Green Business Practices for Environmental Sustainability in Banking Sector

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**Abstract**

The days have gone when the only motive of all the organizations all over the world was earning profit. Nowadays, in the 21st century that we are living we are becoming more and more aware and concerned about our natural environment. As a result of this organisations have started modifying and are making changes in their work environment to achieve sustainability to the maximum extent possible. The need of protecting the environment and preserving natural resource is gaining more importance in all fields. Researches have been done all over the world to find advanced ways to attain the goal of sustainability. Green finance is defined as the monetary help that is given for those projects that pact with protection of environment, that minimises the effects of change in climate, that invests in renewable sources of energy, increases the green cover, and all other projects related to sustainable development. The concept is different from traditional method as it focuses on the benefits that comes from environment protection by considering the risk management plans and sustainability of the plans. This research paper considers the concepts of Sustainability, Green Banking and Green Business Practices and Role of green banking products and technology used for environmental sustainability. Green banks are those institutions that work to achieve a mission and use financing methods that are innovative to fight climate change. The main focus has been placed on the environmentally friendly practices and innovations used by banks that help in environmental sustainability as a part of Green Financing. Green Banking entails merging latest technologies and evolving consumer behaviour in banking industry. It also evaluates the benefits of using technology for promoting environmental sustainability with the help of existing literature and attempts to give new insight about Green Finance.

**Keywords- Green Banking, Green Environment, Environmental Sustainability, Risk Management, Green Business Practices**

**I. Introduction**

The world has been facing the problem of degradation of environment and balancing the economy. There has been a lot of debates in question so as to protect the environment and achieve sustainability all over the world. The organizations and consumers have nowadays much awareness on how the environment is becoming important so that human beings aware now about the importance of the environment for the subsistence of human beings. People have started paying attention to the green movement that helps in sustainability of the environment specially when talked in reference to banking sector. The green movement has gained popularity and is growing quickly in industrialised nations, but as time goes on, people on the Indian subcontinent are also becoming more open to the idea of being green (Biswas, M.N.,2011) With a recent concentration on the banking industry, green or environmental marketing is now a strategic marketing technique. Due to political and social constraints, profit-driven companies are now adopting green marketing tactics, and over time, they have used ecological concerns as a source of competitive advantage (BS. K,2013) Green and clean technologies strive to interact with functional areas of daily business operations of many organisations, including the banking sector, in order to identify this competitive advantage. One of the key financial industries that supports and is essential to a country's economic development is the banking sector. Being one of the crucial sources of funding for businesses, they may significantly contribute to the promotion of environmental sustainability by contributing money to investment projects that are socially and environmentally beneficial. For the sustainability of the environment, organisations in the banking sector are generally embracing green practises. The idea of "Green Banking" will be advantageous to the banking sector, the economy, and the environment. It will not only ensure that industries are greener in the future, but it will also make it easier to improve asset quality (Dipika,2015) Considering the benefit of going green the Indian banks have also adopted the ‘Green Banking’ approach in the past few years and taking various green initiatives on all possible scales to be more environmentally responsible. Various green banking products have been taken into consideration and looked upon for sustainability for example green securities, green investments, green insurance, green credit, green infrastructural bonds etc. The latest technology in the banking sector have been useful in developing these green banking products which in turn is in some way or the other promoting environmental sustainability. The 'Green Banking' strategy, however, differs from each other because they are at different stages of green marketing based on their approach to environmental sustainability.

As the need of protecting the environment and preserving natural resources is important in current scenario the stakeholders are much aware of this issue due to increase in the problems like ozone layer depletion, global warming, increasing pollution levels, cut-throat competition for scarce non-renewable sources of energy, and other environmental issues. Green finance intends to create a balance between nature and economics in this paper, an attempt has been made to evaluate the role of technology in promoting green banking products that subsequently leads to environmental sustainability.

**1.1 Sustainable Business**

Sustainable business refers to a business model that aims to create long-term value by considering and minimizing its impact on the environment, society, and economy. It involves integrating sustainable practices into all aspects of a business operations, including its supply chain, production processes, and product/service offerings. It requires asking the question, “How can you, as an entrepreneur, use your influence to help society in being more sustainable?”

