Green Banking: A Conceptual Study on its Issues, Challenges and Sustainable Growth in India

1Mr. Rakesh D, 2Mr. Srinath B V, 3Mr. Naveen R Karki

1Asst. Professor Bapuji Academy of Management & Research
SS Layout, Lake View Campus, Davangere

2Asst. Professor BIET-MBA Programme
SS Layout, Lake View Campus, Davangere

3Managing Director CAD/CAM/CAE/WEB Application
Engineering Services & Training

ABSTRACT

Every social and global issue is a business opportunity just waiting for the right kind of inventive Entrepreneurship, the right kind of investment, the right kind of collective action.

Peter Drucker

The paper renders the green banking practices in India. Society is facing most byzantine issues of climate change. Change is the need of hour to for endurance in all spheres. So change is the need of the hour for the endurance and unbroken exertions which should be made for the environmental management in a sustainable manner.

Sustainable enlargement can best be accomplished by consenting markets to work within a fitting framework of cost proficient conventions and pecuniary instruments. The banking industry can play an owing role between economic progression and eco-friendly shield for endorsing environmentally sustainable and socially viable institution. The banking of this benevolence can be termed as “Green Banking”. Green Banking denotes to the banking business steered in selected area and technique that helps the inclusive lessening of external carbon emission and internal carbon trail.

The objectives of this paper is to conceptualize the concept of green banking which has gained prominence post 2009 and focus on the green rating standards given by RBI. In addition the paper highlights the World Bank’s environmental and social norms, the ingenuities taken by public and private sector banks in India in the espousal of Green Banking practices and to enlist the strategies for adoption of Green Banking. The paper focuses on the current practices and the gaps in the same in relation to green banking practice.

Keywords:- Sustainable Growth, Green Banking, Online Banking and RBI.

1.INTRODUCTION

Green Banking means endorsing environmental responsive practices and tumbling your carbon trail from your banking happenings. This comes in many practices. Using online banking instead of branch banking, paying bills online instead of mailing them savings Open up CDs and money market accounts at online banks, instead of large multi-branch banks or verdict the local bank in your area that is taking the chief steps to support local green initiatives. Green Banking helps to create operative and across-the-board market-based solutions to address a range of environmental problems. First eminence issues and biodiversity loss, while at the same Green Bank is the first bank of its kind to stimulate time identifying and acquiringbreaks that positive environmental and social responsibility.

Sustainable development has begun as a new paradigm of development in retort to the current sermon of development that over-exploits natural milieu for economic richness. The sustainable development can best be achieved by consenting markets to work within an applicablecharter of cost proficientconventions and economic gadgets.

Environmentalism is a broad philosophy and social movement regarding apprehensions for environmental upkeep and upgrading of the state of the environment. Conservationism and environmental apprehensions are often represented by the color ‘green’. Worldwide warming, also called as “Green House Effect” is a global issue that calls for a global response.

The banking industry influences economic growth and development, both in terms of superiority and extent, leading to a change in the nature of economic growth. Therefore, banking sector plays a crucial role in endorsingecologically sustainable and informally responsible investment, Banks may not be the polluters themselves but they habitually have a banking affiliation with some companies /investment projects that are polluters or could be in future.

There have been attempts to adopt sustainable development strategies from various quarters at international level. Multilateral agencies, international consortiums, multilateral financial and development institutions have been
advocating for environmental standards and strategies to evaluate investment projects. It would certainly give the much needed impetus for the banking industry to expand the use of environmental information in their credit extension and investment decisions. The paper aims to understand the issues, challenges and sustainability in growth of banks, which can play a role for sustainable growth and development, particularly in the Indian context.

2. MEANING AND DEFINITION
Green Banking is like a customary bank, which considers all the shared and eco-friendly factors; it is also called as virtuous bank. Virtuous banks have started with the aim of guarding the environment. These banks are like a normal bank which aims to defend the environment and it is controlled by same specialists as what outmoded bank do. Green banking is like a normal bank, which considers all the collective and conservational/biological factors with an aim to shelter the milieu and conserve accepted resources. It is also called as an ethical bank or a sustainable bank. They are controlled by the same establishments but with abonus agenda toward taking care of the Earth’s environment / habitats / resources. For banking pros green banking involves the canons of sustainability, ethical lending, conservation and energy efficiency.

