

GREEN BANKING IN INDIA : A REVIEW OF LITERATURE

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ABSTRACT

In the eco friendly society “Go Green” mantra has become relevant in each and every aspect of business. There is a wave of change with all business activities to not only focus on profit but also on people and planet. Due to surroundings consciousness and awareness businesses can no longer run after profits only. There is a move towards green economy and in every sphere organizations have to be environmentally sensitive. One such area is Green Banking. **Green banking** is a **bank**, which considers all the social and environmental and ecological factors with an aim to protect the environment and conserve natural resources. Banking industry is generally not considered as polluting industry. But it influences the environment in terms of increasing energy consumption (lighting, air conditioning), paper consumption. This paper attempts to conduct a review of literature on Green Banking and find the major problems in implementation of this green phenomenon. The study highlights lack of consumer awareness and education as a major obstacle. Public sector banks are keener in implementing green practices as compared to private banks. SBI is taken as a case to show what all steps banks can take to face the green challenges. only.

Keywords : Carbon footprints, Green Banking, Lending Principle, Net Banking, Sustainability

1. Introduction

With growing consciousness and environment awareness businesses can no longer run after profits only. It will be risky for them to neglect the concern for the society and the environment. Green movement for guard of environment has brought about a change in the way business is managed. There is a change towards green economy where each and everyone be its customer, employees, employer or general public are concerned about the environment. They wish to involve one in environment friendly green practices has expanded to the organizations also. Sustainability is the vital issue. In this new era it becomes essential to address the green issues. Now each success is required to be environmentally responsible. Green is the word now 'Green Computing', 'Green Banking', 'Green Strategic Management' and soon.

In the environment sociable society “Go Green”

mantra has become relevant in each and every aspect of business. There is a trend of change with all business activities to not only focus on profit but also on people and planet. With the moving consumer hope, severer environment regulation, compliance requirements even the banking sector cannot escape this wave. of change

Objectives :

The objective of the paper is to study the green attitude in banking. The study includes following aspects.

- To understand the Concept of Green Banking.
- To understand the Essentials of Green Banking
- To study different Avenues of Green Banking.
- Review of existing Literature

What Exactly Green Banking is?

Green banking is like a normal bank, which consider all the social and environmental/ecological factors with an intend to look after the environment and conserve natural resources. It is also called as an ethical

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bank or a sustainable bank and thereby reducing internal and external carbon ways. Banking industry is generally not considered as contaminating industry. But it impacts the atmosphere in terms of increasing energy consumption (lighting, air conditioning), paper consumption. A broader view of this is that Banking is an industry that handles cash, credit, and other financial transactions. Banks provide a secure place to accumulate extra cash and credit. They bid savings accounts, certificates of deposit, and checking accounts. Banks use these deposits to make loans. Banks are a sources of funds. So they can contribute to environment by safeguarding environmentally responsible investment and a carefully evaluated lending.

Green Banking therefore covers two aspects. The first one being judicious use of all resources, liveliness and reducing carbon footpaths and second being encouraging and financing only environment friendly investment. So Green Banking is not only about making sustainable use of resources but also about environment friendly exemption of credit. A suitable analysis of all projects that are financed in terms of environment is another major element of Green Banking.

State Bank of India, India's largest commercial bank, took the lead in setting high sustainability standards and ended the first step in its 'Green Banking' offer with Shri O.P.Bhatt, Chairman, SBI had taken initiative and inaugurated the bank's first Wind farm project which is situated in Coimbatore. Currently Green Banking initiatives consist of a push for solar powered ATM'S , paper less banking for customers, clean energy projects and the building of Wind mills in rural India. SBI is a head in Green Banking.

Seeing the nature of banking processes and infrastructures, this report offers guidelines for green banking in two levels.

Making everyday business actions, banking products and services greener by following simple practices and making them ecologically friendly.

Making IT infrastructure (including data center) and physical infrastructure (including buildings) greener and taking initiative so that a bank could itself make electricity for its own consumption

4. WWhy Green Banking?

In this fast moving environment the reasons for moving towards green mantra in banking sectors: Going green provides good advantage. Consumers are more concerned in environment friendly goods and services.

The wave of globalization has enlarged consciousness of stakeholders and they now choose for environment friendly investment.

Stricter government regulations are in place now. Government agencies demand a greater disclosure.