The entire concept revolves around ‘doing more with less.'

 

Fig-1 (Sustainable Business)

**1.2 Environment sustainability**

The National Environmental Policy Act (NEPA) came in 2014 in the United States whose aim was promotion of welfare of the people and society and maintain harmony and coordination amongst man and natural surroundings so that the objective of economic and social welfare of the present and future generations can be fulfilled. The concept of environmental sustainability came up in 1969. Environmental Sustainability is defined as ‘the ability to preserve the things that are popular amongst the physical environment (natural and biological environments)'. It could be defined as ‘a condition of balance, resilience, and interconnectedness that allows human society to satisfy its needs while neither exceeding the capacity of its supporting ecosystems to continue to regenerate the services necessary to meet those needs nor by our actions diminishing biological diversity’. The aim and objective of Environmental system is to maintain and preserve global life support system all over the globe .In the developing country of the world like India and if we talk about the industrialized sector of this country the problems that are in sync with the environment have become very serious and crucial and their dependence on natural resources for the growth and development emphasize the need of implementing policy and plans for sustainable resource use. Environmental difficulties in India have gotten worse as a result of the country's poor environmental management system, increasing effects of industry, urbanisation, and population growth. Therefore, it is imperative that we use natural resources in a sustainable manner, i.e., by addressing current requirements in a way that also considers those of the next generation. 'Living well within the environment' is a clear definition of it.

 

 Figure-2 (Concepts of Environmental Sustainability)

 Source-Sustainability Social Economic Environmental - Bing images

**1.3 Green Banking**

The notion and term “green banking” was introduced in the year 2009 in Florida. And subsequently SBI one of the largest commercial banks in India was the first bank amongst all the banks that upheld greater environmental requirements and took the first step towards the "green banking" concept. Green banking is a sort of banking practice in which banks take the lead in societal daily activities by taking into account internal and external environmental sustainability. It takes into account every ecological and social component with the intention of protecting the environment and preserving natural resources. It is also called as ethical banking or sustainable banking. A "green bank" is one that promotes green technology in all aspects of its operations, whether they are internal to the bank or external to the environment, and helps reduce carbon footprints and promotes environmental management. (Bose et al, 2017). It is a form of banking that promotes the nation's economy's overall development and expansion (Jeucken & Bouma, 1999; UNEP FI, 2016). In order to advance towards sustainable practises, green banks incorporate social and economic considerations into their initiatives. (UNEP FI, 2011, 2017). Green banking is a standard banking system that considers all social and environmental factors in order to promote ecological sustainability and the optimal use of natural resources, according to the Indian Banks Association. (Scholtens, 2009; Lympero Poulos et al., 2012; Kumar & Prakash, 2018; Sahi & Pahuja, 2020). Hermes et al. (2005) said that Banks are incorporating social, governance, and environmental aspects into their fundamental strategy as they transition from conventional to sustainable practises. The idea of green corporate social responsibility in banking has been explained by Scholtens (2009), who also emphasises that a green bank offers savings accounts to stakeholders, guaranteeing that the deposits would finance sustainable projects. Development of green products such as green financial products, loans for renewable energies, greener technology, green lending, and environmental management techniques are considered part of bank green marketing, according to (Evangelions et al.,2009). This improves banks reputation and contribute towards sustainability. The banks are motivated and implements green and innovative strategies and starts investing so that environmental image gets improved so that they are better prepared for future challenges.

So, it can be said that Green Banking strategies involve use of eco-friendly practices within the banking organizations and also considering the environmental aspect of the projects while funding and investing in commercial projects.

 

Figure -3 (Concept of Green Banking)

Source https://www.bing.com/images/search?q=green+banking+&form=HDRSC3&first=1

* 1. **Sustainable Business Practices/Green Business Practices**

Green business practices in the banking sector refer to strategies and initiatives implemented by banks to promote environmentally sustainable practices. These practices aim to reduce the bank's ecological footprint, minimize adverse environmental impacts, and support the transition to a low-carbon economy.

