

ABSTRACT

Recent inclinations in Indian Banking Industry-Green Banking

***Likhita.S.Anuradha,**

****K.S.Muthamma**

Sustainable development can be achieved by the country is by allowing markets to work within an appropriate framework of cost efficient regulations and economic instrument. One of the major economic agents influencing overall industrial activity and economic growth is the financial institutions such as 'Banking Sector'.

Today we are having a fairly well developed banking system with different classes of banks with the Reserve Bank of India, as fountain head of the system. The banking industry has experienced a series of significant transformations in the last few decades. Since banking sector is one of the major stakeholders in the Industrial sector, it can find itself faced with credit risk and liability risk. Further, environment impact might affect the quality of assets and goodwill also the rate of return of banks in the long run.

Thus the bank should go green and play a pro-active role in the environment by permeating all spheres of life as a part of leading principles, which would force the banking sector has to adopt sustainable practices to reduce its carbon footprints and mandated investment for environment management. This paper explores the new trends/inclinations in banking sector; the importance of Green banking highlights the sustainable banking and developments in India and recent activities of commercial banks in the area of 'Green banking'. Therefore, I suggest possible policy measures and initiations are required for Green Banking in India.

Key Words: Reserve Bank of India, Green Banking, Banking Sector, Commercial Banks, Sustainable Development.

***Likhita.S.Anuradha,** Assistant Professor, Post Graduate Satellite Centre, Chamarajanagar.

**** K.S.Muthamma,** Assistant Professor, Post Graduate Satellite Centre, Chamarajanagar.

Introduction:

In the current fast-paced competitive globalised market place, technology and innovations has become almost a prerequisite for success. This banking sector has been immensely success. This banking sector has been immensely benefited from the implementation of superior technology from last few decades. Banking is often associated with formal and rigid approaches and this sector generally perceives itself as environmentally neutral.

The banking sector is one of the important economic activities for economic growth. Therefore it plays a crucial role in promoting and environmentally sustainable and socially responsive. Banks may not be the polluters by own, generally it is considered to be as a environmentally friendly in terms of emissions and pollutions, but they will probably have a banking relationship with some investment projects that they are pollutants or could be in future. Thus the banking sector is pollutant indirectly.

Environment management in banking business is like risk management. Thus encouraging environmentally responsible investments and prudent lending should be one of the major responsibilities of the banking sector. There is a obligation toward banks, to take a necessary initiation while lending money towards borrowers in order to go for Green. This method of finance is called GREEN BANKING. It is a sincere effort by the banks to make the industries to go green and grow green in the process of restore the natural environment.

Literature Review:

Weber Olaf (2010) in his research paper "Social Banking: Products and Services" presented products and services that are connected to social, environmental, ethical, or sustainable finance. There are socially responsible investment (SRI) products that could have both, positive financial and social impacts.

Goyal and Joshi (2011) highlighted social and ethical issues such as social banking, ethical banking, green banking, global banking, rural banking and agri-banking etc. 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 loans only to those organizations, which have environmental International Journal of Academic Research in

Business and Social Sciences concerns. Even though this can slow down the economic and industrial growth but human race cannot afford the fast pace of growth at the cost of environmental depletion.

Bihari Suresh Chandra (2011) highlighted the green banking initiatives taken by the Indian banks. He described Green banking as Ethical banking as it also aims to protect the environment. Ethical banks award loan to a company only when all the environment safety standards are followed. As banks are a major source of finance to the industrial sector, they have an important role in controlling the environmental damage, and so, they need to scrutinize the effects of their lending and investment decisions to achieve the object of sustainability.

Vadde Suresh, in his research paper explored the importance of green banking, green banking products and providing banks in India and also highlighted green banking strategies, green mortgages and initiatives taken by Indian banks.

Sahoo Pravakar et al (2008) ,described banking sector as a main economic agents influencing overall industrial activity and economic growth. So, while lending to the industries, the banks should take care of the environmental and ecological aspects so that industries are forced to take in account the environmental management, use of appropriate technologies and management principles.

Bahl Sarita (2012) in her paper described green banking as banking conducted in selected area and technique that helps in reduction of internal carbon footprint and external carbon emissions. The research paper highlighted the means to create awareness in internal and external sub-systems and impart education to attain sustainable growth through green banking.

Objectives of the study:

- 1) To understand the rationale of 'Green Banking' in Indian context.
- 2) To know, how Banking sector is moving forward from Monetary Economics to Ecological Economics.
- 3) To study the 'Green Banking' products in Indian banking sector.
- 4) To analyse the responsibility of banking sector in Environment growth.
- 5) To examine and compare the green lending policies of banks in India.

Green Banking:

It is an umbrella term which refers to practices and guidelines that makes banks sustainable in economic, environment and social dimensions. These initiative range from day-to-day banking operations to investment in companies involved in renewable and clean energy technologies. In a big, to discharge social responsibility while retaining profitability. In other words Green Banking is also to be called as Ethical banking, social or sustainable banking.

