

Green banking essay

[Finance](#), [Banks](#)



An Executive Development Program on ' Green Banking Initiative: Opportunities for Bangladesh' was organized by Islami Bank Bangladesh Ltd (IBBL) on September 28, 2010 at the Mohammad Yunus Auditorium of Islami Bank Tower in the city. Presided over by Mohammad Abdul Mannan, Managing Director of the Bank, Prof Dr Bandana Saha, Director General of Bangladesh Institute of Bank Management (BIBM) was present in the program as Chief Guest. The key discussion was presented by Dr Shah Md Ahsan Habib, Associate Prof and Director (Training) of BIBM.

The function was attended among others by Md Habibur Rahman and Md Setaur Rahman, Deputy Managing Directors, Nurul Islam Khalifa, Executive Vice President and Director General of Islami Bank Training and Research Academy (IBTRA), top executives, Incumbents of Dhaka City branches of the Bank. Professor Dr Bandana Saha in her speech as Chief Gust called upon the Banks to play pioneer role in planning, evaluation and implementation of sustainable development. She praised Islami Bank for taking initiatives to create awareness on Green Banking at different tyre of employees. gt; Mohammad Abdul Mannan in his Presidential Speech said that the idea of Green Banking is quite similar to the goals and objectives of Islami Bank. Since the very inception of the Bank, IBBL has been conducting diversified investment in financial upliftment of the deprived and downtrodden class of the society and development of the economy of the country as a whole for attaining welfare instead of manipulating profit. IBBL has been working as a partner of Green Banking initiative by investing in environment friendly projects and giving priority on social welfare in industrial investments.

Dr. Shah Md. Ahsan Habib in his keynote-paper focused and discussed on theoretical perspective and its multi dimension, worldwide diversified initiatives and its relevance and application in Bangladesh 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. Ideal Benefits of Green Banking: * Basically Ethical (Green) banking avoids as much paper work as possible and rely on online/electronic transactions for processing so that you get green credit cards and green mortgages. Less paperwork means less cutting of trees. * Creating awareness to business people about environmental and social responsibility enabling them to do a environmental friendly business practice. 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. * When you are awarded with a loan, the interest of that loan is comparatively less with normal banks because ethical banks give more importance to environmental friendly factors – ecological gains. Natural resources conservation is also one of the underlying principles in a green bank while assessing capital/operating loans to extracting/industrial business sector.

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. 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. 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. Green Banking isn't easily defined, but we will try. How about any form of banking that benefits the environment? A rather broad definition that works for us. Green banking can benefit the environment either by reducing the carbon footprint of consumers or banks. Either works. Same with paper.

Either a bank or a consumer can conserve paper and benefit the environment. Ideally, a green banking initiative will involve both. Online banking is an example of this. When a bank's customer go online, the environmental benefits work both ways. Other examples of what Green Bank Report considers forms of green banking on the consumer side include:

- Green Checking - converting checking accounts to online banking
- Green Money Market Accounts - converting savings accounts to online banking
- Green CDs - bonus rates for online banking
- Green Loans - better rates for energy-efficiency projects

Green Mortgages – better rates for energy-efficient houses Online Bill Payment Reward Checking Accounts <http://greenbankreport.com/eco-friendly-banking/what-is-green-banking/> For banking professionals green banking involves the tenets of sustainability, ethical lending, conservation and energy efficiency. Many banks are making dedicated efforts in their local community in these areas. In fact, every week another eco-friendly green banking initiative is announced. The question is..... Is your bank one of them? Source: greenbankreport.com (<http://s.tt/12gOs>) Green is good for you and the planet.

And banks big and small are increasingly offering green loans, sustainable certificates of deposit and paperless checking rewards that dish out discounts and fee breaks. The result: more green in your pocket. Green banking isn't just for tree huggers anymore. It's becoming mainstream as a way to make, save and lend money. " Customers want to make a difference in the environment," says Mike Jones, a spokesman for Citizens Bank in Providence, R. I. Green banks such as New Resource Bank in San Francisco, Green Bank in Houston and GreenChoice Bank in Chicago are springing up to offer a full menu of innovative green banking products, such as solar CDs and Energy Star mortgages. " We're an alternative to the big, money center banks," says Vincent Siciliano, CEO of New Resource Bank. But don't get blinded by green fever. Some green banking products, such as mortgages and home lines of credit, are complex and require piles of paperwork. And others, like sustainable CDs, invest in fledgling ventures that could go bust. It pays to read the fine print — but there are certainly opportunities out there

that are good for the planet and your pocketbook. Here are five green banking trends to jump on now.

