



A Study on Green Banking in India – an Overview

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ABSTRACT

"Green Banking" refers to the efforts of the Banking sector to keep the environment green and to minimize greenhouse effects through rationalizing their strategies, policy, decisions and activities pertaining to banking service, business and in-house operational activities. The Green Banking challenges are identified high operational cost, reputational risk, diversification risk, startup face and credit risk. For effective adoption of green banking, the RBI and the Indian government should play a major role and formulate green policy guidelines and financial incentive. This paper deals with the green initiatives and developments in the Indian banking sector

KEYWORDS : Green Banking, sustainable Banking, Indian Banks Initiatives,

Introduction

Global warming is increasing becoming a national and international concern since last few years. In Today's World, every institution is trying to reduce carbon footprint & in a low carbon economy there will be lot of challenges and opportunities for the banks. "Green Banking" refers to the efforts of the Banking sector to keep the environment green and to minimize greenhouse effects through rationalizing their strategies, policy, decisions and activities pertaining to banking service, business and in-house operational activities. Global environmental problems of natural resources, pollution, population growth, energy shortage, greenhouse effect, effluents, have affected our ecological balance. Green Banking has become a buzz word in today's banking world. The banking and financial sector should be made to work for sustainable development. Eventhough, they have started adopting green practices, but still a lot of channels are unutilized by the Indian banks for greening their activities. This paper deals with the green initiatives and developments in the Indian banking sector.

Green bank is like a normal bank, which considers all the social & environmental factors, it is also called as an ethical bank. With an aim to reduce external carbon emission, banks should finance that projects which are considered to be environmental friendly it means promoting environmental-friendly practices and reducing your carbon footprint from your banking activities.

Objectives of this study

- To study the concept of 'Green Bank'.
- To Green Banking initiatives by various banks and
- To suggest ways to promote Green Banking in India

Literature Review

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.

Bihari (2011) clarified that banks should consider before financing a project whether that project is environment friendly or not and has any future implication on environment in future. As a part of the society it is banks' corporate social responsibility.

Bahl, & Sarita (2012), conducted an empirical study "Green Banking-The new Strategic Imperative" on public sector banks and collected manager's views on green banking financial products, carbon footprint reduction by paperless banking, carbon footprint reduction by energy consciousness, green building and social responsibility service.

es. They found that carbon footprint reduction by green building had been given top priority in green banking strategies.

Dr.Nishikant Jha et al. had conducted research on A study of Green Banking Trends in India and highlighted some steps for going green banking such as go online, use green checking accounts, use green loans for home improvements, use power saving equipments, use green credit cards, mobile banking.

According to RBI (IRDBT, 2014), green banking is to make internal bank processes, physical infrastructure and IT infrastructure as effective and efficient as possible, with zero or minimal impact on the environment.

Vikas Nath et al.(2014) had an international experience ,review about Green Banking Practices and concluded that the banks should change their routine operations through the adoption of paperless banking, online banking, mobile banking, mass transportation system, green cards made up of recycled plastic and efficient use of resources. Banks should start investigate in low carbon technologies and develop new sustainable products and services that will mitigate the risk of climate change.

Research Methodology

This paper reviews the literature on the basis of secondary data collected from various sources such as articles, research papers, annual reports, sustainability reports, banking official websites.

Green Banking Initiatives by Indian Banks RBI

A part of Green Practices, RBI has issued guidelines for banks to take proactive steps for increasing the use of electronic payment systems, elimination of post- dated cheques and gradual phase out of cheques in their day-to-day business transactions. Onbehalf of this, other banks such as NABARD, SIDBI, EXIM Bank etc would take up the e-governance initiatives in a proactive manner. Through these initiatives, it is expected 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.

State Bank of India (SBI)

In order to promote 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 contributing to the concept of green banking. SBI became the first bank in the country to venture into generation of green power by installing windmills. The bank has introduced a scheme known as Green Homes. Under this scheme, the bank is of-

fering 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 launched a loan product called 'Carbon Credit Plus' to finance the future Clean Development Mechanism (CDM) projects.

ICICI Initiatives

The bank offers green products and services like (i) Insta banking: - It is a service which gives convenience to the customers to do banking anywhere and anytime through internet banking, mobile banking, IVR banking, etc. This reduces the carbon footprint of the customers as they do not require the physical statement or travel to the bank branches. The bank conducted paperless initiatives like e-statements and e-greetings which help to save 30,000 trees from being felled and sixteen crore litres of water through green initiatives. Besides this ICICI Bank attempts to support other organizations in their endeavors to "Go Green", by funding and managing green technology projects.

Punjab National Bank (PNB)

According to Corporate Social Responsibility Report 2010-11 (PNB, 2011), they had taken various steps for reducing emission and energy consumption. The Bank has begun conducting Electricity Audit of offices as an energy conservation initiative. Bank is also emphasizing on green buildings and earnestly encouraging simple Green practices such as opting for energy efficient lights, printing on both sides of paper purchasing composite fax machines which can perform multiple functions, immediate repair of water leakage, use of master sensor master switches for light.

