



A STUDY ON GREEN BANKING IN GLOBAL BUSINESS

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Abstract

The banking industry can play an outstanding role between economic growth and environmental protection for promoting environmentally sustainable and socially accountable institution. The banking of this kind can be termed as "Green Banking". Green Banking refers to the banking business conducted in selected area and technique that helps the overall reduction of external carbon emission and internal carbon footprint. To aid the reduction of external carbon emission, bank should finance green technology and pollution reducing projects. Green finance as a part of Green Banking makes great contribution to the transition to resource-efficient and low carbon industries i.e. green industry and green economy in general. Green banking is a component of the global initiative by a group of stakeholders to save environment. The present paper aims to highlight the means to create awareness in internal as well as external sub systems among target groups and impart education to attain sustainable growth through green banking. Further, an attempt has been made to enumerate effective methods for green banking.

Keywords: Green banking, Economic instruments, Globalized economy, Environment management, Emerging economy.

Introduction

Green banking means promoting environmental friendly practices and reducing your carbon footprint from your banking activities. This comes in many forms. Using online banking instead of branch banking, paying bills online instead of mailing them open up CDs and money market accounts at online banks, instead of large multi-branch banks or finding the local bank in your area that is taking the biggest steps to support local green initiatives. Green Banking helps to create effective and far-reaching market-based solutions to address a range of environmental problems, including climate change, deforestation, air quality issues and biodiversity loss, while at the same time identifying and securing opportunities that benefit customers. Green Banking Product Coverage includes:

- Green mortgages
- Green savings accounts
- Online banking
- Green loans
- Green checking accounts
- Green credit cards
- Mobile Banking

Review of Literature

Sudhalakshmi and chinnadorai (2014) present the status of Indian banks is respect of Green banking and state that though goes green mantra is essential for emerging economies like India but significant efforts have not been taken. Indian banks are running behind time in adoption of green phenomenon. Serious steps are required to be taken in this regard.



Rajesh & Dileep (2014) studied the role of banks in sustainable economic development through green banking activities. The study was based on secondary data obtained from the reports of various banks various seminars and workshop information and another relative information published on the banks and other internet sites.

Jha and Bhome(2013) conduct a similar survey as stated above to check and thereby create consumer awareness green banking .conducting interviews and using specially structured questionnaires for the survey they state certain steps needed in green banking.

Goyal and Joshi (2011) highlighted social and ethical issues such as social banking, green banking, global banking ,Rural banking and agri-banking etc. they concluded that banks can act as a socially and ethically oriented organization by disbarment of loans only to those organizations.

Sahoo & Nayak (2008) explored the importance of green banking , sited inter national experience and highlighted the important lessons for sustainable banking and development in India. They study also suggested the possible policy measures and initiative to promote green banking in India.

Sahitya & goel (2008) attempted to understand and appreciate the importance of green banking initiatives for the attainment of goals of sustainable banking and determine the various attempts that had been made by the top public and private sector banks in India.

Importance of Green Banking

Until recently, environmental concerns were not considered relevant to the business operation of banks and financial institutions. Traditionally, banking sector's concern for environmentally degrading activities of clients is like interfering or meddling in their business affairs. However, now it is being perceived that dealing with environment brings risks to their business. Although the banking and financial institutions are not directly affected by the environmental degradation, there are indirect costs to banks. Due to strict environmental disciplines imposed by the competent authorities across the countries, the industries would have to follow certain standards to run their business. In the case of failure, it would lead to closure of the industries leading to a likelihood of default to the bank. For example the enactment of Comprehensive Environmental Response, Compensation and Liability Act in 1980.

Objectives of the Study

Following are the objectives of the study:-

1. To study importance and major benefits of “green banking”
2. To identify confronting challenges, strategic aspects of green banking.
3. To identify the various initiatives taken by the select banks in India



Green Banking: International Initiatives

The financial sector's growing adherence to environmental management system is attributed to the direct and indirect pressures from international and local Non-governmental Organisations (NGOs), multilateral agencies and in some cases the market through consumers. In the early 1990s, the United Nations Environment Programme (UNEP) launched what is now known as the UNEP Finance Initiative (UNEPFI). Some 200 financial institutions around the globe are signatories of this initiative statement to promote sustainable development within the framework of market mechanisms toward common environmental goals¹⁰. The objective is to integrate the environmental and social dimension to the financial performance and risk associated with it in the financial sector. As the commitment of this UNEPFI statement goes, sustainable development is regarded basic to the sound business management.

Conclusion

In a rapidly changing market economy where globalization of markets has intensified the competition, the industries and firms are vulnerable to stringent public policies, severe law suits or consumer boycotts. This would affect the banks and financial institutions to recover their return from investment. Thus, the banks should play a pro-active role to take environmental and ecological aspects as part of their lending principle which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems. Green Banking if implemented sincerely will act as an effective ex ante deterrent for the polluting industries that give a pass by to the other institutional regulatory mechanisms. There has not been much initiative in this regard by the banks and other financial institutions in India though they play an active role in India's emerging economy. The banking and financial sector should be made to work for sustainable development. As far as green banking is concerned, India's banks and financial institutions are running behind time. None of our banks or financial institutions have adopted equator principle even for the sake of records. None of them are signatory to the UNEP Financial Initiative statement. It is time now that India takes some major steps to gradually adhere to the equator principles-guidelines that use environment-sensitive parameters, apart from financial, to fund projects.

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