
Green Banking – A Pathway to Sustainable Development

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Abstract: *It is well known fact that our ecosystem has undergone a rapid change due to climate change and other reasons. It is the concern and duty of human beings to see that our planet is protected and would provide a safe place to live for our future generation. Banks and financial institutions can also play a major and decisive role 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 and users of technology, banks themselves can adopt green practices and thereby lead the way in this global initiative of protecting the planet. With this background the present study aims at analyzing the role of Reserve Bank of India in initiating green banking practices and describe steps taken by State Bank of India (SBI) in promoting green banking.*

Key words: *Green Banking, sustainable development, environment, climate change*

Introduction

In the past two and half decades Indian economy has been rapidly growing, both by its own historical standards and also as compared to other countries (Motiram and Vakulabhavaranam, 2013). Further, over the last 20 years there is a huge cry to protect our planet from the damages caused to it as these developments were at the cost of polluting environment. Today, a large variety of anthropogenic changes involving climate, biological invasion, land use and land cover including site desertification and biodiversity depletion taking place rapidly at an increasing rate (Ramakrishnan, 2012). Many research studies proved that there is a direct correlation between climate change and occurrences of natural disasters. Reckless and unimaginative growth is endangering the planet and the adverse consequences are manifested in global warming, climate change, fickle weather, floods, droughts, pollution, high green house gas emissions, etc. Environmental damages are reaching a scale at which they are beginning to threaten both growth prospects and

the progress achieved in social indicators. Banks are also a party to ecological footprint directly and indirectly through investment/lending in their customer enterprises. 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, air conditioning, electronic equipment and other things, although this is moderate compared to other carbon sensitive industries like steel, oil and gas, etc. Banks affect the environment indirectly by financing intermediaries who are the major source of long term funding to various industries that pollute the environment heavily. Hence, it is imperative to understand the need for sustainable practices for banking. Therefore, sustainable development and preservation of environment are considered as paramount importance to allow the present and future generations to live in this globe. To mitigate the ill effects of developments number measures have been initiated by 3R's – Reduce, Reuse, and Recycle. What is needed is green growth—that is, growth that is efficient in its use of natural resources, clean in that it minimizes pollution and environmental impacts, and resilient in that it accounts for natural hazards and the role of environmental management and natural capital in preventing physical disasters(World Bank, 2012). 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 and users 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. With this background this study aims at analyzing the steps taken by the Reserve Bank of India to initiate green banking practices.

Objectives of the Study

1. To examine the regulatory measures taken by the RBI for promoting Green Banking.
2. To study the steps taken by SBI to practice Green Banking initiatives.
3. To suggest measures for effective implementation of the concept of Green Banking.

Methodology

The study is theoretical in nature and based on secondary data drawn from various reports of Reserve Bank of India, books, journals and websites.

Concept of Green Banking

The concept of Green Banking is a recent development in financial world. Green Banking means promoting environment-friendly practices and reducing carbon footprint from the banking activities. This could be achieved by; using online banking instead of branch banking, paying bills online instead of mailing them. Green Banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environmental, and social dimensions. It means banking, taking into account the social and environmental impacts and its main motive is to protect and preserve environment. According to Indian Banks Association (IBA, 2014) “Green Bank 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 known as ethical bank or sustainable bank. The concept of Green Banking is attached to Triodos bank (established in 1980) from Dutch origin which started the environmental sustainability in the banking sector from the very first day. In the year 1990 the bank launches ‘Green fund’ for funding green environment friendly projects and all other projects follow later (Dash, 2008). Taking example from this bank the banks all over the world start taking green initiatives in the banking sector. Green Banking means promoting environment friendly practices and reducing the carbon footprint from the banking activities. Institute for Development and Research in Banking Technology defines Green Banking 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 processes and the use of IT and physical infrastructure as efficient and effective as possible, with zero or minimal impact on the environment’ (Institute for Development and Research in Banking Technology, 2013). Therefore, Green Banking adopting environment friendly practices at every levels of the banking organizations and also considering the environmental aspect in discharging banking functions.

Environment Sustainability

The design and provision of products and services that incorporate and promote waste minimization and the efficient and effective use and re-use of resources. Its aim is to protect the environment for the benefit of current and future generations. It is all about meeting needs and seeking a balance

between people, the environment and the economy. According to the United Nations, sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs (IDBRT, 2013).

