

## **GREEN BANKING: AN INNOVATIVE INITIATIVE FOR SUSTAINABLE DEVELOPMENT**

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### **Abstract**

*The adoption of environmental friendly practices and policies is becoming focal point among banking institutions due the environmental problems the world is facing in the present era. Consequently, banks are having considerable difficulty in dealing with sustainability pressures. Many scholars and practitioners have highlighted that new demands offer innovative opportunities for progressive organizations for attaining sustainable growth. Therefore there is need for innovative initiatives to accommodate the demands for sustainable banking. The objective of the research is to shed light on the new and innovative initiatives with regard to “green banking”. The paper is conceptual and the aspects with respect to green banking are highlighted with the help of existing literature. The study proposes the framework for greening banking practices. The green practices adopted by various banks are studied with the help of secondary data. Further the study highlights that green banking practices have positive impact on sustainable development. At last, it paper suggests measures to improve green banking initiatives worldwide.*

**Keywords :** Green Banking, Environmental Banking, Sustainable Banking.

### **Introduction**

Green banking also known as Sustainable Banking, Environmental Banking, Ethical Banking etc is an innovative concept in the present research. The concept is now practiced in most of the banks across countries in the world. It emphasizes on sustainable practices and reducing environmental problems especially global warming and changing climate. Global warming is a big hindrance in protection of planet. So, efforts related to green banking helps in playing significant role in dealing with the global warming issues. It comprises all the environment-friendly banking initiatives like green financing, green budgeting, online banking, setting green banking units etc. that helps in moving to low carbon economy.

### **Green Banking**

'Green banking' refers to performing banking functions in environmentally friendly manner for sustainable development. It includes financing pollution control projects and green technology and using eco-friendly methods in banking functions. Even though, banking is certainly not considered as a polluting industry, but wider banking operations and massive use of energy like air conditioning, lightning etc. have increased the carbon emissions of banks. Hence, banks must adopt process, technology and products that promote sustainable banking.

### **Rationale for Green Banking**

Due to wide scale developments in banking sector, number of banks are increasing and making excessive use of air conditioning, paper, lightning and lack green buildings. These activities are

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leading to climate change which is the most common issue faced in the world. So, taking measures to mitigate the risk of adverse effects of climate change are important. Indian banks play a major role in complementing efforts towards sustainability. The banking sector is financing industries such as paper, steel, cement, fertilizers, chemicals, power etc., that are main cause of carbon emissions. The banking sector thus plays an intermediary role between industrial development and environmental protection by promoting socially responsible investment. Thus green strategies are becoming more prevalent not only among large banks but also in small banking units, cooperative banks, insurance companies and asset management firms too. The objective of the green banking is to provide financing services to environmental friendly projects and industries highly involved in eco-friendly practices, using resources in environmentally sustainable manner and maximising efforts for waste reduction, minimising paper use by maximising online banking services and focusing on ensuring sustainable economic development.

### **Literature Review**

Islam, S. and Das, P.C. (2013) elucidated green banking practices in Bangladesh based on secondary data. The main practices that were highlighted were the online banking, mobile banking, green financing, green banking guidelines and green banking unit. The green Banking concept is new in Bangladesh and yet to gain momentum, unlike developing countries which is at mature stage. The study concluded green banking practices in Bangladesh were not satisfactory at all.

Bhardwaj, B. R. & Malhotra, A. (2013) highlighted that the concept of "Green Banking" is beneficial to the banks, industries as well as to the economy also. The application of the concept helps in greening of the industries and facilitate in improvement of service quality of the banks. The paper studied the various models of green banking. The findings showed that adoption of the green banking practices by the banks influences the performance of the organization.

Lalon, R. M. (2015) emphasized that a green bank is different from a conventional bank as it directs its operations toward the protection of the environment. Author highlighted that developing banking strategies ensures sustainable economic development and promoting environmental protection.

Gobinda, Deka. (2015) highlighted the green banking initiatives taken by State Bank of India in Assam. The paper concluded that green banking has positive and direct impact on sustainability. Green practices help to save energy, paper, fuel, water, time and money. Green banking practices support in reducing carbon footprint. It was found that the SBI bank has introduced many green banking practices also for their customers. The customers also can contribute towards the environment by adopting these practices.

### **Objectives of the Study**

The objectives of the paper is to shed light on the green banking concept, study the need of green banking and categorise the green banking initiatives on the basis of internal green banking operations and external green banking operations. The study also identifies the green banking practices adopted by various banks in India. Further, suggestions to improve green banking initiatives are provided.

### **Research Methodology**

The study is conceptual in nature and based on existing literature i.e. Research papers, websites and other reliable sources. The study is undertaken to explore the concept of green banking, study the need, benefits, practices and aspects related to green banking. Further, by analyzing the green banking practices adopted by various banks in India based on secondary data, useful suggestions are

provided to improve the green banking practices worldwide.

**Results and Discussions**

From the existing literature important green banking practices are identified and categorized on different basis discussed as below:

**Green Banking Practices**

Green banking practices or green banking initiatives includes all banking operations (internal as well as external) that are undertaken by banks to promote environmental sustainability. These practices are divided in 2 components i.e. greening internal banking operations and greening external banking operations as follows:

1. Greening Internal Banking Operations

Internal green banking operations comprises in-house Green activities of the Banks' that includes setting Green policies/budget, establishing Green banking units or teams, waste management, green buildings, green technology, minimum paper use or using it on both sides, online communications using mails, Use of daylight instead of electric lightning, Proper ventilation and less use of air conditioning, Use of energy saving electronic equipments, Video /audio conferencing and minimize physical travel, Sharing electronic files instead of paper files, Green financial reporting etc.

