

Eco Friendly Banking System in India

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Abstract

Eco friendly banking system is also known as green banking. Various global initiatives are underway to counter the ill effects of development that we encounter today such as global warming and climate change. All these initiatives is the focus on reducing the demand for fossil fuels by implementing the 3R's viz. Reduce, Reuse and Recycle.

Banks and financial institutions can play a major and decisive role in these global efforts to make our planet a better place to live in. 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. All over the world, banks and financial institutions are concerned about the overall impact of depletion of environment. General frameworks describing corporate climate strategies are difficult to transfer to the banking sector.

Key Words : Green Banking, Green Banking Products, Eco-friendly and Sustainable Banking

The key issue for banks will be assessing the impact of climate change on the asset quality of lending and investment portfolios. This will influence financing and investment policies as well as portfolio management. The disastrous impact of recent storms, floods, droughts, and excessive heat that many people have experienced around the world, motivate us to think seriously about global warming and its impact and to do whatever we can to address this problem, Governments, enterprises, and people, all have roles to play in combating global warming and building a sustainable environment. Inaction to arrest environmental degradation would significantly affect not only current but also future generations and our further progress. So, a proactive multipronged action is necessary by all the industry and business sectors, regulatory agencies and the individuals.

Internationally, there are several initiatives to create a common protocol to manage environmental concerns. Among them the United Nations Environment Program Finance Initiative (UNEP FI) and the Equator Principles (EPs) are two key initiatives. This initiative is a public- private partnership established between the United Nations Environment Program (UNEP) and the financial sector. It works closely with over 200 members including leading banks, investment funds, and insurance companies to develop and promote linkage between sustainability and financial performance.

Enterprises are now increasingly interested in establishing and implementing strategies that will help them to address environmental issues. Like any other enterprises, as consumers of natural resources, banks directly interact with the environment. For instance, banks contribute towards the carbon emission directly in their day to day operations in terms of use of paper, electricity, lighting,

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air conditioning, electronic equipment and other things, although this is moderate compared to other carbon sensitive industries like steel, oil, and gas etc.

The warming effect of certain man-made gas emission such as carbon-dioxide, methane, nitrous oxide and hydro-fluoro carbon is found responsible for distortion in climate changes. The rapid change in climate will probably be too great to allow many eco systems to suitably adapt, since the changes have direct impact on bio diversity, agriculture, forestry, dry land, water resources and human health. However, there is general lack of adequate awareness on the above issues and hence there is urgent need to promote certain urgent measures for sustainable development and corporate social responsibility. As a responsible financial organization of the country with its crucial role in financial the economic and development activities of the country, banks have to play in addressing the above issues, both in terms of its obligations and opportunities by virtue as a responsible corporate citizen and as a financier. 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.

Green banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environment, and social dimensions. 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. There are four major avenues for greening banks- processes, products, and services, strategies and other activities- which are briefly outlined here.

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. Online Banking

Online banking helps in additional conservation of energy and natural resources. Online banking includes: Paying bills online, Remote deposit, Online fund transfer and Online statement. It creates saving from less paper, less energy, and less expenditure of natural resources from banking activities.

2. Green Checking

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

3. Green Loans

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 equipment's. The rate of interest is as low as 4% p.a.

4. Power Saving Equipment's

Banks should promote power saving equipment's as a tool for green banking and it would directly contribute to controlling climate change and as 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.

5. Use Recycle Paper

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Bank should purchase recycle paper products with the highest post- consumer waste content possible. This includes monthly statements, brochures, ATM receipts, annual report, newsletters, copy paper, envelopes etc.

6. Use of Solar And Wind Energy

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

7. Mobile Banking

Mobile banking is a paperless facility, which gives an ability to check balances, transfer funds or pay bills from your phone. On the other hand, it saves time and energy of the customers. It also helps in reducing use of energy and paper of the bank.

Rationales of Going Green

Green banking means promoting environmental- friendly practices and reducing your carbon footprint from your banking activities. This comes in many forms. Using online banking instead of branch banking, paying bills online instead of mailing them Open up CDs and money market accounts at online banks, instead of large multi- branch banks or finding the local bank in your area.

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 windfarm project in Coimbatore. Recent Green Bank initiatives include a push for solar powered ATMs paperless banking for customers, clean energy projects and the building of windmills in rural India. State Bank of India is a leader in green banking.

The reason for going green or rational of going green can be important because of following points,

- It is our social responsibility;
- Reduce paper consumption;
- Reduce energy consumption;
- Reduce water consumption;
- It makes good business- sense; and
- It improves corporate image.

Following are the green banking products:

- Green mortgages
- Green loans
- Green credit cards
- Green saving accounts
- Green checking accounts
- Green CDs
- Green money market accounts
- Mobile banking
- Online banking

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- Remote deposit (RDC)

Suggestions

Followings are the suggestions that can be adopted banks to encourage green banking:

- Construct Website
- Educate through the bank's Intranet.
- Participate in Events
- Set up outlets to promote green business
- Communicate through leaflets.
- Carbon footprint reduction by energy consciousness.
- Making it apart of annual environment report.

Conclusion

Currently, in India, the concept of green banking is catching up and banks are actively looking ways to portray themselves as a green bank. They are developing new products and services that respond to consumer demand for sustainable choices. Natural resources conservation is also one of the underlying principles in a green bank while assessing capital/ operating loans to extracting/ industrial business sector. They are also responsible for corporate citizens. They believe that every small 'Green' step taken today would go a long way in building a greener future and that each one of them can work towards to better global environment. For effective green banking, the RBI and the Indian government should play a pro active role and formulate a green policy guidelines and financial incentives. 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.

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