



Role Of Banks In Sustainable Economic Development Through Green Banking

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Abstract

There is a growing consensus around the world that environmental protection and sustainable development are paramount in the fight to save Earth from the destruction that humans have wrought upon it. Sustainable economic growth can be achieved through green banking. When it comes to economic development, banks are indispensable, and they are also perfectly suited to engage in Green Banking initiatives. "Going green" is the current mantra in the banking sector. The term "Green" encompasses many different aspects of environmental, social, and ethical responsibility. The term "Green Banking" refers to a subset of banking activity that prioritizes ecological issues alongside socioeconomic ones. This is done with the goal of protecting the environment and preserving natural resources. Banks may make a difference for the environment by implementing green practices across the company and educating its customers about the importance of doing the same. Banks, governments, NGOs, international financial institutions (IFIs), the Central Bank, consumers, and business communities all have a hand in making green banking a reality. Banks' green initiatives encompass a wide range of activities, such as managing the internal environment, developing and implementing principles, promoting other stakeholders, and conducting environmental disclosure and reporting.

Key words: Ecology, NGOs, IFIs, IGOs

Introduction

A trend of unsustainable economic expansion has developed during the last hundred years. Deforestation and the increased use of fossil fuels are two of the most obvious manifestations of this. The banking industry is buzzing about "Green Banking" for long-term economic growth. The primary goal of this type of banking is to safeguard and maintain the environment while also considering the social and environmental repercussions. A shift to a green economy, which does not contribute to global warming or damage the earth for financial gain, is becoming more and more necessary in light of the current circumstances. An Indian Banks Association (IBA) Green Bank protects natural resources and the environment like a normal bank, taking social and environmental/ecological considerations into account (IBA 2014).

The many services provided by Green Banking include: electronic fund transfers; online account opening; mobile banking; SMS banking; net banking; automated teller machines (ATMs); deposit machines for both cash and checks; credit and debit cards; electronic statements; email and picture statements; and much more. Green finance is an approach that seeks to promote initiatives that make use of environmentally friendly technologies and work to minimize pollution in order to facilitate a reduction in the negative impact that human activities have on the environment. Online bill pays, mobile banking, power-saving devices, paperless methods, green accounts, green financing, electronic statements, green debit and credit cards, and online bill pay are all part of green banking.

Objectives of the study

The purpose of this research is to evaluate Green Banking initiatives as a means by which banks contribute to long-term economic growth and sustainability.

Methodology

The following approach was taken in order to achieve the goal stated before. The data used in this study came from secondary sources. The study's secondary data comes from a variety of sources, including reports from different banks, details about seminars and workshops, and relevant information posted on the websites of those banks and others.

Green Initiatives by Indian Banks

RBI:

The Reserve Bank of India (RBI) has published recommendations as part of its Green Practices initiative. These recommendations encourage financial institutions to reduce their reliance on paper checks in favor of electronic payment systems that are more efficient, eliminate post-dated checks entirely, and eventually move away from using checks altogether. In support of this, other financial institutions including EXIM Bank, NABARD, SIDBI, etc., would actively pursue e-governance projects. We anticipate that banks will progressively shift away from paper-based transactions and that service delivery will become more efficient and high-quality as a result of these initiatives.

Province of Punjab Federal Reserve: Among the most pressing problems confronting the world today is climate change. The importance of environmental sustainability to the economy is something that PNB, a prominent financial institution, is well-aware of. The bank's green initiatives included tree-planting

programs, reduced power consumption via various energy conservation techniques, increased usage of email for inter-office contacts, and promotion of rainwater collection. More than 290 tree planting drives were conducted by the bank. As a part of the bank's efforts to lower the amount of energy that it consumes, examinations of the electricity use in the offices have begun. Furthermore, the bank is exerting considerable effort to advocate for eco-friendly buildings and simple green activities. A few examples of these practices include switching to energy-efficient bulbs, printing on both sides of the paper, purchasing multi-function composite fax machines, promptly repairing water leaks, and making use of master censors or light switches. Additionally, the bank has pledged to support renewable energy by signing the Green Pledge.