Read more: 5 green banking tips to save the planet <http://www.bankrate.com/finance/savings/5-green-banking-tips-to-save-the-planet-1.aspx#ixzz1msnmyALx>

<http://www.bankrate.com/finance/savings/5-green-banking-tips-to-save-the-planet-1.aspx> About Green Banking Americans are starting to turn to eco-friendly banking as a way to help reduce the carbon footprint from their normal banking activities. This movement away from branch and paper banking is being led by green banks that believe in social responsibility.

The easiest way for you to bank green is to start using the online banking services that are available. Benefits of online banking include less paperwork, less mail and less driving to branch offices, which all have a positive impact on the environment. Interestingly, online banking can also increase the efficiency and profitability of a bank. A bank can lower their own costs that result from paper overload and bulk mailing fees as more customers use online banking. Green banking can also reduce the need for expensive branch banks and customer service representatives.

So if a bank is not yet utilizing green banking, shareholders of the bank may start asking.... why not? Banks can do much more to help the environment than just promote online banking. A truly green bank will reduce their carbon footprint by building more efficient branches, implementing energy-efficient operational procedures, offering transportation services for their employees, promoting sustainable banking and increasing their lending in environment-

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sensitive industries. Banks can also support eco-friendly groups and raise money for local environment initiatives.

Bank products and services can also reflect a green banking commitment.

Green Deposits: Banks can offer higher rates on CDs, money market accounts, checking accounts and savings account if customers opt to conduct their banking activities online. **Green Mortgages and Loans:** A bank can offer green mortgage with better rates or terms for energy efficient houses. Some green mortgages allow home buyers to add as much as an additional 15 percent of the price of their house into loans for upgrades including energy-efficient windows, solar panels, geo-thermal heating or water heaters.

The savings in monthly energy bills can offset the higher monthly mortgage payments and save money in the long run. The Energy Efficient Mortgage (EEM) is a type of HUD-approved green mortgage that will credit you for your home's energy efficiency in the mortgage itself. Many home improvements also qualify for the energy tax credit. Anyone undertaking an energy-saving house project, should shop around for a bank that offers a special rate for a green mortgage or loan. **Green Credit Cards:** A green credit card allows cardholders to earn rewards or points which can be redeemed for contributions to eco-friendly charitable organizations.

These cards offer an excellent incentive for consumers to use their green card for their expensive purchases. Imagine the millions of dollars that could be raised for worthwhile environmental groups if green credit cards really took off. **Green Reward Checking Accounts:** A bank product called a reward

checking accounts pays a bonus rate for customers who go green.

Customers can earn higher checking account rates if they meet monthly requirements that might include receiving electronic statements, paying bills online or using a debit or check card.

With this banking product higher rates and eco-friendly living go hand-in-hand. What can you do? Converting to online banking and mobile banking are two ways that you can do your part to bank green and help the environment. Green banking via your computer or cell phone includes setting up direct deposit to receive your paychecks, receiving electronic statements from your bank and paying bills online. All of these steps can drastically reduce the amount of paper produced by your bank. Online banking and mobile banking are also highly effective ways to keep track of your finances and to avoid late payment fees.

Another green banking step you can take is to suggest that the company you work for sign up for a product called “ Remote Deposit”. This service is offered by a growing number of banks to their commercial customers. Remote deposit is the digital scanning and processing of checks from your computer or smartphone. It is a convenient service without the paperwork and environmental costs associated with traditional branch deposits. Many banks claim to be eco-friendly, but in fact do little to support environment initiatives with the money you deposit with them.

Ask your local bank exactly how they support the environment before assuming that their self-anointed “ Green Bank” label is deserved. Chances are good that there is a bank in your local area that is more socially-

conscious than their competitors. If you open an account with that bank, then you are doing your part to support the environment. Finally, the more people who actively search for and support eco-friendly banks, the more competition for deposits will increase. This will help raise the awareness for green banking. Keep track of the latest news on green banking on MoneyRates.

