

**“AN OVERVIEW ON GREEN BANKING INITIATIVES IN INDIA”**

**HAILLY KUMARI**

**(Research Scholar)**

**University Department of Commerce & Business Management, Ranchi University, Ranchi**

**DR. PANKAJ KUMAR SHARMA**

**University Department of Commerce & Business Management, Ranchi University, Ranchi**

**ABSTRACT**

“Green Banking” is the new phenomenon in the financial world which concentrates on environmental and socially responsible investing. Green Banking is different from traditional banking as this concept focuses on promoting sustainable development in the country. Green Banking is also called as the ethical banking. “Green Banking” refers the Banking sector efforts to keep the environment green along with minimizing greenhouse effects by rationalizing the strategies, policies, and activities that pertains to banking services, business. For effective implementation of green banking, RBI and the Indian government should be play a major role in formulating green banking policy guidelines and financial incentive. This paper deals with the green banking initiatives and developments in the Indian banking sector.

**KEYWORDS:**

Green Banking, sustainable development, ethical banking, Indian banking initiatives, Traditional banking, online banking.

**INTRODUCTION**

“Earth provides enough to satisfy every man’s needs, but not every man’s greed” –*Mahatma Gandhi.*

“Look deep into nature, and then you will understand everything better”- *Albert Einstein*

The banking industry influences economic growth and development, both in terms of quality and quantity, leading to a change in the nature of economic growth. The concern for environmental sustainability by the banks has given rise to concept of Green Banking. The concept of “Green Banking” will be mutually beneficial to the banks, industries and the economy. Green financing is the part of green banking. Green banking means exercising environmental friendly practices and reducing the carbon footprints from our banking activities. Green banking aims at improving the operations and technology along with making the clients habits environment friendly in the banking business. It is like normal banking along with the consideration for social as well as environmental factors for protecting the environment. It is the way of conducting the banking business along with considering the social and environmental impacts of its activities. Green banking is also referred as sustainable banking or ethical banking as it ensures socially and eco-friendly banking activities. There is an urge to promote green banking practices so to tackle the problems like global warming, natural calamities, and disaster. By adopting green activities by banks there can be an influential change in the attitude of the customers towards the environment. Various international protocols such as UNEPFI, Equator Principles, and LEED certificates have been issued in order to facilitate green banking all over the world.

## **REVIEW LITERATURE**

The banking sector in India is the lifeline of the nation. In recent years Indian banks have witnessed the growing trend and have transformed its operational strategies to a large extent. The banking sector in India has gone through many challenges which include a shift in consumer behavior , technological changes, regulatory changes, etc. The Traditional Banking sector in India can be defined as the banks whose primarily activity is to accept and lend deposits. They perform the activity of transferring the household savings into the loans for fostering business. The main objective of traditional banking is to increase their financial leverage by incurring more and more profits without considering the negative impact of those activities on the economy and the environment. The major issue of traditional banking is that customer has to visit banks to carry out their banking activities within a specified working hours only. This consumes a lot of time of customers as it not only includes travelling but also compels them to stand in long queues to perform their transactions. Traditional banking involves a lot of paperwork to be done in order to perform banking functions which involves deforestation that

has an adverse impact on the environment. In order to expand their business and to increase operations, traditional bank requires a huge amount of human capital and involves a heavy cost of setting new infrastructure. Nowadays, as people of the country are precipitously and recklessly using the earth's natural resources, it has given rise to a new concept of "Green Banking". In era of NEP, global warming is becoming one of the major issues across the world. The effects of Global warming have found to be responsible for the destruction of the climate changes which have impacted the land, water and human resources of the world. As people of the society are becoming more concerned about the depletion of natural resources, organizations have started performing their corporate social responsibilities. They have started modifying their working techniques to maximize the greenery and to reduce the impact of their activities on the environment. Green Banking is also known as the eco-friendly banking, banking that aims to protect environment and reduce carbon footprints from banking activities. It encourages banks to carry out environment-friendly investments combining the operational improvements and technology know-how in banking business activities. **According to Indian Banks Association (IBA, 2014) "Green Bank 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"**.

