

GREEN BANKING FOR ENVIRONMENTAL MANAGEMENT

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Abstract

The gift technology of industrialization and globalization has delivered a number of consolation and comfort to human existence however has additionally cause an alarming scenario of big environmental degradation integrated with all of the concerned sports. Today, the whole region withinside the international economic system is dealing with big undertaking to address the environmental issues and their associated influences of their each day businesses. Not most effective the commercial enterprise companies have found out the significance of the surroundings however extra than that an incredible recognition is visible most of the clients and popular public for the identical. Due to these types of motives the commercial enterprise agencies have commenced enhancing their sports and techniques to be able to make sure safety to our herbal sources and surroundings

Key words: Sustainability, Green Banking, Sustainable Development, Environmental degradation.

Introduction

Banks can play a critical position in keeping sustainability through turning into a promoter of sustainability. Sustainable improvement has a tendency to shift the focal point of the commercial enterprise fraternity from their conventional backside line technique of income to the technique of triple backside line wherein the focal point lies on 3 Ps i.e. People (society), Planet (surroundings) and Profit (economic system) and the choice factor is the factor of intersection of the 3 issues Banks and all of the monetary establishments are focusing at the environmental safety with the reason of satisfying the twin position. The first position is to paintings toward ethically and socially accountable banking and 2d as an critical position in their company social duty. Banks have found out the significance of triple backside line of their each day functioning and so its principal reason of income has now shifted toward 3 Ps. And this subject has labored as a power toward Green Banking idea. The gift paper explores and examines inexperienced banking and sustainability, web sites examples of Indian Banks, the primary one is the most important public region financial institution in India i.e. The State Bank of India and the second one financial institution is the most important personal region financial institution in India i.e. the ICICI financial institution as case studies. These banks have pioneered the inexperienced banking almost and are putting in place an instance for others to comply with and store the degrading surroundings. It has been understood from the big literature survey and private go to to the banks that now no longer a lot has been completed on this regard in India despite the fact that the position of the monetary establishments and in particular the banks may be very critical in India's rising economic system

Objectives

They have a look at specifically objectives at expertise the inexperienced banking philosophy adoption through the banks. The paper tries to study numerous recommendations for environmental conservation and sustainability together with the tasks taken through the State Bank of India and the ICICI Bank

Research Methodology

They have a look at specifically consists of literature evaluation from secondary records. The secondary records reassess encompass reviews of the respective banks and different relative statistics posted at the banks and different net web sites. They have a look at additionally consists of the number one records series via private go to the financial institution and in-intensity interviews of the department managers.

Green Banking: Definition

Though inexperienced banking (surroundings-pleasant banking, moral banking or sustainable banking) may be described in some of ways, in a broader perspective, it's far the surroundings-pleasant banking practices that sell their clients to lessen the carbon footprint via their banking sports. The Indian Banks Association defines it as Green Bank features like a regular financial institution together with thinking about the social and environmental elements for the safety of the herbal sources •. According to RBI (IDRBT, 2013), inexperienced banking is to make inner financial institution processes, bodily infrastructure and Information Technology powerful toward surroundings through decreasing its bad effect at the surroundings to the minimal level. The UNEP-FI (2007) states that sustainable financial institution considers the influences of its operations, numerous services and products for the cutting-edge in addition to destiny era. In order to sell discount withinside the outside carbon emission, the banks ought to awareness on financing the generation and tasks which might be surroundings pleasant. Green banking objectives at enhancing the operations and generation together with making the customers behavior surroundings pleasant withinside the banking commercial enterprise. It is like regular banking together with attention for the social in addition to environmental elements for defensive the surroundings. It is the manner of carrying out the banking commercial enterprise together with thinking about the social and environmental influences of its sports (Jha and Bhoom, 2013; Mishra, 2013; Biswas, 2011). There are different definitions for inexperienced banking idea however the primary that means is the identical i.e. defensive the surroundings and sources for destiny era through searching out sustainable improvement. It consists of numerous sports in banks each day interest.

Environmental Management by the Bank

Environmental Management through the Bank Banks play essential position withinside the country's economic system and withinside the sustainable improvement. Bank being the essential financier circuitously contributes to the environmental degradation through financing the tasks and the industries whose sports positioned bad effect to the surroundings. Thus, the financial institution through their lively participation

withinside the lending commercial enterprise in a sensible way can make a contribution substantially to the surroundings and to the society. Banks at the moment are adopting numerous techniques wherein the tasks are scrutinized the use of a hard and fast of equipment that take environmental issues. Banks also are encouraging tasks that display its problem for the surroundings withinside the shape of sustainable improvement, use of renewable herbal sources, waste minimization, pollutants prevention, occupational fitness and safety, strength green, care of human fitness and plenty of comparable attributes that attempts for the betterment of the society. The financial institution ought to additionally see that their customers observe the environmental norms whilst running their tasks and behavior a ordinary reporting on numerous environmental criteria. The authorities ought to see that there may be law which could pressure banks to undertake environmental coverage statements and additionally make the clients aware about it.

