

A Study on Green Banking Initiatives of Selected Private and Public Sector Banks in India

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Abstract

Environmental protection has become a part of strategy in most organizations in India and started offering environment friendly or green products and services to the consumers. This paper is an attempt to identify the green banking activities undertaken by the banking sector in India. The aim of this paper is to study various models or channels through which making the bank branches green. This study also focus on Green Banking activities adopted by private and public sector banks in India for environmental sustainability. From public sector, State Bank of India and Canara Bank were selected. Meanwhile from private sector, ICICI and HDFC bank were selected. The findings reveals that the Indian banks are identified the importance of environmental protection and started taking various initiatives under its green banking activities. The finding also shows that public sector banks have taken more green banking initiatives as compared to private sector banks.

Key words: Green banking, environmental sustainability, Green credit card, Green bank, real vision imaging

Introduction

Recently the disturbance in ecological balance has adversely impacted the human and its surrounding environment. This in turn has raised green marketing as a distinct discipline. Environmental protection and its sustainability has become a major concern among the regulatory bodies and general public. In simple terms green marketing is marketing of eco-friendly product and services. Eco friendly product means products that helps for environmental sustainability which do not cause any kind of harmful to environment. Regulatory bodies like RBI, TRAI etc. promote companies to go for green services. Environmental protection has become a part of strategy in most organizations in the developed countries and started offering environment friendly or green products and services to the consumers.

Objectives of the study

1. To analyse the regulatory measures taken by the RBI for promoting Green banking
2. To identify the initiatives taken by banks to promote environmental sustainability.

3. To determine the difference in the initiatives taken by the private sector and public sector banks in India.

Methodology

The descriptive research design is developed for conducting the study. It is mainly based on both primary and secondary data. The primary data were collected from both private sector and public sector banks to identify the initiatives taken by the banks for changing their activities, products and process green. The secondary data were collected from websites of banks, annual report of RBI, journals etc.

Significance of the study

Banks and financial institutions can play a major and decisive role in these global efforts to make our planet a better place to live in. As major implementers of technology, banks themselves can adopt green practices and thereby lead the way in this global initiative. Also, product innovation and leveraging on the use of technology enable banks and their customers today to reduce the usage of resources such as paper, thereby aiding in environmental protection. Reserve Bank of India provides a lot of guidelines for making the banks green for environmental sustainability and environmental protection. As providers of finance, banks can ensure that businesses adopt environment-friendly practices. So in this context, it is very imperative to study the initiatives taken by the Indian banks for promoting the green banking and for maintaining environmental sustainability.

Green banking – meaning.

Green Banking is comparatively a new development in the financial world. It is a form of banking taking into account the social and environmental impacts and its main motive is to protect and preserve environment. In December 2007, the Reserve Bank of India (RBI) issued a circular (RBI 2007-2008/216)¹ highlighting the importance for banks to act responsibly and contribute to sustainable development and emphasizing the need for Indian banks to establish institutional mechanisms to enshrine sustainability. Green Banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environment, and social dimensions. It aims to make banking processes and the use of IT and physical infrastructure as efficient and effective as possible, with zero or minimal impact on the environment. Green is becoming a symbol of Eco consciousness in the world. According to Indian Banks Association (IBA, 2014) “Green Bank is like a normal bank, which considers all the social and environmental / ecological factors with an aim to protect the environment and conserve natural resources”. It is also known as ethical bank or sustainable bank. Their purpose is to perform banking activities but with an additional plan towards taking care of earth’s ecology, environment, and natural resources including biodiversity. Green banking is making technological improvements, operational improvements and changing client habits in the banking sector. It means to promote environmental friendly practices and to reduce the carbon footprint from banking operations. It is a

smart and proactive way of thinking with a vision of future sustainability

. The Reserve Bank of India offer guidelines for greening banking in two levels.

1. **Greening products, processes, services and strategies:** Making day-to-day business operations, banking products and services greener by following simple practices and making them environmentally friendly.
2. **Greening Infrastructure :** Making IT infrastructure (including data centre) and physical infrastructure (including buildings) greener and taking initiatives so that a bank could itself generate electricity for its own consumption

Strategies for making the banks green

1. Engage with key stakeholders and create awareness of environmental issues and their impact on the economy, the environment, and the society. Also, explain to them the business and environmental value and the necessity of greening the bank processes, products, and services
2. Banks may provide loans with concessions to corporates or individuals who undertake environment-friendly projects such as projects employing sun, wind equipment, manufacturers of fuel-efficient automobiles

3. Banks can introduce green funds for customers who would like to invest in environment-friendly projects
4. Banks can involve themselves in carbon credit business, wherein they can provide all the services in the area of clean development mechanisms and carbon credit business
5. Banks can support projects ranging from community clean-ups to national initiatives on climate change, water, air, biodiversity and more.

