

EMERGING TRENDS OF GREEN BANKING IN INDIAN SCENARIO

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Abstract

Green banking means combining improved operations, technology and changed client habits in banking business. It is a profitable state for all in current competitive business scenario. Adoption of green banking practices will not only be useful for environment, but also beneficial for enhancing the productivity of banking activities. Banks are already started to offering many of such services for businesses to enjoy these benefits. This paper has made an attempt to focus the main benefits, challenges, strategic aspects of Green Banking. It has also presented the status of Indian banks as far as Green Banking adoption is concerned. Banks should go green and play a pro-active role to take environmental and ecological aspects as their responsibility, which would force whole banking industry to go for the adaptation of this initiative, use of appropriate technologies and management systems and seriously made investment for environmental management.

Keywords: Green Banking, Banking Challenges, Sustainable Growth, Global Warming

Introduction

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Change is the need for progress and survival in all spheres. The world has seen much focus on economical progress and development. These developments also cause the same level of different side effect like enormous loss of biodiversity, climatic change, environmental damage, etc. Banking industry is one of the major influential industries that affect the economic development and position of any country, and this also emerging the high level of development. Banks are also not the exception for this. Banks can provide important leadership for the required economic renovation that will provide new opportunities for financing and investment policies as well as portfolio management for creation of a strong and successful low carbon economy in an increasingly eco-conscious scenario, today every business is trying to find every possible ways to go green, Whether it's by improving their energy efficiency, buying organic products, composting or just turning off electronics at night. Meaning of green is meant differently for different people.

Same as the banks are also adopting the green approach for themselves. Commonly every activity or anything that is related with the environment is represented by the term "Green". These drastic changes have direct impact on air, water, land and many more things that are directly affects the life of human beings. This motivates everyone be it a company or a person to go green. So, looking after the above issues it is san urgent need to promote different ways to go green as a part of social responsibility.

“The supreme reality of our time is... the vulnerability of our Planet.” - John F. Kennedy

Banks plays a crucial and very important role in economic development of a country and being a responsible financial organization of the country; it is must that banks should play an active role to deal with above issues, both in terms of its obligations and opportunities by virtue as a responsible corporate citizen and as a financier.

Green banking refers to operating a banking business in such a manner that helps the overall reduction of external carbon emission and internal carbon footprint. To aid the reduction of external carbon emission, banks should finance only those projects which are used green technology and reduce pollution. Although, banking is never considered as a polluting industry,

but nowadays banking operations has considerably increased the carbon footprint of banks due to their massive use of energy (e.g. lighting, air conditioning, electronic/electrical equipment's, IT etc.), high paper wastage, lack of green buildings etc. So for going green, substantial reduction of their carbon footprint and to develop a sustainable business it is necessary that banks should adopt a technology, process and products which will helps in accomplishing this above target.

But what is the exact meaning of “green banking”

Green banking means adopting environmental-friendly practices and reducing your carbon footprint from your banking activities. This can be in many forms for example using online banking as an alternative of branch banking, paying bills online instead of paper or physical bill.

Green Banking Product Coverage includes:

1. Green mortgages
2. Green loans
3. Green credit cards
4. Green savings accounts
5. Green checking accounts
6. Green CDs
7. Green money market accounts
8. Mobile Banking
9. Online banking
10. Remote deposit (RDC)

Recent Green Bank initiatives include a use of solar powered ATMs, paperless banking for customers, clean energy projects and the building of windmills in rural India. State Bank of India is a leader in adopting green concept. Adoption of Green banking is nor a very tough practice it is relatively easy to execute the green banking practices.

Now the customers are more concerned towards environment and prefer the eco friendly services and products so green banking not only helps in contributing in protecting the environment but also creating new opportunities in this more environmentally concern market and enjoy the benefits and satisfaction. Going green and helps in protecting the environment is also the

corporate social responsibility of banks.

Definition of Green Banking

Green Banking is like a normal banking. It is the type of bank which considers all the social and environmental factors. These banks are also an ethical bank. The aim of starting the Ethical banks or Green banks is environment protection. These banks are same as the normal bank which aims to protect the environment and it is controlled by same authorities as what a traditional bank do. These banks are controlled by the same authorities but having an additional agenda toward taking care of the Earth's environment / habitats / resources through adopting and executing the green practices. Meaning of green banking for the banking professional involves the tenets of sustainability, conservation, energy efficiency and ethical lending.

There is a difference between normal banking and green banking. Green Banks give more importance to environmental concerned factors with the aim of to provide better environmental and social business practice. Before awarding a loan they have check all the factors that whether the project for which the loan is awarding is environmental friendly or not and has any implications in the future. One can award a loan only when he should follow all the safety standards related to environment.

Green Banking means promoting and adopting environmental – friendly practices and reducing your negative and harmful impact on environment from your banking activities. This can be in many ways like:

- Using online banking instead of branch banking.
- Paying bills online instead of mailing them.
- Opening up accounts at online banks, instead of large multi-branch banks etc.