Research Methodology:

The data has been collected through various secondary data like, reviewing the literatures related to Green Banking, journals, reports, articles, and websites. Primary data through interview methods with various banks branch managers.

Need for the study:

Until recently, environmental concerns were not considered relevant to the business operation of banks and financial institutions. Traditionally banking sectors concern for environmentally degrading activities of clients is like inferring in these business affairs.

However, now it is being perceived that dealing with environment being risk to their business, also there is no direct impact of economic degradation to banks and financial institutions as well. They are indirect costs to banks. Due to this there is a great scope for adopting so many green products for its sustainable growth.

Green Banking Strategies:

Indian Banks can adopt green banking as business model for sustainable banking. Some of following strategies little reflected in their banking business or must be adopted by banks.

1. **Carbon Credit Business:** Under the Kyoto Protocol, all nations must reduce green house gases emission and reduce carbon to protect our environment. These emission must be certified by Certified Emission Reductions (CERs) ,commonly known as carbon credit. The Indian Bank may start this business as in London the

business of carbon credit is around 30 billion Euro.

2. Green Banking Financial Products: Banks can develop innovative green based products or may offer green loans on low rate of interest. As Housing and Car

loan segments are the main portfolio of all banks so they adopt green loans facility. SME loans on the basis of National Environmental Policy and its certification

ISO 14000.

3. Paperless Banking: All banks are shifting on CBS or ATM platform, also providing electronic banking products and services. So there is ample scope for banks

to adopt paperless or less-paper banking. Private and foreign banks are using electronics for their office correspondence but still in PSU banks they are using

huge paper quantity.

4. Energy Consciousness: Banks have to install energy efficient equipments in their office, use CFL and avoid mis-utilization of these equipments. Banks have to

transform this green banking in Hardware, waste Management in office, Energy efficient Technology products. Banks can **Donate Energy Saving Equipments to**

school, hospitals etc.

5. Using Mass Transportations Systems: Banks have to provide common transport for groups of officials posted at one office.

6. Green Buildings: Banks have their residential houses, branches or ATMs, so bank may adopt green building to protect our environment.

7. Plantation: Most of the banks at Jaipur are conducting plantation program in the rainy season to save our environment. They plant trees, grass etc at local

gardens, schools or colleges and shows that banks are very careful about environment.

Green Banking Products:

Green banking products includes:

Green loans: Means giving loans to a projects or business that is considered as environmentally sustainable.

Green Mortgages: refers to type of Mortgage that provides borrower a money-saving discount or a bigger loan than normally permitted as a reward for making energy, efficient improvements or for buying a home that meets particular energy efficiency standards. There are two types of green mortgages: i) Energy improvement mortgages

ii) Energy efficient mortgages.

Green credit cards: be in the form of environmentally friendly rewards or using biodegradable credit card materials or promoting paperless banking, credit cards are going green.

Mobile banking and online banking: These banking include less paper works, less mail and less travel to branch offices by bank customers all of which has a positive impact to the environment.

Green saving accounts: In case of green savings accounts, banks made donations on the basis of savings done by customers, the more they save, the more the environment benefits in form of contributions or donations done by banks.

Saving paper: In this present situation, banks are purchased recycled paper products with the highest post-consumer waste content possible. This includes monthly statements, brochures, ATM receipts, annual reports, newsletter, copy paper, envelopes etc., whenever available, vegetable-based inks used instead of less environmentally friendly oil-based links.

Paper-less banking: As banks have computerized their branches, there is a ample scope for doing paper-less banking. Mostly banks used huge quantity of papers for office correspondence audit reporting, recording public transaction, etc. instead banks are switching over to electronic transaction which generates online reports and their customers to switch once the e-transactions and can popularise e-statements.

Green buildings: The Indian banking industry uses more than one lakh premises for their offices and residential houses throughout the country.

These banks developed and use green buildings for their office Employee accommodation. These will not only helps banks to reduce the carbon footprint but also to save the operational cost considerably.

Green Banking Initiatives in India.

In the recent years, the International Organization for standardization (ISO) has issued series of comprehensive guidelines for corporate environment protection and pollution prevention objective into industrial activity worldwide collectively known as ISO 14000. It would certainly impetus for the banking industry to expand the use of environmental information in their credit extension and investment decision. Similarly, the ministry of finance has directed all public sector banks, financial institutions and public sector insurance companies to take up E-Governance.

In this backdrop, the paper also throw a light on the survey conducted in Mysore city as a major research project work on Green Banking.

State Bank of India, has a green channel counter and the bank encourages paperless banking. There is no use of pay in slips, withdrawal forms, cheque leaves, remittance and the transactions are done through SBI ATM cum Debit card. They have also won the “Best Customer Initiative” Award for the green channel counter at the IBA banking technology awards.

The Initiative of **State Bank of Mysore**, includes use of energy efficient photocopy machines, energy efficient computers and CFL bulbs, need based printing to save paper, auto cut off air conditioners, ban on plastic bags in the office building, curbed usage of lights during day time, eco friendly corporate gifting policy, rain water harvesting system, solar power generation system, solar powered ATM's, support for social forestry programmes, waste reduction and recycling programs.