2. Greening External Banking Operations

External green banking operations comprises activities or dealings that are undertaken by banks with outside parties i.e. customers, industrialists, businessman, government etc. so as to make contribution to development of green economy. External green banking operations includes Green Financing, Issuing e-statement for clients instead of paper statement, focusing on Pollution control financing projects, mobile banking, Internet banking, Green loans, Funding Solar Projects, Green credit cards, Green savings schemes, Virtual Cards, Green money market accounts, Environmental Programs to Educate Clients, Remote deposit etc.

**Table 1: Theoretical Framework for Greening Banking Practices**

<b>Greening Internal Banking Operations</b>	<b>Greening External Banking Operations</b>
<ul style="list-style-type: none"> <li>• Setting Green policies/budget</li> <li>• Establishing Green banking units or teams</li> <li>• Waste management</li> <li>• Green buildings</li> <li>• Green technology</li> <li>• Minimum paper use or using it on both sides</li> <li>• Online communications using mails</li> <li>• Use of daylight instead of electric lightning</li> </ul>	<ul style="list-style-type: none"> <li>• Green Financing</li> <li>• Issue e-statement for clients instead of paper statement</li> <li>• Focus on Pollution control financing projects</li> <li>• Mobile banking</li> <li>• Internet banking</li> <li>• Green loans</li> <li>• Funding Solar Projects</li> <li>• Green credit cards</li> <li>• Green savings schemes</li> </ul>

<ul style="list-style-type: none"> <li>• Proper ventilation and less use of air conditioning</li> <li>• Use of energy saving electronic equipments</li> <li>• Video /audio conferencing and minimize physical travel</li> <li>• Sharing electronic files instead of paper files</li> <li>• Green financial reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Virtual Cards</li> <li>• Green money market accounts</li> <li>• Environmental Programs to Educate Clients</li> <li>• Remote deposit</li> </ul>
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Source: Author's Construction

**Green Banking Practices undertaken by Banks in India**

Various green practices adopted by the various banks in India are discussed as follows in the Table 2.

**Table 2: Green Banking Practices adopted by the Banks in India**

Name of the bank	Green Banking Practices
State Bank of India	Launched green banking policy, Set up windmills to generate power, First bank in India to promote green power projects.
Punjab National Bank	Continuously focusing on reducing energy consumption and emissions.
Bank of Baroda	Giving preference to pollution control green projects such as windmills, solar power projects and biomass.
Canara Bank	Focusing on eco-friendly measures such as mobile banking, internet banking, teller-banking etc.
ICICI Bank Ltd	Started 'Go Green' initiative like Green products/offerings, Green engagement with customers etc.
HDFC Bank Ltd	Taking measures for reducing carbon footprints, waste management, less paper use and energy efficiencies.
Kotak Mahindra Bank	Implemented 'Think Green' initiative to reduce paper use and using e-statements. They had become partners with 'Grow-Trees.com' to plant saplings.

<b>IndusInd Bank</b>	Initiated Green Office Project to set up solar powered ATMs in various cities for energy saving and reducing CO2 emissions.
<b>YES Bank</b>	Has projects portfolio in the areas of clean Technologies and alternative energy.
<b>HSBC Group</b>	Set targets for paper consumption, data center and business travel to reduce its negative impact on the environment and cost savings.
<b>IDBI Bank</b>	Providing services in the field of Clean Development Mechanisms to its client.

Source: <https://www.bankexamstoday.com/2017/02/green-banking-all-you-need-to-know.html>

**Benefits of Green Banking**

1. Innovative developments by integrating financial services with greening initiatives indicate promising drive towards sustainable development.
2. It promotes the projects that reduce pollution.
3. Gives encouragement to Paperless Banking by reduction in paper work.
4. Save time, energy, costs for both banks as well as customers.
5. Helps in getting subsidies and tax benefits from government for greening.
6. Increase banks' profitability.
7. Convenient Customer Service and provide Quick Access to customers.
8. Ensure speedy payment and settlement of transactions.
9. Risk problem of handling cash is avoided.
10. Helps to create better atmosphere inside the bank for employees and outside the bank for customers.
11. Low Carbon Footprint.
12. Improve Bank image.
13. Enhance long term sustainable growth prospects.
14. People and planet protection.

**Conclusion**

Environmental issues and climate change is effecting negatively in the countries all over the globe. Green banking plays major role in line with sustainable development and response to the global warming. However, there has not been much initiative taken by the banks in this regard till now. Banks may or may not be the direct polluters but they probably have a banking connection with some industries/investment projects that may be the direct polluters or could be in future. Hence, Government as well as every bank should recognize the need and take initiatives to implement green banking practices for the environment protection. The contribution of the paper is to identify and develop innovative environmental initiatives to change the current unsustainable pattern of banking that shifts to sustainable development. Adoption of green banking practices is now up to the banks as



well as the customers. Each and every step taken at present will certainly have positive impact on the environment and future of our planet.

### **Suggestions**

1. Central bank should set guidelines and monitor the green banking practices regularly.
2. Immediate concentration on pollution control projects and lending policies should be made.
3. Seminar and workshops for green banking should be organized.
4. Banks should aware the customers about the positive environmental impacts of adopting green banking practices.
5. Banks must encourage borrowers to go green.
6. Banks must develop a culture based on environmental governance.
7. Government should also encourage the general people about the green banking practices.
8. Every bank must participate and contribute to green banking practices.

### **Limitations and Future Research**

The main limitation of the study is that it lacks primary data to support evidence for the green banking practices adopted by banks. This study is concerned mainly with identifying the green banking practices and developing a framework to categorize them in external and internal banking practices. Further the framework can be tested empirically to find the current green practices undertaken by the banks and provide useful suggestions to improve them.

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