

“A Study of Indian Green Banking”

Jivika Bhatija

Address: 1525/D Home Science College road, opposite Ashish Hospital Napier Town Jabalpur, (M.P.) Pin Code: 482001
E-mail: jivikabhatija91@gmail.com

Abstract—Globalization and Industrialization has led to various luxuries and comfort in our life, but has also on the other hand, have led to various destructions and alarming situations to the environment. To curtail the harming effects on environment every sector is working for a sustainable environment which not only includes the industrial sector but, banks have also taken initiatives to go green.

The banking sector act as an economic agent, influencing the overall industrial activities and economic growth. Green banking is an emerging concept in which there are green banks which are initiating this new notion. Green banks are like normal banks, their main motive is to conserve the natural resources and protect the environment in the best possible way. Banks play the key role for the industrial and economic development, thus banks should go green and hence play a pro-active role to take environmental and ecological aspects as a part of their daily lending techniques of working. Green banks take into consideration all the factors prevailing which includes environmental, social and ecological factors etc.. Green banking will help in initiating sustainable activities for the environment by mandating industries to invest in environmental management, with effective and efficient use of resources. The paper states the emerging concept of green banking and the various steps taken by Indian green banks. This study helps us find the growth of such green banks and their acceptance in the society.

Keyword : Green banks, environment and sustainability etc.

1. INTRODUCTION

The Banking industry plays a crucial role in the growth and development of a country directly or indirectly. With the growing environmental issues banks are following the concept of “GO GREEN”. As banks may not be polluting the environment directly but indirectly they are associated with companies or investment agencies that are creating pollution and harming the environment to a greater extent.

Green Banking is a new notion prevailing in the environment. It is an upbeat, proactive and smart approach of thinking with a vision for future sustainability. Green banking also known as ethical banking which is building advancement though its profit margins are far beneath than the other commercial banks. Our SBI in India has also gone with an operational segment of green banking.

Green banking focuses on thinking about economics; business and finance in a new fashion taking into account the

sustainable factors. Its victory would be greater if the world governments cooperate more and start revising the economic parameters from being 'monetary economics' to 'ecological economics' and begin to transform their accounting principles from purely being financial into ecological/operational energy accounting patterns.

Benefiting the new age of banking, green banks promote environment and social responsibility. Green banks consider all the required factors before lending or considering any loan. Hence loan is granted by analyzing and checking that the project is environment friendly or not. All the required safety standards are been taken care and further followed accordingly.

In the development of any country industrial sector plays an important role, and for boosting up the industrial sectors banks act as a major source of finance. Hence, in controlling or monitoring the environmental damage, banks are extremely important. Green banks have the same controlling authorities as other commercial banks but they have a different motive towards taking care of all the environmental factors and issues associated with it.

Key aspects of Green Banking:

- Green banking aims at avoidance of as much paper work as possible and relies on online/electronic transactions for processing so that you get green credit cards. Less paperwork means less cutting of trees.
- Bringing attentiveness to business people about environmental and social responsibility encouraging them to indulge into ethical and eco-friendly business practice.
- Natural resources conservation is also one of the underlying principles in a green bank while assessing capital/operating loans to extracting/industrial business sector.
- When green banks provide loans to their customers, the interest of that loan is relatively less with normal banks because these green ethical banks grant more significance to environmental factors and ecological gains.
- Green banks follow environmental standards for lending, which is really a proactive idea that would enable eco-

friendly business practices which would benefit our future generations

2. LITERATURE REVIEW

According to Indian Banks Association (IBA, 2014) "Green Bank is like a normal bank, which considers all the social and environmental factors with an aim to protect the environment and conserve natural resources". It is also known as ethical bank or sustainable bank.

John F. Kennedy "The supreme reality of our time is... the vulnerability of our Planet."

Goyal & Joshi (2011) in their study "A study of Social and Ethical issues in Banking Industry" highlighted social and ethical issues such as social Banking, ethical Banking, green Banking and rural Banking, which facilitate the achievement of sustainable development of banking and finance. They concluded that banks can act as a socially and ethically oriented organization by disbursement of loan only to those organizations which have environmental concerns.

3. OBJECTIVES OF THE STUDY

- To study the green banking concept.
- To study the implementation of green banking.
- To identify the necessary steps to create awareness about green banking.
- To identify steps taken by Indian Banks.

3.1 Research Design

- Type of the study: Descriptive study.
- Sample Design: Public and Private Banks.
- Sample design: Convenient sample.
- Type of Data: Secondary data

3.2 Limitation

This study has several limitations. Limitations of this study may open opportunities for advanced research in the near future.

- 1) This research paper consists of only few banks.
- 2) Only secondary data has been taken for the study.
- 3) Grouping and sub grouping of data has been done as per the requirement of the study.
- 4) Only public and private banks is done and foreign banks are being ignored.

Why is Concept Green banking Important?

