

BANKING FOR ENVIRONMENTAL MANAGEMENT

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Abstract

The present era of industrialisation and globalization has added a lot of comfort and luxury to human life but has also led to disturbing situation of huge environmental degradation combined with all the involved activities. Today, the entire sector in the world economy is facing huge challenge to deal with the environmental problems and their related impacts in their day to day businesses. In an emerging economy like India, environmental management needs to be the key focus area of the business fraternity and especially the banking industry being the major intermediary. The study aims to identify the view and awareness of bank staff and customers as regards to green banking perception in public and private sector banks. It is necessary to identify various initiatives taken by bank on the concept of green banking in order effect customer and make them user friendly. In The paper highlights the stages, initiatives, benefits and future of green banking in Indian context. The paper also discusses about the various organizations and laws and guidelines for environmental conservation and sustainability and green banking.

Key words: Sustainability, green banking, sustainable development, customer satisfaction, sustainable banking, etc.

1. Introduction

Banks can play a crucial role in maintaining sustainability by becoming a promoter of sustainability. Sustainable development tends to shift the focus of the business fraternity from their traditional bottom line approach of profit to the approach of triple bottom line where the focus lies on three: People (society), Planet (environment) and Profit (economy). The first role is to work towards morally and socially responsible banking and second as an important role of their corporate social responsibility. Banks have realized the importance of triple bottom line in their day to day functioning and so its main motive of profit has now shifted towards three Ps. The present paper explores and examines green banking and sustainability. Banks have pioneered the green banking practically to follow and save the degrading environment.

2. Green banking

Green banking is the environment friendly banking practices that promote their customers to reduce the carbon footprint through their banking activities. The Indian Banks Association defines it as “a normal bank along with considering the social and environmental factors for the protection of the natural resources”. According to RBI, green banking is to make internal bank processes, physical infrastructure and information technology effective towards environment by reducing its negative impact on the environment to the minimum level. Green banking aims at improving the operations and technology along with making the clients habits environment friendly in the banking business. Green bank provides effective market-based solution for addressing a wide range of

environmental problems like climate change, deforestation, issues related to air quality and loss of biodiversity. Besides this, it also aims at identifying and creating various opportunities for the benefit of the customers.

3. Sustainable development and sustainable banking

Sustainable development is the way of using the resources that not only meet the human needs of present and future generation but also preserve the environment. The field of sustainable development comprises of three constituents namely, environmental sustainability, economic sustainability and socioeconomic sustainability. Sustainable banking as per the United Nations Environment Programme Finance Initiative is “the process by which the banks consider the impact of their various operational activities and their products and services for meeting the needs of the current as well as the future generations”. Banking sector is under huge pressure from its different shareholders to carry out its business in ethical ways. Many initiatives have been taken to promote sustainable banking across the globe and one very important such initiative is establishment of United Nations Environment Programme Finance Initiatives in 1990. It states that sustainable banks consider the effects of its services and operations in meeting the needs of current as well as future generation.

4. Environmental management

Banks play major role in the country's economy and in the sustainable development. Bank being the major financier indirectly contributes to the environmental degradation by financing the projects and the industries whose activities put negative impact to the environment. Thus, the bank by their active participation in the lending business in a judicious manner can contribute greatly to the environment and to the society. Banks are now adopting various strategies where the projects are scrutinized using a set of tools that take environmental considerations. Banks are also encouraging projects that show its concern for the environment in the form of sustainable development, use of renewable natural resources, waste minimization, pollution prevention, occupational health and safety, energy efficient, care of human health and many similar attributes that tries for the betterment of the society The banks should see that their clients comply with the environmental norms while operating their projects and conduct a regular reporting on various environmental criteria. The government should see that there is legislation that can force banks to adopt environmental policy statements and also make the customers aware of it.

5. Stages of green banking

Defensive banking: In this phase, banks are not active and resist the environmental legislations as it affects the banks' interest. Consideration of the environmental issues at this stage is an avoidable cost.

Preventative banking: Due to various driving forces like government pressure, non-government organizations, pressure from society, etc. banks integrate the environmental issues and risk management activities into their daily business activities.

Offensive banking: In this stage, the banks not only consider their internal activities but also consider their external activities. The banks in this stage develop and market environmental friendly projects. For example, green financing i.e. investing in to environmental friendly projects. The focus is on financing various projects which work on renewable energy, investment funds that invest on environment friendly assets and release of various reports based on the environmental performance.

