



GREEN BANKING - THE FUTURE OF BANKING IN INDIA

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ABSTRACT

Banks have a prominent role in controlling the damage being done to the environment. Since India is growing at a fast pace therefore, there is a major challenge before the nation to maintain environment sustainability. Green banking initiative is one of such effort. It has a primary aim of progressing along with protection of environment. It not only fulfills the corporate objectives of the banks but also helps in performing their corporate social responsibility. Green banking is a paperless banking. The banks are shifting to CBS or ATM platforms which provide electronic mode of banking products and services. Green banking has its inclusion in waste management and adoption of energy effective technology. Such banking ensures sustainable use of natural resources and dispensing credit in an environment friendly manner.



KEY WORDS: Green Banking, Environment sustainability, Green Coin Rating, Online Banking, Carbon footprints .

AIMS OF STUDY

1. To understand the concept of environmental development.
2. To understand the concept of Green Banking.
3. To understand the guidelines issued by RBI with reference to Green Banking.
4. To understand the Green Banking practices of various Indian Banks .
5. To determine the ways in which banks can contribute towards the protection of environment.
6. To find out the challenges in implementation of green banking in India.

INTRODUCTION

Environment sustainability has become a noteworthy concern all over the world at present. Banks have a prominent role in promotion of environmentally sustainable investment. Banks must make a sincere effort in restoring the natural environment. It also facilitates to improve the asset quality of the banks. They can act as a forerunner of environmental protection while maintaining economic growth. Banks can't advance unless they have their anxiety for the general public and nature.

According to Institute for Development and Research Technology, "Green Banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environment, and social

dimensions." Green Banking refers to encouraging and adopting environment friendly practices, thereby reducing the carbon footprints from banking activities. It ensures optimum reduction of wastage of paper. It is a combination of operational improvements and modern technology which has led to change in habits of the clients drastically. It may be treated as a win-win situation for all the stakeholders.

EVOLUTION OF GREEN BANKING

The concept of green banking evolved primarily in the western countries. In America, the green bank concept was primarily developed by Reed Hundt and Ken Berlin, as a part of the 2008 Obama-Biden Transition Team's efforts. It was formally started in the year 2003 to safeguard the environment. Subsequently, the Equator Principles (EPs) were propelled and were initially adopted by some leading global banks, such as Citigroup Inc, The Royal Bank of Scotland, Westpac Banking Corporation. The formal concept of Green Banking dates back in the year 2009 when first green banking was done in the state of Florida, USA. In India, State Bank of India (SBI) took the initiative to set the sustainable standards in its green banking initiatives. It is the first bank in India which has adopted green banking methods. It has also taken initiative in promotion of green power projects by setting up windmills in the states of Tamil Nadu, Maharashtra and Gujarat. The bank has established first wind farm project in Coimbatore.

The following are the initiatives taken by SBI towards the Green Banking –

1. Training employees through workshops and other programmes towards environment sensitization.
2. Launching SBI ATM-cum-debit card.
3. Green Channel Counter
4. Making investment in efficient lighting system and waste water management.

LITERATURE REVIEW

Sudhalakshami and Chinnadorai (2014) conducted a study "**Green Banking Practices in Indian Banks**" to bring out the present scenario of Indian banks with regards to Green Banking. The study revealed that not much efforts have been done by the banks to promote green banking. The banks must take serious steps so as to safeguard the environment in future.

Sharma, Gopal et. al(2014) presented "**A study on Customer Awareness on Green Banking initiatives in selected Public & Private sector banks with special reference to Mumbai**" to find out the consumer awareness regarding Green Banking in India. It was found that three fourth of the people using online services are not aware of the term 'Green Banking'. Their knowledge to green banking is just limited to online payment of bills and cash deposition.

Nath, Nayak et. al(2014) in their article "**Green Banking Practices – A Review**" studied about the Green Rating Standard issued by Reserve Bank of India and the environmental and social norms by the World Bank. Green rating Standard, also known as Green Coin Rating, is a mechanism whereby evaluation of banks is done on the basis of amount of carbon emissions and recycling activities. Under this, it is mandatory for the banks to conduct Environmental Impact Assessment and adopt sustainable technology. Therefore, the need of the hour is the green strategies to be adopted by the banks into their day to day operations, buildings, investments and financial strategies.

In a study conducted by Yadav and Pathak (2013) titled "**Environmental Sustainability through Green Banking: A Study on Private and Public Sector Banks in India**", an attempt was made to study various green banking approaches adopted by different private and public banks with regard to environment sustainability. It was found that most Indian banks have realised the importance of conserving environment and have started taking positive steps towards it. The results concluded that public sector banks are much aware and have taken more initiatives as compared to private sector banks.

Rajput, Kaur et. al (2013) conducted a study "**Indian Banking Sector towards a Sustainable Growth: A Paradigm Shift**" to understand the relationship between Indian banks and the environment. It was found that the major obstacles in promoting environmental issues are the lack of awareness and consciousness

among the general public. It was suggested that the management system should be integrated with the various environmental issues.

