



Green banking: An initiative for adoption of Eco-friendly banking methods

Dr. Soofia Fatima

Dean, Faculty of Commerce and Management, Head, Department of Commerce, Patna Women's College, Patna University, Bihar, India

Abstract

Green Banking is the buzzword, and it has been progressively admired worldwide in recent years. Making the best use of technology can help adopt green banking. Creating inclusive banking practices that guarantee sustainable development is referred to as "green banking." It is sometimes referred as ethical banking, which denotes a style of banking by adopting and encouraging eco-friendly activities. It also helps in decreasing the banking industry's carbon footprint. In India, SBI was the pioneer bank to implement this method of banking. The viability and effectiveness of eco-friendly banking, outlines the rationale for the urgent adoption of 'go green' in banking industry. Adherence to green banking norms also push banks to encounter multidimensional obstacles due to the existence of technological challenges and lack of technical expertise.

Keywords: Green banking, eco-friendly, online banking, technology, SBI, sustainability, paperless transactions

Introduction

Banking entails several activities which are executed through institutions that accept deposits from individuals and other entities and use this money to lend loans and make investment to earn profit. Indian banks provide an extensive range of banking services, like savings, granting personal loans, business loans, mortgages, credit cards, investment services, and electronic banking options like online and mobile banking. Environment is one of the major concerns for all types of business and banking reserves a specific place to influence and expedite the pace of development plus economic growth of the nation. The banking industry through its support of socially conscious and ecologically sustainable institutions, contributes significantly to both environmental preservation and economic growth.

The banking industry is typically regarded as having low emissions and pollution levels. Internal environmental effects of the banking industry are generally minimal and clean, including the usage of water, paper, and electricity. The effects of banks on the environment are not physically related but it's related with the activities of the customers. The effects of the amount of a bank's external activities on environment is enormous but it is tough to quantify.

In the financial sector, green banking is a relatively new phenomenon. As the source of funding for economic and developmental plans, banks play a crucial role in advancing sustainable development. Banks use the phrase "green banking" to refer to their increased environmental responsibility.

Objectives

1. To study about the growing trend of adopting the system of green banking.
2. To find about the incorporation of ethics and values in banking industry for sustainable development.
3. To identify the eco-friendly banking methods adopted to meet the environmental responsibility.
4. To assess the role of State Bank of India in context to green banking.

5. To ascertain the need of customers' awareness for successful execution of eco-friendly banking activities.

Literature Review

A nation's capability to thrive sustainability depends majorly on its banks, and green banking is now captivating the attention of one and all. The financial services industry is modifying because of developments in the financial, economic, and environmental realms. Ethical proposals and values are being integrated into banking processes in a comprehensive manner (Lympelopoulous *et al.*, 2012; San-Jose, *et al.*, 2009). Making the best use of technology can help adopt green banking (Kapoor, Jaitl, and Gupta, 2016; Katyal and Nagpal, 2014). Banks are promoting their corporate social responsibility (CSR) initiatives (Scholtens, 2011). To project a green image, banks throughout the world are heavily investing in green initiatives (Evangelinos *et al.*, 2009). Greening of bank is decreasing carbon footprints from banking activities, and this is mutually beneficial to the banks, industries, and the economy (Bihari & Pandey, 2015).

By directing funds to industries that are vulnerable to climate change, the banking industry helps develop environmentally friendly policies, reduces climate risks, and promotes recovery (Part & Kim, 2020). SBI branches should provide proper guidance to their customers regarding the use of the green channels (Soofia Fatima *et al.*, 2023) [3]. Sarma and Roy (2020) examined limited dimensions and keywords relating to the internal practices of banks in the context of green banking.

Discussion

To assist restore the natural environment, banks have to promote environmentally friendly investments and prioritize lending to businesses who have already gone green or are attempting to do so. This practice refers adoption of green banking. Thus, it is the integration of technology, operational enhancements, and evolving customer behaviour in the banking industry.

Green Banking Products

Green Loan: Giving money to a project or company that is thought to be environmentally beneficial is known as "green lending."

Green Mortgage: Green mortgages are a unique kind of mortgage that, in exchange for making energy-efficient upgrades or purchasing a home that satisfies specific energy-efficiency requirements, offers a financial reduction or a larger loan than is typically allowed.

