An Effective & Resourceful Contribution of Green Banking towards Sustainability

Hardeep Singh ¹, Bikram Pal Singh ²

¹Assistant Professor, ¹Training & Placement Officer, ¹Department of Training & Placement,
²Assistant Professor, ²Training & Placement Officer, ²Department of Training & Placement,
¹Ferozepur College of Engineering & Technology (FCET), Ferozepur, Punjab, INDIA.
²Global Institutes, Amritsar, Punjab, INDIA

ABSTRACT- In this present scenario of globalization, as we pass through 21st century, one thing that we miss very badly is the depletion of greenery. As everybody in this society is becoming more and more concerned and worried about the natural environment, business organizations and corporations have started modifying their working in an attempt to increase greenery to the maximum possible. Green banking means combining operational improvements, technology and changing client habits in banking business. It means promoting environmental-friendly practices and reducing carbon footprint from banking activities. This comes in many forms such as – using online banking instead of branch banking; paying bills online instead of mailing them; opening up CDs and money market accounts at online banks, instead of large multi-branch banks; or finding the local bank in the area that is taking the biggest steps to support local green initiatives. Keeping in mind all the points related to environment protection, the role of green banking is expected to be observed at all levels of business process in this globalized world. Main emphasis has been made on analysis of the concept and need of green banking in business process so as to make our environment human friendly and enrich our economic productivity. As such, the need and importance has been discussed in detail in this research paper. Research Methodology used while conducting this study includes questionnaires, market survey and personal interviews with banking professionals and environment research scholars. Apart from this some support personnel i.e. customers and general public were also interviewed. Coming to the findings, there is utmost need to create awareness, implement and follow green banking as much as possible in today’s business world of innovative technologies so as to make our environment human friendly and enrich the sustainability.

Key Words: - Banking; Business Process; Globalization; Greenery, Green Banking; Productivity.

What does it mean Going Green?

In many cultures, “Green” is an affirmation of life. It indicates growth, fruitfulness and spiritual rejuvenation. Being Green …is growth. It is becoming more efficient in the operation of your personal and business life by “eliminating wasteful spending based on habits that no longer serve your purpose”. Being Green…is being fruitful. It is taking advantage of new technology, tools and trends that improve your personal and business life…at a fraction of the cost of traditional methods. Being Green…is spiritually rejuvenating. It is our commitment to live a lush and abundant…economically empowered…debt-free and credit-worthy lifestyle!

What is Green Banking?

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. It is also called as an ethical bank or a sustainable bank. They are controlled by the same authorities but with an additional agenda toward taking care of the Earth’s environment/habitats/resources. For banking professionals green banking involves the tenets of sustainability, ethical lending, conservation and energy efficiency.
Historically banks have been viewed solely as financial institutions, which should concern themselves with all things financial. Morality has not entered the equation. This public view has allowed banks significant leeway with concern to ethical standards. This is because they have not been associated with the actions taken by the businesses they lend to. Banks have also stated that a reason for not mounting the new challenges that sustainability presents is that such inspection would require interference in the activities of clients. However with changing social demands, and as more is known about the effects that banks can have through their lending policies, banks have begun to feel pressure from the general public, NGOs, governments, and the like to go beyond conventional business management. For example in the mid 1990s the Cooperative Bank asked 6,000 customers what their thoughts were on ethical banking; 84% responded that it was a good idea. In fact the cooperative bank was formed in response to the growing consumer base looking for ethically oriented banks.

Objectives of Green Banking

1. To check the awareness of green banking among bank employees, associates and general public.
2. To create awareness about green banking among the general public and consumers and bank employees.
3. To reduce CO2 emissions from electricity consumption and transportation, increase recycling (paper, toners, cartridges and batteries), increase the use of green products by bank branches.
4. To assess core business environmental impacts resulting from external commercial activities and investigate potential banking products that will reduce these impacts.
5. To design and launch green banking products (promoting environmentally responsible lending and investments).

Research Methodology

The research methodology used in this study is based on primary as well as secondary data. The primary data was collected from the study conducted through telephonic interactions and personal interviews. The study examines major aspects concerned with the Green Banking. Specially structured questionnaires and interviews with employees, of well established banks and general public have been used for survey purpose. Additionally, some support personnel (consumers of some well established banks) have been considered. Research Limitations: There had been some problem in getting information from respondents as they had to be interviewed in a very short time and a few of them were quite busy to give proper thought to the questions. The indifferent or unsupportive attitude of some respondents while responding to the questions also affected the final findings and observations. Originality of this research paper lies in the real work done by conducting interviews and surveys in the real market.