Bank of India

Provision of Internet banking, mobile banking, phone banking and electronic cards was added as alternate delivery channel to reduce the use of paper in banking procedure. Reduction in paper usage by issuing e-transaction advices to corporate customers and encouraging electronic statements among retail customers. Various green initiatives such as distribution of tree saplings and creating awareness among society have been undertaken by the bank.

Canara Bank

According to Canara Bank (2013), the bank had taken many green initiatives such as a part of green banking initiative, the bank had adopted environmental friendly measures such as mobile banking, internet banking, tele-banking, solar powered biometric operations etc. Canara bank had set up e-lounges for high-tech banking facilities like internet banking, passbook printing kiosk, ATM, online trading, tele-banking and cash or cheque acceptor. The bank had implemented e-governance for HRM function and several other administration areas to reduce the paperwork. In terms of Lending policy, they are giving due preference and weight age to projects which can earn carbon credits like solar energy projects, windmills, etc. The bank is also not extending any finance to the units which are producing ozone depletion substances such as chlorofluoro carbon, carbon tetrachloride, aerosol products, solvents etc.

Central Bank of India

Central Bank of India launched "Go Green" Campaign for its customers with a purpose to promote Green Banking which is Paperless & Queue less Banking and also promotes use of recyclable products for banks stationery using TYVEK materials. In this, Customers are motivated to opt for E statements, use internet banking & use E- Voucher machine for transactions.

Syndicate Bank

Bank has taken steps towards implementation of "Green initiative in Corporate Governance" by allowing paperless compliances through electronic mode. Bank is actively encouraging transactions through alternative channel to reduce the usage of paper based payment instruments. Through the e-lounge facilities, internet banking & ATMs bank is encouraging banking transactions through E-Mode thus paving way for a greater role towards green initiatives.

HDFC Bank Ltd

HDFC Bank has launched a system of sending the personal identification number (PIN) for debit card holders through SMS instead of the usual dispatch by post. HDFC bank has incorporated environment friendly features in to their infrastructure which involve water man-

agement, 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 paperless environment. Employee awareness campaigns to promote environment friendly practices.

Axis Bank Ltd

Bank has adopted "Environment and social safeguard policy" (ESSP) for carrying out environment and social due diligence for fund disbursement. The corporate office of the bank "AXIS House" is a leadership in energy and environment design, LEED certified building with a host of initiatives to reduce the environment impact of building. 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.

Yes Bank

Yes Bank is a first Indian signatory to the carbon disclosure project and has documented its carbon footprint. It is also the first Indian Bank from the Private sector to become signatory to UNEP statements by financial institutions on the environment & sustainable development. Yes bank also advocated a proactive response to climate change from its peers in the banking community, industries and society as well.

IndusInd Bank

IndusInd bank is a private sector bank which has taken green banking initiatives with a goal to promote sustainable business practices to offset the effects of climate change. The bank has installed a Solar Powered Automated Teller Machines (ATM) which is supported by two Solar panels containing a controller that feeds the system as well as charge the batteries. Other green initiatives taken by the bank include the computing, e-archiving, e-learning, e-waste management, Paperless fax, energy conservation, CNG cars etc.

IDBI Bank

IDBI Bank took a step towards green initiative in corporate governance in which the bank send all the documents relating to General meeting notices other notices, Annual report etc. to their shareholders in electronic form. IDBI Bank has an exclusive team working on Clean Development Mechanism (CDM) advisory services. It also implemented a refinance scheme for energy saving projects for Micro, Small and Medium Enterprises.

Green Banking-Challenges

While adopting green banking practices, the banks would face the following challenges

1. High operating cost

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

2. Reputational Risk

If banks are involved in those projects which are damaging the environment they are prove to loss of their reputations. There are also a few cases where environmental management system has resulted in cost saving, increase in bond value.

3. Diversification Problem

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

4. Startup face

Many banks in green business are very new and are in startup face, generally it takes 3 to 4 years for a bank to start making money thus it does not help banks during recession.

5. Credit Risk

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

6. Other Reasons

- Lack of RBI mandates as main barrier to adopting sustainability.
- Majority of banks identified 'risk of failure of business to peers'.
- Unavailability of skilled employees.
- Insufficient budget to train employees.
- Complex reporting framework
- Lack of interest shown by customers and investors.
- Suggestions and Recommendations
- Construct a Website and Spread the News.
- Educate 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.
- Making it a part of annual environment report.

Conclusion

Green banking, if implemented sincerely opens up new markets and avenues for product differentiation. As initially, these commitments will cause a huge financial burden for Indian banks. Recently our Indian Banking sector takes step forward to initiate to such type of banks. For effective adoption of green banking, the RBI and the Indian government should be play a major role and formulate green policy guidelines and financial incentive.

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