the nation to attempt the creation of green energy.

ADVANTAGES OF GREEN BANKING

- All current account holders moving into Green will receive cash back on their accounts.
- All new clients who open "Green accounts" will receive cash back.
- Providing free access to conduct all financial transactions via Internet Banking, SMS Banking, Phone Banking, and ATM Banking justifies the use of paper.
- Free online bill payment options.
- E-Remit services are a special way for clients to send money back to their home country.
- Customers have a number of options for choosing Go Green, including Online Banking, Branches, and Call Centers.
- Customers' email addresses will receive an electronic statement.
- Interest rates on loans are comparatively lower because green banks place more emphasis on environmentally friendly elements including ecological benefits.

CHALLENGES OF GREEN BANKING

- **Diversification is crucial**- Green banks will screen their clients, and they will logically limit and confine their business to those organisations that meet the requirements. They'll naturally have a lesser base of earnings to support them with a smaller pool of clients. They put themselves in a position where they are far more exposed to changes in the economy if they concentrate their loans on specific industries.
- **Operating costs and expenses have increased**- Due to the type of clients they serve, green banks also need particular personnel, skills, and expertise. Employees who deal with green enterprises and customers, including loan officers, need to have more training and expertise. Additionally, giving these customers breaks through discounted lending rates may reduce their profit margins.
- **Risk to Reputation-** Banking institutions are most likely more likely to lose their reputations if they are involved in large projects that are perceived as socially and environmentally harmful due to increased knowledge about environmental safety. A few instances of environmental management systems leading to cost savings, bond value increases, etc. There have been a select few instances where an environmental management system has reduced risk, improved environmental stewardship, and increased operating profit. Reputation concerns associated with funding initiatives that are morally and environmentally dubious.
- **Credit Risk-** It results from lending to clients whose businesses are struggling because to the cost of pollution, changes in environmental rules, and new restrictions on emissions levels. The likelihood of customer default is higher as a result of unanticipated costs for capital investments in production facilities, market share losses, and third-party claims.

FINDINGS

- In order to provide us with green credit cards and green mortgages, green banking uses as little paper as possible and relies on online or electronic transactions for processing. Less paperwork equals less tree-cutting.
- It also entails educating banking professionals about social and environmental responsibility so they can conduct environmentally friendly business practises.
- When a loan is approved, the interest rate is lower than it would be with a conventional bank since green banks place a higher value on ecological benefits and other environmentally friendly criteria.
- With an eye on long-term sustainability, the idea of "green banking" is proactive and rational.

SUGGESTIONS

Here are some ideas for the banks to promote green banking:

- Interact with the media, create websites, and disseminate information
- Distribute education through e-learning programs.
- Including green banking in yearly environment reports
- Employees of banks should receive training and develop relevant skills.
- Customers who want to invest in environmentally friendly projects can use green money that banks can offer.

CONCLUSION

Today's corporate world urgently needs to raise awareness of green banking and adopt it in order to make our environment more hospitable. "Go Green" is a company-wide project that is focusing on banks, their procedures, and their clients. The objective is to develop automated channels that are affordable and to increase awareness and consciousness about the environment, the country, and society. Each businessman will do their part to improve the environment and make the world a better place to live by using green banking to raise awareness of global warming. If properly applied, green banking creates new markets and opportunities for product differentiation. Each businessman will do their part to improve the environment and make the world a better place to live by using green banking to raise awareness of global warming. In terms of green banking, India's banks are lagging behind, and it is urgent that they consider it seriously for the country's sustainable growth.

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