Finding a greener bank MoneyRates is a good place to start your search for a greener bank. Many of the banks that post the highest CD rates are online-only banks or online divisions of FDIC-insured banks. Most of these banks offer the types of online and mobile banking services that are much more eco-friendly than traditional branch banking. You should also check a bank's website to see if they have any sustainability or green policies that they have implemented internally. Most banks that have made a green commitment will have detailed highlights on their site of their latest eco-friendly developments.

Finally, you should do a little research to see if a bank is active in their local community or in national green initiatives. Green banks are sometimes very active in promoting and sponsoring environmental projects. You may find a green bank that shares the same interests as you. If living green is important to you, where you bank should reflect that. The money that you keep on deposit can be used for useful green projects. Take the time to find a greener bank. <http://www.money-rates.com/basicguides/general-investment/greenbanking.htm>

Banks that were once seen only as profit motive institutions have been adjusting to a more demanding market and a more socially conscious society over the last two decades. Environmental concern is at the centre of the green banking strategy. An increasing number of global banks around the world are going green by launching environmental friendly initiatives and providing innovative green products. A green bank is also called ethical bank, environmentally responsible bank, socially responsible bank, or a sustainable bank, and is expected to consider all the social and environmental factors.

The approach to green banking varies from bank to bank. The broad objective of the banks are using their resources with responsibility, avoiding waste and giving priority to environment and society. The public concern at the state of the environment has been growing significantly in the last few years, mostly due to apparently unusual weather patterns, rising greenhouse gases, declining air quality etc. Banks hold a unique position in an economic system, and can affect production and businesses through their financing activities.

However, if green banking simply means incurring additional costs by a bank, it might never be accepted as common business practice by the global banking industry. Though, positive relationship between green banking strategy and profitability has not always been the case, there is evidence that socially and environmentally responsible banks can also be financially successful and have growth rates similar to, or even better than, those of

their conventional competitors. Moreover, banks that mainly do business with the depositors' money cannot avoid responsibility to the society.

It is well known that governments in different countries intervened to prevent banks using taxpayers' money in response to the 2008-09 banking crisis. When the common people take care of banks in their bad days, banks must be made responsible to take care of the society as well. As green initiatives sweep across the globe, more and more banks have been adopting green banking practices. Today, many banks are assessing environmental risk while selecting a project for financing. Even as the market slows in the face of economic upheaval, many banks are keeping a focus on green.

Banks have also further pledged their commitment to sustainability by signing on to initiatives like Equator Principles. The positive outcomes of these green initiatives are evident in many instances. However, these are the results of collective efforts. There is no doubt that the progress so far has been made possible because of the substantial efforts of all stakeholders, covering banks, policy makers, civil society organisations, international development and financial institutions, business entities and the common people (consumers).

The scope or coverage and benefits of green banking are by and large recognised. Green finance may cover all the financial services related to the promotion and development of green industry and green economy where the environmental benefits in terms of reduced carbon dependency or reduced ecological scarcity are the most significant. Green banking practices of banks

are connected with both internal operation and product ecology. The banking sector is generally perceived to be a relatively environment-friendly industry, however energy and water efficiency and waste education are of high concern for big banks. In response to that some banks are engaged in carbon offsetting, which refers to the effort of canceling out the climate-changing effects of its own greenhouse gas emissions. “ Product Ecology” is concerned with the impact of the product that is used by the banks’ clients. Banks, by using their commercial lending and securities underwriting, may catalyse the necessary transition to an economy that minimises greenhouse gas pollution and relies on energy efficiency.

The banking sector may also have significant impacts on biodiversity while providing financial support to high impact sectors such as forestry, mining, oil and gas, fisheries, and infrastructure. In project finance, banks may exercise their powers through assuming roles as environmental policeman to ensure that their borrowers comply with the environmental standards, and could enter into a partnership with different industries and encourage companies to be more sustainable. In the long run, the trend towards green banking will be largely driven by consumer behaviour.

Common people and consumers are becoming increasingly aware of the responsible behaviour of businesses. Consumers are calling on brands to take responsibility for reducing the impact of climate change as governments fail to make progress on the critical issue, according to a recent global study launched by Havas Media. In spite of the fact that the developed world is globally perceived to be the largest contributor to global

warming, the study highlights that consumers of developed countries demonstrate less concern as compared to that of the developing countries.