Empirical Study

HSBC is the bank that is most actively tackling climate change, but the banking sector still has a long way to go, according to the first report to rank the climate change policies of the world's largest banks. The study of 40 global banks, conducted by Risk Metrics Group for Ceres, evaluated how each institution is addressing climate change in five areas – board of director oversight, management performance, public disclosure, greenhouse gas (GHG) emissions, accounting and strategic planning. European banks dominate the top of the table, with HSBC in the lead, scoring 70 out of 100 points. HSBC was found to be active in all five of the areas evaluated. ABN Amro came second in the study with 66 points, followed by UK banking groups Barclays and HBOS, which both scored 61 points. Germany's Deutsche Bank follows with 60 points. But more than half of the 40 banks scored under 50 points out of 100, and the median score was 42 points. Only a handful of banks are pricing carbon into their financial decisions or setting targets to reduce greenhouse gas emissions. "For all of the positive momentum, many of the 40 banks have done little or nothing to elevate climate change as a governance priority – a trend that cuts across European, North American and Asian banks alike," said the report. "More banks realize that climate change is a big issue, but their responses so far are the type of the iceberg of what is needed to tackle this colossal global challenge," said Mindy S. Lubber, president of Ceres. Last year HSBC unveiled a $90m (£45m) global environmental efficiency programme. Over five years, HSBC will spend this money to reduce the bank's impact on...
An Effective & Resourceful Contribution of Green Banking towards Sustainability

the environment through a series of initiatives, including introducing renewable energy technology, and water and waste reduction programmes. HSBC was 'carbon neutral' by 2006. To achieve carbon neutrality HSBC purchased verified emissions reductions (VERs) from several renewable energy projects in China and Thailand. In July 2007, HSBC appointed Sir Nicholas Stern as special adviser to the chairman on economic development and climate change. Stern is best known as the former World Bank chief economist and author of the Stern Review on the Economics of Climate Change. Also, HSBC's direct banking subsidiary first direct recently disclosed plans to install automated computer shut down software from Night Watchman to automatically switch off the 2,600 computers in an effort to reduce its carbon emissions by 147 tonnes and save £24,000 per year on energy costs. US investment bank Bear Stearns came bottom of the table with zero points, just below San Francisco-based Franklin Resources which was awarded one point. Just above that Bank of China got four points and Industrial Bank of China earned eight points. Risk Metrics Group for Ceres is a coalition of investors, environmental groups and other public interest groups.

Green Banking by ICICI Bank

ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI's shareholding in ICICI Bank was reduced to 46% through a public offering of shares in India in fiscal 1998, an equity offering in the form of ADRs listed on the NYSE, ICICI Bank's acquisition of Bank of Madurai Limited in an all-stock amalgamation in fiscal 2001, and secondary market sales by ICICI to institutional investors in fiscal 2001 and fiscal 2002. ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. Paperless initiatives like e-statements and e-greetings helped ICICI Bank save 30,000 trees from being felled in 2009-10, besides cutting down spending on stationery by Rs 7.36 crore. According to ICICI Bank New Delhi Managing Director and CEO Chanda Kochhar "ICICI Bank recognizes and contributes to the need to conserve national resources and explore clean technology. It collaborates with employees and customers alike to reduce the carbon footprint from banking." ICICI Group companies have saved around 30,000 trees and 16 crore liters of water through green initiatives, the bank said in a statement. Through these internal and external initiatives, 1,754 tonnes of paper were saved, which translated into a saving of Rs 7.36 crore for the company as of February, 2010. It added Kochhar further said that ICICI Bank attempts to support other organizations in their endeavors to 'Go Green' by funding and managing green technology projects. 'Go Green' is an organization-wide initiative that aims to migrate to environment-friendly platforms for daily operations within the organization, as well as beyond automated channels. The initiative aims to build awareness and fund alternate energy and environment projects, thereby preserving the environment. ICICI Bank tried to reduce its footprint by providing customers alternate and non-paper-based channels such as e-branches, e-statements, online banking and mobile banking, it said. "An internal movement towards environment-friendly operations becomes necessary. Ideas are generated by employees through contests. Ideas included dateless diaries, visiting cards on recycled paper, sapling plantations and green walkathons," it said. ICICI has partnered with the Indian government, World Bank and UNAID to support SME projects in the area of green research and clean technology. It is also working with the Indian Army on water management, energy conservation and alternative energy projects. The bank has also partnered with TATA Power to raise awareness on energy conservation at schools through the TATA Power Club. "For waste management, we have partnered with Jindal Urban Infrastructure Limited (to) sponsor an integrated MSW processing plant in Delhi, (besides) GMR Group and SELCO international’s WTE project in Ghaziabad," it said With a base of around 35,000 employees, ICICI Bank will increase its focus on clean technology in the current fiscal. "We will achieve this through internal activities and processes and also exploring tie-ups with other green organizations," the bank said