Review of Literature

According to RBI, Green Banking is to make internal bank processes, physical infrastructure and IT infrastructure as effective and efficient as possible, with zero or minimal impact on the environment. They had introduced green rating standards for Indian banks, which are termed as ‘Green Coin Ratings’ Under this rating system, banks are judged on the basis of carbon emissions from their operations and on the amount of recycling, refurbishment and reuse material being used in their building furnishings and in the systems used by them like servers, computers, printers, networks, etc. They are also being judged on the amount of green projects finance by them and rewards or recognitions given to borrowers for turning their businesses greener (IRDBT, 2014). Babu and Venkatramaraju (2011) have suggested the factors for promoting eco-friendly products and services viz. educating the customers through green advertising campaigns, participation of customers through environment-friendly action, providing genuine products and lastly, green penetration. Bhanagade (2011) propounded some of the competitive challenges for banking as profitability, technology in banking, risk management, rural and social banking issues, human resource management, corporate governance, transparency and disclosures, etc. ‘Think global and act local’ is the way forward according to him. Ginovsky (2009) had emphasized that in order to implement ecofriendly practices, banks should launch new banking products which promote the sustainable practices and also need to restructure their back office operations. Stewart (2008) did the study on PNC Financial Services, Pittsburgh. He suggested measures for green banking practices. Ginovsky (2009) in his study on Alpine Bank discussed about green buildings and renovations to existing branches to implement ecofriendly practices. He had suggested some aspects of green branch that were solar electric system, use of wind energy, larger windows to allow natural light, interior lighting systems with sensors, recycled material for the construction of furniture, carpeting, insulation and tile flooring, use of low emitting paints and cleaning materials.

Khawaspatil and More, (2013), opined that in-spite of a lot of opportunity in Green Banking and RBI notifications, Indian banks are far behind in implementation of Green Banking. Only few banks have initiated in this

regard. There is a lot of scope for all banks and they can not only save our earth but also transform the whole world towards energy consciousness. Banks must educate their customers about Green Banking and adopt all strategies to save earth and build bank's image.

Reserve Bank Guidelines for Green Banking

Reserve Bank of India (RBI), on December 2007, issued a circular (RBI 2007-2008/216) highlighting the importance of banks to act responsibly and contribute to sustainable development and emphasizing the need for Indian banks to establish institutional mechanisms to enshrine sustainability.

RBI has suggested that Green Banking could be practiced at two levels

1. Greening processes, products and services and strategies and other.
2. Greening infrastructure.

1. Green Processes

Banks must see that each of its functional units and activities to be green – environment friendly and help to improve environmental sustainability. The important are:

- Adopt techniques and plans to minimize inventory and wasted freight.
- Adopt networked design using a carbon footprint.
- Facilitate paperless transactions.
- Adopt techniques for workforce and parts optimization as well as intelligent device management.
- Use electronic means, wherever possible, to maintain contact with and correspond with customers and potential customers, and minimize paper-based correspondences.
- Select vendors by the sustainability rating of their products, services and operations.
- Design and offer banking products and services in such a way that consume less resources and energy and thereby reduce carbon footprint.

Green Product and Services

- Electronic and telephone banking, facilitating customers to perform most of their banking needs anytime, anywhere.
- Automatic payments reduce the need to write and send cheques by mail.
- Electronic (paperless) statements, product information, guides and annual reports to customers and stakeholders.

- Offering and promoting mutual funds that focus investment in ‘green’ companies.
- Offering a special line of credit to help home owners invest in energy-efficiency upgrades for their home.
- Offering credit cards co-branded with environmental charities.

Green Banking Strategies

- To engage with key stakeholders and create awareness of environmental issues and their impact on the economy, the environment, and the society.
- Conduct energy audits and review equipment purchases and disposal policies and practices.
- Assess IT’s environmental and cost impact and identify areas to be “greened” Set SMART (Specific, Measurable, Attainable, Realistic, and Timely) green goals as the internal targets to reduce your carbon footprint along with timelines.
- Develop criteria for measuring progress towards the goals.
- Develop and implement a green policy that aims to achieve higher utilization of systems while reducing energy use and lessening their environmental impact.
- Encourage, motivate, and energize the workforce to follow the green path and to come up with and implement their own ideas.
- In addition, also encourage clients, suppliers, and outsourcers to adopt green practices.
- Monitor the progress regularly; watch industry trends and new developments.
- Revise the green policy as required, publicize environmental policy, actions, and achievements and thereby get credits and accolades from customers, peers, industry groups, environmental advocates, government agencies, and society at large.
- Banks may formulate innovative financial solutions and redesign the existing ones so as to incorporate environmental perspectives.
- Banks may provide loans with concessions to corporates or individuals who undertake environment-friendly projects such as projects employing sun, wind equipment, manufacturers of fuel-efficient automobiles.

