

GREEN BANKING-NEED OF THE HOUR

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Abstract

Change is the need of hour to for survival in all spheres . Today every sector of the world economy is talking about their approach towards protection of the environment and the financial sector moving towards their “going green” approach in no exception. The world has neglected environmental issues and it has led to huge losses in terms of climate change, biodiversity, environmental degradation, rising green house gases, loss of forests and water resources, and so on.

Green Banking, as defined by Institute for Development and Research Technology, is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environment, 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.

Green banking is a natural trend that arose from the shift from profit only, to a new goal that lies in equilibrium between nature, profit and people. Green growth is set as one of the top priorities. This paper will present the most important green financial products and its benefit to the society and the concept of green banking would be discussed in detail

Keywords: Green banking, Paperless technology,Global warming

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1.0 Introduction

Green Banking is like a normal bank, which considers all the social and environmental factors; it is also called as an ethical bank, it aims to protect the environment and it is controlled by same authorities as what a traditional bank do. Green banking 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.

The banks can play an excellent role in promoting environmental sustainability. Green banking means environmental practices and reducing external carbon emissions and external emissions. This can be done in many forms such as using online banking, financing green technology and pollution reducing projects.

It is the practice of making bank transactions with paperless technologies and Internet. Thanks to the latest technology, We can shop Green, communicate Green, and now, we can even do our banking Green. It allows us to make deposits, withdrawals and pay bills all with just a click of a mouse.

Green banking also eliminates paper waste, which is a plus not only for those who have to handle all the paper work, but also for the environment. Security is always an issue with Internet transactions. Although information is encrypted, and the chances of your account being hacked is thin, it happens. Banks pay big bucks to install high tech firewalls. Various financial services which have adopted green approach in their businesses are banks, stock brokerages, insurance companies and consumer finance companies.

Keywords:-Environment, Green banking, Online banking

OBJECTIVES OF THE STUDY

- To study concept of 'Green Bank' and green retail products
- To identify the steps necessary to adopt Green Banking
- To check the awareness of green banking among bank employees, associates and general public.

- To create awareness about green banking among the general public and consumers and bank employees
- To minimize CO₂ emissions from electricity consumption and transportation, increase recycling (paper, toners, cartridges and batteries), increase the use of green products by bank branches

1.1 Green Financial Products

a) There is significant rise in the demand for Green financial products and services that are currently offered around the globe. Along with banks, other financial institutions such as insurance companies, asset management firms etc. are also trying to create and implement “green” strategies into their business activities. If a bank starts implementing green retail products, then the most popular are:

i) **Green loans** -Green loans are specifically for assisting small businesses and individuals in starting or expanding eco-friendly products or services. They are also available to existing businesses that want to “go green” and have a positive impact on the environment. Green loans are available from commercial lenders and through “peer lending” from groups of private individuals.

b) Projects qualifying for green loans include recycling, composting, community gardens for eco-friendly products. The loans can also be used for home remodeling, roofing, solar panels and windows.

c) In peer lending or peer to peer lending, funds for green loans come from individual investors. There is a fixed rate of interest on loans to individuals. The loan can be in a large amount from one person or comprised of small amounts from hundreds of people. Although credit history is a factor in loan determinations, peer lending is more flexible than traditional lending.


d) Green grants are available from a variety of organizations and US government agencies. For example, the Environmental Protection Agency (EPA) offers grants for environmental education and watershed projects. Green grants are also available in the areas of housing, research, construction and energy. Growing awareness of the need of green business practices has led to the creation of many sources for green **business grants**. Organizations also provide

grants for eco-friendly school supplies and after-school environmental programs for young children.

With increasing concerns about global fuel consumption and car **emissions**, government energy departments around the world have offered billions of dollars in subsidies to car manufacturers to prepare and market fuel efficient cars as quickly as possible. In the US, the Government is sponsoring an eco-auto rebate program. Go green car loans and “fuel smart” auto loans are also available from lenders. There are also tax rebates and finance incentives associated with green car and smart fuel car purchases.

