

## Green Banking in India - A Review

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### ABSTRACT

Go green has become an important aspect of every industry and sustainability reporting has become a responsibility of every business, though profit maximization is the primary objective, many companies believe in Eco friendly environment operation. Technology has brought tremendous change, it has made both positive and negative impact on every sector and banking sector is the most dynamic in technological transformation. Information technology is one of the most important facilitator for transformation of Indian banking in terms of its transactions processing as well as for various other internal systems and processes. Green banking is an emerging concept for environmental sustainability which means promoting environment friendly practices for sustainable growth and reduces the carbon footprint from the banking industry. Green banking is considered as one of the tools for ensuring sustainable development where economic activity will not have any negative impact on the environment. Though it is believed that banking sector does not harm the environment but it impacts the environment in terms of excessive paper work, energy consumption such as lighting, air conditioning, etc, Green banking is all about going beyond to keep the world Eco environment without any significant damage. And this study is an attempt to understand the concept of Green banking and also to review the research carried in this field.

**KEYWORDS:** Technology, Go green, Green Banking, Environmental Sustainability, Indian Banking

### INTRODUCTION

Every sector of the economy is responsible for sustainable development by shifting their focus from traditional bottom line approach of profit to the approach of triple bottom reporting where the focus lies on people, planet and profit which protects the interest of society, environment and economy.

Banking is the most important sector of any economy because it connects the most with government and public at large and Banks plays an important role in the growth and development of any nation, a healthy banking system means the path for progress both economically and socially and banks are also major economic agents influencing the industries for lending and financing and as society is more concerned about environmental issues, there is a need for banks to adopt green strategies in to their operations. Banks and all the financial institutions are focusing on the environmental sustainability with the purpose of fulfilling the dual role. The first role is to work towards ethically and socially responsible banking and second as an important role of their corporate social responsibility. Banks have realized the importance of triple bottom line in their day to day functioning hence their main motive of profit has now shifted towards three Ps which includes people, planet and profit. And this theme has worked as a drive towards 'Green Banking' concept.

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### Green Banking

Green banking can be defined as the efforts by banks to ensure environmental sustainability where the bank directs its core operation towards the benefits of environment. Green banking is the initiative by banks to encourage eco friendly investment and to finance those industries which have already turned green or trying to go green to contribute to environmental sustainability and it also means that efficient and effective use of computers, printers and servers to optimize the use of energy and reduce paper work.

This concept of "Green Banking" would be mutually beneficial to the banks, industries and the economy. Green banking will also ensure the greening of the industries and it will also facilitate in improving the asset quality of the banks in future.

One of the important ways in which banks can implement green banking is by promoting the use of online banking among customers. Online banking helps reduce paperwork and the need to travel to bank branches. This positively impacts the environment. This facility is beneficial for banks, as it reduces operational costs and increases efficiency.

Banks have been using lighting, air conditioning, electronic equipments, IT, high paper wastage in massive proportion. The resultant internal carbon footprint can be reduced through the use of renewable energy, automation and other measures. On the other hand, banks can reduce external carbon emission by financing projects and companies that

are working for pollution reduction and adopting green technologies. Providing loans to firms that have concern for environment would ensure proper utilization of natural resources and green banking avoids paper work and contributes to lower the cutting of trees. It makes the corporate world aware about environmental and social responsibility and thereby contributes to handing over a good environment to the upcoming generation.

Banks must restrict loans to businesses which might cause environmental degradation. Banks can deny loans to businesses that aim high profits by degrading the environment. The nature of business and its impact on the environment should be carefully considered before approving business loans. On the other hand, banks can offer low-interest loans to businesses that are environment friendly. In this way, banks can play a key role in promoting secondary source of energy like solar energy or bio gas energy.

### Channels of Green banking

- **Green Mortgages:** In general Green mortgages also known as Energy Efficient Mortgages (EEM'S), provide retail customers with considerably low interest rates compare market rates for clients who purchase new energy efficient homes or invest in retrofits, energy efficient appliances or green power.
- **Online Banking:** Online banking, also known as internet banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website.
- **Remote Deposit Capture:** Remote deposit capture (RDC) is a system that allows a customer to scan cheques remotely and transmit the cheques images to a bank for deposit, usually via an encrypted Internet connection. When the bank receives a cheque image from the customer, it posts the deposit to the customer's account and makes the funds available based upon the customer's particular availability schedule.
- **Green Car Loans:** Many green car loans encourage the purchase of cars for below market interest rates, which demonstrate higher fuel efficiency.
- **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.
- **Saving of paper:** Banks should purchase recycled paper products with highest post- customer waste content. This includes monthly statements, ATM receipts, annual reports, envelopes etc.
- **Mobile banking:** By using it customer can check balances, transfer funds or pay bills from the phone. It also helps to save time and energy of the customers.
- **Cash deposit machines:** This allows customers to directly deposit cash at ATM without visiting banks which saves time, saves cost and lots of paperwork.