Banks and financial institutions play a foremost and influential role in these global efforts to make our planet a better place to

live in. Even though, banks are considered environmental friendly and do not impact on environment greatly through their own internal operations, in terms of emission and pollution, but their "external" impact on the environment through their customers activities is substantial. Therefore, the banking sector can act as an agent between economic development and environmental protection, for promoting environmentally sustainable and socially responsible investment, banking of this kind can be termed as "Green Banking".

But how this green banking can be done?

- Many banks are encouraging the usage of online banking and discouraging branch banking.
- Banks are promoting online payment of bills.
- They are educating their customers to focus on online transactions.

Phases of green marketing

In an article mentioned that Green Marketing has evolved through three phases namely:

- The First Age: "Ecological" Green Marketing.
- The Second Age: "Environmental" Green Marketing.
- The Third Age: "Sustainable" Green Marketing.

Peattie (2001) (International Journal of Interdisciplinary and Multidisciplinary Studies (IJIMS), 2015, Vol 2, No.4, 17-26. 21)

'Ecological' Green Marketing: The First Age

(a) This phase sought to identify the products, companies or industries which were having a direct negative impact on the environment. These were mainly front line industries such as automobiles, oil & refineries etc.

(b) Providing immediate solutions to specific „environment problems" caused by these industries.

(c) "End of pipe" improvements were used by the organizations. For example: Water treatment plant used in industries.

(d) The first age resulted into increasing amount of environmental regulation within the legal environment.

'Environmental' Green Marketing: The Second Age

(a) The second stage witnessed a gradual shift from „end of pipe" pollution clean-up towards clean technology. The focus was on innovation, either to design innovative products or services which eliminate waste and pollution at the designing stage.

(b) The second age was not only focused to front line industries but also starts considering all manners of products

used in homes along with service sectors such as banking and tourism.

(c) The phase evolved the concept of „Green Consumers“ and also resulted in recycled packaging, packaged food goods with environmental claim, moving from litter to landfill. This becomes “Win-Win” situation for an organization where they can improve their environmental performance and may be benefited from increased consumer demand of green products.

Towards the Third Age: Sustainable Green Marketing

It started addressing green marketing not just in term of environmental damage and competitive advantage, but in pursuit of sustainability.

(a) This phase created the need of including sustainability in the system along with already established economic and social system.

(b) The third age i.e. sustainability is based on three main components that are futurity, equity and emphasis on needs respectively.

Steps implemented by green banks

- **GO ONLINE** - On-line banking is a fast growing concept in young corporate India. With the on-line concept there is a lot of conservation of energy and natural resources. Thus it includes
 - Paying Bills Online.
 - Remote Deposit.
 - Online funds transfer.
- With the help of these activities one can save expenditure of nature resources , save paper and energy etc.
- Customers also save money by avoiding late payments of fees, standing in queue for hours for your turn.
- Banks have started ATM’s to use GREEN Check accounts for eco-friendly purpose.

Accordingly Ginovsky (2009) had emphasized that in order to implement ecologically friendly practices, banks should launch new banking products which promotes the sustainable practices and also needs to restructure their back office operations. The author suggested some strategies which bank should follow to go for green banking:

- Use of paperless banking which results in reducing the carbon footprint from internal banking operations and cost saving to bank;
- Adoption of Green Street lending, which means offering low rate of interest to consumers and businesses for installing solar energy systems and energy-saving equipments.

According to Dharwal & Agarwal (2013) green banking is a key in mitigating the credit risk, legal risk and reputation risk. The author had suggested some green banking strategies like carbon credit business, green financial products, green mortgages, carbon footprint reduction, energy consciousness, green buildings and social responsibility services towards the society.

However, most banks were doing „Single Bottom Analysis“ i.e. they were only considering financial performance of borrowers, but instead they should do „Triple Bottom Analysis“ i.e. analyzing the environmental and social performances as well.

Green banking initiatives by Indian banks

Public Sector Banks

- **State Bank of India (SBI)** - On the occasion of State Bank Day, the bank had launched 'Green Channel Counter' (GCC) facility on 1st July 2010 at 57 selected branches spread across the country and the same was expanded to more than 14,981 branches in 2014. This is a pioneering concept which is eco-friendly and convenient. SBI became the first bank in the country to venture into generation of green power by installing windmills for captive use in 2010. As part of its green banking initiative, SBI installed 10 windmills with an aggregate capacity of 15 MW in the states of Tamilnadu, Maharashtra and Gujarat.
- **Punjab National Bank** - The bank introduced Green Banking by completing transformation into Core Banking Solutions (CBS) Banking. Bank has started using energy efficient appliances & conducting the electricity auditing of their offices. The bank introduced e-solutions by paperless dealings in complaint & vigilance procedures by a speedier communication system through e-network which drastically cuts down cost & time. The bank has introduced “Green practices” to conserve resources “Green audit” of all functional units to sensitize the staff towards sustainable practices.
- **Bank of Baroda** - The bank gives a due weightage while financing commercial projects, to green projects such as windmills and solar power projects which helps in earning the carbon credit. International Journal of Interdisciplinary and Multidisciplinary Studies (IJIMS), 2015, Vol 2, No.4, 17-26. 22 The bank insisted to implement water treatment plant and obtain NOC from central/ state government pollution control board while lending the loan to manufacturing units. Bank has adopted environment friendly systems and technologies in the design of the newData Centre. Bank got Banking

Technology Excellence Award 2013 among PSBs by IDRBT in 2014. Bank has constructed buildings at Varanasi and Jaipur equipped with ultra-modern gadgets and systems as per green building norms. As a part of green initiative Bank has availed the services of a reputed company that is engaged in planting trees.