The World Bank launched a green bonds initiative to support low carbon activities. Green bonds can be packaged and sold to secondary markets, pension funds, institutional investors and individuals. The Coalition for a Green Bank is an ad hoc group advocating for creation of a US agency that would provide financing to support projects involving clean energy and energy efficiency.

The new Green Home Loan Scheme from SBI, for instance, will support environmentally friendly residential projects and offer various concessions. These loans will be sanctioned for projects rated by the Indian Green Building Council (IGBC) and offer several financial benefits – a 5 percent concession in margin, 0.25 percent concession in interest rate and processing fee waiver.



2)Green Credit Cards:- Some of the banks introduced Green Credit Card. The benefit of using a green credit card is that banks will donate funds to an environment-friendly non-profit organization from every rupee you spend on your credit card to a worthwhile cause of environment protection

(3) Green CDs –Green certificate of deposits are new certificates that use invested money in energy efficient,pro environmental projects.Most of the money from CD’s is used to finance different solar energy projects.The maturity of these CD’s is between one and two years, and they pay a bit higher interest rates than regular CD’s to attract new investors.

(4) Online banking –Online banking has become an accepted norm of monetary transactions for millions in india over the past decade. The ease with which a customer can check his account, make payments online and transfer money between accounts has made this mode of banking hugely popular.

Online banking services include financial planning capabilities, functional budgeting and forecasting tools, investment analysis tools and equity trading platforms which are available as simple applications on the bank’s website.

(6) Mobile banking –According to recent survey, nearly 17.75 million customers are on mobile screen.

With the help of mobile banking, one can perform all the banking actions such as money transfer, credit card payment, bill payment ,account updates and other transactions.

2.1 Benefits of Green banking

Switching to electronic banking and billing can streamline your financial life. Not merely an alternate method, e-banking will save time, money and effort while adding security to banking routines

- **Rationalization of paper use-** Green banking avoids paper work and makes use of online transactions such as Internet banking, SMS banking and ATM banking.
- **Helps in controlling deforestation-** Green ethical banks adopt environmental standards for lending which would benefit future generations. Less paper work means less cutting of trees.

- **Time and money saver-** Green banks gives more importance to environmental friendly factors like ecological gains thus interest on loan is comparatively less. E-banking will save time, money and effort while adding security to your banking routines.
- **Safeguard the security of your personal data-** Online banking, mobile banking, and electronic bill payments bring you a whole new level of security; including passwords, safety images, challenge questions, and top-rung encryption. No one can swipe your mail right out of the mailbox or pluck statements out of the trash once you're done with it.
- **Retrieve your records even after loss or disaster.** Nobody wants to think about fire, flood or theft, but all three can destroy your financial records unless they're stored safely online. Double down with redundant security by backing up your records in cloud storage or on a hard drive
- **Save on mailing costs.** Banks and creditors save money when they don't have to mail endless statements and bills to you.

Thus green banking helps to create effective solutions of a range of environmental problems and at the same time identify opportunities that benefit the customers.

Conclusion & Suggestion

Green financial products will have their place in the future especially because of emerging markets such as carbon market , green construction and environmental technology.

There is an urgent need to create awareness and follow green banking in today's business world of innovative technologies so as to make our environment human friendly. Green banking if implemented in a proper direction opens up new markets and avenues for product differentiation. In India there has not been much initiative in this regard by banks and financial institutions. They are not as green as foreign banks. As initially, these commitments will cause a huge financial burden for Indian banks. For effective adoption of green banking, the RBI and the Indian government should play major role and formulate green policy guidelines and financial incentive.

Some suggestions for the banks to encourage green banking are:

- Communicate through press

- Construct websites and spread the news
- Impart education through E-learning programmers
- Making green banking as part of annual environment reports
- Training and development of relevant skills among bank employees
- Banks may formulate innovative financial solutions to incorporate environmental perspective

This concept of “Green Banking” will be mutually beneficial to the banks, industries and the economy. Not only “Green Banking” will ensure the greening of the industries but it will also facilitate in improving the asset quality of the banks in future

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