### Green banking initiatives by Indian Commercial banks

#### ➤ **State Bank of India:**

SBI has launched green banking policy and set up windmills in Tamil Nadu, Maharashtra and Gujarat in generating 15MW power. This is the first bank in India which is in green banking and promoting green power projects.

#### ➤ **Punjab National Bank:**

They had taken various steps for reducing emission and energy consumption.

#### ➤ **Bank of Baroda:**

They had taken various green banking initiatives such as 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.

#### ➤ **Canara Bank:**

As a part of green banking initiative it had adopted environmental friendly measures such as mobile banking, internet banking and solar powered biometric operations.

#### ➤ **ICICI Bank Ltd:**

ICICI bank had started 'Go Green' initiative which involves activities like Green products/offers, Green engagement and green communication with customers.

#### ➤ **HDFC Bank Ltd:**

HDFC bank is taking up various measures for reducing their carbon footprints in waste management, paper use and energy efficiencies.

#### ➤ **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 the areas of alternative energy and cleans Technologies.

#### ➤ **HSBC Group:**

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

#### ➤ **IDBI:**

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

### Objectives

- 1) To understand green banking and its application in Indian commercial banks.
- 2) To succinctly review the research on green banking.
- 3) To know the further scope for research in the field.

**Scope**

The study covers only the aspects of understanding green banking, its application in Indian commercial banks and brief review of recent research in the field.

The study is descriptive and review in nature, it reviews the literature on the basis of secondary data obtained from sources such as articles, research papers, official websites of the banks. 10 recent papers are randomly selected to review the contribution of research in the field of green banking.

**Methodology**

Findings from the articles				
Sl/no	Article	Objectives	Findings	Conclusion
1	Green banking practices-A Review	To highlight green rating standards given by RBI and world bank on environmental norms	Various standards set by RBI and World bank Initiatives taken by top public and private sector banks	Green Banks are at start up mode in India. They should expand the use of environment information in their business operation, credit extension and investment decisions. The endeavour will help them proactively to improve their environmental performance and creating long term values for business.
		To highlight the initiatives taken by public and private sector banks in adoption of green banking practices	Banks should change routine operation by going green LEED certified buildings should be adopted	
		To enlist the significant strategies for adoption of green banking	Invest in sustainable products and services	
			Adopting environmental standards	
2	A study on green banking trends in India	To understand how Indian banks are responding to environmental turbulence	Detail understanding of various green banking products and services such as online SB account, paperless statement, direct deposits, online bill payments net banking, mobile banking, EFT, etc	Green banking is a way of cautioning people about global warming and it contributes to environment and makes this world a better place to survive. This will benefit banks, industries and ensure overall development.
		To provide an overview of actions in view of go green banking adoptions and its advantages		
3	Sustainability green banking approach-Need of the hour	To highlight major benefits, address the challenges and strategies aspects of green banking	Green banking is in initial phases	No bank has adopted equator principles, hence banks should adopt the principles which use environmental sensitive parameter and banks must be very seriously concerned about sustainability. The proper policies governing environmental sustainability is the need of hour and entire financial system and sector must ensure successful adoption of green banking.
			Green banking requires special skilled which may give rise in cost	
		To present the status of Indian banks in practice of green banking	Banks needs environment management system and environmental risk guidelines	
			Highlighted the role of government in influencing green banking	
4	Green banking: As initiative for sustainable development	To highlight means of creating awareness in internal as well as external system among target groups	Tried to understand effective methods of green banking such as paperless banking, energy consciousness, mass transportation system, green building, etc	Green banking will provide tremendous opportunities for Indian banks from funding sustainable projects to offering innovative products and services. Commitment from green banking will cause huge financial burden for India. RBI and Indian Government should play proactive role and formulate green banking
			Need of creating awareness through websites and press	
		To enumerate effective	Need of E-Learning programmes	



