Environment Protection Through Green Banking Practise in India

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Abstract: Bank play a vital role in the development of the economy. Finance is the life blood of business, through banks that blood was supplied to all business activities. RBI is an APEX body which supply and regulate the finance in India. Today we are facing an environmental issues like flood, tsunami, earth quake, drought, land slide, volcano eruption, etc. due to carbon emission and environmental damage created by each individual and industries. On considering this fact bank took a step to protect environment by reducing carbon footprint. Green banking activities was a tool to adopt eco-friendly products. RBI issue a circular to promote green banking practice in India. Through online banking, mobile banking, green housing, resource conservation, green financing, promoting green business, etc.

Keywords: Banking, Green Banking, Green Business, Eco-friendly, Environmental Protection.

1. Introduction

Banks are the major economic agency influencing both industrial sector and individual for lending and financing their projects. They are playing an important role in promoting a sustainable environment. They persuade the economic development and growth of the country. As society is now more concerned and aware about the environmental issues, there is need for banks to adopt green strategies into their operations. The term broadly encompasses awareness creation and promotion of environment-and-society-friendly projects and practices, and reduction of overall carbon footprint from both its financing and in house operations. Through Green Banking, the Financial Institutions are not only required to improve their own standards, but also play an active role in demanding the same from its stakeholders. Encouraging environmentally accountable investments and lending must be the prime responsibilities of banks. If a bank finances environmental polluting industries and businesses, that particular bank will contribute definitely to the environmental degradation. On the other hand, banks should play a pro-active role to oblige industries for mandated investment for environmental management, use appropriate technologies and management systems.

2. Literature Review

The following are some literature review related to the study

Goyal& Joshi (2011) in this study “A study of Social and Ethical issues in Banking Industry” highlighted social and ethical issues such as social Banking, ethical Banking, green Banking and rural Banking, 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 loan only to those organizations which have environmental concerns. Singh and Singh (2012) the study reveals that, Green Banking signifies encouraging environment friendly practices and plummeting carbon footprint by banking activities through various environment friendly acts.
Meena (2013) according to the author, banking is never considered a polluting industry, the present scale of banking operations have considerably increased the carbon footprint of banks due to their massive use of energy (lighting, air conditioning, electronic/electrical equipments, IT devices, etc.), high paper wastage, lack of green buildings, etc. Therefore, banks should adopt technology, process and products which result in substantial reduction of their carbon footprint as well as develop a sustainable business.

Chaurasia (2014) in his paper “Green Banking practices in Indian Banks” highlighted the benefits, confronting challenges, strategic aspects of green banking and status of Indian banks regarding green Banking adoption. He found that there has not been much initiative in this regard by the banks in India. Investigator suggested that bank should go green and play a proactive role to take ecological aspects as part of their lending principle, which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management system.

Sudhalakshmi and Chinnadorai (2014) studied the green banking adoption status of Indian banks. Their study showed that not many initiatives have been taken by banks in India as far as green banking is concerned. They concluded that banks have to play a proactive role in order to take environmental and ecological aspect as a part of their lending process, which would force industries to go for mandated investment for environmental management.

Nath, Nayak, and Goel (2014) conducted a study on green banking practices and recommended for change in routine operations of banks by adoption of paperless banking, online banking, and mobile banking, and mass transportation system, green cards made up of recycled plastic. They carried out SWOC analysis wherein, they explained time and cost saving as the major strength, lack of infrastructure, computer illiteracy are the major weakness, opportunities that are available is people are becoming tech-savvy and environmentally conscious, but the major challenge is internet connectivity and moreover no banking practices are not fully secured.

3. Objectives

The objectives of the study are as follows:

- To study the concept of green banking.
- To analyze the green banking practices in India.
- To justify the prospects of green banking practices in India.
- To provide some suggestions regarding green banking.

4. Research Methodology

The data for the study mainly relies on secondary data collected from journals, articles, magazines, reports, books, publications, related banks, various finance websites and newspapers.

5. Green Banking Concept

Green banking attains a major impact in the financial world. The social and environmental impacts are taken into account is consider as Green banking. The objective is to protect and prevent the environment for future generation. Many countries are slowly following ethical banking, sanctioning loans keeping in mind the planet’s sustainability and offering loans with lesser interest rates for environmental friendly projects. In our country it is slowly printing it foot on banking activities. Both public sector and private sector banks are taking initiative in green banking. Recently, as a part of the ‘Green
A central body has suggested that NBFCs take proactive steps to promote day to day use of electronic payment systems, elimination of post-dated cheques and gradual phasing out of cheques in their business transactions. Similarly, the ministry of finance has directed all public sector banks, financial institutions and public sector insurance companies to take up e-governance. Banking industry is moving towards branchless banking as a part of their green initiatives and the regulator is in a full swing towards tapping the large unbanked population. The country emits 6% of the total global carbon emission with the metropolitan cities contributing the maximum to greenhouse emissions. The Reserve Bank of India issued a circular on December 2007, emphasizing the important role, banks play in establishing institutional mechanisms to contain sustainability and so to act responsibly. One of the primary lenders to MSME sector, SIDBI, has committed itself to achieve sustainability by incorporating Environmental and Social aspects in its core business.

