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RESEARCH ARTICLE

“GREEN BANKING PRACTISE IN INDIA”

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Abstract

Green banking is any form of banking that benefits the environment .The biggest problem being faced by the entire country is Environment Management and reducing the damage to the natural resources and global warming. Thus, it is the responsibility of every individual as well as the institutions in the country to contribute for green economy and adds to sustainable development of the economy. It is not only the concern of the government and the direct polluters but also other financial institution such as banks which are playing a fundamental role in the department of the society. The study helps to understand the role of banks in sustainable economic development through the concept of ‘Green Banking’. It also shows the initiatives taken by different Indian banks that includes both public sector and private sector banks. In the current world banks play a major role and have contributed in different areas and have taken green banking in a big way. It also discusses the guidelines provided by RBI. Banks have gone beyond just paperless banking to solar energy sources for ATM and many more.

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Introduction:-

Green Banking is a bank, which considers all the social and environmental or ecological factors with an aim to protect the environment and conserve natural resources. It is also called an ethical bank or a sustainable bank. The banking business with the help of this practise has helped in overall reduction of external carbon emission and internal carbon footprint through this it promotes environmental friendly practises. This comes in many forms like using online banking instead of branch banking, paying bills instead of mailing them, opening of commercial deposits and money market accounts online. Being green is taking advantage of new technology, tools and trends that improve personal and business life at a fraction of the cost of traditional methods.

The importance of green banking in India is increasing rapidly as it is moving on the path of economic development and industrial sector is playing an important role in that. As banking sector is one of the major source of financing to the industries the banking operations and investment by financial institutions should take care of environmental management of these polluting industries by improving the overall environment, the quality and conservation of life, level of efficiency in using materials and energy ,quality of products and services.

Statement of problem:-

The main concern of any bank is to maximize its profit. But in today’s world only profitability cannot be the main motto. Banking sectors must also focus on eco-friendly measures in order to maintain sustainability.

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Need of the study:-

- Going green provides competitive advantage.
- Consumers are more interested in environment friendly goods and services.
- The wave of globalization has increased awareness of investors and they now opt for environment friendly investment. Stricter government regulations are in place now.
- Government agencies demand a greater disclosure.

So on account 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 planet.

Objectives:-

- To study the green philosophy in banking.
- To identify the various initiatives taken by the selected banks in India.
- To identify Green Banking strategies.
- To suggest the measures to be adopted by the select banks to ensure Green banking.

Limitation:-

- Time constraint
- The study is mainly based on Secondary data
- The study considered only few banks because only few banks practised Green banking practises

Research methodology:-

The data required for this study is obtained from the Secondary data which has been collected through official website, internet, journals, annual reports, publications and previous research studies done by the researchers

Review of literature:-

Jaggi (2014) studies the initiative by SBI and ICICI on Green Banking. SBI has introduced a Green Channel Counter, no queue banking, online money transfer. Green Products and Services initiative of ICICI Bank includes instabanking (anytime, anywhere), vehicle finance and home finance. Moreover these banks have taken other steps for energy conservation like duplexing (two side printing), recycling, CFLs, carpool etc.

Jha and Bhome (2013) the survey stated to check and thereby create consumer awareness on Green Banking. Conducting interviews and using specially structured questionnaires for survey they state certain steps needed in Green Banking. Online Banking, Green Checking Accounts (ATM, Special Touch Screens), Green loans (low rate to those who wish to buy solar equipments) for supporting environment friendly residential projects, power saving equipments, Green Credit Cards, Paper Saving Mobile Banking are among few steps suggested by them. Green Banking will ensure organization's move towards sustainability.

Nath, Nayak et al. (2014) attempt to study the green rating standard given by RBI, the World Bank's environmental and social norms and the initiative taken by bank in adopting green practices. They also list strategies for adopting Green Banking. Green Rating Standard is known as Green Coin Rating. Under this banks are evaluated on the basis of carbon emissions and amount of recycling activities. World Bank has formed environmental and social norms for financial institution. These norms provide ways to reduce environmental impact. Banks are required to do Environmental Impact Assessment, Annual Reporting and adopt sustainable technology.