Green Banking is the banking of products that are presumed to be environmentally preferable to others. Thus green banking integrates a extensive range of accomplishments, including artefact modification, changes to the trade process, sustainable wrapping, as well as amending advertising.
The "Green Banking" is holistic banking concept incorporates a broad range of actions, wherein the invention, presentation, depletion and clearance of products and services happen in a mode that is less unfavorable to the environment.

3. OBJECTIVES OF THE STUDY
- To understand the concept of green banking.
- To study the issues and challenges faced during the adoption of green banking.
- To understand the sustainable growth of green banking in India.

4. WHAT GREEN BANKS ARE?
Banks contributing to conservation of environment through Biodiversity, utilizing environment friendly products, conservation of natural resources, carbon footprint climate and paper etc. Green Banking itself insinuates promoting environmental-friendly banking rehearses and tumbling carbon impression from banking undertakings. To add plainness to this term, it is a form of banking which ensures less exploitation of natural assets and optimal lessening of surplus of paper/carbon impression.

Green Banking is being adept by all banks, which ponder all the social and environmental/ecological factors with an ambition to shelter the milieu and conserve natural possessions. Green Banking practices are also labelled as “Ethical Banking”. The vitalinkling behind this lending concept is to augment the conservation of earth’s environment/habitats/resources.

The Common Characteristics of Green Banks are
- Promoting the usage of online banking instead of branch banking.
- Paying bills online.
- Minimum use of plastic material; use recyclable paper and carbon footprint materials.
- Opening up CDs and coinage/arcade accounts through accessible banking, instead of hefty multi-branch banks.

4. IMPORTANCE OF GREEN BANKING
Green Banking seems to be an initiative and an environmental concern which really seem to be really relevant to banks operations. A bank checking their client’s environmental worthiness would have been considered as prying into private business. It is the perception looks towards how this brings risks to their business. The banking and financial institutions are not unwaveringly posh by the environmental dilapidation, there are ancillary costs to banks.

Credit, legal and reputation risks have persistently been haunting these banks lest such initiatives are taken. Banking sectors concern for environmentally mortifying activities of patrons is like intrusive or meddling in their business affairs. However, now it is being perceived that allocating with environment brings menace to their business. Due to the strict environmental disciplines imposed by the proficient specialists across the countries, the diligences would have to follow certain standards to run their business. Although the heaping and pecuniary institutions are not directly affected by the environmental degradation.

The reason for which the banks in US are ahead of other countries in integrating environmental concerns into their business maneuvers. In the recent years several other countries (more in Europe) are seen adopting policies that have made banks responsible for the misdeeds of their clients. In turn, that would force the customers to take care of their...
board of eco-friendly and social policy concerns relating to investment. The importance of Green Banking is immense for both the tiers and bargain by dodging the following risks involved in banking sector.

5. GREEN MARKETING: GLOBAL SCENARIO
In the financial sector’s that are growing in adherence to environmental management system, which is attributed to the uninterrupted and ancillary pressures from transnational and local Non-Governmental Organizations, multilateral agencies and in some gears the market over consumers. In the timely 1990s, the United Nations Environment Programme launched what is now known as the UNEP finance initiative. The objective is to integrate the environmental and social dimension to the financial recital and risk concomitant with it in the financial sector.

Similarly, the US Export-Import Bank recurrently criticizes while bankrolling exports on the pulverized whether they are environmentally sound. It will be noteworthy to allusion that Netherland-based ABN-Amro bank has urbanized certain Reputational Risk Management (RRM) policies to identify, asses and cope nonfinancial extant within it trade engagements. Going auxiliary, the Dutch Government has thru a strict request to banks in achieving viable development. The dialogue between tiers and régime was established in 1999 to inductee dogmas for eco-friendly improvements through the expansion of new financial harvests and amenities.

All these concerns for viable finance have constrained the banking institutions to devise a common and lucid set of green and shared policies and strategies that can be used to evaluate the projects. A trivial group of banks along with IFC came unfrilled to peggde the process of designing the common guidelines in October 2002 and arose up with a strategies in June 2003 that is known as Equator Principles with 10 leading commercial banks adopting these intentional set of principles. This equator norm was subsequently updated and the new revised sets of moralities are launched in July 2006. The reportage of projects being financed are expanded in this revised set of ideologies by depressing the finance edge from $50 million to $10 million. Presently 46 financial institutions from 16 realms with business maneuver in supplementary than 100 countries have encompassed this equator principle. So this principle has converted a conjointstock of project backing that incorporated environmental and social issues in project finance.