6. Green Banking Methods

From the study, it is found that following are some of the steps that can be taken for going green in banking:

**Go Online:** Online banking is the developing concept in young and corporate India. Online banking helps in additional conservation of energy and natural resources. Online Banking includes: a. Paying bills online, b. Remote deposit, c. Online fund transfers and d. Online statements. It creates savings from less paper usage, less energy consumption, less expenditure incurring and reduce carbon footprint 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.

**Use Green Checking Accounts:** Customers can check their accounts details on ATM, Mobile banking, internet banking, SMS or special touch screens in the banks. This is called as green checking of account. Using a green checking of accounts helps the environment by utilizing more online banking services including online bill payment, debit cards, credit card, net transfer by NEFT, RTGS, IMPS, app pay like Google pay, Paytm, Paypal, BHIM etc and get online statements. Banks should promote green checking by giving some incentives to customers by giving higher rate of interests, waiver or discount in fees, points of rewards etc.

**Use 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 the customers who would like to buy solar equipments. The rate of interest is as low as 4% p.a. 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 loan are perfect for energy-saving project around the house. The new Green Home Loan Scheme from SBI, for instance, will support environment 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 of 5 percent concession in margin, 0.25 percent concession in interest rate and processing fee waiver.

**Power Savings Equipment's:** 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 resident. Banks can also make a feasibility study to make rain water harvesting mandatory in all the Banks owned premises.

**Use 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 for every rupee you spend on your credit card to a worthwhile cause of environment protection.

**Save 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.

**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 your 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.

7. **Green Banking Initiatives Adopted by Various Banks**

As part of green practices, RBI has issued major guidelines for banks to take proactive steps for increasing use of electronic payment systems, elimination of post-dated cheques and also gradual phase out of cheques in their day to day business transactions and activities. On behalf of this, other banks such as NABARD, EXIM Bank, SIDBI etc. would take up the e-governance initiatives in a proactive manner. Through these initiatives it is expected that on one hand the quality, effectiveness and efficiency of the service delivery will improve and on the other hand banks will gradually move towards less paper based transactions in days to come.

**State Bank of India (SBI):**

In order to promote paperless green banking for deposits, remittance and withdrawal SBI has started “Green channel counter” on 1st July 2010. There is no need of pay in slip, withdrawal forms, cheque leaf, remittance forms and the transactions are done through SBI ATM cum debit card. SBI own the award of ‘Best Customer Initiative’ from the IBA Banking Technology Awards for the green channel counters. Customer’s need not fill up any pay in slips or draw cheques for withdrawal or depositing of money from their accounts. Saving paper and thereby contributing to the concept of green banking, SBI thus became the first bank in the country to venture into generation of green power by installing windmills at various locations in the country. The bank has also introduced a scheme known as green homes, under this scheme the bank is offering concessions such as reduced margin, zero processing fees and low interest rate on home loans for environment friendly residential projects rated by the Indian green building council (IGBC). Bank in recent days has also launched a loan product called ‘Carbon Credit Plus’ to finance the future clean development mechanism (CDM) projects.

**State Bank of Mysore:**

The step taken by State Bank of Mysore for promoting green banking, used energy efficient photocopier and printer to save paper, energy efficient computers and CFL bulbs, auto cut off air conditioners, ban on plastic bags in the office campus, curbed usage of lights during the day, eco-friendly corporate gifting policy, rainwater harvesting system, solar power generation systems, solar powered ATM’s, support for social forestry
programmes, waste reduction and recycling, etc. they are also facing some failure in these implementation.

**Punjab National Bank (PNB):**

According to corporate social responsibility report 2010-2011 (PNB, 2011) they had initially taken various steps for reducing emission and energy consumption. As energy conservation initiative bank has begun conducting electricity audit of offices. Bank is also emphasizing mainly on green buildings and earnestly encouraging simple green practices such as opting for energy efficient lights, CFL bulbs, printing on both sides of paper, purchasing composite fax machines which can necessarily perform multiple functions, immediate repair of water leakage, use of master sensor switches for light which reduces consumption of extra unit of energy.

**Bank of India (BOI):**

Provision of providing mobile banking, phone banking, internet banking and electronic cards was added as alternate delivery channel to reduce the use of paper in banking procedure. Bank has issued e-transaction advices to corporate customers and reduction in paper usage as well as encouraging electronic statements among retail customers. Various green initiatives such as distribution of tree saplings and also creating awareness among society have been undertaken by the bank.