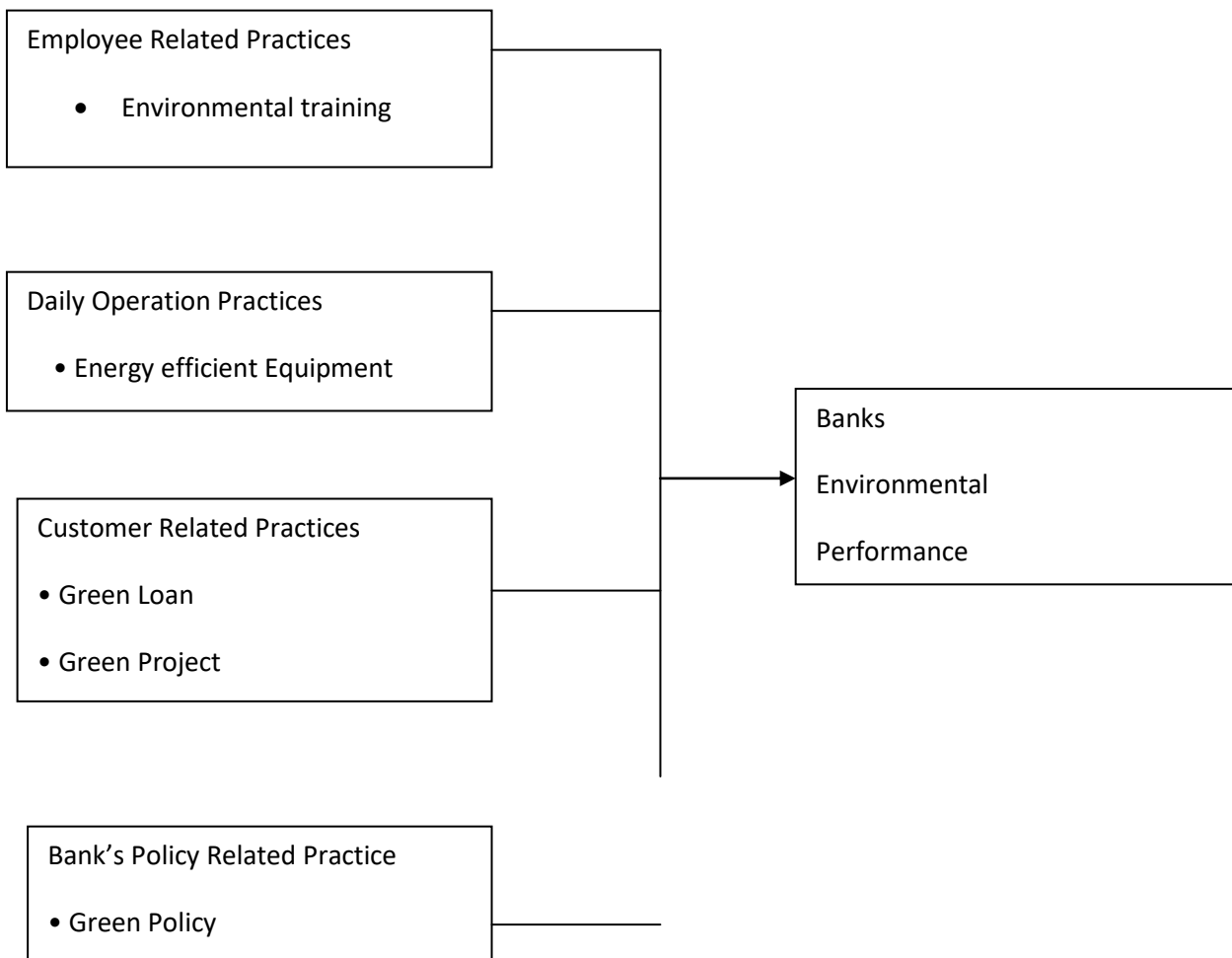
Green Banking has initiated priority lending to those industries that are already green or putting an effort to go green. The aim of going green increases the energy efficiency by use of biodegradable products. The performance of banks is dependent upon the performance of its clients. The banks needs a diligently check that the customer's projects are meeting all the legal and environmental compliances as failure can result in non-performing assets for banks. Banks have started providing services of online banking, phone banking, green loans, E-statements, E-payments etc. They have been promoting 24\*7 services to consumers. Banks have started providing various other services like online opening of bank accounts, online payment of bills, online investment, use of ATMs, online purchase of goods and services etc. Concept of Green Banking is at growing pace in India, it has also entered in various states of India. Private and Public Sector Banks across India has started providing Green Banking products and services to their customers thereby contributing to the concept of ethical banking. The study provides

awareness and perception about Green Banking activities among customers and bank employees of the nation.