So because of all these banks are required to manage their day- day operations considering the environment impact and also finance only those alternatives which are having a positive impact on the world.**5. Major Avenues of Green Banking**

The major avenues of Green Banking are :

- **Green Process** refers to measures to eliminate the environmental load in such areas as resources input, chemical substances use and energy consumption to the greatest extent possible from all the **processes** involved in manufacturing the Group's products.
- Few among these are paperless transaction, maintaining contacts with customer through online means, offering banking products in a way to have minimal environmental impact.
- Green Products and Services like electronic banking, electronic paperless statements etc.
- A **green strategy** fundamentally helps an project make decisions that have a positive impact on the environment.

6. Review of Literature

Green Banking aims at greener and a clean future. As stated earlier what is desirable in context of this new concept is consumer alertness.

Ahmad, Tofayel & Uddin, Rahat & Jahan, Munira& Noor, Ayasha (2014), in their research study named "Intranet, A New Approach For Communication - Green Banking Aspects in Bangladesh Bank", introduced a new secured approach called "Intranet" for intercommunications and other different purposes for the employees of Bangladesh Bank (BB), which is the Central Bank of Bangladesh to propagates the concept of paperless Banking. With a view of collecting right

information for right people at the right time, BB is being developed as knowledge management information base by sharing and reusing information. It improves the overall productivity of the organization by allowing faster information access and helping the management to make quick decisions to take actions. BB intranet is beneficial from different perspectives; mainly it helps in handling day to day activities in very short span of time. Further, it gathers the economic and financial news from various sources and shows the economy of the country in a graphical manner with the help of graphs and charts.

It has organizational phone index, organizational chart, publications and some user interactive flows like survey, question and answer which is done by employees. Some workflows such as leave application, document management system, e- voting system, meeting room booking, transport requisition, mailing facility and all links to in-house running applications and digital version of paper forms which are used by employees. So BB employee could access personal information related to educational, training, transfer, posting, promotion, leave, a loan advance and other official information from the central database through an intranet. After its successful implementation, the central bank has introduced the concept of Green Banking such as paperless banking in banking sectors of Bangladesh thus reducing paper use. This paper concluded by mentioning barrier for using intranet system and remedies for it.

A report presented by **Alexander, Kern (2014)** has triggered a deeper reflection amongst financial policymakers and regulators concerning the relevance of systemic environmental risks to Banking sector stability. This report explored the proof relating to the question of whether systemic environmental risks and Banking sector stability are related. It examined how Basel III currently addressed systemic environmental risks. It also consider what other financial policy options are available outside of Basel III. This included an examination of the utility of certain other monetary policy measures and the use of innovative financial instruments – such as 'Green' asset-backed securities (ABS) – to enhance the flow of bank funds to environmentally sustainable economic activity. The report is based on research that involved interviews and written questionnaires for practitioners in

the Banking industry, bank regulators from selected developed and emerging-market economies, officials from international organizations, and representatives from non-governmental organisations

GREEN BANKING INITIATIVES IN INDIA

From the experiential study, it is found that following are some of the steps that can be taken for going green in banking

1. **Go Online :-** Online banking is the mounting concept in young and corporate India. . Online Banking includes: a. Paying bills online, b. Remote deposit, c. Online fund transfers and d. Online statements. It creates savings from less paper, less energy, and less expenditure of natural resources from banking actions. Customers can save money by avoiding late payments of fees and save time by avoiding standing to queue and paying the bill from home online.
2. **Use Green Checking Accounts :-** Customers can confirm their accounts on ATM or special touch screens in the banks can be called as green checking of account. Using a green checking account help the environment by utilizing more online banking services including online bill payment, debit cards, and online statements.
3. **Use Green Loans for Home Improvements :-** The Ministry of Non-renewable Resource in association with some nationalized and scheduled banks undertake an proposal to go green by paying low interest loans to the customers who would like to purchase solar equipments. The rate of interest is as low as 4% p.a. . The innovative Green Home Loan Scheme from SBI, for instance, will hold environmentally friendly residential projects and propose various concessions. These loans will be approved for projects rated by the Indian Green Building Council (IGBC)
4. **Power Savings Equipments :-** Banks can directly contributed to scheming climate change and as an primary step they plan to start a campaign to replace all fused GSL bulbs, in all owned premises offices and residential.
5. **Use Green Credit Cards :-** Some of the banks introduce Green Credit Card. . The benefit of

using a green credit card is that banks will contribute funds to an environment – friendly non-profit organization from every rupee you spend on your credit card to a worth while cause of environment shelter.