Stages of Sustainable Banking

Marcel Jeucken in his book *Sustainable Finance and Banking* • (2001) has noted 4 stages action, that banks ought to undertake for sustainability. These degrees encompass shielding banking, preventive banking, Offensive banking and Sustainable Banking.. Each outer layer carries the preceding layer count on of the primary layer i.e. the shielding banking. According to Bouma et al. (2001), each financial institution typically comply with those degrees however the attainment of sustainable technique is the maximum tough one for the banks. The banks retain to adapt in line with the stakeholder expectation. Here the phrasesshielding preventative and offensive are described in context of environmental problems.

Defensive Banking

In this phase, banks aren't lively and withstand the environmental legislation because it impacts the banks interest. Consideration of the environmental problems at this degree is an avoidable value.

Preventative Banking

Due to numerous using forces like authorities strain, non-authorities agencies, strain from society etc, banks combine the environmental problems and danger control sports in to their each day commercial enterprise sports (Bouma et al, 2001)

Offensive Banking

In this degree, the banks now no longer most effective keep in mind their inner sports however additionally keep in mind their outside sports. The banks on this degree increase and marketplace environmental-pleasant tasks. For instance Green financing i.e. making an investment in to environmental pleasant tasks. The awareness is on financing numerous tasks which paintings on renewable strength, funding price range that make investments on surroundings pleasant belongings and launch of numerous reviews primarily based totally at the environmental overall performance.

Sustainable Banking

At this degree all of the sports of banks are sustainable. Banks do now no longer make investments withinside the ecologically unsound commercial enterprise regardless of big income. The banks do now no longer goal toward maximum monetary fee of go back. The key reason is to get the best sustainable fee of go back. Currently, sustainable banking is feasible most effective for the area of interest gamers of the field. Few instance for this are- Triodos Bank in Netherlands and Co-operative financial institution withinside the UK.

Environmental Impacts of the Banks

Although banks do now no longer seem to have any direct influences at the surroundings, it isn't so. Banks play a completely critical position withinside the society and as a financier to essential developmental tasks their position withinside the society and influences at the surroundings can't be neglected. Following are the essential styles of the environmental influences of the banks.

Internal Impacts

Banking region is taken into consideration as a smooth region that's technologically robust with minimal bad effect at the surroundings and the society. Direct influences of the banks are associated with the inner operations of the banks which could growth greenhouse emissions, like strength intake from lights, use of computer systems and ATM machines, water, waste disposal, commercial enterprise travels etc. The direct effect of banks strength, waste and paper use at the surroundings is relatively much less than many different sectors however for the reason that length of the banking region is large, their effect at the surroundings as an entire region can't be ignored.

External Impacts

It is associated with the environmental influences of banks merchandise and customers overall performance. But the scenario is that contrary in comparison to different sectors withinside the economic system. The banks merchandise aren't environmentally hazardous however the customers of the financial institution who use the ones merchandise positioned bad effect at the surroundings. So it isn't smooth to estimate the environmental effect of banks outside sports because the banks themselves do now no longer have bad environmental effect as a substitute the customers of those merchandise positioned bad effect at the surroundings.

The Environmental Risks for Banks

Banks are uncovered to many dangers which could lead the banks face loss in phrases of recognition and income. Banks might not get their cash again which they have got used to finance their customers and so can face credit score danger and reputational dangers. So, the danger to the banks from banks industrial lending interest is high. Thus, except the legal responsibility from the banks very own operations, extra dangers are

from financial institutions industrial lending and may be categorized into following types (Weber et al., 2005; Weiler et al., 1997) .



Fig. 1: The Triple Bottom Line Approach

Risk of Loan Default by Debtors

Debtors If the mortgage borrowers violate the environmental legislation, then they need to pay greater value as a value of for cleanup. This greater burden of price in many instances leads financial institution customers grow to be financially susceptible and this makes them defaulter of repaying the mortgage to the financial institution.

Risk of Reduced Value of Collateral

If the belongings which the financial institution has regular as collateral, receives polluted, then its cost decorates because of the value that's paid as cleanup value. This danger will increase the danger of the reimbursement of the anticipated quantity

Risk of Changing Market with Environmental Concerns

Due to growth withinside the environmental problem most of the clients and launch of strict environmental regulations, the survival of the business enterprise without environmental problem is turning into very difficult withinside the gift times. Thus, the extrude withinside the attitudes toward the surroundings could make the borrowers difficult to continue to exist through affecting the banks functionality to pay off the mortgage quantity to the financial institution

Risk of Bank's Liability

Liability As banks might also additionally have direct commercial enterprise with the collateralized properties, banks grow to be chargeable for the cleanup of infection resulting from the belongings.

Risk of Reputation Damaged

If the banks do now no longer carry out their environmental and social duties then this lowers the credibility of the financial institution most of the public and therefore inflicting lack of recognition of the financial institution.

