

# The Green Banking: A New Initiative for Environmental Protection

## Abstract

In this current era worldwide people are conscious about a lot of comfortable & luxurious life, but they are unconscious regarding environmental problems and the life of next generation. Besides, the business entities and industries are continuously damages environment and polluted it in many ways. In this wake the banks can play a vital role between economic growth and environmental protection. It is called as green banking. The green banking activities will be fruitful not only for environment but also lead to reducing carbon footprint and energy conservation also. In this research paper to give emphasis on to create awareness among the society, business entities and industries regarding environmental protection and to use green banking products.

**Keywords:** Green Banking, Environment Protection, Green Banking Products, Carbon Footprint, Carbon Emission.

## Introduction

The Banking sector is important tool for economic growth and sustainable development, both in terms of quality and quantity leading to change in economic and business environment. Hence, the banking Industry plays vital role in promoting environmentally sustainable and socially accountable investment. The banking institutions are not a polluters themselves, but they have a banking relationship with some companies, projects that are responsible for environmental damages. The banking sector usually provides huge capital to these companies and projects who are leading their activities towards various types of pollution like carbon emission, water pollution, sound pollution and deforestation. This type of business entities and projects are responsible for alarming situation of huge environmental degradation. In the present era worldwide people are conscious about a lot of comfortable and luxurious life but, they are unconscious regarding environmental problems and the life of next generation.

In this regard Banking Industry will play a key role in environmental protection through Green Banking System. The Green Banking is a new initiative not only in India but in all over the World. Through the green banking the leading bankers and industrialists have come forward to save the earth and nature.

## Objectives of Study

1. To focus on the concept of green banking.
2. To know the green banking products.
3. To identify challenges & give suggestions.

## Review of Literature

Goyal & Joshi (2011), In their research study " A study of Social and Ethical issues in Banking Industry", Focused on social and ethical issues like social banking, ethical banking rural and green banking. Which facilitate the achievement of real sustainable development of banking sector. They also revealed that banks can act as socially ethically oriented institution to provide loan facility only to those business entities which have environmental consciousness.

Bhal and Sarita (2012), they attempted in the study, "Green Banking- The New Strategic Imperative on Public Sector Banks". They collected the views and opinions of managers regarding green banking system, green products, paperless banking, and carbon footprint reduction by energy consciousness, green building and socially responsible services. In this study they found that in green banking system has been given top priority to carbon footprint reduction.

Yadav and Pathak (2013), both studied the Green Banking approaches selected by public & private sector banks for environmental protection. In this study they found that Indian banks have realised the



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importance of environmental issues and need of taking positive steps for environmental protection. They also found that in this study public sector banks have taken good initiative as compared to private sector banks with exception of ICICI bank.

Sudhalaxmi and Chinnadorai (2014), they aim to understand how Indian banks respond to environmental issues and taking positive steps for it. They stated that going through Green Mantra is essential for developing economies like India but there are no significant efforts taken. The banks should take care and include their green aspects in the loan disbursement policy. The today's every positive step taken will mean a better global environment in future. In this regard Indian banks are far behind in this time in adoption of this green phenomenon.

Raghupati M. and Sujata S. (2015), they focus on "Go Green through Green Banking" in their research paper, "Green Banking Initiative of Commercial Banks in India". As per the research paper at first, Indian banks are not aware about the green banking system. But in recent days the banks are playing vital role in environmental protection. With the green banking practices people will become more aware about environmental protection and each business entity contributes in it to make this planet a better living earth/planet to every creature.

Shakkeela Cholasseri (2016), the researcher has attempted the Green Banking system of existing Indian banks. The researcher stated there is need of new business model which would consider all the three aspects of triple bottom line approach i.e. the people, the planet and the profit. As regards to environmental aspects, future of green banking seems to be very promising in India a lot of green products and services expected in the future. The proper Green Banking practices will control the polluting industries.