Sustainable banking: At this stage, all the activities of banks are sustainable. Banks do not invest in the ecologically unsound business despite huge profit. The banks do not aim towards highest financial rate of return. The key motive is to get the highest sustainable rate of return. Currently, sustainable banking is possible only for the niche players of the field.

6. Environmental impact of the banks

Although banks do not appear to have any direct impact on the environment, it is not so. Banks play a very crucial role in the society and as a financier to major developmental projects their role in the society and impact on the environment cannot be neglected. Following are the major types of the environmental impact of the banks.

Internal impact: Banking sector is considered as a clean sector which is technologically strong with minimum negative impact on the environment and the society. Direct impact of the banks are related to the internal operations of the banks that may increase greenhouse emissions, like energy consumption from lights, use of computers and ATM machines, water, waste disposal, business travels, etc. The direct impact of banks' energy, waste and paper use on the environment is comparatively less than many other sectors but since the size of the banking sector is large, their impact on the environment as a whole sector cannot be ignored.

External impact: It is related to the environmental impact of banks' products. But the situation is that opposite compared to other sectors in the economy. The banks' products are not environmentally unsafe but the clients of the banks who use those products put negative impact on the environment. So it is not easy to estimate the environmental impact of banks' external activities as the banks themselves do not have negative environmental impact rather the users of these products put negative impact on the environment.

7. Green banking in India

Green banking requires a fundamental change in the planning process of the banks with the adequate consideration about the economy, business, finance, society and also the banks' profit. This will also help in the ecological balance. If we see the green banking concern in Indian banks then we will find that they are far behind the global trends. None of the Indian banks have adopted Equator Principle despite the RBI instructions. Also, none of the Indian banks are signatory to the UNEP-FI. But in recent few years, various Indian banks have started working towards this goal and have adopted various important contributions. State Bank of India in partnership with the Suzlon energy has set up their wind mills to generate power in three states of India i.e. Gujarat, Tamil Nadu and Maharashtra for their own consumption. The State Bank of India has also started Green Channel Counter to initiate various paperless transaction activities of the bank in the branches like cash deposit, cash withdrawal and fund transfer up to Rs. 40000. IndusInd Bank has set up solar power ATM to save 1980 KW of energy per hour every year to reduce carbon emissions. Yes Bank under community development initiatives, called "Planet Earth" is promoting clean and green drives energy efficient practices and local disaster management plans at its retail branches. ICICI Group Companies have saved around 30000 trees and 16 crore litres of water through their various environmental friendly activities. The bank has also supported other organizations to adopt green philosophy by providing them fund to manage environment friendly technology projects.

8. Future of green banking

Indian economy is an emerging economy and there is a huge potential of growth of Indian banks by adoption of innovative approach in their strategy making process. There is a need of an approach towards paradigm shift by setting up of the business model which would consider all the three aspects of triple bottom line approach i.e. the people, the planet and the profit. The future of green banking seems to be very promising in India as lots of green products and services are expected in the future. Green excellence awards and recognitions, green rating agencies, green investment funds, green insurance and green accounting and disclosure are some of the things that would be heard and seen in operation in the near future. Proper green banking implementation will act as a check to the polluting industries. Banks can act like a guideline towards the economic transformation and create a platform that would create many opportunities for financing and contribute towards creation of a low carbon economy.

9. Conclusion

Green banking refers to the initiatives taken by the banks to encourage environment friendly investment. Green banking as a concept is a proactive and smart way of thinking towards future sustainability. In the emerging economies, it is very important for the banks to be pro-active and accelerate the rate of the growth of the economy. As there is a continuous change in the environmental factors leading the banks face intense competition in the global market, the banks need to adhere to the stringent public policies and strict law suits. Banks need to apply morality of sustainability and responsibility to their business model, strategy formulation for products and services, operations and their financing activities and become stronger. By adopting the environmental factors in their lending activities, banks can recover the return from their investments and make the polluting industries become environment friendly. Adoption of green approach is more than just becoming environment friendly as it is associated with lots of benefits like reduction in the risk as well as the cost of the bank, enhancement of bank reputation and contribution to the common good of environmental besides enhancing the reputation of the bank. In a broad sense, green banking serves the commercial objective of the bank as well as the corporate social responsibility. Thus, it is important that Indian banks should realize their responsibilities towards the environment as well as the society in order to compete and survive in the global market.

10. Reference

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