 **Here are some key green business practices often observed in the banking sector:**

1.**Sustainable Financing**: Banks offer sustainable financing options, such as green loans or green mortgages, to fund environmentally friendly projects. These projects include renewable energy installations, energy-efficient buildings, sustainable agriculture, and eco-friendly technologies.

2. **Responsible Investment**: Banks incorporate environmental, social, and governance (ESG) factors into their investment decisions. By screening investments for sustainability criteria and supporting companies with strong ESG performance, banks contribute to a greener economy while managing risks and generating returns for their clients.

3. **Green Product Development:** Banks develop innovative financial products that encourage environmentally responsible behavior. For example, offering incentives for using electronic banking services, promoting paperless transactions, or launching green savings accounts that reward customers for supporting sustainable projects.

4. **Stakeholder Engagement:** Banks engage with customers, employees, and communities to raise awareness about environmental issues and promote sustainable practices. This is done through educational campaigns, partnerships with environmental organizations, or sponsoring initiatives aimed at combating climate change and protecting natural resources

5**. Energy Efficiency Measures:** Banks adopt energy-efficient practices within their own operations by optimizing energy consumption, implementing sustainable office spaces, and promoting renewable energy procurement. This help reduce the bank's environmental footprint and set an example for its stakeholders.

**II. Review of Literature**

A review of scholarly sources, such as books, journals, and theses, that are important to the research and that are relevant to a certain topic or research question aids in comprehending earlier research on the subject. It provides the framework for formulating and analysing the research problem, identifies the range and constraints of prior research, and provides information on areas that earlier researchers did not address.

**Dipika (2015) in her study on “**Green Banking in India: A Study of Various Strategies Adopted By Banks For Sustainable Development” researched how Indian banks create their green banking strategy.The difficulties in implementing green banking in India and the necessary steps for proper implementation were also taken into consideration. Exploratory research methodology was applied. Secondary data was used to collect data. According to the findings, "Green Banking" not only ensured the greening of sectors but also made it easier for banks to improve their asset quality in the future.

**Rambala Y et al. (2013)** in their research “Environmental sustainability through green banking: a study on private and public sector banks in India” examined several Green Banking strategies used by India's commercial and public sector banks to promote environmental sustainability. Also, the different phases of green marketing initiatives of the banks were categorized. The sample consisted of the top performing banks of the public sector and the private sector banks. Case study approach was used. The secondary method of data collection was used in this study. The findings showed that more focus on technology and innovations strive for a better future and enhance environmental sustainability. Also, public sector banks have taken more green banking initiatives as compared to private sector banks.

**Khairunnessa, F et al. (2021)** In their study “A Review of the Recent Developments of Green Banking in Bangladesh. *Sustainability*,” emphasized the part that regulators and financial regulation play in helping to green the financial industry. Additionally, it investigated how banks and other financial institutions aid in the shift to a green economy. The study was descriptive in nature and was founded on the analysis of secondary data. The study's findings showed that through enacting different green policies and regulatory measures, Bangladesh's central bank significantly contributed to the country's financial sector being more environmentally friendly.

**Mir A et al. (2022)** in their study on ‘Green banking and sustainability – a review” studied the methods of adoption and importance of practicing green banking. The role and contribution of banks in environmental sustainability was also focused upon. The study was conceptual in nature. Findings showed that banks played a vital role in the environment by assisting in the development of a robust and successful low-carbon economies.

**Sushma, B (2021)** in the study on “Green Finance – An Effective Tool to Sustainability” studied the various aspects of green financethat helps in attaining sustainability goals. The different types of green financing products were also identified. the benefits and limitations of green finance was also looked upon. The research paper was descriptive in nature. The data was collected from secondary sources collected through published sources such as reports, journals, research articles, and websites. Green financing through funding the projects aimed at achieving sustainable development and helped in creating harmony between the environment and finance.

**Kala N et al. (2020)** in their study “A Study on The Impact of Green Banking Practices on Bank’s Environmental Performance With Special Reference To Coimbatore” analysed the demographic profile of the bankers working in public and private sector banks . The data for the present study was collected using simple random sampling. Correlation and regression analysis was used to analyse the results of the study. According to the study, environmental training, energy-saving techniques, and green projects significantly affect banks' environmental performance.