Dr. A. Amruth Prasad, M.B.S. Sravanthi, Shaikh R. B. (2017), in their article, "Green Banking: Challenges and Opportunities", focused on environmental management as well as on measures for encouraging Green Banking. In rapidly changing market economy globalized markets has intensified the cutthroat competition, banks should take concrete steps for environment and ecological protection with their green products. They stated as Green banking is beneficial not only for sustainable development but it will ensure the greening of the business entities as well as improving the asset quality of the banks in future.

Benjamin Grayson (2018), in the article "The Green Bank Value Proposition" highlights on how two green banks namely New York Green Bank and Connecticut Green Bank have used their fund, positions within their concern states to bring clean energy to the grid. These banks provide loan facility for solar lease investments, solar loan investment, wind, hydro, anaerobic digesters and fuel cells etc. These banks have work with developers and other projects of renewable and energy storage projects to

accelerate bringing the new innovative clean energy technologies to market.

#### **Hypothesis of the Study**

1. There is extreme problem regarding environmental aspects all over the world.
2. The Green Banking is fruitful for the environmental protection.

#### **Meaning and Concept of Green Banking**

The Green Banking System is like a normal bank, which deliberate on all the social as well as environmental issues and conserve natural resources. The green bank is also called as Green Investment Bank, Clean Energy Finance Authority, Clean Energy Finance Corporation, Sustainable Bank and Ethical Bank. It refers to the own banking business conducted in such area and in such a manner that mostly helps the overall reduction of external carbon emission and internal carbon footprint.

In the Green Banking System to give more weightage to environmental factor, their aim is to provide good environmental and social business practice, before lending they check all the issues, whether the project is eco-friendly and has any consequence in future. After that these industries will avail loan facility from banks only when it follows all the safety standards of environment.

#### **Definition of Green Bank**

1. RBI (IDRBT, 2013), defined as, "Green Banking is to make internal bank process, physical infrastructure and Information Technology effective towards environment by reducing its negative impact on the environment to the minimum level".
2. The Institute for Development and Research in banking technology defined as, "Green Banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environmental and social dimensions. It aims to make banking process and the use of it and physical infrastructure as efficient and effective as possible, with zero or minimal impact on the environment".

#### **Research Methodology**

The research methodology is descriptive based on secondary data. For this research study the information is made available from various sources such as newspapers, research article/papers, research journals and websites etc.

#### **History of Green Banking System**

The Green Banking concept was initially developed in the western countries. In 2003 formally green bank was started with a view to promote environmental protection. After that the Equator Principles (EPs) were launched and some leading global bank were adopted it, such as Citi Group Inc, The Royal Bank of Scotland, Westpac Banking Corporation. In March 2009, Congressman Chris Van Hollen of USA introduced a Green Bank Act with the aim to establish a Green Bank under the ownership of the US Government. After this first bank was founded in 2009 in the State of Florida, USA.

**Worldwide list of Current Green Banks**

S. no.	Name of the Green Bank
1	The Connecticut Green Bank
2	New York Green Bank
3	California Infrastructure and Economic Development Bank
4	Hawaii Green Infrastructure Authority
5	Rhode Island Infrastructure Bank
6	Montgomery Green Bank
7	Malaysia's Green Technology Financing Corporation
8	UK Green Investment Bank
9	Australia's Clean Energy Finance Corporation

Source: green bank-www.wikipedia

These are the worldwide Green Banks and other type of institution which are devoted for the environmental protection and conservation of natural resources.

**Green Banking Initiatives in India**

In regards to green banking concern in Indian banks, then we will find that they are far behind the global trends. No any one of the Indian bank have adopted Equator principle despite the RBI instructions, as well as none of the Indian bank signature the UNEP-FI. In the recent few years various Indian banks have started working towards this goal and have adopted variousvaluable contributions. For example, State Bank of India has setup their wind mills to generate power in three states of India these are in Gujarat, Tamil Nadu and Maharashtra for their consumption and also started Green Channel Counter on 1 July, 2010.

**Green Banking Products:**

**Green Deposits**

If the customers opt to conduct their banking activities through green products the banks offers higher rates on commercial deposits, money market accounts, checking accounts and saving account.