**Schematic Diagram of Conceptual Framework (Shaumya & Anton Arulrajah, 2017)**

Independent variable

Dependent variable



**What is green banking?**

“Green Banking” itself initiates promoting environmental-friendly banking practices along with reducing carbon footprints from banking activities. Simply talking, it is a form of banking that ensures less utilization of natural resources as well as optimal reduction of wastage of paper or carbon footprint.

Green banking is being practiced by all banks, which consider all the social and environmental/ecological factors with an aim to protect the environment and conserve natural resources. Green banking practices are also labeled as “ethical banking” or a sustainable banking. The key idea behind this banking concept is to enhance the conservation of earth's environment/ habitats/resources.

### **How can it be done?**

1. Promoting the usage of online banking instead of branch banking.
2. Adopting the cashless modes of transaction.
3. Paying bills by using plastic cards or net banking.
4. Opening up Certificate of Deposits and money market accounts through online banking..
5. Enhancing the scale of operations using online modes.
6. Online and Mobile Banking Green credit and investment Green credit cards Green mortgages , Green deposit Account Waste management
7. Account Opening Cheque Clearing Issuance TT,DD.
8. Creating awareness to business people about environment and social responsibility.
9. Cash Deposits, Cash withdrawal Fund Transfer Balance Inquiry E-Payment

### **Green Process**

A Green Bank requires each of its functional units and activities to be green i.e. environmentally friendly and help to improve environmental sustainability (Al- Tekreeti, and Beheiry, 2016). Several opportunities are available for banks to green their functional units and activities. Key among them is:

- Applying Supply Chain Management
- Introduce paperless transactions
- Selecting vendors by the sustainability rating of their products, services.
- use networked design using a carbon footprint.
- Using techniques of workforce and optimization as intelligent device management.

- Adopting Customer Relationship Management.
- Using Product Life Cycle Management
- Implement effective systems for product end-of-life management so as to have minimal impact on the environment.
- Adopting Enterprise Resource Management.
- Design and offer banking products and services to reduce carbon footprint.
- minimize paper- based correspondences.
- Adopt plans to minimize inventory.

### **Why is green banking important?**

The banking and financial institutions are not directly responsible for the environmental degradation, but is also responsible in an indirect way. The online use of transactions, cashless modes of payment helps to reduce the use of paper thereby creating a control over deforestation and enhancing the eco-friendly climate or sustainable banking.



**Source:** Green Banking in Sustainable Growth

### **OBJECTIVES OF THE STUDY**

- a) To understand how green banking strategies has been developed by Indian banks.
- b) To find out the challenges in implementation of green banking in India.
- c) To find out the necessary steps taken for proper implementation of green banking in India.
- d) To analyze the importance of green banking in India.
- e) To examine the pros and cons relating to green banking in India.

### **STRATEGIES OF GREEN BANKING**

Green banking is adopted as business model for sustainable banking. Following strategies should be reflected in their banking business. They are as follows:

- **Paperless Banking:**

The banks are moving onto CBS or ATM platforms, or E-banking to provide electronic banking products and services so as to promote Paperless banking on a large scale. Private and foreign banks are using electronics for office activities but PSU banks are still using paper in huge quantity. The various online transactions are

- Paying bills online
- Remote deposit
- Online fund transfers
- Online statements.

- **Mass Transportation System:**

Banks to provide common transport or carpool system for groups of officials posted at one place of office.

- **Carbon Credit Business (CBS):**

All Nations must reduce the emission of greenhouse gases and also reduce carbon compounds to protect the surroundings and environment. These emissions must be certified by Certified Emission Reductions commonly known as carbon credit.

- **Energy Consciousness:**

Banks needs to install energy efficient equipment's in their office and transform into green banking in hardware, energy efficient technology products, waste management products. Banks can also donate energy saving equipment to schools and hospitals. Banks should use incandescent bulbs with LED bulbs.

- **Green Banking Financial Products:**



Banks can introduce innovative green based products or offer green loans at a cheaper rate of interest. Banks adopt green loans facility for Housing loans and Car loans because they constitute a main portfolio of all the banks.

- **Social Responsibility Services:**

Social responsibility services like tree plantation camps, maintenance of parks, go green camps and pollution checkup camps are initiated by Indian various banks.