Methods of green banking

1. Use electronic means, wherever possible, to maintain contact with and correspond with Customers and potential customers, and minimize paper-based correspondence.
2. Open green channel counters in each branches of the bank
3. Provide electronic and telephone banking, facilitating customers to perform most of their banking needs anytime, anywhere
4. provide Electronic (paperless) statements about product information, guides and annual reports to customers and stakeholders
5. offers and promotes mutual funds that focus investment in 'green' companies
6. Offers a special line of credit to help homeowners invest in

- energy-efficiency upgrades for their home
7. Offers credit cards co-branded with environmental charities
 8. Building designed according to trees on site for preserving more trees and integrating them into the design
 9. Preserving and Protecting landscape during construction.
 10. Engage with key stakeholders and create awareness of environmental issues and their impact on the economy, the environment, and the society.
 11. provide loans with concessions to corporate or individuals who undertake environment-friendly projects such as projects employing sun, wind equipment, manufacturers of fuel-efficient automobiles
 12. Introduce green funds for customers who would like to invest in environment-friendly projects
 13. Involve themselves in carbon credit business, wherein they can provide all the services in the area of clean development mechanisms and carbon credit business
 14. Banks can support projects ranging from community clean-ups to national initiatives on climate change, water, air, biodiversity and more.
 15. Provide green mortgage
 16. Reduced wastage of papers and Energy through Net banking approach
 17. Use of Solar powered ATMs
 18. Provide Energy – efficient loans
 19. High- efficiency lighting in the branches
 20. Uses recycle paper or recycle waste
 21. Conducting Workshops and Seminars for Green banking
 22. Issue only e-annual report
 23. Install TPD (transaction processing Device) in the branch for all kind of transactions.
 24. Send e-statement regularly to the customers instead of sending hard copies
 25. Use Real vision Imaging(All reports required for daily operations are available online and ensure ready access)
 26. Conduct energy audit in the branches
 27. Usage of SWIFT statement
 28. Use solar panel in the branch
 29. Using mobile technology or online kiosk or social media for promotion and marketing instead of brochures and pamphlets.
 30. Eco-loan for eco-building, eco-farming etc.
 31. Donation to conservation charities as an incentive for choosing green products
 32. Using Green CDs
 33. Conducting Workshops and Seminars for Green banking
 34. E-investment service
 35. Online bill payment

36. Provide green checking facility
37. Green loans for solar panels
38. Green credit card
39. Mobile banking
40. Adopt Social responsibility services such as tree plantation camps, maintenance of parks etc.
41. Provide Carbon credit plus loans
42. Calculate the carbon foot print of the branch
43. Electricity Audit of office
44. Tree plantation drives
45. lending policy, i.e. it is compulsory for industries to obtain 'No Objection Certificate' from the Pollution Control Board and also they are not extending any finance to environmental hazardous industries which are using ozone depletion substances
46. Make changes to desktop virtualization, backup consolidation and server virtualization improve data centre operational efficiency.
47. promoting measures for pollution control and environmental conservation
48. In terms of Lending policy, they are giving due preference and weightage to projects which can earn carbon credits like solar energy projects, windmills, etc.
49. Install wind mill for its own energy needs.

Initiatives taken by the selected private sector and public sector banks in India

In this study to understand the initiatives taken by the Indian banks for

supporting green banking, four banks were selected. Two banks each from public sector and private sector forms the data provider for the study. From public sector, State Bank of India and Canara Bank were selected and from private sector, ICICI and HDFC were selected.

Initiatives taken by the State Bank of India

1. Bank has adopted energy efficient measures.
2. Paperless Banking is promoted and implemented across the country.
3. Gives project loans at concessionary rate of interest to encourage reduction of greenhouse gases by adopting efficient manufacturing practices.
4. Wind based power projects have been successfully commissioned and the power generated from these projects helps power Bank's branches/offices in the States of Maharashtra, Gujarat and Tamil Nadu.
5. Installation of Solar ATMs, introduction of Green Channel Banking (Paperless Banking).
6. The Bank has initiated a pilot project to determine its Carbon footprint levels, which will help in determining the Bank's resource consumption pattern and enable the Bank to take effective steps to implement various measures for sustainable usage in a cost effective way.