First Green Bank is the initial bank of its kind to promote constructive environmental and social obligation while effective asoutmoded civic bank providing excellent service to depositors and shoppers. The enlightened slant to the civic and the Earth set it apart from other banks.

All the international ingenuities towards assimilating ecologicial disquietos into business act of banks are voluntary in nature and are meant to endorse a joint good of a better biome. Voluntary vow has its own shortcoming in a competitive souk. Unless the souk for green dough will intensification, the lenders will always have an incentive to procrastinate their societal vow and highlight the viable curiosity in the short run. So demand for green money is a must of green banking if it will be deliberate. A Government statute that makes banks liable for the misdemeanors of their patrons will help promote green banking.

6. GREEN MARKETING: AN INDIAN SCENARIO
The subject of green banking is vast, having imperative allegations for business strategy and public policy. Clearly, green banking is slice and tract of the inclusiveshared strategy. Green banking also ties meticulously with issues of built-upbnetwork and green sustainability such as extended fabricators liability, material use and resource flows. India is on a higher growth trajectory for last one and half epoch and the industrial zonetheatres the most vital role in India’s growth story. However, Indian industry faces the challenges of controlling environmental impact of their trade i.e. sinkinglitter and secretion of their clients. Though régime has been warisome to address the concern by mounting green legislations and encouraging industry to follow environmental tools and rehearses, they would not be abundant given the poor track records of enforcement, public cognizance and incompetence to descend modest pro by producing eco-friendly products.

With the solar powered ATM, the banks are supposing to except nearby 1980 KW of oomphyearly besides tumbling carbon emanations by 1942kg. It also presumes to save power bills of nearby Rs. 20,000 per year in urban areas, where it replaces diesel initiators with solar panes.

Incidentally, India’s is the world’s sixth prime and second firmest growing country in terms of producing greenhouse gases. Delhi, Mumbai and Chennai are the three of the world’s ten most polluted cities. The major littering diligences in India are

- Primary metallurgical industries namely zinc, copper, steel etc.
- Paper& pulp
- Pesticides/Insecticides
- Refines
- Fertilizers
- Tanneries
- Sugar
Textiles
Chemicals/Pharmaceuticals etc.

The banking maneuver and venture by financial bodies should take care of environmental management of these polluting diligences by taming the overall milieu, the quality and conversation of life, level of efficiency in using materials and oomph, quality of amenities and yields. In this context, the role of banking sector, which is on major bankrolling sources to the Trades, undertakes high importance.

INDIA AND SOME GREEN BANKINITIATIVES.
GREENBANKING: INDIAN INITIATIVES
Some sage’s prerogative that green dogmata are lucrative, green dogmas can reduce outlays, green firms can shape future protocols and reap first-mover advantages, and there are numerous strategies for the banks to be green. They can be green themselves in three ways:
- Value-addition routes (firm level)
- Management systems (firm level)
- Products (product level).

There are copious examples of hardens who have endeavored to become more environmentally responsible serving to better mollify their consumer needs. Moreover, their undertakings also help them to improve their revenues and profits in various ways.

Green Mortgages
There are two sorts of green debts: the energy enhancement mortgage, it is like a subsequent mortgage that is used to exaltation a home or edifice to energy competent by mounting energy saving items such as solar panels and amended insulation and the energy competent mortgages used for the erection of new energy proficient homes and buildings. There are many shapes getting in on the green mortgage by offering endowed green mortgages so that more home-owners and business owners can “green-up” their erections. In toting to help save the milieu by using minus energy, these mortgages offer many pluses to consumers by tumbling the money spent on high utility bills and on high costs of attaining a mortgage. The domiciliary energy services network testified on a recent study showing that the market significance of a home upturns.

Green Credit Cards
The Banks in India are promoting the various schemes of using plastic money rather than currency notes in order to save environmental resources.

Usage of Solar and Wind Energy
Many Banks of India are going with usage of solar and wind energy, which is one of the noble cause for going green. State Bank of India is the first bank in India to venture into generation of green power with the installation of wind mills for their captive usage. It has been installed with more than 10 windmills at an aggregate power capacity of around 15MW in various states across India.