- **Green Checking Accounts:**

Using online methods like ATM or online passbook, net banking etc. to examine the accounts is referred as green checking account.

- **Green Credit Cards:**

Using green credit cards that motivate non-profit NGO as bank will contribute fund to environment conservation.

- **Green Loans for Home Improvements:**

Providing loans at cheaper rate or allowing differential interest loans to customers for purchasing houses.

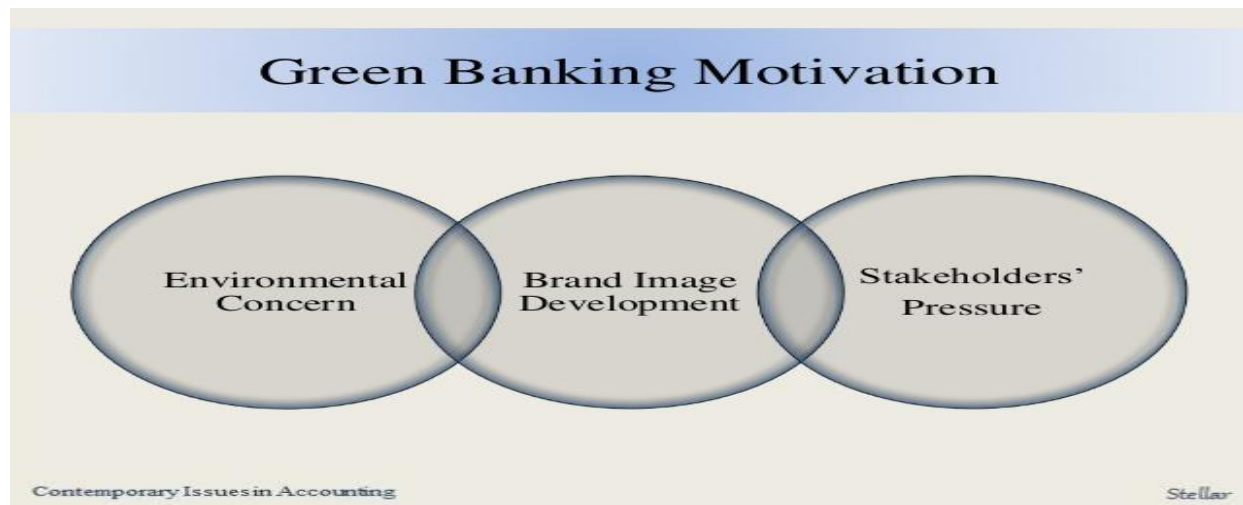


## **Green banking Initiatives in India**

The Reserve Bank of India document titled 'Policy Environment' dated 8th November, 2010 includes on Pages No. 56 and 57 a reference to Green Banking and Green IT initiatives for banks in India. Banks in India too are adopting Corporate Social Responsibility (CSR) and concerned about the protection of environment. Paper work is being reduced enormously at various levels by bankers and customers. Along with providing of on- site and off-site ATMs, some banks have also undergone ahead with innovative ideas like installing Bio-metric ATMs, Solar-based ATMs, White-labelled ATMs, Brown ATMs, SMS alerts, Mobile Banking etc. for the convenience of their customers [Ashok Singh (2010)]. Green Banking facility not only reduces environmental pollution, but also these initiatives help the banks in reducing their cost of operations and delays as a result customer satisfaction increases on a large scale. There are various banks in India that provide green banking services to their customers. They are as follows:

### **State Bank of India:**

SBI-First bank in India that has launched green banking policy and set up windmills in Tamil Nadu, Maharashtra and Gujarat in generating 15MW power.SBI has also planned to install an additional 20 MW capacity of windmills in Gujarat soon and touch 100 MW power generation through windmills within five years, windmills are set up with a definite objective of reducing the dependence on the polluting thermal power and not on purely economic or business consideration. SBI is promoting green power projects.SBI is also offering green home loans by adopting green banking policy. .Export Import Bank of India (EXIM) and SBI entered into an agreement to jointly provide long term loans up to 14 years to Spain based company A stonfield Renewable Resources and Grupo T-Solar Global SA for building solar plant in India (Yadav & Pathak, 2013).SBI has become a signatory to the Carbon Disclosure Project in which they take various environmentally and socially sustainable initiatives through its branches spread across the length and breadth of the country.SBI has launched Green Channel Counter (GCC) facility at their branches in 2010 to change the traditional way of paper based banking(SBI, 2014).



