



## THE ROLE OF GREEN BANKING IN SUSTAINABLE GROWTH



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### ABSTRACT

**T**oday across the globe the main problems are environmental problems and reduction and management of scarce natural resources. It is the responsibility of each and every one of us to work in this direction in order to minimize environmental issues. Indeed financial institutions playing vital role in global efforts to minimize environmental risks and make the earth a better place to live. Nowadays every organization are highly interested to turn their business to green, which will help in addressing environmental issues and contribute towards sustainable development. So that make bank more environmentally friendly and socially responsible.

At the present green banking is getting wide response and popularity from business world. In fact it has reported an impressive growth in the field of Indian and global financial system. Until few years ago, most of traditional banks did not engage any kind of environmental friendly activity.

**KEY WORDS:** Green Banking, Sustainable Development, Social Banking.

### INTRODUCTION

Green banking is just like other banks but it considers a social and environment factors with a view to protect the surrounding environment and natural resources. It also termed as ethical banks or sustainable banks. Its main focus would be to protect environment. In short it stands for environmental friendly and social responsible banking services. Green banking offering many innovative green products and services that are not hazardous or injurious to the environment in ways but rather it should lead to protect and safeguard the environment from various environmental issues such as unfavorable weather pattern, declining air quality so on. The concept of green banking or sustainable banking varies from bank to bank. It covers different areas, but in general it simply refers to conduct banking activities in an eco-friendly way.

Green financing under Green Banking activities can make a great contribution to the transition to resource efficient and low carbon industries, i.e. green industry and green economy in general. A Green Economy can be thought of as an alternative vision for growth and development; one that can generate growth and improvements in people's lives in ways consistent with sustainable development.

The green banking will not just ensure greening of the industry but will improve asset quality of banks in future. Green banking activities not end with reduction of external carbon emission but also it includes reduction of internal carbon footprint. So ensure overall control of external and internal carbon emission, bank should adopt green technology and pollution reducing projects. The main reasons behind introduction of green banking are



severe public pressure and strict government regulations. Besides this many banks go for green banking due to gain public reputation, attract capital investment and pollution control has their own benefits.

The financial sector normally considered as eco-friendly industry. The impact of banking industry in terms of energy, paper and materials are significantly low. Contrary to this some studies found that large financial enterprises are one among reasons for producing large amount of electronic waste. So it is the responsibility of banking industry to encourage environmental friendly banking activities. Similarly many industries have already green and many others who are attempting to be green, should be accorded priority to lending by the bank. In fact the concept of green banking equally benefited to banking industry and the economy.

So green banking is absolutely a good initiative to make people more aware about environmental issues and economic activities will contribute a lot to the environment and make our environment more safe and secure.

### **RESEARCH OBJECTIVES**

The present study will focus on examining green banking structure and activities in India and its role in sustainable growth and also on various steps taken by Reserve bank of India to green banking.

### **METHODOLOGY OF THE STUDY**

The research is conducted on the basis of secondary data and these data are collected from news paper, different research journal. The study examines major aspects concerned with the Green Banking.

### **LITERATURE REVIEW**

Review of Literature is necessary since it familiarizes researchers with concepts and conclusions already evolved by earlier analysis. Literature was done by referring previous studies, articles, and books to know the areas of study and analyze the gap of study not done so far. The various studies were conducted relating to green banking, from which most relevant literature were reviewed. It includes the opinions expressed by various authors, leading articles, books and journal.

Prasad (2011) has emphasized the role of three dimensions-ecological security, livelihood security and food security as the essential elements of a development policy which is both sustainable and equitable. He has argued that new technologies and scientific techniques work in harmony with the laws of nature. Further he point out that the role of expenditure for environmental protection in constructing a comprehensive balance sheet of natural resources.

Sreesha ch (2014) examined operation of green banking initiatives of selected private and public sector banks in India. The research found that public sector banks lacking in green banking initiatives as compare to private sector banks. The researcher suggests that banks should expand the use of environmental information in their business operations, credit extension and investment decisions in order to maintaining eco- friendly environment.

V. Kanchana Naidu and C. Paramasivan (2015) conducted a research on topic of green banking trends in India. Their study found that green banking will be mutually beneficial to the banks, industries and the economy. Not only it will ensure the greening of the industries but it will also facilitate in improving the asset quality of the banks in future.

### **ROLE OF GREEN BANKING IN SUSTAINABLE DEVELOPMENT**

Green banks have vital role in sustainable development of a country. In fact green banks can help a lot in attaining sustainable growth through proper public awareness and intensive education. The first and foremost step would be defining target groups and medium of communication. Undoubtedly green banking each and every initiate would be a better tool for a better environment and future. As we are confronting major challenges like global warming, electronic wastes, pollutions etcetera can be minimized with the help of green banking. We have to note down that even if the small step we take in this regards could be a bigger step towards this. As it's the matter of environment we should take no compromise policy.