Green banking can benefit the environment either by banks or consumers. Ideally, a green banking initiative will involve both. Banks can helps in environment protection by reducing the harmful activities and carbon footprint. And consumers can helps by preferring online banking,

conserve paper etc. Green banking means combining operational improvements and technology, and changing client habits that helps in environment protection.

BENEFITS OF GREEN BANKING

1. **Avoids Paper Work:** Almost all banks of India are computerized. Thus there is a scope for the banks to adopt paperless or less paper for all office and client related work like correspondence, audit, reporting etc.
2. **Creating Awareness to Business People about Environment.** Today many organizations are working for motivating and educating the peoples for environment protection by arranging different awareness programs and organizing seminars etc. This is the good opportunity also for the banks that they can associate themselves by sponsoring such programs. Besides, many corporate bodies are organizing similar program in their own line of business and banks may tie with such corporate. These will help to making the good image and reputation of the bank.
3. **Loans at Comparatively Lesser Rates:** Banks can also introduce green bank loans only for environment friendly products and projects with financial concessions
4. **Environmental Standards for Lending:** Banks follow environmental standards for lending a loan, is really a good idea and it will make business owners to change their business as environmental friendly which is good for our future generations.

Objectives of the Study

- To study concept of “Green Banking”
- To check the awareness of green banking
- To identify the steps necessary to adopt Green Banking

Research Methodology

This paper attempts to find out the conceptual issues associated with green Banking. The present study is exploratory in nature to provide a clear guidance for further research. It is also descriptive in nature for the fact-finding investigation with interpretation. For this purpose secondary data were collected through journals, banks websites, newspapers, magazines, books, conference proceedings, and Government reports.

Steps in Green Banking

For going green in banking following are some of the steps:

1. Go Online: -Online banking is the developing and modern concept in corporate India. Online banking helps in conservation of energy and natural resources. Online Banking includes: a. online bill payment, b. Remote deposit, c. Online fund transfers and statements. It helps in saving the paper, time, energy and money. Customers also can get profit like they can save money by avoiding late payments of fees and save time by paying the bill from home online.

2. Use Green Checking Accounts: -Customers can check their accounts on ATM or online. This can be called as green checking of account. Using a green checking account helps the environment protection by applying more online banking services like online bill payment and online statements. Banks should promote this by giving some incentives to customers as higher rate of interests, waiver or discount in fees etc.

3. Use Green Loans for Home Improvements: -The Ministry of Non-renewable Resource is associating with some national and scheduled banks to undertake an initiative to go green and to promote environmental friendly practices by paying loan on comparatively low interest to the customers who are interested in buy solar equipment's. The rate of interest is as low as 4% p.a. There is a new scheme by SBI called Green Home Loan Scheme will support and offer various concessions for those residential projects which are environmentally friendly. These loans will be sanctioned for projects rated by the Indian Green Building Council (IGBC) and offer several financial benefits like 0.25 percent concession in interest rate, a 5 percent concession in margin and processing fee waiver.

4. Power Savings Equipment's: - For the office purpose banks can use all environmental friendly equipment's and machinery. By this way banks can directly contribute to environmental protection.

IndusInd Bank is example of this. In December 2009 it inaugurated first solar-powered ATM in Mumbai as part of its 'Green Office Project' campaign titled 'Hum aur Hariyali'.

5. Use Green Credit Cards: -As their responsibility towards the environment Some of the banks

introduced Green Credit Card. Using this card is beneficial because the bank that introduce green credit card will donate funds to an environment-friendly non-profit organization from all the transaction made by this credit card.

6. Save Paper: -A bank can promote and motivates their clients to go online and save paper. They can also purchase recycled paper products with the highest post-consumer waste content possible. This includes annual reports, ATM receipts, monthly statements, copy paper, envelopes brochures, newsletters, etc. Whenever possible, use only vegetable-based inks in its place of less environmentally friendly oil-based inks.

7. Use of Solar and Wind Energy: -Using solar and wind energy is one of the best way to go green. State Bank of India (SBI) has become the first bank in the country to doing this. As part of its go green initiative, SBI has installed 10 windmills with an aggregate capacity of 15 MW in the states of Maharashtra, Tamil Nadu and Gujarat.

8. Mobile Banking: -Mobile banking is very helpful in checking balances, transfer funds or pay bills from phone and this saves time and energy of the customers. It also helps in reducing use of paper and of the bank. Most of the Indian banks introduced this advanced, easy to use, time saver, convenient and paper-less facility.

Review of Literature

Sahoo, Pravakar and Nayak, Bibhu Prasad (2008), stated in their research that banking sector is one of the major contributor in the industrial sector; and faced credit risk and liability risk. Further, environmental related issues also affect the quality of assets and rate of returns of banks in the long run. Thus it is the necessity of time that banks should adopt green concept for themselves and play a pro-active role for the environmental protection as part of their lending principle, which would force industries to adopt green concept and do invest for environmental management activities and use appropriate technologies and management systems for this initiative.

Bihari, Suresh Chandra (2010), in his research analyzed the social responsibility of banking

sector. He stated that the banks play an important role in controlling the environmental damage. Banks need to examine the effects of their lending and investment decisions. If banks want to decrease the unfavorable and harmful impact of their operating activities, they should incorporate environmental and social norms into their business decision. Financial institutions can do a lot for corporate social responsibility and achieve sustainability.

