GREEN BANKING – A CONCEPTUAL STUDY

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Abstract

It is believed that financial inclusion issues are clearly associated with the social and economic inclusion issues. In most instances, the progression of agriculture and micro enterprise-sectors are associated with the socio-economic advancement of the vulnerable and low-income sections of society. It is vital that we design more effective delivery channels and financial products to attain better outcomes in these endeavours. In fact, there is so much opportunity for investment in this area that it’s important to balance one’s efforts and focus in order not to lose control and incur unnecessary risk. This paper explores how innovations in banking system support green banking for a sustainable economy especially aiming at grass root level of our economy that are totally unaware about the innovations in banking system.

Keywords: Banking System, society, grass root level, sustainable economy, innovation

Introduction

Green banking means endorsing environmental congenial practices by minimizing carbon foot print from banking activities. It is like a normal bank which considers all social, ecological factors with an aim to protect environment and conserve natural resources and by taking care of earth’s habitats. It is both profitable and responsible With most of the developing world suffering from a high degree of social uncertainty and environmental damage, it has never been more important to have real investment opportunities that provide a combination of a good financial

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return and a positive environmental and social impact. But is it possible to balance such different goals in a single project or investment without being symbolic, or even hypothetical? Despite having a well-organized and strong financial system, the major players in the Indian market have never truly focused on microfinance as a profitable niche. This is, in part, explained by the amounts of money poured into the market by the governments, which almost nationalized credit for the masses without any real concerns about risk control or collection procedures. It is suggested that microfinance is a solution to this problem. By focusing on specific niches and providing a different product design and customer approach, it is possible for microfinance players not only to see positive financial returns by appealing to the underserved masses, but also to have a very positive social and environmental impact.

**Review of literature**

1. Bihari, Suresh Chandra (Oct2010-Mar2011) highlighted the green banking initiatives being taken by the Indian Banking Industry. Green banking involves promoting environmental and social responsibility by providing banking services in a new way befitting the new age of banking. Green banking is also called as Ethical banking that starts with the aim of protecting the environment. Ethical banks consider all the factors before considering a loan - whether the project is environment friendly or not. Hence the role of the banks in controlling the environmental damage is extremely important. Banks are beginning to recognize that they have a social responsibility to fulfill as they emerge from the shadow of traditional banking. As per relatively indirect nature of their environmental and social impacts, banks need to examine the effects of their lending and investment decisions. Incorporating environmental and social criteria into business decision making can reduce the adverse impacts of operating activities Financial institutions can do a lot to assist efforts for corporate social responsibility and achieve sustainability.

2. Vikas Nath, Nitin Nayak, Ankit Goel (April 15, 2014) suggested that change is the need of the hour for the survival and continuous efforts should be made for the environmental management in a sustainable manner. It is not only the concern of the government and the direct polluters but also of other stakeholders like financial institutions such as banks, which are playing a fundamental role in the development of the society. Banking activities are not physically related to the environment, but the external impact of their customer activities is
substantial. So there is need for banks to adopt green strategies into their operations, buildings, investments and financing strategies.

3. Lynette M. McDonald, Chia Hung Lai, (2011) seeks to investigate whether Taiwanese retail banking customers prefer corporate social responsibility (CSR) initiatives that favour themselves or other stakeholder groups (community, environment), and whether these initiatives impact customer attitude and behavioural intentions. He found that customer-centric initiatives more powerfully impacted banking customers' attitude to the bank and behavioural intentions than environmental or philanthropic initiatives. However, the results were significant only for the difference between customer-centric and environmental initiatives.

4. Dr. K.A. Goyal and Vijay Joshi (Oct 2011) highlighted social and ethical issues such as social banking, ethical banking, green banking, global banking, rural banking, and agri-banking, which help in achieving sustainable development of banking and finance and have gone through a series of development that are taking place in current business scenario.

5. Ritu (September 2014) made an attempt to highlight methods, opportunities, challenges and benefits of green banking. Change is the need of hour for survival in all spheres. Climate is most complicated issue the world is facing. “Green Banking” means combining technology and changing client habits in banking business. Green banking practices will be useful not only for environment but also lead to cost reductions in banking activities. To reduce the external carbon emissions, bank should finance green technology and pollution reducing projects. Green banking is a part of green initiative taken by stakeholders to save environment.

6. Yadwinder Singh (2015) found that the environment and climate change are the most complicated issues that world is facing today. So change is the need of the hour for the survival and continuous efforts should be made for the environmental management in a sustainable manner. Hence some measures need to be taken urgently to save the Planet. Being a financial organization which is responsible for financing the economic and developmental activities of the nation, banks have to address these above issues, both in terms of its obligations and opportunities by virtue as a responsible corporate house. Banking activities are not physically related to the environment, but the external impact of their customer activities is substantial. So there is need for banks to adopt green practices into their operations, buildings, investments and financing strategies.
Green banking products
Green loans, green mortgages, green credit cards, green savings account, mobile banking and online banking are the examples of green products. They help to avoid paper works and relies on online transactions so that less cutting of trees and less paper work

Conclusions
It is concluded that microfinance is a solution to this problem. By focusing on specific niches and providing a different product design and customer approach, it is possible for microfinance players not only to see positive financial returns by appealing to the underserved masses, but also to have a very positive social and environmental impact.

Most microfinance initiatives are aimed at an underserved customer base, a positive social response can be expected. Most microfinance customers are located in underprivileged areas, and credit facilities and financial products offer an important boost to local productivity. By extending credit to micro and small providers, it is possible to generate a very positive environmental impact on a local cluster, such as a condominium building Green Microfinance.

Technology has played a key role in enabling green banking, use of online banking instead of branch banking. E-statements, E-greetings by eliminating dry waste, e-vigilance for dealing in complaints and vigilance products through e-network

Internal processes and formalization also play a key role in enabling access to a larger customer base before incurring unnecessary risk. By implementing new technology, especially mobile apps, increase use of core banking system, increase use of video conferences, offering centralized payment system

Empower customers with a simpler proposition, it can also improve its operational and risk efficiency, easily tracked, and must be contained in a simple and easy-to-use customer interface.

A well-constructed and implemented microfinance project can be a valuable tool to reduce negative social and environmental impacts, and increase investor profitability it pays to be green. However, without going too deeply into macroeconomic factors, microfinance operators do face a number of challenges.

One of the main difficulties is how to measure a project’s impact on a community or on the environment. One of the main efforts being made to tackle this issue is the joint effort from social investors and microfinance operators to standardize the way impact is measured in specific projects.
It forces operators to monitor and provide feedback on social and environmental factors, both at the strategic stage and in terms of the actual process, as well as providing information on corporate governance and internal policies. Generation of green power by installing windmills for captive use and sustain green banking system.

It also encourages microfinance institutions to build specific micro-metrics teams or departments, directly linked to board members and corporate governance policies, so that the data can be put to use in driving the company’s ongoing strategy.

Another issue is local regulations, which are normally politically charged, with big players wielding significant lobbying power, and economic instability exacerbating caution. When it comes to a broader microfinance project, a long-term approach needs to be considered and constant feedback is necessary to adjust policies in order to provide a business environment that fosters social and environmental impact in a sustainable and profitable way.

Of course, these hurdles are significant, but the benefits of microfinance are important enough that they must be surmounted. The innovative use of technology to plan, monitor and improve the success of projects can allow a dedicated provider to overcome almost any challenge. Providing environment-friendly rewards to the group members and enhancing ecological economy for the benefit of the entire world at large for a sustainable society.

References