Strategies for green banking approach:-

The recent developments in Indian banking technology have transformed banking from the traditional system towards a more inclusive one incorporating the interests of customers, the bank and the environment. Nowadays, banking operations can be carried out through various banking delivery channels away from the bank branches. ATM is the most popular banking delivery channel and the extraordinary success of ATMs had made the banking sector courageous to develop more innovative alternative delivery channels such as Internet banking, mobile banking, green channel counters, kiosk banking, credit card, debit card, etc.

Steps in green banking:-

The incorporation of social and environmental strategies into the development goals of the banks can help them in arriving to an effective environmental management system.

Some of the steps that can be taken for going green in banking are

Going Online:-

Online banking is a new and fast-developing concept in young and corporate India. It helps in conservation of energy and natural resources. Online Banking incorporates:

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

Online savings account and mobile banking is the easiest way to do your bit to bank green and help the environment. Online banking creates savings from less paper, less energy, and less expenditure of natural resources from banking activities. Customers can save money by avoiding late payments of fees and save time by avoiding standing in queues and paying the bill from home online. These are also highly effective ways to keep track of your finances and to avoid late payment fees. Paying bills online is something of a lifestyle change, but it can be done. Telephone bills, cable bills, utility bills, credit card payments and mortgage payments can all be paid electronically.

Using Green Checking Accounts:-

Customers can check their accounts on ATM or special touch screens in the banks. This can be called as green checking of account. Using a green checking account helps the environment by utilizing more online banking services including online bill payment, debit cards, and online statements. Banks should promote green checking by giving some incentives to customers by giving higher rate of interests, waiver or discount in fees etc.

Green Loans for Home Improvements:-

The Ministry of Non-renewable Resource in association with some nationalized and scheduled banks undertook an initiative to go green by paying low interest loans to those customers interested in buying solar equipment. Before you undertake a major home improvement project, study if the project can be done in an eco-friendly manner and if you might qualify for a green loan from a bank. Green loans are perfect for energy-saving projects around the house. For example, the new Green Home Loan Scheme from SBI will support environmentally-friendly residential projects and offer various concessions. These loans will be sanctioned for projects rated by the Indian Green Building Council (IGBC) and offer several financial benefits – a 5 percent concession in margin, 0.25 percent concession in interest rate and processing fee waiver.

Power Saving Equipment:-

Banks can directly contribute to controlling climate change and as an initial step they intend to start a campaign to replace all fused GSL bulbs, in all owned premises offices and residential areas. Banks can also make a feasibility study to make rain water harvesting mandatory in all the Bank's owned premises. In December 2009 IndusInd Bank inaugurated Mumbai's first solar-powered ATM as part of its "Green Office Project" campaign titled 'Hum aur Hariyal'.

Saving Paper:-

Bank should purchase recycled paper products with the highest post-consumer waste content possible. This includes monthly statements, brochures, ATM receipts, annual reports, newsletters, copy paper, envelopes etc. Whenever available, vegetable-based inks are used instead of less environmentally friendly oil based inks.

Green Credit Cards:-

Some of the banks introduced Green Credit Card. The benefit of using a green credit card is that banks will donate funds to an environment-friendly non-profit organization from every rupee you spend on your credit card to a worthwhile cause of environment protection.