Mobile Banking
This kind of banking saves time and energy of the customers by the reduction in usage of energy and paper of the bank. In India most of the banks have introduced this type of paper-less method to get the work done eco-friendly.

Green Checking Accounts
Here the customers can check their accounts through ATM and also on special touch screens. Using this type of technology helps environment with the utilization of more online banking services along with online bill payment, international debit cards and also banking statements.

Green Loans and Credit Cards
In India some of the nationalized banks and scheduled banks have taken initiative to go green by implementing lower interest on the loans to the customers who intent to buy solar equipment’s in association with the Ministry of Non Renewable Resource. Some of the banks have donated funds to the no profitable eco-friendly organizations from the amount that customers spend on their credit card to the cause of environmental protection, which is termed as Green Credit Cards.
DEFIES FACED IN GOING GREEN

The Banks get supported like wonderful causes but still they are facing with lot of challenges in terms of profit entities. In this aspect they are facing with socially conscious and environmental funds, that the banks are expected to encounter more number of obstacles than the other typical banks. Some of the challenges are as follows

Matter of Diversification:
The screening of the customers will be done by the green banks and naturally they will be limiting and restricting the customers’ business to those limitations of their entity that qualify. With the small heap of customers they will automatically generate the profits in the base level and support them. If these set of customers of green banks concentrate on their loans, they can open themselves being much more vulnerable to economic shifts.

Higher Cost Rate and Operational Expenses:
These banks required highly specialized skills, expertise and talent as well, so to match the kind of customers they are providing service. The employees have to offer loans as per the need so that they have additional expertise and background in dealing with green business and consumers. And also giving the customers with discounted loan rates will eat their profit margins.

Level of Reputation Risk
As the awareness of growing regarding the environment safety, the most of banking institutions are at the edge of losing their reputations if they are involved in huge projects, which are likely to damage the society and environment. There are very less instance where environmental management systems have fetched the result in cost saving and increased value of bond.

New Bank Start-ups:
At the start of banks, apparently it takes minimum 3 to 4 years for a bank to start generating money. Many green banks in the market today are very new and they are still in initiative mode. This situation doesn’t help them in trying out their footing during the recession.

“Specialized” Banks:
The main goal of the Green Bank is to support the customers who are taking care of the environment, but the question is to how much fund is there in these business and industry? Environmental saving does not mandatorily equate of making the profit. In this type of situation also the banks prove that they can sustain with their restrictive requirements.

TASKS AHEAD

- Green Banking Concept require renewable and recyclable material, which is costly.
- Requires a technology, which requires huge investment in R & D.
- Require electricity audit of the banks as an energy conservation initiative.
- Majority of the people are not aware of green products and their uses.
- Majority of the consumers are not willing to pay a premium for green products.
- Sharing of electronic files, voice mail and e-mail instead of paper memos, which is a challenge in traditional banking system.
- Converting the bank’s vehicles into CNG and making use of energy efficient electronic equipment’s.
- Introducing e-statements to the customers rather than usage of paper statement.
- Speeding up the awareness effective building of capacity.

7. CONCLUSION

India is one of the most climate change vulnerable country to climate change in the world. In respect to the global progress and retort to the global warming, Green Banking in India plays a significant role. Overall Green Banking is certainly a good way for people to get more sentence about global warming, each businessman, consumers and staff of the banks will contribute a lot to the environment and make this earth a better place to live.

The Environmental problems in India are emergent hastily. The amassed economic progress, rapid growth of population and growth of banks in India is putting a strain on the environment, economy and the countries natural resources. Environmental pollution is one of the utmost important problems facing mortality and other life forms on our planet today and to get better advantage in the banks for sustainability of the organization it’s the right time to implement the Green Banking in India. Green Banking makes drastic change in the business not even in India but save the world from pollution. Corporate should create the sentence among the consumers, what are the doles of green as compared to non-green ones. In green banking, patrons are willing to pay more to retain a cleaner and greener environment. Consumers,
employees and all the staff of the banks need to pressurize effects on minimize the negative effects on the environment-friendly. Green Banking adopts even more importance and relevance in developing countries like India. Henceforth, the concept of the “Green Banking” will ultimately subsidize to the banks, clients, and the economy. It not only assure the greening of the country but also help in proving the increase of the asset quality of the banks in their future walks.

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