

Green Banking Behaviour

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Abstracts

In the current scenario, banking institutions are the source of economic growth and development of the Country. The World Bank report revealed progressively increasing trend in the number of account holders in all most all countries in the recent years. This improved movement of banking is closely associated towards the carbon emission in their day-to-day operations in terms of use of paper for printing, electricity, lighting, air conditioning, electronic equipment and other things. The aim of this paper is to highlight the green banking practice, progress, and different green initiatives taken globally by banks for environmental protection. The present study is an attempt to understand the essence of green banking and strategic initiatives towards green banking for better handling the environmental challenges.

Key Words: Green Banking, Environmental Issues, Strategies, carbon foot print, eco-friendly practices.

Introduction

The Banks are looked upon as the backbone of an economy. Banks has both direct and indirect influence on the preservation and annihilation of environmental sustainability. Despite the fact that banking industry is regarded as eco-friendly, they substantially utilize energy to a greater extend in terms of lighting, air conditioning, computing, with small space, unplanned building, ignoring in-house greening has lead to substantial increase in the carbon footprint of banks (Chen, Hossen, Muzafary & Begum, 2018). As a result, to curtail carbon footprints and guarantee sustainable environment banks are motivated to use eco-friendly technology, green products, new process and strategies (Bhardwaj and Malhotra, 2013).

Green banking, is viewed as a part of e-commerce, can ensure the environmental sustainability by ascertaining the utilization of online banking and e-banking by following the 3 Dimensional approach, namely, De-materialization, De-carbonization, and De-mobilization in the daily activities of the bank (Hossen et al., 2014). Green banking circumvent the use of paper to a greater possible extend and depends on online/electronic transactions for processing leading to the usage of green credit cards and green mortgages. With the reduction of paperwork, cutting of trees has been reduced, which, in turn lead to the environmental sustainability (Singh and Singh, 2012). As an important part of the global community, organizations like banks ought to be responsible to trim down the carbon emission and be of assistance to the government in minimizing negative impacts on the Mother Nature by bringing in Green Banking for sustainable development. The green lending policies and obligation of banks towards favoring the fortification of environment and guarantee eco-friendly ventures (Mani, 2011).

Banking as an industry assumes the role of a crucial intermediate between economic development and environmental protection. Taking into consideration of the internal operations of banks, it can be concluded that banks do not impinge any threat to the environment through emission and pollution (Raj & Rajan, 2017), but are responsible for the impact on the environment through the activities of their stakeholders like customers and ventures for which they fund (Chen, Hossen, Muzafary & Begum, 2018). According to the World Bank, infrastructure development, construction, power plants and transport system operations are accountable for 70% of the global greenhouse gas emissions. The number of deaths attributable to the detrimental effects of emissions from infrastructure industries will ascend from the current 150,000 per year to 250,000 by 2030 (World Health Organization). Therefore, developing economies faces the challenges of modernizing societies, building quality infrastructure and providing efficient transportation services while minimizing the damage to the environment.

Banking industry as one of the most important consumer of technology can champion green practices and acts as a point of references to put up with the global environmental challenges. Banks can act as a game changer with regard to the environmental issues. As they are the source of funding for numerous ventures such as Brickfield, Steel Mills, Paper mills, Cement factories, Chemicals Fertilizer industries, Power sector, Textiles industries, etc. These ventures are the principal sources of carbon emission and pollute the environment thereby. Banks can be firm and authoritative in imposing constraints to the start ups and other established ventures to adopt environment-friendly projects and socially responsible investment to make certain sustainable environmental condition, in view of the fact that they provide funds to those business ventures. In addition, banks can endow industries with loan at a lower rate and other enticement for espousing green technologies that shows the way to a lasting positive effect on the global environment.

Objectives:

The primary purpose of this study is to understand the concepts of green banking via literature survey. Beside this, the following objectives were identified:

- To create awareness regarding green banking and eco-friendly practices like e-banking, paperless banking, mobile banking, and online banking, etc. among the end users.
- To ensure diverse levels of green banking ingenuities, its strategies, and practices across the globe.
- To identify the primary challenges to implement the green banking practices and recognize future agenda to overcome these challenges.

Methodology:

The current study is descriptive in nature. An extensive literature survey was conducted on green banking, for the period 2012-2017 fiscal years. Besides these, the annual reports, newsletters, and websites of different commercial banks were surveyed regarding green banking. Then the accumulated data were organized and analyzed considering the research objectives.

Literature Review:

Green banking refers to the banking business conducted in such areas and in such a manner that helps the overall reduction of external carbon emission and internal carbon footprint. It is also called as an ethical bank or a sustainable bank. Banks carrying out these sorts of activities are recognized as socially responsible and a sustainable bank or green bank (Chen, Hossen, Muzafary & Begum, 2018). Green banking is not only restricted to in-house green activities but to a certain extent provide a lending hand to reduce the environmental challenges by facilitating green financing. As per the definition of Green banking is defined as the normal banking activities that consider all the social and ecological factors with an aim to ensure the environmental sustainability and proper utilization of natural resources (Indian Banks Association, 2014).

Green banking is the normal process of banking and all the activities are controlled by the same authorities with giving extra care of world environmental sustainability (Singh and Singh, 2012; Jha and Bhome, 2013; Karunakaran, 2014; Nath et al., 2014). One of the major factors of practicing green banking is to ensure economic sustainability which is imposed by the central bank (Ahmad et al., 2013). Banks can be greener by initiating new way of its daily activities like – green investment management, online and paperless deposit management, in-house greening, e- recruitment and e-training and development, doing social responsibility, and creating awareness among employees, customers and mass people as a whole (Masukujjaman, Siwar, Mahmud & Alam, 2017). Introduction of modern technology, e-banking, online banking, paperless data storage, e-HRM, video conferencing, paperless training, conservative uses of air-conditioning, daylight uses all are treated as green banking activities of a bank. Research works has showcased that there is a positive relation between environmental performance and financial performance of banking sector (Chen, Hossen, Muzafary & Begum, 2018).