**Green Mortgage & Loans**

If the home buyers & house projects will have to upgrades their houses with solar panels, geothermal water heaters and energy conserving appliances. A bank can offer green mortgage with better rates of terms to them. The saving in monthly energy bills can offset the higher monthly mortgage payment and save money in the long period.

**Green Credit Cards**

If the bank customers use green credit cards and redeemed for contributing eco-friendly charitable organisations. It allows them to earn rewards or points. These cards offer an excellent incentive for them to use their green card for their expensive purchase activities.

**Green Rewards Checking Accounts**

Those customers go green banks allow rewards checking accounts and may pay a bonus rate to them. The customers can earn higher checking account rates if they meet monthly requirement that might include receiving electronic statements, online bill payment or using a debit or check card with the help of this bank product, higher rates and eco-friendly living go hand-in-hand also.

**Mobile Banking**

With the help of mobile banking customers can check balances, pay bills or transfer funds to another party or person. It also helps in less use of energy and papers of the bank. Also customers can save their time and energy for their transactions.

**Online Banking**

Through the online banking customers can perform their banking transaction avoiding the bank visit personally. For this purpose customer must possess an internet banking ID, password provided by concern bank in which customer has an account. In this system the customer can use debit cards, credit cards, online payment of bills and electronic fund transfer.

**Green Car Loans**

Now a day so many automobile companies have produce eco-friendly electronic cars. These cars are very useful to control pollution. The banks provides green car loans to the customers at below market interest rates, which demonstrate higher fuel efficiency.

**Challenges of Green Banking**

If the banks have adopt green banking practices, these banks would face the following challenges:

**Start-up Face**

In true sense most probably many banks in green businesses are new and are in start-up face. Normally it takes more time around 3 to 4 years for a bank to start making money. So it, does not help banks during recession period.

**Diversification Problem**

In the green banking system green banks restrict their business transaction to those business entities, who qualify screening process imposed by green banks with few number of business entities they will have a low base to support them.

**Huge Operating Cost**

In green banking operations green banks requires talented & experienced employees to provide services to customers in proper manner. The experienced loan disbursement officers are needed additional experience in dealing with business entities and customers.

**Dignity Risk**

If banks provide loan & involved in those business entities & projects which are harmful for

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environment they are prove to loss of their prestige. There is found that a few cases where environmental management system has resulted in cost saving and increase in bond value.

#### High Credit Risk

The high credit risk arises from lending to those business entities and industries who are affected by the cost of pollution, change in environmental laws and new requirements of emission level. These type of business may be stuck in economic crisis.

#### Lack of Public Interest

There is no much more interest of customers and investors in green banking system. The large number of customer are not familiar with online banking or green banking product. They could not handle easily online banking transaction.

#### Conclusion

Now, the green banking is become a watchword in all over the banking world. There is an increase awareness in people to protect environment and conserve the nature. The green banking is an emerging concept here. It integrates management of environment with banking activities and aim at reduce carbon footprint by energy consciousness. In this regards to protect environment strict steps should be needed with effective green banking practices. The banks should play spontaneous role to take natural & ecological aspect as part of their lending principle. The banks could not avail loan facility to the business entities & customers who are responsible for pollution. It should promote the eco-friendly and energy saving green projects and finance them.

The green banking is a good way in true sense for people, industries, business entities to get more awareness about carbon emission, global warming, drought, floods etc. Each of the people business entities, policy makers and the government from all over the countries to give pro-active contribution through green banking for better environment and conservation of natural resources.

#### Suggestions

There are some suggestion to strengthen the green banking system:

1. To aware people through press and construct websites and effectively spread green banking news.
2. To inform the people system of green banking through E-learning programmes.
3. To ingrain green banking relevant skills among the bank staff and train them.

## Remarking An Analisation

4. The banks can introduce green funds for those business entities & customers who are interested to establish eco-friendly projects.
5. The banks should actively participate in events and communicate through press conferences/seminars, the benefit of green banking system.
6. The banks and concern authorities setup outlet to promote Green Business practices.
7. The significance of green banking is disseminate through the leaflets among the people.
8. The carbon foot print reduction by mass transportation and energy consciousness with people and industries.

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