**Sharma, D (2022)** in his study “Role Of Technology In Green Banking In India: An Emperical Study of Private Sector Banks.” highlighted the importance of technology in green banking in India. The study was conducted using survey method and random sampling method was used to collect the primary data. Factor analysis was done to get the end results. The study also highlighted that green banking had helped to enhance the environment along with supporting economic progress. In private sector banks, technology had also been a key and crucial part of green banking.

**Sharma, M & Choubey, A (2020)** in their study “Green banking initiatives: a qualitative study on Indian banking sector” proposed a conceptual model of green banking initiatives and its impact. The study was qualitative in nature having in-depth interviews. The results demonstrated that the banking industry was vital to the development of the green banking system by increasing the availability of financing and meeting the needs of the green economy.

**III. Objectives of Study**

1. To understand the concept of Inclusive and Sustainable Green Business
2. To identify Key Green Business Practices often observed in the banking sector for environmental sustainability.

**IV. Research methodology**

The present study has used exploratory research method. An in-depth literature review on Green Banking, Sustainable Green Business and Green Business Practices in the banking sector was done and future steps were taken to ensure environmental sustainability. The reports on green banking were examined from the bank sites and other internet sites and websites. Secondary data was collected through journals, articles, annual reports and online websites.

**V. Findings**

* Internet banking, mobile banking, phone banking and electronic cards are used an important source of delivery channels to reduce the use of paper in banking operations.
* There is reduction in the use of paper by adopting e-transactions. Advices to corporate customers are given and they are asked to refer to electronic statements.
* Various eco-friendly green banking efforts are being deployed, including solar-powered biometric ATMs, online banking, telebanking, and mobile banking.
* Banks have started making use of paperless banking and has become the largest financer for solar energy related projects.
* The bank is not extending any loan facilities to those units that are involved in producing and consuming Ozone depleting substances.
* The bank is encouraging green energy by financing biogas and wind mill projects.
* E-lounges for high-tech banking facilities like ATM, cash/cheque acceptor, passbook printing kiosk, internet banking, online trading and tele banking have been set up.
* The bank implemented e-governance for human resource management function and several other administrative areas to reduce the paperwork
* Green Home Loan Scheme: The new green home loan scheme, introduced by SBI, for instance, will support environmentally-friendly residential projects and offer various concessions
* State Bank of India has taken a major step towards paperless banking “green banking” by opening “Green Channel Counter” which allows deposits and remittance transactions to be made by using debit cards only without the use of paper by customers.
* Solar power ATM’s have been installed across different areas.

• The use of solar-powered ATMs, check-deposit machines, CFL lamps, rainwater harvesting, printing on both sides of the paper, immediate repair of any water leaks, purchase of multiple functional composite fax machines, use of master sensor/master switches for lights, fans, etc. are just a few of the actions that the banks have taken as part of their green initiatives.

• At a few ATM locations where power outages are frequent, the banks have additionally installed solar UPS.

**VI. Conclusion**

Green banking along with technology and innovations has helped to enhance the environment while also supporting economic progress. The majority of conventional banks were not in the favour to practise green banking or were reluctant to discover venture possibilities in an ecologically sustainable mannered industries or firms until recently. Indian Private Sector Banks lag considerably behind. If Indian banks want to access global markets and attain sustainability, they must realise their ecological as well as ethical obligations. Hence, these techniques and latest innovations have recently become increasingly common, not only among smaller alternatives and avenues but also across varied financial service providers, corporate finance organisations, as well as insurance firms. Furthermore, those industries that have already gone green, as well as those that are making genuine efforts to go green, should be given precedence in bank funding. The study concludes that technology had different role for green banking in private sector banks and public sector banks of India such as it helps the banks to provide online and digital services, it enhances the cost, help the bank being paperless and also it increases the efficiency and effectiveness of banking sector and help them in their green banking activities. It is also found that technology play a significant and important role in green banking.

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