Survey Results/Findings

1. Basically Green banking avoids as much paper work as possible and rely on online/ electronic transactions for processing so that we get green credit cards and green mortgages. Less paperwork means less cutting of trees. It also involves creating awareness to banking business people about environmental and social responsibility enabling them to do an environmental friendly business practice.
2. Green Ethical banks adopt and implement environmental standards for lending, which is really a proactive idea that would enable eco-friendly business practices which would benefit our future generations.

3. When we are awarded with a loan, the interest of that loan is comparatively less with normal banks because green banks give more importance to environmental friendly factors - ecological gains.

4. Natural resources conservation is also one of the underlying principles in a green bank while assessing capital/operating loans to extracting/industrial business sector.

5. Green Banking as a concept is a proactive and smart way of thinking with a vision for future sustainability of our only Spaceship Earth - as design science explorer Richard Buckminster Fuller called our Earth.

6. A 2008 survey from Javelin Strategy & Research found that 57% of consumers expressed interest in green banking initiatives and that number appears to be growing now. About one third of consumers who turned off their paper statements said that they did so in order to reduce their impact on the environment, three years ago, only 21% of those surveyed gave that reason. In addition to the environmental benefits of going paperless, it reduces consumer’s risk for fraud and identity theft.

7. The value proposition for corporations to go green includes many of the same issues as that for individual consumers but on a much large scope and with additional concerns. Corporations may share a desire to reduce carbon footprint and enhance security by eliminating paper waste, but they are also extremely concerned with eliminating or decreasing errors due to manual processing and with creating a profitable bottom line. For these reasons and more, corporations are actively pursuing green programs, many companies are taking active steps to reduce waste, implement sustainability measures and increase profitability by going green.

Conclusions

Though, even today in the New York Times, an article on the success/failure of green banking in US has been analyzed for green banking is making progress though its profit margins are far below than the other commercial banks. Indian banks need to be made fully aware of the environmental and social guidelines to which banks worldwide are agreeing to. As far as green banking is concerned, Indian banks are far behind their counterparts from developed countries. If Indian banks desire to enter global markets, it is very much important that they recognize their environmental and social responsibilities. Our SBI in India has also gone with an operational segment of green banking. Green banking requires a paradigmatic change in thinking about economics, business and finance. Its success would be greater if the world governments started to revise their economic paradigms from being ‘monetary economics’ to ‘ecological economics’ and begin to transform their accounting principles from purely being financial into ecological/operational energy accounting patterns. There is utmost need to create awareness, implement and follow green banking as much as possible in today’s business world of innovative technologies so as to make our environment human friendly and enrich the economic productivity. In addition to mitigating risks, green banking opens up new markets and avenues for product differentiation. India’s growth story and commitments to cut its carbon intensity by 20-25 percent from 2005 levels by the year 2020 provides tremendous opportunities for Indian banks- from funding sustainable projects to offering innovative products and services in the areas of green banking. The survival of the banking industry is inversely proportional to the level of global warming. Therefore, for sustainable banking, Indian banks should adopt green banking as a business model without any further delay.

Acknowledgements

We hereby acknowledge the contribution of information providers to give proper information and enable us to write this paper. We would also like to thank the eminent personalities who spared their precious time to respond to our questionnaires, personal interviews and telephonic interviews. We once again thank all and one who contributed in our research work by providing us worthy information. Moreover we are highly thankful to “Dr. Rajneesh Arora” VC Punjab Technical University Jalandhar (Punjab) who always motivates all the manpower to participate.
An Effective & Resourceful Contribution of Green Banking towards Sustainability

in research work. Without motivation of such high authorities it was not only difficult but even impossible to do such creative work. May he live long!

References

1. Sahoo Pravakar and Bibhu Prasad Nayak; “Green Banking in India” Discussion Paper Series No. 125/2008 Institute of Economics Growth University of Delhi, Delhi-1100071.
3. Green Banking in India; NEW YORK, July 27, 2011 /PRNewswire/ -- Reportlinker.com