### **GREEN BANKING: OPPORTUNITIES AND CHALLENGES**

A Green bank requires each of its functional units and activities to be green- environmental friendly and help for sustainable development. Undoubtedly green banking each and every initiate would be a better tool for a better environment and future. As we are confronting major challenges like global warming, electronic wastes, pollutions etcetera can be minimized with the help of green banking

The main obstacle behind green banking in India is diversification. Truly green banks restrict banking transactions to those business entitles who qualify screening process carried out by green banks. So this would limit the scope of green banks to smaller number of customers. In addition to this it is quite difficult to start up a green bank within a short span of time. It will take number of years to come up with full fledged green

banking operation. Further operation cost and start up cost of green banks required heavy and expenses investment.

In addition, green banks involves high credit risk, it arise due to lending to customers whose business affected by the cost of pollution and environmental regulations. It has higher chance of customer financial default as a result of uncalculated expenses for capital investment in production facilities, loss of market share and third party claims. Similarly green banks are also associated with reputation risk. If banks are involved in those projects which are damaging the environment they are prone to loss of their reputations. There are also few cases where environmental management system has resulted in cost saving, increase in bond value. Most importantly green bank would find difficult to survive in the market during recession.

### GREEN BANKING PROCESS

A Green Bank requires each of its functional units and activities to be green or environmentally friendly and help to improve environmental sustainability. Several

Opportunities are available for banks to green their functional units and activities. Key processes are as follows:

The initiate step to be taken by green banks is to adopt a number of techniques and extensive plans in order to minimize inventory and wasted payments for transportation. Then green banks have to design and frame networks using carbon footprint. Later most importantly they have to facilitate all transaction in a paperless way. Next green banks have to adopt technique for workforce in a way to optimum utilization of intelligence of workforce and efforts. Further they have to use electronic means, whenever it is possible to maintain customer relation and contact.

Later step is to select vendors by the sustainability rating of their product, services and operation. Further they have to initiate all those activities to design and offer banking products and services in such a way to minimize consumption of resource and energy. The final step is to implement effective system for product end of life management that has minimal impact on the environment.

### GREEN BANKING PRODUCTS AND SERVICES

Green banking offering wide range of effective worthwhile services and far reaching market based solution for customers. These banking products and services are

- Green credit cards
- Green saving account

- Green checking account
- Green CDs
- Green mortgages
- Green loans
- Remote deposit (RCD)
- Green money market
- Mobile banking
- Online banking

### RBI GUIDELINES REGARDING GREEN BANKING

Reserve bank of India, the apex body of Indian financial system has adopted special green banking policy over Indian commercial banks. For this initiative of Reserve Bank of India introduced rating scheme over green banks in India. Under this rating system Reserve bank of India would rate Green Banks according to its operation and infrastructural facilities. IDRBT has joined the policy of Green rating standards as "Green Coin Rating". It is measured or rated green banks by indicating stars. The star rating of green banks depend upon the degree of eco friendly operation, rate of carbon emission out of their operation, amount of reuse so on. Further green banks also evaluated on the number of green projects being financed by them.

### GREEN BANKING STRATEGIES

The following are the some of the strategies used by green bank as a business model for sustainable banking.

#### 1. Green Banking Financial Products:-

There are several green banking are offering green banks under this scheme such as green loans for eco friendly projects, green credits cards , online banking so on.

#### 2. Social Responsibility Services:-

As the part of this program, green banks offer social service program such as self entrepreneurship programs, construction of basic amenities, tree plantation, organic farming so on.

#### 3. Using Mass transportation system:-

Under this scheme green banks facilitate fuel efficient organizations by providing common transport for groups of official posted at one office.

#### 4. Paperless banking:-

In India almost all banks in India are computerized or operate on a core banking solution. Thus, There are ample scopes for the banks to adopt paperless or less paper banking. These banks can switch over to electronic based banking operation instead of conventional paper based banking operation.

## 5. Green Building:-

This is another program of green banks in India. Green building projects are those building which uses less energy, water and natural resources, generate less waste and most importantly which offer health and hygiene living condition.

## 6. Energy Consciousness:-

Energy consciousness is another strategy of green banks. Under this green banks develop energy consciousness adopting effective office time management and automation pollution and using compact fluorescent lighting (CFL) can help banks save on energy consumption considerably. They can also switch over to renewable energy (solar, wind etc) to manage their offices and ATMs.

## CONCLUSION

Nowadays green banking is getting more and more popularity all over the world. Green banks could not be a good profit business avenue. But certainly it has great potential to gain market share and substantial profit in future. Undoubtedly green banks are really a good way for people to get more aware about of environment and make our surroundings a better place to live

The concept of green banking in India is not that popular and Indian banks and financial institutions have not widely started initiatives at high level. It is evident that Indian banks and financial institutions are still lacking a lot as comparing with foreign financial institutions. In fact they are playing a vital role in maintaining the sustainability of their country. Now it is India's turn to take strict and sound policy in order to spread the principles of green banking.

In conclusion, for maintain sustainable environment banks should diversify their banking operations and should adopt environmental friendly operations. Certainly the endeavor like green banking would help them to improve environmental condition and create long term value for their business.

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