Use of Solar and Wind Energy:-

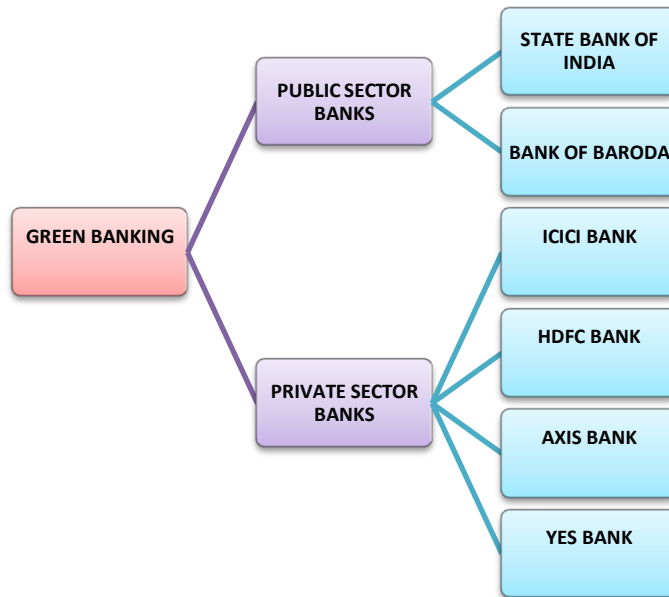
Using solar and wind energy is one of the noble cause for going green. State Bank of India (SBI) has become the first bank in the country to venture into generation of green power by installing windmills for captive use. As part of

its green banking initiative, SBI has installed 10 windmills with an aggregate capacity of 15 MW in the states of Tamil Nadu, Maharashtra and Gujarat.

Mobile Banking:-

Mobile banking is tricky. On the one hand, it is great to have the ability to check balances, transfer funds or pay bills from you phone. On the other hand, it saves time and energy of the customers. It also helps in reducing use of energy and paper of the bank. Most of the Indian banks introduced this paper-less facility.

Green banking initiatives by indian banks:-



Public Sector Banks:-

SBI:-

SBI had spelt out several initiatives within the bank to further the cause of green banking by:

- Inauguration of a windmill at Panapatti village, Pollachi Taluk, Tamil Nadu.
- Investment in efficient lighting systems, energy savers and waste water management.
- Mooting a project within the bank to determine its carbon footprint.
- Offer concessional rate of finance for projects that are green, or for implementing clean technologies in building concepts.
- Carbon Credit Plus is a product for financing carbon credit receivables.
- Issue of SBI ATM-Cum Debit card for transaction.
- The Bank had launched 'Green Channel Counter'(GCC) facility on State Bank Day (01.07.2010), at 57 select branches of the Bank spread across the country. This was an innovative step taken by the Bank towards changing the traditional way of paper based banking in a limited way, to card based 'Green Banking' focusing on reduction in paper usage as well as saving transaction time. This is a pioneering concept which would save both paper and time resources.

Bank of Baroda:-

- Priority while financing commercial projects, to green projects such as windmills and solar power projects which helps in earning the carbon credit.
- 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.
- Adoption of environment friendly systems and technologies in the design of the new Data Centre.
- Construction of buildings at Varanasi and Jaipur equipped with ultra-modern gadgets and systems as per green building norms.

Punjab National Bank:-

- Introduction of Green Banking by completing transformation into Core Banking Solutions (CBS) Banking.
- Usage of energy efficient appliances and conducting the electricity auditing of their offices.
- Introduction of e-solutions by paperless dealings in complaint and vigilance procedures by a speedier communication system through e-network which drastically cuts down cost & time.
- Introduction of “Green practices” to conserve resources “Green audit” of all functional units to sensitize the staff towards sustainable practices.
- Installation of Solar UPS at selected ATM sites like in states of U.P and Bihar.

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.
- The bank has undertaken initiatives to popularize use of solar street lights and rain water harvesting in rural areas.

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 Home Finance offers reduced processing fees to customers who purchase homes in Leadership in Energy and Environmental Design (LEED) certified buildings.
- Initiatives in the programme to sensitize corporate bodies, institutions, banks and government agencies involved in project planning on issues like biodiversity, wildlife habitats and environmental laws.
- Go Green initiative for about 294 rural low cost branches have been fitted with solar panels.
- Water treatment plants for recycling sewage water in Mumbai and Hyderabad.

HDFC Bank Ltd:-

- Incorporation of 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 paperless environment.
- Employee awareness campaigns to promote environment friendly practices.
- Renewable Energy initiatives like Project of 20 Solar ATMs set up in Bihar.