Private Sector Banks

- **ICICI Bank Ltd**- Eco-Friendly Vehicle Finance - As an initiative towards more environment friendly way of life, ICICI Bank offers 50% waiver on Auto Loans'' processing fee on car models which use alternate mode of energy. ICICI Bank has initiated a program to sensitize corporate bodies, institutions, banks and government agencies involved in project planning on issues like biodiversity, wildlife habitats and environmental laws. As part of the Banks Go Green initiative, about 294 rural low cost branches have been fitted with solar panels, with a plan to extend the same to 122 more branches by July 2015. International Journal of Interdisciplinary and Multidisciplinary Studies (IJIMS), 2015, Vol 2, No.4, 17-26. 23
- **HDFC Bank Ltd** - HDFC bank has incorporated environment friendly features in to their infrastructure which involve water management, energy conservation, air quality management etc. Phase-out policy – Replacing inefficient lighting options with LED lights in large offices Use of Central Pollution Control Board (CPCB) compliant diesel gen-sets server and desktop virtualization reducing power consumption. Establishment of multiple alternate service points to enable transactions in a paperless environment. Employee awareness campaigns to promote environment friendly practices.
- **Axis Bank Ltd** - The bank is actively engaged in funding clean technology, renewable energy and other energy efficiency projects. Bank has successfully negotiated a line of credit of US\$ 70 million from international finance corporation (IFC) to facilitate funding of eco-friendly projects in 2014. Building energy efficiency is an important aspect of the bank green initiative. E-waste is disposed through government approves agencies. Recycling initiative under the Green Banking banner that helped the bank productively use around 21572 kilograms of dry waste during the year. Launched a plant-a-sapling initiative, in which the bank planted over 1 lakh saplings in year 2014 at over a thousand locations across the country.

4. CONCLUSIONS

- Green banking is not restricted to only an environment friendly approach rather it has got lots of benefits like
 - Reduction in risk as well as cost of bank.
 - Enhancement of banks reputation.
 - Greater contribution in sustainability of the environment.
- Green banking severs both the commercial as well as corporate social objectives.

5. SUGGESTIONS

- All the banks need to adhere to all the strict laws and stringent policies.
- Banks have to follow and apply morals of sustainable environment and should create such business models which are responsible to conserve and protect the environment.
- Banks need to be more updated with the global environment and try to adapt their techniques to be further more sustainable.
- Banks need to engage with key stakeholders and create awareness of environmental issues and their impact on the economy, the environment and the society.
- Set SMART (Specific, Measurable, Attainable, Realistic, and Timely) green goals as the internal targets to reduce carbon footprint along with timelines.
- Conduct energy audits and review equipments purchases and disposal policies.
- Monitor the progress regularly; watch industry trends and new developments. Revise the green policy as required.
- Banks can focus on green buildings across its branches to implement ecological friendly practices.
- Banks can support projects ranging from community clean-ups to national initiatives on climate change, water, air, biodiversity and more.
- Banks can introduce green funds for customers who would like to invest in environment-friendly projects.

REFERENCES AND BIBLIOGRAPHY

- [1] Suresh Chandra bihari and Bhawna pandey. IBS (International Journal of Business Insights & Transformation) "Green Banking in India" Oct 2010- Mar 2011, Vol.4 Issue 1.
- [2] Kanak Tara, Souma Singh, Ritesh Kumar (Green Banking for environmental management : A paradigm Shift)). ISSN : 0973-4929.

-
- [3] , Pravakar Sahoo, Bibhu Prasad Nayak. Green banking in India’ Insitute of economic growth university of Delhi enclave north campus delhi.
- [4] Suresh Chandra bihari abnd Bhawna pandey. Green banking in India, IBS (Jornal of Economics and International Finance).
- [5] International Journal of Interdisciplinary and Multidisciplinary Studies (IJIMS), 2015, Vol 2, No.4, 17-26. 22
- [6] Dr. Sarita bahl.”The role of green banking in sustainable growth” (International journal of marketing, financial services & management research) vol.1 no. 2, february 2012, issn 2277 3622
- [7] Dr. Nishikant jha and shraddha bhome ’A study of green banking trends in India (International monthly refereed journal of research in management & technology) 127 issn – 2320-0073
- [8] Ms. Neetu sharma, Ms. Sarika k, “ A study on customer’s awareness on green banking initiativesin selected public and private sector banks with special reference to mumbai”*International business research conference indian education society’s management college and research centre