Green Credit Cards: Green credit cards are becoming more and more popular. They promote paperless banking, use biodegradable materials for the cards, or come with ecologically friendly perks.

Green Savings Accounts: With these accounts, banks donate money based on the savings that their clients make. The environment gains more from their savings because of bank contributions or donations.

Internet and Mobile Banking: Internet and Mobile Banking facilitates green banking.

Eco-Friendly Banking Methods are the different ways, banks have embraced the transformation by adopting online banking, card-based transactions, etc.

- The simplest approach to implement green banking is through online and mobile banking. Online bill payment, remote deposit, online financial transfers, and online statement generation are all included in online banking.
- Card-based transactions benefit a lot of people. A variety of cards such as ATM, credit and debit cards will lessen the need to print additional money and will prevent in waste of paper and cutting down the end number of trees.
- Green banking is a significant initiative which includes paperless statement as sending bank statements resulted in a substantial waste of paper and harms the environment. E-statement is a great way to facilitate this type of banking. Electronic statement offers several benefits to customers, such as maintaining the privacy of identity of customers, etc.
- Green credit cards as launched by a few institutions to provide cards that are environmentally friendly. One benefit of having a green credit card is that, for every rupee spent on it, banks will donate to a project that is important to environmental conservation.
- It also helps in conserving paper by recycling paper.
- Use of vegetable-based inks instead of less environmentally friendly oil-based inks are a great relief in successful implementation of green banking.
- Wind power installations and programs for energy saving in offices and branches.
- Efforts to lessen the environmental impact of operations of banks.
- Solar ATM installation and the launch of paperless green channel banking



Fig 1: Eco-Friendly Banking Methods

State Bank of India

Bank of Calcutta was established in India in 1806 but with the passage of time it evolved into State Bank of India (SBI). SBI today represents overwhelming legacy of more than 200 years. It is the oldest commercial bank in the Indian subcontinent, it is significantly contributing to the attainment of nation's trillion-dollar economy. The equity shares of SBI are listed on the Bombay Stock Exchange Limited and National Stock Exchange with an extensive network of more than 22,000 bank branches throughout India, headquartered in Mumbai. Among all the Indian banks, SBI ensures to have a substantial presence in foreign market. In the list of SBI's clients, substantial chunk is composed of big and medium-sized Indian Corporates.

Green Finance

In India, SBI has led the way in green banking. Launch of the Green Channel Prepaid cards, counters for paperless transactions such as the Bank's Green Smart Payout, Ez Pay, and Vishwa Yatra cards are some of the accomplishments. The use of paperless banking is encouraged throughout the nation.

Measurable specific goals have been implemented by the bank. These consist of developing "Green" structures, treating wastewater, and implementing employee awareness campaigns on saving energy.

The Bank offers long-term loans for renewable energy sources at a discounted interest rate. It encourages to promote greenhouse gas reduction. Moreover, it offers funding for organic farming, such as funding for vermicomposting facilities, biofertilizers, etc.

It emphasises on stopping the misuse of important arable plots of land from degrading and polluting the water supply. The Bank has launched a unique program to encourage solar illumination in each of these communities.

For "watershed," the Bank has been providing finance at a concessional interest rate.

Thousands of transactions are made through the counters daily. Bank's Self Service Kiosks (SSKs) facilitates thousands of transactions every day. SSK is a method of doing banking without paper.



Fig 2: Modes of Paperless Transactions

Conclusions and Recommendations

- The banks have consistently deemed implementation of green banking in rural areas to be less effective because of the various obstacles like technical glitches, network issues, lack of awareness among customers, etc.
- The customer's affordability is taken into account; ecologically friendly products are usually priced high since they lack the capacity to turn a profit from quality components, raw materials, and economies of scale. Businesses must consider how much their customers can afford.
- SBI branches should provide their customers with appropriate guidance on how to use the green channels, with a special emphasis on the senior population. The goal should be to persuade them that using green banking is incredibly simple and secure.
- To encourage more and more clients to convert to green banking, SBI can provide more enticing incentives that benefit account holders who use green channels.
- Banks should implement transparent business practices and provide enough disclosures to abide by regulatory regulations.
- All banks including SBI must include the principles of sustainability and accountability for the development of their operations, financing activities, product and service strategies.

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