The significant characteristics of green banking operations given by Ullah (2010) are as follows:

- Banks can help environment through automation and online banking.
- It constantly creates a congenial atmosphere inside and outside the bank;
- In financing, it always gives priority to investments considering environmental issues.

- It always cares for sustainable and green growth in industrialization and greater society.
- It changes mentality and persistence of the officials and customers, in line with green sensibilities.
- It helps greater society and mass people to live as a responsible member with dignity.

Implementing green banking policy will generate the following benefits for the banks: efficient and effective use of banks resources and network financing, reduce carbon footprint in all branches and Head Offices of all banks, increase goodwill or improve brand image as they are protecting environment, easily take decide to reduce giving loans to certain environmentally harmful projects, introduce new technology in banking operations to ensure prompt customers services and increase employees' productivity and create awareness amongst the stakeholders which helps them to implement environmentally friendly business practices (Chen, Hossen, Muzafary & Begum, 2018).

Despite the fact that the concept Green Banking was formulated in the western countries, it is utilized and practiced by most of the countries in the current scenario with the objective of stopping the environmental degradation. The term Green Banking is a set of activity carried out by banks with reference to environmental issues in their daily activities and investment as well. Green Banking is a value-driven that attracts the clients interested in safe and sensible ways to deposit their savings (Weber and Remer, 2011). Green banks have positive social and ecological impact as well as economic sustainability. Green banking or sustainable banking assist in saving time, energy and cost for its customers with decreased paperwork, creates awareness to business people regarding the environment of the greater society (Bahl, 2012). Socially accountable banking activities begin with the intend of protecting the environment, prior to approving any loan for project, this banks consider the environmental aspects at present and in future (Bihari, 2011).

According to Biswas (2011) green banking rationalizes the uses of paper and minimizes the cost by practicing online banking, internet banking, mobile banking, SMS banking and ATM services. Disbursement of loan to those businesses that are concerned about environment such that they can facilitate, the accomplishment of sustainable development of banking and financial sector (Goyal and Joshi, 2011). Ginovsky (2009) has laid emphasis on introducing new banking products that encourage sustainable activities and guarantee eco-friendly business. The most important benefits of green banking are four, namely, reducing deforestation, creating environmental awareness among employees and customers, providing loans at a lower rate, changing business activities in a manner that is environmentally friendly (Meena, 2013). Raj & Rajan (2017) found that the Green banking initiatives were considered and focused by public sector bank in India (State Bank of India) and the awareness and perception of its customers towards such initiatives. They studied about SBI as it is the first public sector bank to introduce Green Banking Products in India. Green Banking is the form of banking that focuses on the environmental benefits accomplish by the nation. A conventional bank is converted into a green bank by directing its core operations towards the environmental betterment. This development includes banking strategies which will assure extensive economic development and support environmental-friendly practices as well. The Green Banking activities of the commercial banks of Bangladesh was deliberated and made an effort to explore the reason for adopting those policies (Lalon, 2015).

Honagannavar, (2017) recognized environment management and reducing the damage to the natural resources and global warming as the major problem being faced by the whole world. Every individual as well as institutions in the world are responsible for contributing towards sustainable development of the economy. They attempt to understand and appreciate the accountability of banks in sustainable economic development through Green Banking for that purpose various Bank websites, RBI reports, Journals, were reviewed and found that the banks have taken on the green initiatives in a big way in India. Banks have gone beyond just paperless banking to solar energy sources for ATM's and many more (Narang, 2015).

Pillai & Raj, (2019) have attempted to understand the perception, awareness and usage-patterns of green banking among the customers and recognized that customer perception varies upon their demographical profile and the bank. Sudhalakshmi & Chinnadorai, (2014) studied the status of Indian Banks in respect of Green Banking and found that though going green is essential for emerging economies like India but significant efforts have not been taken. Banks are required to include their green aspect in the lending principle. So a policy measure to promote Green Banking is needed in India.

Challenges for implementing green banking:

The following challenge to green banking has been identified by chen, hossen, muzafary & begum, (2018).

- Proper communication and coordination among all the concerned authorities.
- Problems to move forward with proper awareness and effective capacity building.
- Immediate concentration on sectoral lending policies and procedures.
- Relocating different industry (Garments, Textiles, Tannery) to a proper location.
- Awareness of the top management, Board of Directors/ Competent authority/ Management in all levels/ dealing officials of the banks and clients as well.
- Encouraging borrowers to go green and consider the environment for their project.
- Need to apply green banking and use ERM guideline in different manner.
- Organization based culture on environmental governance should develop.
- Choose a benchmark form the world best practice and Replicate it locally.
- Complexity in sharing understanding and technical knowledge with peer groups.
- Integration with credit risk management in the overall credit risk methodology.
- Need to develop and apply an effective method for environmental risk rating.
- An efficient database should be developed for technical assistance

Conclusion

Among the Corporate citizens, banks plays a significant role .Each and every small initiation taken by the banks today towards green banking would provide the long way to greener prospect and improved global environment. To provide more awareness about global warming to people Green banking is one of excellent way. Banks actively contribute to environmental protection. Appropriate policy measures and program to promote green banking in India has become the need of the hour. In a constantly changing market economy where globalization of markets has intensified the competition, banks are forced to play a pro-active role to take environmental and ecological initiatives.

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