Amirul Afif Muhamat et al (2010), in their research stated that Ethical banking is a concept that is slowly but surely getting attention and accepted by the depositors and investors who are not only interested in safely investment of their money but also wants that their money will be channeled to productive activities which are important for living and environmental aspects.

Dharwal, Mridul and Agrwal, Ankur (2011), in their research work concluded that Indian banks need to be made completely aware of the environmental and social guidelines which are agreed by the worldwide banks. As far as green banking is concerned in India, Indian banks are far behind from developed countries. If Indian banks wants to enter into global markets, it is important that they should understand their environmental and social responsibilities.

Goyal and Joshi (2011), in their research highlighted social and ethical issues which facilitate the achievement of sustainable development of banking and finance such as social banking, ethical banking, green banking, global banking, rural banking and agri-banking etc. They concluded that Banks can act as a socially and ethically concerned organization by passing the loans only to those organizations, which will use this for environment. There is a chance that, this can slow down the economic and industrial growth but we cannot afford the fast pace of growth at the cost of environmental harm.

Bahl, Sarita (2012), conducted her research and collect manager's views on financial products of green banking, carbon footprint reduction by various medium like by energy consciousness, by green building and social responsibility services, by using mass transportation system and by paperless banking. She also found that green banking strategies gives priority to the carbon footprint reduction by green building. In her study she also finds that Indian banks can also promote go green concept and can initiate various programs and services as the part of their

social responsibility like tree plantation, pollution checkup camps and maintenance of parks etc.

Nanda, Sibabrata and Bihari, Suresh Chandra (2012), they stated in their study that there is a significant relationship between net income and expenses with profitability and there is no significant relationship between the implementation of green banking and profitability.

Khawaspatil, S.G. and More, R.P. (2013), in their research article established that there is a lot of opportunity in green banking and RBI notifications, but the Indian banks are far behind in implementation of green banking. Only few banks have taken initiative regarding this. There is a lot of scope for all banks and they can not only protect the environment but also transform the whole world towards this. Banks must educate and motivate their customers about green banking and adopt all strategies to save earth or environment and build bank's image.

After reviewing the studies done in India and abroad, it is clear that many banks are putting their best efforts to achieve sustainable development by initiating and adopting green practices.

Findings

1. Study shows that basically Green banking avoids as much paper work as possible and majorly rely on online/ electronic operational activities. Less paperwork means less no. of cutting of trees. It also involves to creating awareness regarding environment protection to banking business people so that they can identify their environmental and social responsibility and adopt the eco-friendly practices for their work.
2. Green Ethical banks adopt and implement environmental standards for their working, which is really a proactive idea which would benefit future generations.
3. Green banks give more importance to environmental friendly factors to motivate the peoples to adopt the eco-friendly practices. So when one is granted a loan, the interest of that loan is comparatively less with normal banks
4. Conservation of natural resources is also one of the underlying principles in a green bank while assessing different loans to extracting/industrial business sector.
5. Green Banking concept is a proactive and smart way of thinking with a vision for future sustainability.

6. Different corporation and organization have been desire to reduce the negative and harmful impact of their operation and for this they are actively runs different green programs and taking initiative to reduce waste, increase profitability and implement sustainability measures by going green.

Corporations may share a desire to reduce carbon footprint and enhance security by eliminating paper waste, but they are also extremely concerned with eliminating or decreasing errors due to manual processing and with creating a profitable bottom line. For these reasons and more, corporations are actively pursuing green programs, many companies are taking active steps to reduce waste, implement sustainability measures and increase profitability by going green.

Conclusion

Banks are one of the responsible corporate citizens of a country. Banks believe that every small 'GREEN' step taken today would go a long way in building a greener and less polluted future and that each one of them can work towards to better global environment. 'Go Green' is a combined initiative that motivates both the banks and their customers to build awareness and consciousness towards environment, nation and society by cost efficient automated channels.

Followings are the benefits of Green Banking.

1. Basically Ethical banking or Green banking avoids paper work and prefers all the transactions done through online Banking.
2. Its create awareness to bank business people about environmental and their social responsibility enabling them to go for an environmental friendly business practice.
3. They follow environmental standards for their operational activity, which is really a great idea and it will make business owners to change their business to environmental friendly which is good for business and for future generations.

Overall Green banking is really a good way to make aware the people about environment destruction; each business body will contribute a lot to the environment and make this earth a better place to live. Until a few years ago, most of the traditional banks did not adopt and practice green banking or actively seek investment opportunities in environmentally friendly sectors or businesses. Only recently these type of practices becomes more popular in every

financial service provider. Although these companies may differ with each other in various aspects. (e.g. to enhance long-term growth prospects, or sustainability principles on which a firm is based). This concept of “Green Banking” will be mutually beneficial to the banks, industries, economy and for the customers. Not only “Green Banking” will ensure the more environment friendly image of the industries but it will also facilitate in improving the asset quality of the banks in future.

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