Axis Bank Ltd:-

- Funding clean technology, renewable energy and other energy efficiency projects.
- E-waste is disposed through government approved agencies.
- Recycling initiative under the Green Banking banner that helped the bank productively use around 21572 kilograms of dry waste during the year.

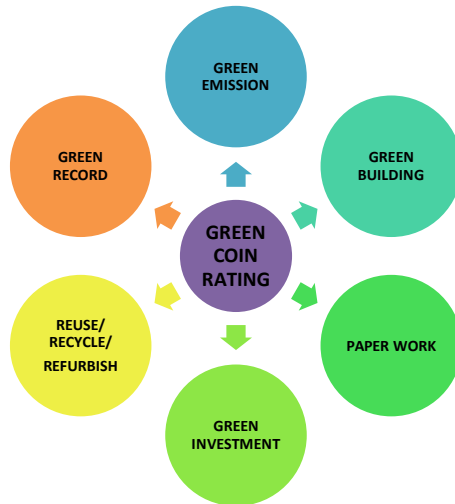
YES Bank:-

- The first Indian banking signatory to the UN Global Compact to 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 and sustainable development.
- The Bank has voluntarily adopted the policy which is based on international frameworks such as the Equator Principles and IFC guidelines. As on March 31, 2014 YES BANK had a total portfolio of 381.85 MW of clean energy projects.

- The Welspun Neemuch solar PV project in Madhya Pradesh has the distinction of being India's largest solar PV project at a capacity of 130 MW funded by YES BANK.
- The only Indian bank to be featured in Carbon Disclosure Leadership Index for three consecutive years – 2011, 2012 and 2013.
- The first commercial bank in India to achieve the ISO 14001:2004 certification, the world's leading Environment Management System, in 12 of its locations.
- The Bank follows a "Plan-Do-Check- Act (PDCA) process to facilitate continual improvements in terms of environmental performance.

Rbi guidelines for green banking:-

The Reserve Bank of India (RBI) established the Institute of Development and Research and in Banking Technology (IDRBT) and has proposed the introduction of standard rating for green efficient banks and banking practices among Indian Banks. Here, both the infrastructure and operations of the banks are being considered. IDRBT has coined the term of Green Rating Standard as "Green Coin Rating". Banks' primary business must not be money making only, but it should also keep in mind social and environmental issues relating to its operations. Green Coin Rating will be in line as energy star rating given for appliances. Banks will be judged based on the rate of carbon emission out of their operations, the amount of reuse, refurbish and recycling concept being used in their building furnishings and in the systems used by them such as computers, servers, networks, printers, etc. They will also be evaluated on the number of green projects being financed by them and the amount of rewards and recognition they are paying for turning businesses green.



Suggestion and recommendations:-

- Government should outline a broad guideline of green banking for environmental protection, conservation of biodiversity.
- Reserve Bank of India should shape up a concrete guideline for green banking practices.
- Bankers must finance the environmental friendly projects.
- Banks can increase their profitability by reducing or recycling of waste generated and also by adopting sustainable measures to go green.
- Use of paperless banking which results in reducing the carbon footprint from internal banking operations.
- 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 like solar hot water systems, highly efficient furnaces, heat pumps and replacement windows.
- Banks should adopt the Annual Reporting System (ARS) in which they prepare an annual report on environmental risk for every project they invest or finance.

Conclusion:-

Banks are responsible corporate. It is believed that every small step taken now will create a greater impact in the near future and will create a better global environment. Ethical banking avoids paper work; you can get go green credit cards, go green mortgages and also all the transactions can be done through online.

They also follow environmental standards for lending and it will make business owners to change their business to environmental friendly which would be beneficial in near future.

Most of the banks initially did not practise, but they have now understood the need for green banking. This concept has been prevalent in both the public and private banks.

The concept of 'GREEN BANKING' will be mutually beneficial to the banks, industries and economy .Not only green banking will ensure the greening of the industries but it will also facilitate in improving the asset quality of the banks in future.

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