		methods of green banking	Disclosure of Environmental reports	policy guidelines and Indian Banks should adopt green banking without much delay
5	Role of green banking in sustainable development of India	To understand the role of green banking in sustainable development of country	Detail analysis of role of green banking in sustainable growth and also the opportunities were highlighted.	The disastrous impact of recent storms, flood, draught and high temperature is a caution for all of us to think seriously about global warming and its possible impact on environment. Government, people and business organisations must play a major role and in particular financial institution has greater role to play in creating low carbon economy. Green banking will definitely benefit banks, industries, government and environment as a whole.
		To highlight the initiatives taken by Indian banks to make them go green	Initiatives taken by Indian Public and private sector banks as a part of green banking such as Instabanking, vehicle financing, carbon footprints calculator.	
		To discuss various strategies used by different banks in India as a part of green banking	Need of recognising and rewarding environmental conscious financial institutions	
		To find opportunities available to banks in this area	IRDA may come up with green insurance	
6	Green banking: perception and willingness of customers to adopt green banking	To analyze the perception of customers towards adoption of green banking	Banks with the help of central bank are working effectively and efficiently for the successful practice of green banking.	The technological up gradation in the name of green banking has made positive impact to customers, banking industry and economy. The young generation is more aware of green banking and now there is a need of creating awareness among the aged population and also to ensure security as these are more concerned about the same. The banks, customers and authorities must work for better impact of green banking and it can really be a tool for better customer satisfaction.
			Young generation is more willing to practice green banking	
		To study customers satisfaction level towards the adoption of green banking	Importance of providing training to employees and conducting seminar to impart knowledge of green banking.	
			Role of Government in building better infrastructure.	
7	Role of green banking in environment sustainability-A study of selected commercial banks in Himachal Pradesh	To identify various initiatives taken towards green banking and environmental sustainability by commercial banks in India	SBI has upper hand in taking initiatives for practice of green banking	Banks are taking new initiatives and promoting different green banking products. Banks should also adopt environment friendly practices which ensure the efficient use of resources. The bank employees should consider the green banking initiatives as their responsibility and banking sector is the backbone of the nation hence it is important for the banking sector to make sure it is a major global corporate citizen by ensuring environmental safety through green banking.
			This is the best time to make compulsory adoption of green banking as large group of customers are computer literates.	
		To conduct SWOC analysis of green banking practices of the commercial banks	Customers may take time to usage of green banking products and services	
			The technology required under green banking may be costly	
			Data privacy in the hands of banks can be a challenge	
			Need of training to employees for better implementation of green banking	

8	Green banking practices in Indian banks	To make an attempt to highlight major benefits and challenges of green banking for Indian banks	Green banking reduces paper work which in turn ensures less cutting of trees and that creates awareness about environment and social responsibility	Banks are responsible corporate citizens and they believe that every green step taken today would go a long way in building green future. In this regard banks must work towards better global environment. Possible policies and initiatives to promote green banking. Banks are running short of time and every bank must think about sustainable growth of nation by adopting green banking.
		To present the status of Indian banks in adoption of green banking	Green banking benefits future generation by ensuring eco-friendly banking. It gives ecological gains	
		To find ways of going green through green banking	It is proactive and smart way of thinking with a vision for future sustainability.	
9	Green banking: As banks initiative for sustainable development	To know the importance of green banking	Need of developing websites and spread news.	Banking is getting more and more popularity all over the world, green banking could not be a good profit avenue but it has great potential to gain market share and sustainable profits in future. It can be a way to reduce pollution and save environment aiding sustainable growth.
		To identify steps necessary to adopt green banking	Importance of educating through banks internet and public websites.	
		To identify initiatives taken by banks for sustainable development	Communication through press	
		To know the challenges and benefits of green banking	The operating expenses would increase with adoption of green banking Green banking fulfils social responsibility	
10	Green banking for environmental management -A paradigm shift	To discuss green banking and sustainability	The case study of SBI and ICICI has been highlighted about the application of Green banking	It is very important to the banks to be pro active and accelerate the rate of growth of the economy as there is continues change in environment leading to face intense competition in global market. The banks needs to adhere to the strategies, public policies and strict laws and banks should add morality of sustainability and responsibility. It is important that Indian banks gets addict to green banking.
		To highlight stages, initiatives, benefits and future of green banking	Reduction in transaction cost by going green	
			Competition edge through innovation in products and services	
		To discuss the laws and guidelines which governs environmental conservation and sustainability in green banking	Better risk management which builds good images	
			Helps in recovery of financial loans Convenient to both bank and customers	

## Conclusion

Banks have understood the importance and need of environmental sustainability along with economic progress of nation. Learning from their western counterparts the banks in India are also adopting environmental safety measures in their day to day operation and playing an important role in maintaining the ecological balance. The time demands banks to focus on initiatives such as creating awareness and helping smaller firms to change their process so they can be more environment friendly in nature which in turn widespread the concept of environmental sustainability. Green banking is the corporate social responsibility of every bank and must needs to set continues efforts and adopt

sustainable practices in all spheres of banking operation and work closely with stakeholders to adopt successful green banking practices.

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