- Banks can introduce green funds for customers who would like to invest in environment-friendly projects.
- Banks can involve themselves in carbon credit business, wherein they can provide all the services in the area of clean development mechanisms and carbon credit business.

2. Greening Infrastructure

The following are the guidelines with connected to greening infrastructure including physical and information technology:

- Reduce the brightness of the monitor to the appropriate level. A brighter screen consumes more energy.
- Building designed according to trees on site for preserving more trees and integrating them into the design.
- Good interior design for better daylight penetration.
- Building plans and windows designed for cross ventilation.
- Efficient air conditioning and heating systems.
- Reduction in water usage.
- Highly reflective roofing materials.
- Preserving and protecting landscape during construction.
- Banks can start harnessing renewable energy for satisfying their own energy requirement by installing roof top solar panels/collectors.
- Banks can support projects ranging from community clean ups to national initiatives on climate change, water, air, biodiversity and more.
- Drawing the above guidelines, opportunities and options, banks need to set their near-term and long-term green goals, develop their green strategies, and execute their greening activities in a phased manner.

Green Banking Initiatives Taken-up by State Bank of India

- SBI had launched Green Channel Counter (GCC) facility at their branches in 2010 to change the traditional way of paper based banking. The Bank had launched 'Green Channel Counter'(GCC) facility on State Bank Day (01.07.2010), at 57 select branches of the Bank spread across the country. This is a pioneering concept which would save both paper and time resources. It enhances customer ease as there is no need to remember the 11 digit account number or carry passbook, fill in pay in slips /

withdrawal forms, etc. Only the ATM cum Debit Card and PIN is needed to identify a customer and his / her Bank Account (SBI, 2014).

- Wind based power projects have been set up with the collaboration of Suzlon Energy Ltd for the generation of wind power for selected branches in Gujrat, Tamil Nadu and Maharastra (Business Standard, 2014).
- Installation of Solar ATMs across semi-urban and rural India. A conventional ATM consumes about 1,000 watt of power and requires an air-conditioned environment—another 1,500 watt—for functioning. Thus, consuming about 1,800 units of power a month. As against this, solar-powered ATMs consume less than 100 watt and do not require air conditioning, consuming less than 72 units per month. This indicates a saving of 1,728 units per month and around Rs 1.20 lakh a year (at a conservative commercial rate of Rs 6 per unit) (Business standard, 2014).
- Bank provides project loans at concessionary rate of interest to encourage reduction of greenhouse gases by adopting efficient manufacturing practices.
- It has become a signatory to the Carbon Disclosure Project in which they undertake various environmentally and socially sustainable initiatives through its branches spread across the length and breadth of the country (WWF-INDIA, 2014).
- The Bank has put in place SMART i.e. Specific, Measurable, Achievable, Realistic and Time bound Green Banking Goals, some of which are obtaining star rating at all Local Head offices' premises from Bureau of Energy Efficiency, construction of 'Green' buildings, waste water treatment, programs to sensitize staff on energy savings.
- The Bank's operations generate very minimal emissions/ waste and hence, the quantity of emissions/wastes generated by the bank in the reporting period was far below the permissible limits given by the Pollution Control Board. The Bank didn't receive any show cause/legal notice by Pollution Control Board during the FY 2013-14.
- Export Import Bank of India (EXIM) and SBI entered into an agreement to jointly provide long term loans up to 14 years to Spain based company Astonfield Renewable Resources and Grupo T-Solar Global SA for building solar plant in India.

Conclusion

In order to have a sustainable development of our nation Green Banking concept is really a pro active step initiated by the banking industry and also an integral part of corporate responsibility. Though there are inconveniences both to the bankers and customers, still it is a need of the hour to protect our globe from the dangers of climate change. 'Green Banking' concept and guidelines of RBI are to be practiced by all the financial institutions so that they can protect our planet from the dangers of pollutions and allow the future generations to live with minimum risks. Green Banking reduces the use of paper which means less cutting of trees. It is an initiative to do an environment friendly business practice.

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