7. The Bank has put in place SMART i.e. Specific, Measurable, Achievable, Realistic and Time bound Green Banking Goals, some of which are obtaining star rating at all Local Head Offices premises from Bureau of Energy Efficiency, construction of 'Green' buildings, waste water treatment, programs to sensitize staff on energy savings.
8. Our over 48,000 ATM's ensures reduced consumption of paper at Branches.
9. The Bank's operations generate very minimal emissions/ waste and hence, the quantity of emissions/wastes generated by the bank in the reporting period was far below the permissible limits given by the Pollution Control Board. The Bank didn't receive any show cause/legal notice by Pollution Control Board during the FY 2013-14.

Initiatives taken by Canara Bank

1. Concessional loan- financing of SME EE projects supported by a partial grant for energy audits as part of Canara Bank's "Green Banking Program"
2. Energy audits and DPR development.
3. Canara Bank is the highest financier for solar energy projects
4. Canara Bank has been the initiator of paperless banking and is the highest financier for solar energy related projects. The bank is also known to be

- conducting carbon financing in Delhi and Mumbai
5. The Bank has introduced several environment friendly measures, viz., core banking solution, internet banking, tele-banking, mobile banking, ATMs, solar powered biometric ATMs for the use of rural folk and certain back office operations.
6. The Bank has set up E-lounges with hi-tech banking facilities like ATM, cash / cheque acceptor, passbook printing kiosk, internet banking, online trading and tele-banking at two places and more such e-lounges are planned during the year. Internally, the Bank has implemented e-governance for its human resources management and certain other administrative areas
7. Bank is encouraging green energy by financing solar, biogas and wind mill projects.

Initiatives taken by ICICI Bank

1. **Instabanking'** - It is the platform that brings together all the alternate channels under one umbrella and gives customers the convenience of banking anytime anywhere through Internet banking, i-Mobile banking, Tab banking and IVR banking. This reduces the carbon footprint of the customers by ensuring they do not have to resort to physical statements or travel to their branches.

2. **'Electronic Branches'**- Fully electronic branches have also been set up where customers can conduct all their banking transactions.
3. **'E- Drive'**- The bank sent nearly 200 thousand annual reports in electronic form. In the last quarter and saved more than 60 tonnes of paper by sending e-statements to over 6.5 million Bank accounts and 300 thousand credit card customers.
4. **Vehicle Finance:** - They are offering 50% waiver on processing fee of auto loans on the car models which uses alternate sources of energy like the Civic Hybrid of Honda, Tata Indica CNG, Reva electric cars, Mahindra Logan CNG versions, Maruti's LPG version of Maruti 800, Omni and Versa and Hyundai's Santro Eco.
5. **Home Finance** – The bank had reduced the processing fee for the customers who are purchasing homes in LEED certified buildings.
6. **Green Engagements:** (i) During Diwali 2013, the organization had conducted an environmental awareness program for employees and customers in which money plant was presented to all the people present there as a token of collective responsibility to protect the environment. (ii) It has also become partners with the Green theme CNBC – overdrive auto awards. (iii) The bank is celebrating World Environment Day every year
7. **Green Communications:** The bank always insists their customers for

online bill payment, online funds transfer and subscription to e-statements which promote 'paperless' and 'commute free' modes of banking transactions.

Initiatives taken by HDFC Bank

1. The bank has installed branded boards with messages on traffic safety everywhere.
2. Bank has undertaken several community interventions/ projects through the year to create a positive impact on society
3. The bank is encouraging their employees to prevent any wasteful use of natural resources and emission of greenhouse gasses.
4. The bank reducing the use of paper through issuing e-transaction advices to their corporate customers, communicating through electronic media with their high net worth customers and encouraging e- statements to their retail customers.
5. The bank is also promoting energy conservation by replacing conventional lighting with CFL, switching off all the lights after 11 pm at all the branches and establishing green data centres

Conclusion

Even though the Indian banks are identified the need for greening their activities, they are running behind their counterparts from developed economies. They have started adopting green practices, but still a lot of channels are unutilized by the Indian banks for greening their activities.

Moreover they could adopt the green practices only in selected branches. From the study, it is concluded that that public sector banks have taken more green banking initiatives as compared to private sector banks. For maintaining environmental sustainability, banks should expand the use of environmental information in their business operations, credit extension and investment decisions. The endeavor will help them to improve their environmental performance and creating long term values for their business.

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