Syndicate Bank, the processing of Green Initiatives includes the application of Electronic means, 'National Electronic Fund Transfer', it is cutting of stationary expenses. ATM transactions are more than counter transactions because bank encourages to use plastic cards. There is a great

scope for Net Banking. The bank is running 80 rural branches with solar powered UPS. They are started recycling notified by the government.

Vijaya Bank, “The bank is replacing desktops and donating it to school as a part of its corporate social responsibility. They are practicing waste recycling, 58 branches are running with solar projects.

Canara Bank, has been the initiator of paperless banking and is the highest financial for solar energy related projects.

Even the **Foreign banks** are practicing green banking on a much serious note.

Citi Bank and **Standard Chartered Bank** have specific policies aimed at lending and environmental initiatives.

ICICI bank has made tie up with Bombay Natural History Society to sensitize projects related with wildlife biodiversity, projects suiting environment. Bank is offering 50 % concession on fuel efficient car models. Bank has also assisted a company in the development of eco-friendly air-conditioner, these will consume only 35 % power based on compressor based technology.

IndusInd bank has installed first ATM based on solar power at Mumbai. Bank has green banking under name “Hum Aur Hariyali” and also prepared Green Office Manual.

Union bank of India has decided to undertake an electrical energy audit annually. Bank has also installed solar water heaters at various facilities.

Table 1:

Green Banking implementation Year	Names of the banks operating in India
1996	Union Bank Of India
2003	City Group INC, HSBC, ING Vyasa, RBS, Royal bank Of Canada, Syndicate Bank, Standard Chartered
2005	Yes bank, Corporation Bank
2006	Bank Of America, JP Morgan
2007	ICICI, OBC, SBI
2008	Bank Of Baroda, Karnataka Bank, Industrial Bank, Dena Bank
2009	HDFC, Indian Overseas, Indus land Bank, PNB, ABN Amro , Karur Vyasa , Andhra bank
2010	Axis bank, Kotak Mahindra, South Indian Bank
2011	Canara Bank, IDBI, EXIM
2013	IDFC

Table 1 clearly shows that 2003 and 2009 were landmark years in the history of green banking. Most of the banks started practicing eco-banking in these two years. However by the end of 2012 almost all banks operating in Indian Banking Sector have started working actively towards reducing carbon footprints and took green initiatives.

Support from Government and Regulatory body:

- Offer Eco-deposits to the public as tax saving instrument to encourage public participants.
- Ensure the reality sector adheres to all norms required for an Eco-Building.
- Set up a mandatory certification body to screen such green applications and sanction loans.
- Extend subsidies and tax breaks to banks by meeting profitable and repay the eco-deposits with bonus cards.

Findings:

1. The Banking sector is more benefited from the implementation of Green Banking.
2. Green Ethical Banking adopts and implements environmental standards for lending, which is really a pro-active idea that would enable eco-friendly business practices which would benefit for our future generation.
3. By attaining green credit cards and green mortgages, bank will seek for less paper works. It also involves creating awareness to banking business people about environmental and social responsibility enabling them to do a friendly business practice.
4. There is a correlation between the "Environmental performance with Financial Performance"
5. Being a sustainable bank, the above mentioned banks can reduce the overhead costs under the concept of Green Banking.
6. Not only the Indian Banks with different classes, the foreign banks also coming forward to minimise the carbon footprints in the Ecology.
7. Awareness on sustainability issues, international guidelines and frameworks needs urgent attention as this will lead to formulation of more responsible policies embedding

sustainability issues. This will lead to highlighting of global efforts and will clearly exhibit where we are lacking behind and the areas which need improvement

Suggestions:

1. Every bank must show its concern and serve its commitment towards the environment, thus the image or goodwill of the bank will be increase. Thus the growth will be there for its sustainability.
2. Government must involve in mandating the banks to become a green or ethical banking by providing certificates by certification bodies.
3. Social Medias must come forward to make customers to know more and more about Green Banking with innovative marketing strategies.
4. Possible policy measures and initiations are required to promote Green Banking
5. Insisting other financial institutions are also required in India, in order to play an active role for emerging economy.
6. Every financial institution must join their hands for the better Eco-system with the help of Green Banking.
7. Provoke the for-profit and not- for-profit organizations to be a responsible for the sustainable economic development.
8. A scale must be developed by the government in order to measure the impact of Green Banking.

Conclusion:

In the rapidly changing market economy where globalization of markets has intensified the competition, the industries and firms are vulnerable to stringent public policies, severe laws suits for this. This would affect the banks to recover the return from investment. Thus the bank should play a pro-active role to take environmental and ecological aspects as a part of their lending principle.

By adopting a Green Banking, there is definitely a huge opportunity for investing in cleaning, renewable energy technologies. The entire Government machinery and other regulatory body need to work in tandem to bring about this shift in the market, and banks become an integral part of our economy, must lead from the front.

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