6. **Use of Solar and Wind Energy :-** Using solar and wind energy is one of the fine cause for going green. State Bank of India (SBI) has turn into the first bank in the country to venture into generation of green power by installing windmills for captive employ. As part of its green banking proposal, SBI has installed 10 windmills with an aggregate capacity of 15 MW in the states of Tamil Nadu, Maharashtra and Gujarat.
7. **Mobile Banking :-** Mobile banking is tricky. On the one hand, it is huge to have the ability to check balances, transfer funds or pay bills from you phone. On the other hand, it save time and energy of the customers. It also help in reducing use of energy and paper of the bank..Such paper-less facility had been introduced by most of the banks.

SEVERAL INITIATIVES TAKEN BY DIFFERENT BANKS IN INDIA

Green Banking at RBI :

According to sources, The Reserve Bank of India (RBI) is functioning on a formation for standardizing green bond issuances and financing issues, to align India with other nations that already has such rules, .A part of Green Practices, RBI has issued strategy for banks to take practical steps for increasing the use of electronic payment systems, elimination of post- dated cheques in their day-to-day business transactions. On behalf of this, other banks such as NABARD, SIDBI, EXIM Bank etc would take up the e-governance initiative in a practical manner. Through these initiatives, it is estimated that on one hand, the quality and efficiency of the service delivery will improve and on the other banks will gradually move towards less paper based transactions.

Green Banking at SBI :

In order to encourage Paperless Green Banking for deposit, withdrawal & remittance SBI has started “Green Channel Counter” on 1st July 2010. In this customer need not fill up any pay in slips or draw cheques for depositing or withdrawing money from their accounts, saving paper

and thereby causative to the concept of green banking. Green Homes scheme has been introduced by Banks. Under this scheme, the bank is offering concessions such as reduced margin, low interest rate and zero processing fees on home loans for environment friendly residential projects rated by the Indian Green Building Council (IGBC). The bank has also launch a loan product called 'Carbon Credit Plus' to finance the future Clean Development Mechanism (CDM) projects.

Green Banking at Central Bank :

Central Bank of India launched “Go Green” Campaign for its customers with a purpose to promote Green Banking which is Paperless & Queue less Banking. In this, Customers is motivated to opt for E statements, use internet banking & use E- Voucher machine for transactions.

Green Banking at HDFC Bank

HDFC bank has included 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 genets' server and desktop virtualization falling power consumption. Establishment of multiple interchange service points to enable transactions in paperless environment. Employee awareness campaigns to promote environment friendly practices.

Green Banking Products :

1. **Green Loans**
2. **Green Mortgages**
3. **Green Credit Cards**
4. **Green Saving Accounts**
5. **Mobile banking and online banking**

Green Banking-Challenges :

Following Challenges are face by banks while adopting green banking practices :

1. High operating cost

Green bank requires brilliant and experienced staff to provide proper services to customers. Experienced loan officers are needed further experience in dealing with green business and customers.

2. Reputational Risk

If banks are involved in those projects which are

destructing the environment they are prove to loss of their reputations.

3. Diversification Problem

Green banks limit their business transaction to those business entities who succeed screening process done by green banks. With limited number of customers they will have a minor base to support them.

4. Startup face

Happening green commercial , several banks are new and are in start up face, generally it takes 3 to 4 years for a bank to start making money thus it does not help banks recession

5. Credit Risk

Credit arises due to lending to those customers whose business are affected by the cost of pollution, change in environmental guideline and new requirements of emission level. It is high due to likelihood of customers failure to pay as a result of uncalculated expenses for capital investment in production facilities, loss of market share and third party claims.

Other Reasons

1. Lack of RBI mandates as main barrier to adopting sustainability.
2. Majority of banks recognized 'risk of failure of business to peers'.
3. Unavailability of skilled employees.
4. Insufficient budget to train employees.
5. Complex reporting framework
6. Lack of concern shown by customers and investors

Suggestions and Recommendations :

- Construct a Website and Spread the News.
- Instruct through the Bank's Intranet and Public Website.
- Participate in Events.
- Set up outlets to promote green business.
- Communicate through the Press.
- Disseminate info through Leaflets.
- Social Responsibility services done by banks.
- Carbon footprint reduction by energy consciousness.
- Carbon footprint reduction by mass transportation.
- Impart education through E-learning Programmes.

8. Conclusion

Green banking, if implement sincerely opens up new markets and avenues for product differentiation. As initially, these commitments will root a huge financial burden for Indian banks. Recently our Indian Banking sector takes step forward to initiate to such type of banks. For efficient adoption of green banking, the RBI and the Indian government should play a major role and formulate green policy guidelines and financial incentive. Sustainable employ of resources but also adopting green lending principles. The review of literature conducted reveal that what is missing in context of implementation of Green Banking is the level of consumer attentiveness and education. For the green initiatives proper training and educational programs by banks will actually make Green Banking a success.

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