### **Punjab National Bank:**

– According to Corporate Social Responsibility Report 2010-11 (PNB, 2011), Punjab National Bank had taken tremendous steps for reducing harmful emission and energy consumption. PNB is conducting Electricity Audit energy conservation initiative and also maintained a separate audit sheet for assessing the impact of green banking initiatives taken by them. These bank had organized more than 290 Tree Plantation Drives. It started emphasizing on green building practices such as energy efficient lights, immediate repair of water leakage, printing on both sides of paper, mater sensors for lights, fans, etc. PNB had signed a 'Green Pledge' with Ministry of New and Renewable energy under which they had set up the butterfly park at the compound of Guruvayur temple which houses 18 types of medicinal plants. They had taken various other steps for reducing emission and energy consumption. They had formulated guidelines to ensure that all the necessary approvals and permissions, including from Pollution Control Board has been obtained before disbursement of term loans and for the project loans, compliance with environment and social safeguards. It has sanctioned nine wind energy projects with an aggregation limit of 185.81 crores and they was also awarded with a second prize for 'Best Wind Energy Power Financer' by wind power India 2011.

### **Bank of Baroda:**

According to annual report of BOB (2013), They had taken various green banking initiatives such as while financing a commercial project. BOB is giving preference to environment friendly green projects such as windmills, biomass and solar power projects which help in earning the

carbon credits. They organization had made considerable changes in their lending policy, i.e. it is compulsory for industries to obtain 'No Objection Certificate' from the Pollution Control Board. They have stopped issuing any finance to environmental hazardous industries who are using ozone depletion substances. They have also increased the installation of ATM's in most of uncovered areas so as to maintain clean environment by reducing transportation. Bank of Baroda has also enhanced technological initiatives by compliance with e-business guidelines, use of internet banking.

#### **Canara Bank:**

According to Canara Bank (2013), the bank had taken many green initiatives such as: green banking initiative, the bank had adopted environmental friendly measures like mobile banking, internet banking, telebanking, solar powered biometric operations etc. Canara banks are giving preference and weightage to projects which can earn carbon credits like solar energy projects, windmills, etc. The bank is also not issuing any finance to the units that are prone to produce ozone depletion substances such as chlorofluorocarbons, carbon tetrachloride, aerosol products, solvents etc.

#### **ICICI Bank Ltd:**

ICICI bank had started 'Go Green' initiative which involves activities like Green products/offerings, Green engagement and green communication with customers. ICICI Bank (2014):- The bank is offering green products and services like (i) Instabanking: - It is a service that provides convenience to the customers to perform banking anytime anywhere through internet banking, mobile banking, IVR banking. This reduces the carbon footprint as customers need not require the physical statement or travel to the bank branches. They are offering 50% waiver on processing fee of auto loans on the car models which uses alternate sources of energy like the Tata Indica CNG, Reva electric cars, Civic Hybrid of Honda, Mahindra Logan CNG versions, Omni and Versa and Hyundai's Santro Eco, Maruti's LPG version of Maruti 800,. The bank had reduced the processing fee for the LEED certified building purchasers. The bank always insists on online funds transfer, online bill payment, subscription to e-statements which promote 'paperless' and 'commute free' modes of banking transactions.

#### **HDFC Bank Ltd:**

HDFC bank is taking up various measures for reducing their carbon footprints in waste management, paper use and energy efficiencies. HDFC Bank (2013):- The bank is encouraging their customers and employees to prevent any wasteful use of natural resources and emission of Greenhouse gasses. They are reducing the use of paper through issuing e-transaction. The bank is also promoting energy conservation by replacing conventional lighting with CFL .They also manage their waste by tying up with vendors for recycling of paper and plastic.

**Kotak Mahindra Bank:**

Through the ‘Think Green’ initiative this bank had taken several initiatives such as to reduce the paper consumption and encouraging their customers to sign for e-statements and they had become partners with ‘Grow- Trees.com’ to plant one sapling for every e-statement on behalf of its customers. . The organization had established the ‘Social, Environmental Management System Plan’ (SEMSP) to evaluate the environmental and social risk of borrowers which is based on an IFC sustainable framework and performance standards. They had made it mandatory for a company to obtain ‘No Objection Certificate’ (NOC) from the state pollution control board before establishing the enterprise.