Organizations Promoting Sustainability Concept and Green Banking

International Finance Corporation (IFC):

The IFC is a member of the World Bank Group. It price range numerous personal region investments and presents advisory offerings to numerous commercial enterprise and authorities. It promotes the sustainable increase of the economic system. It price range numerous personal region funding and presents advisory offerings to numerous commercial enterprise and authorities. It promotes sustainable increase of the economic system via numerous sports like era of tax revenues, task creation, enhancing company governance and environmental overall performance. (IFC: World Bank). United Nations Environment Programme - Financial Initiatives

(UNEP-FI)

UNEP became mounted withinside the yr 1972. It promotes surroundings safety and helps the clever use of the herbal surroundings for the merchandising of the sustainable improvement throughout the globe. UNEP via its tasks works with the monetary establishments toward encouraging the sustainability trouble withinside the corporate monetary decisions. UNEP FI is a international partnership among UNEP and the monetary region. Over two hundred establishments, inclusive of banks, insurers and fund managers, paintings with UNEP to apprehend the influences of environmental and social issues on monetary overall performance (UNEP FI, 2007).

Bank Track

The high awareness is toward the operating of the personal banks and the assignment they're concerned in context to the surroundings, society and human rights. Bank Track releases studies reviews targeted on sustainability withinside the banking region. The principal reason is to sell modifications withinside the operations of the financial institution in order that the banks keep in mind the ecological properly being of the society and be answerable for the sports in their shareholders (Bank Track: Wikipedia)

Laws and Guidelines for Environmental Conservation and Sustainability

Equator Principles

Equator Principles These are the framework for the danger control. These frameworks are being followed through numerous monetary establishments inclusive of the banks. those framework goal at dealing with

numerous environmental and social dangers withinside the tasks. The numerous offerings to which the equator precept is relevant are Project Finance Advisory Services, Project Finance, Project-Related Corporate Loans and Bridge Loans. Currently, eighty Financial Institutions have followed the equator precept which covers 70% of the worldwide Project Finance debt withinside the rising marketplace. (About the Equator Principles).

The Carbon Disclosure Project

The Carbon Disclosure Project (CDP) is an business enterprise primarily based totally withinside the United Kingdom which matches with shareholders and businesses to reveal the greenhouse fueloline emissions of essential businesses. It conducts the weather extrude programme for the discount of greenhouse fueloline emission so one can lessen the weather extrade danger. CDP keeps the most important database at the weather extrude. It is an unbiased non-income business enterprise. Various Indian monetary establishments which might be signatory to the CDP are SBI, HDFC Bank Ltd, IDBI, IDFC, Reliance Capital, Tata Capital, IndusInd Bank and Yes Bank. (Business Standard, 2011).



Fig. 2: A Typology of Banking and Sustainable Development (Jeucken, 2001)

CERCLA

Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) is a United States federal regulation designed to smooth up web sites infected with dangerous materials in addition to widely define pollution or contaminants •. Under CERCLA, Environmental Protection Agency (EPA) can require dependable events to behavior cleanups or EPA can behavior a cleanup and eventually are searching for cleanup expenses from dependable events. Under CERCLA many banks in United States needed to face loss after they had been determined liable for the pollutants sports done through their customers.

BSE Greenex

Bombay Stock Exchange has released its carbon-green fairness index known as ~BSE-GREENEX which measures the overall performance of the agencies in context to their Carbon Emissions (Shree, 2012). This is the second one thematic index released through BSE and this index has been released in collaboration with IIM Ahmadabad. The index will goal the ones buyers who're socially-conscious and worried with the surroundings and also are inclined to pay a top class for inexperienced investments in agencies to get higher go back. The BSE Greenex will determine the strength performance of companies, primarily based totally on strength and monetary records. The choice of agencies became on the premise of greenhouse emissions withinside the final 4 monetary years from 2007-08 until 2010-11(Gupta, 2012).

Conclusion

Green banking refers back to the tasks taken through the banks to inspire surroundings-pleasant funding. Green banking as a idea is a proactive and clever manner of questioning toward destiny sustainability. In the rising economies, it's far very critical for the banks to be pro-lively and boost up the fee of the increase of the economic system. As there may be a non-stop extrude withinside the environmental elements main the banks face extreme opposition withinside the international marketplace, the banks want to stick to the stringent public guidelines and strict regulation suits. Banks want to use morality of sustainability and duty to their commercial enterprise version, approach system for services and products, operations and their financing sports and grow to be stronger. By adopting the environmental elements of their lending sports, banks can get better the go back from their investments and make the polluting industries grow to be surroundings-pleasant. Adoption of inexperienced technique is extra than simply turning into surroundings-pleasant as it's far related to plenty of advantages like discount withinside the danger in addition to the value of the financial institution, enhancement of banks reputations and contribution to the not unusual place right of environmental except improving the recognition of the financial institution. In a huge sense, inexperienced banking serves the industrial goal of the financial institution in addition to the company social duty. Thus, it's far critical that Indian Banks ought to recognize their duties toward the surroundings in addition to the society so one can compete and continue to exist withinside the international marketplace.

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