A lot more is expected from consumers for the betterment of environment and society. There is evidence that most consumers want to do the right thing, but if the process appears confusing or inconvenient they simply are not going to bother changing their banking habits. This is largely because consumers are not aware of how they can make a difference, and financial institutions have yet to find incentives that compel consumers to participate. NGOs have been watchdogs for the banks against financing dirty companies and contributing to environmental (and social) harm.

This is reflected in the release of the Collevocchio Declaration in 2003. Endorsed by over 200 civil society groups worldwide, the declaration calls on financial institutions to commitment to do no harm to the environment and society. Moreover, in most countries, governments and central banks have been undertaking initiatives and formulating guidelines and regulations to support green banking activities. Voluntary initiatives by a good number of business firms have also been working as complements to strictly regulatory approaches for environmental protection in some countries.

In response to the growing social and regulatory pressure, most big banks include green commitments in their manifestoes, however, in many instances the ground reality is different. For example, under Equator Principles, lenders promise to hold back from unsustainable development in emerging markets, such as logging in rain forests and strip mining. Some

signatory banks are still financing really controversial transactions.

Moreover, some relevant issues are complicated and yet to be settled.

Refusing to lend to “dirty” industries is one thing; making a commitment to clean up one’s own act is even harder. Sometimes it is difficult for the banks to balance environmental concerns and business demands. There is no doubt that the combined threats associated with climate change and biodiversity loss call for a deeper commitment of resources and investment from all stakeholders. In the endeavour of emission reduction and conservation, stakeholders have been contributing in different ways in different countries and regions.

Green banking is just one of the initiatives by stakeholder — banks and financial institutions. Regulatory enforcement by governments, pressure from the civil society and consumers, voluntary support, and responses by the business entities are preconditions for creating a congenial atmosphere for offering and accepting productive green banking services. A common platform or unique approach by the policy makers and civil society groups in all countries or regions would give the best result.

However, creating a common platform and launching a uniform approach would require major political effort by all global economies — a tough job.

<http://www.thedailystar.net/newDesign/news-details.php?nid=149676>

Green Banking Coverage includes 1. Sustainable banking 2. Ethical banking 3. Green mortgages 4. Green loan 5. Green credit cards 6. Green saving account 7. Green checking account 8. Green CDs 9. Green Money market account 10. Mobile Banking 11. Online Banking 12. Remote Deposit 13.

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Green Investment: The objective for the establishment of the Green Investment Bank is to fund renewable energy and low-carbon innovation projects. This is done through the construction of wind turbine farms, smart grids and other such renewable energy projects to raise equity for green investing. The focus of the said projects is to offer increasing number of job opportunities and other related business ventures in US. This is also formed due to US's performance which is behind its international rivals. Could green investment banking be the possible solution for US's needs?

Advantages There can be greater than \$3 trillion per annum worth raised through green technologies and services market in which US holds 5% of this market share. France and Germany helped in doubling this share in the market. Brazil generated half a million new jobs on green ethanol promotion while Germany raised about quarter a million on green investing sectors. Green investment banking will facilitate US's economy to recover while progressing on the road to a low-carbon economy in order to meet their obligations on the Kyoto treaty.

Eventually in the long run if GIB is funded sufficiently, it will compensate for the initial cost and will pay for itself several times over. It is a remarkable opportunity to boost up funds for projects crucially needed to undertake today's challenging climate change. Carbon Trust, the Energy Technologies Institute and many more are examples of the numerous sources of green funding government which do not coordinate with each other. The Green Investment Bank will take measures to resolve this by means of consolidating project and public funds. Disadvantages

Obtaining the source of the funds is one of the greatest unresolved issues faced by the Green Investment Bank. The government was to provide 1 billion pounds with the private sector matching this but to no avail is already quite uncertain of. The probable solution would be the funding from green bonds and ISAs and through adding tax to energy bills. These funding and structuring problems should be settled first before the bank can function properly. Investors are still not making any moves until they see the evidence that the ideas of GIB are brought to completion.

They are still considering the pattern on how the progress of the plan will work out. Another concern is that the bank is still uncertain of its focus objectives and could become just another public fund with capital under-deployed. The business model of the bank as of the moment suggests that it can't probably deliver large-scale investments. It is essential that the bank should work in parallel with other financial services moving towards delivering assistance to high-risk, high-gain green projects that are still not fully developed.