Additionally, the bank has regulations in place to assist in the allocation of funds to renewable energy projects, which contribute to a cleaner environment by reducing emissions of greenhouse gases (GHGs). The Bank has developed regulations to limit funding for industries and projects that utilize Ozone Depleting Substances (ODS). Furthermore, the Bank is thinking about ways to promote sustainable development, specifically in relation to the Equator Principles, which are the IFC Principles on Project Finance. A significant new clean energy source, wind power is quickly gaining traction around the globe. The bank plans to allocate up to one percent of its overall lending to this sector in order to promote this energy source. The bank approved nine wind energy projects totaling 185.81 crore rupees in 2010–11.

ICICI:

Paperless initiatives, such as ICICI's e-statements and e-greetings, helped prevent the felling of 30,000 trees and the use of 16 crore litres of water. These were part of the company's efforts to promote sustainable economic development. In addition to this, ICICI Bank offers assistance to other businesses in their efforts to become environmentally conscious by managing and financing green technology projects. By providing e-branches, e-statements, online banking, and mobile banking, this bank aimed to reduce its environmental impact. In an effort to back green entrepreneurship, ICICI has teamed up with the Indian government, the World Bank, and UNAID to bolster green entrepreneurship initiatives at small and medium-sized businesses. Additionally, programs including water management, energy conservation, and alternative energy sources are areas in which the Indian Army is involved in collaboration.

SBI:

SBI, India's largest commercial bank, became the country's first green electricity generator by installing captive windmills. Ten 15-MW windmills in Tamil Nadu, Maharashtra, and Gujarat have been built by the bank. The bank plans to build more windmills to become greener. Additionally, the bank provides priority financing at a concessionary interest rate to customers that are involved in environmentally conscious activities.

"Green Homes" is the name of the bank's new program. As part of this program, the bank is providing house loans with perks including lower margins, more lenient interest rates, and no processing costs to eco-friendly projects that have received certification from the Indian Green Building Council (IGBC). Carbon Credit Plus is the bank's new credit product that will help fund Clean Development

Mechanism (CDM) initiatives in the future. Additionally, in an effort to lower power use, the bank has chosen to power its ATMs using solar energy and has introduced its Green Banking Policy.

Building windmills in rural India, creating renewable energy projects, and going paperless for consumers are all part of the bank's latest green banking activities. The objective of the bank is to reduce its carbon footprint and save energy by implementing a number of green banking initiatives. Green channel counters, online banking, mobile banking, self-service kiosks, the SMS Unhappy Scheme, green loans for homes and projects, the Viswayatra Foreign Travel Card, tree plantations for fruit production, rainwater collection in bank branches, and other initiatives fall under this category.

HDFC Bank:

In an innovative eco-friendly move, HDFC Bank has begun informing debit card customers of their PIN via text message rather than the standard postal service. A One-Time Password (OTP) given to the user's cellphone can be used to set their debit card PIN at a bank ATM. Over 1.65 million HDFC Bank debit cards are issued annually, and 1.75 crore people utilize them.

One path toward long-term economic growth is the elimination of paper transactions brought about by electronic banking services like ATMs and mobile banking apps. Table 1 shows the number of ATM transactions per bank from January 2013 to December 2013, showing that banks have been increasing the number of ATMs they have installed, both on-site and off-site. Banks are promoting ATM transactions as a way to practice green banking, Increasing from 52992 (Jan) to 71690 (Dec) on-site and 54883 to 69826 off-site.

Eco-Friendly Banking is another service that these types of banks provide. "Internal Operations" can refer to a variety of things, some of which are: Examples of online banking services include creating an account online, banking by mobile, banking via text message, net banking, electronic currency transfers, ATMs, credit and debit cards, electronic statements, and many more. Table 3 shows that many banks in Kerala, including South Indian Bank and SBT, view mobile banking as a growth opportunity. Green banking is a beneficial concept to raise client knowledge of and interest in online banking for the following reasons: it helps reduce waste, saves money for banks, reduces financing risks, improves their reputations in society, and contributes to environmental sustainability.

Conclusion

Changes in the climate are the result of human activities such as careless development and increased carbon emissions. Additionally, banks indirectly contribute to environmental footprints by investing and lending money to the businesses of their customers. By the term "green banking," we are referring to a wide variety of policies and processes that assist financial institutions in becoming more responsible in terms of the environment, society, and the economy. Sustainable economic growth can be achieved through green banking, which helps to lessen pollution and protects the environment. Financial institutions must assess the environmental risks of a project and verify that all parties involved have included recycling centers or smoke and gas arresting units in their plans before deciding to provide funding for the project. An integral part of creating green finance is establishing a system that rewards ethical banks and penalizes polluters.

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