**IndusInd Bank:**

It has initiated its Green Office Project under which it had installed solar powered ATMs in different cities targeting energy saving as well as reducing CO2 emissions.

**YES Bank:**

It has projects portfolio in areas of clean Technologies and alternative energy.

**HSBC Group:**

The purposes of the targets are to drive efficiency, reduce its operational impact on the environment and generate cost savings. HSBC has separate targets for data center, paper consumption and business air travel.

**IDBI:**

IDBI Bank is providing various services in the field of Clean Development Mechanisms (CDM) to its client.

**Publication dates of green banking adopted in Indian banks**

Green Banking implementation year	Names of the banks operating in India
1996	Union Bank Of India
2003	Citi Group INC, HSBC, ING Vyasa, RBS, Royal bank Of Canada, Syndicate Bank, Statndard Chartered
2005	Yes bank, Corporation Bank
2006	Bank Of America, JP Morgan
2007	ICICI, OBC, SBI
2008	Bank Of Baroda, Karnataka Bank, IndustrialBank, Dena Bank
2009	HDFC, Indian Overseas, Indusland Bank, PNB, ABN Amro, Karur Vyasa, Andhra bank
2010	Axis bank, Kotak Mahndra, South Indian Bank
2011	Canara Bank, IDBI, EXIM
2013	IDFC

**RISKS IN GREEN BANKING:**

Green banking is very important in mitigating risks involving in banks:

**Credit Risk:**

Due to climate change and global warming there are direct as well as indirect costs to banks. It is observed that due to global warming there had been condition which affects the economic assets financed by the banks thereby leading to high probability of credit default. Credit risk affects the companies whose business is highly affected due to environmental regulation changes.

### **Legal risk:**

Like other business enterprises banks too face legal risk and failure to comply the environmental regulation is subjected to fines, compensation against damages etc. They also face risks of direct lender liability for cleanup cost for damages in case they actually take possession of pollution causing assets.

### **Reputation Risk:**

Banks also face the problem of reputation risk if their actions are directly or indirectly viewed as environmentally or socially damaging, this is due to increasing environmental awareness. Financing of environmentally objectionable projects or environmentally undesirable projects creates reputation risk.

### **SUGGESTIONS:**

Following are the suggestions that can be practiced by the banks for efficient implementation of green banking in India. They are as follows:

- a) Reducing Carbon footprint by saving energy and paper.
- b) Introducing different kinds of electronic banking for the ease of customers
- c) Promoting environment friendly rewards to customers.
- d) Promoting awareness about green banking through their website.
- e) Social Responsibility services to be taken by banks.
- f) Financing more and more environment-friendly projects.
- g) Generating customer's awareness using media.
- h) Training and development of relevant skills within bank employees so that they can use this skill in favor of promoting sustainable banking or environmental friendly banking.

## **Conclusion**

In this rapid 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. Banks need to adopt morality of sustainability, sociality and responsibility to the business model, strategy and formulation for products and services, operations and financing activities. This concept of "Green Banking" will be mutually beneficial to the banks, customers industries and the economy. 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 is an initiative taken by banks to promote environment-friendly investment. Green banking involves usage of green channel counters, online banking, e-statement, mobile banking, solar ATMs, green loans, etc. Green banking deals with promoting environmental-friendly practices along with reducing the carbon footprint from banking activities for enhancing sustainable banking. Green Banking has been boosting the economic growth by seeking investment opportunities in environmental-friendly business or sector. Green banking is a proactive and smart way of thinking towards future sustainability by minimizing carbon compounds. "Green Banking" not only ensures the greening of the industries but also helps to facilitate improvement in the asset quality of the banks. There are significant amount of opportunities and challenges for Indian banks adopting 'Green Banking' as profitable business but apart from this it needs successful implementation in order to make India free from pollution such as carbon compounds and explore pollution free sustainable economy .

None of the Indian banks, are signatory to the UNEP Financial Initiative statement, neither had adopted equator principle. As far as green banking is concerned, India's banks and financial institutions are running behind time. It's high time that India takes major actions to gradually adhere to the equator principles-guidelines that uses environment-sensitive parameters. Indian banks have a great desire to enter global economy, and in order to fulfill this want it needs to recognize and forcefully implement their environmental as well as social responsibilities. The banking sector as well other financial sectors should make efforts for sustainable development by



introducing Green Banking so as minimize the carbon compounds emission and also lead India to platform of environmental friendly environment by adopting sustainable banking.

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