Hardeep Singh and Bikram Pal Singh (2012) in their paper "**An Effective & Resourceful Contribution of Green Banking towards Sustainability**" stated that green banking more often will decrease paper work in organizations other than making mindfulness among banking individuals about ecological amicable practices in operations. They also found in their investigation that banks in India are a long way behind in green banking with regard to developed nations. They recommended that to contend with developed nations, banks in India need to make mindfulness execution and incorporate green banking in their everyday business operations.

Goyal & Joshi (2011) considered social and moral issues, for example, social Banking, moral Banking, green banking which help the achievement of reasonable advancement of banking. They inferred that banks can execute as a socially and morally acclimated association by advancing loans just to those organizations which have green concerns.

FORMS OF GREEN BANKING

1. Online Banking in the form of paying bills and transferring funds online
2. Launching solar powered ATM
3. Using plastic money instead of currency notes
4. Adopting Green Checking Accounting
5. Use of Green Credit Cards
6. Purchase of recycled paper products
7. Direct deposition of salary into accounts instead of paying by cheques.
8. Use of net banking to perform bank related functions without going to the bank branch personally.

GUIDELINES OF RBI REGARDING GREEN BANKING

There are no specific guidelines for banks on Green Banking. However, the Reserve Bank of India (RBI) has established The Institute of Development and Research in Banking Technology (IDRBT) which actually serves as an arm to RBI. This organisation has proposed to introduce standard rating for green efficient banks. The rating system considers both the operations and the infrastructure of the banks. The banks have been advised to familiarise themselves with CSR (Corporate Social Responsibility). The banks have also been given instructions to set up green funds and employ a Chief Green Officer to provide loans at concessional rates to environment friendly projects. According to Director, IDRBT, B.Sambamurthy, "Banks can contribute to ecological footprints through investment by lending to their customers' enterprises." Further, the banks have been suggested to set up Green Data Centres since it is estimated that power and cooling systems consume a lot of energy. The efficiency of the banks will be evaluated on the basis of carbon emission, amount of reuse, refurbish and recycle, number of green projects financed by them, and rewards / recognitions awarded to green businesses.

CHALLENGES IN GREEN BANKING

1. **High Operating Cost** - Talented and highly experienced staff is required to initiate green banking and deal with green businesses and customers. This adds to the operating cost of the banks. It also requires huge investment in R&D to develop innovative technology.
2. **Lack of effective laws** - The government has been trying to frame and implement environmental legislation since many years but they have not been effective enough to influence banks to follow, and practice the environment friendly technologies.
3. **Credit Risk** - At times, the banks are at a threat of loss due to cost of pollution, change in legislative regulations related to environment and continuous changing emissions levels. This leads to add in the cost of expenses and thus banks are at a risk of credit failure.
4. **Secrecy Risk** - Sharing of files via internet, voice mail and e-mail is a big threat to the secrecy of data.

GREEN BANKING INITIATIVES IN INDIA

1. Banks have started using solar and wind for their captive usage.
2. Mobile banking has been introduced to save time and energy of the customers and also minimize the paper usage so that work can be done in an eco friendly manner.
3. Preference is given towards loaning of environmentally friendly green projects such as windmills, biomass and solar power projects since they help to earn the carbon credits
4. The banks have started promoting the use of plastic money instead of paper currency so that environmental resources can be saved.
5. Banks have started to lay emphasis on green practices such as use of energy efficient lights, replacing conventional lighting with CFL, repair of water leakage immediately, printing on both sides of paper, etc.
6. E-lounges have been set up for high-tech banking facilities like net banking, pass book printing kiosk, ATM, telephone banking and cash/cheque depositing machine.
7. Customers are being encouraged for online statement so as to reduce consumption of paper.

SUGGESTIONS TO ENCOURAGE GREEN BANKING

The Reserve Bank of India and the Government of India must join hands to get the green banking policies formulated and implemented sincerely. Green policies should be communicated effectively through media. The websites of the banks must include the green banking initiatives. Consumers must be imparted education through e-learning programmes and training schedules. The bank employees should be provided green banking skills through regular training. Banks must also formulate innovative financial policies incorporating the environmental perspective. The commercial banks should allocate sufficient budget for green finance, green event and green projects under Corporate Social Responsibility activities, green marketing and capacity building. Likewise, the efficient utilization of budget allocation should be ensured.

CONCLUSION

Green is not only a word now. It has become an initiative and a mission. Green Banking is an integration of banking activities with effective management of environment so as to reduce carbon footprints. Green Banking has emerged as a key issue related to the development of any nation. This green wave has provided a competitive advantage in the era of globalization and industrialization. Green Banking can only be practised through strict measures and increasing level of consumer awareness and education. Therefore, banks must make provisions for effective training and educational programmes to ensure success of green banking. The banks should work with a motto "Go Green".

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