**Industrial Credit and Investment Corporation of India (ICICI):**

The bank offers green products and services like Instant banking which is a service gives convenience and easiness to the customers to do banking anywhere and anytime through mobile banking, internet banking, IVR banking etc. This certainly reduces the carbon footprint of the customers as they do not require the physical statement or travel to bank branches. The bank also conducted paperless initiatives like e-greetings and e-statements which has helped to save 30,000 trees from cutting off and sixteen crore litres of water through green initiatives. Besides this ICICI Bank attempts to support other organizations in their endeavours to ‘Go green’ by managing and funding green technology projects.

**Canara Bank:**

Canara bank in 2013 had taken many green initiatives as a part of green banking initiative. Bank had adopted environmental friendly measures such as internet banking, tele- banking, mobile banking, solar powered biometric operations etc. Canara bank has also set up e-lounges for high tech banking facilities like passbook printing kiosk, internet banking, ATM, online trading and cash or cheque acceptor. The bank also has implemented e-governance for HR function and several other administration areas to reduce the paperwork in bank transactions. Due preference and weight age to projects are given in terms of lending policy which can earn carbon credits like windmills, solar energy products etc. Besides these the bank is also not extending any finance to the units which are producing ozone depletion substances such as carbon tetrachloride, chlorofluoro carbon, aerosol products, solvents etc.

**Syndicate Bank:**

The process of Green Initiatives includes the application of electronic means. National Electronic Funds Transfer helped bank in cutting off stationary expenses. ATM
transactions are more than the counter transactions as of December 2011 counter transactions accounted for Rs 514.83 crore for the bank compared to Rs 970 crore through ATM counter. Bank has taken steps towards effective implementation of “Green initiative in corporate governance” by allowing paperless compliances through electronic mode. Also transactions through alternative channel to reduce the usage of paper based payment instruments are actively encouraged. Through e-lounge facilities, ATM’s and internet banking, bank is encouraging banking transactions through e-mode thus paving way for a greater role towards green initiatives. They have started recycling waste from April 1 2012 through authorized recyclers notified by the government. The bank is currently running 80 rural branches with solar powered UPS.

Central Bank of India:

It launched “Go Green” campaign for its esteemed customers with a purpose to promote green banking which is queue less banking and also promotes use of recyclable products for banks stationery using TYVEK materials. Here customers are motivated to opt for e-statements, use internet banking and also use e-voucher machine for transactions.

Housing Development Financing Corporation (HDFC) Bank Ltd:

It has launched a system of sending the personal identification number (PIN) for debit card holders through SMS instead of usual dispatch by post. Bank has also incorporated environment friendly features into their infrastructure which involves 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 gensets server and also desktop virtualization reducing much of the power consumption. Establishment of multiple alternate service points to enable easy transactions in paperless environment. Employee awareness campaigns to promote an environment friendly practice.

YES Bank:

It is a first Indian signatory to carbon disclosure project and also has documented its carbon footprint. It is the first Indian bank originating from private sector which has become signatory to UNEP statements by financial institutions on environmental norms and sustainable development. Yes bank has also advocated a proactive response to climate change from its peers in industries, banking community and society as well.

Industrial Development Bank of India (IDBI):

This bank took a leap step towards green initiative in corporate governance through which bank sends all the documents relating to general meeting notices, annual reports, other notices etc. to their shareholders in electronic form. IDBI bank also has an exclusive team working on clean development mechanism (CDM) and other advisory services. It has also implemented a refinance scheme for most of the energy saving projects especially for micro, small and medium scale enterprises.

City Bank:

Citi bank has developed environmental management system to guide its environmental initiatives. Developed a comprehensive environmental and social risk management (ESRM) policy in 2003 and updated periodically which required adherence to international finance corporation (IFC) performance standards and its health and safety guidelines, which provide pollution prevention, safety and guidance to 63 specific sectors.
Underwrote 158 environmentally beneficial projects in the US totaling more than $8.3 billion. It has established new set of environmental goals to be achieved by 2015.

8. Suggestion

The following are some suggestion regarding green banking activities

1. RBI should frame a proper regulation for compulsory adoption of green banking in India.
2. Banks can start few awareness activities where the majority of people can be educated on this concept.
3. Invest in projects which help in producing energy in eco-friendly manner protecting the environment.
4. Solar energy was the most commonly known source of energy to set up solar panels at their places to harness the solar energy and use it in their day to day life.
5. Authority must try to develop more effective issues to make banking sector greener and more ethical.
6. Use led bulbs to save energy. Environmental friendly Air Conditioner to avoid the air pollution.

9. Conclusion

According to the current scenario each individual has responsibility to maintain and protect our environment by reducing carbon emission, air pollution, water pollution, biological waste management, industrial waste management etc. these can be done through recycling of waste, reducing usage of natural resource, planting new plants, ground water saving etc. Banking industries should take more initiative to promote green banking activities in each branch, through promoting green housing financing, financing for organic food production, farming business, pioneering renewable energy enterprises, recycling companies, nature conservational project and industries with less carbon emission. Creating awareness regarding environmental pollution among people is in need for future survival. So banks is in right position to promote and practice green banking or ethical banking.

10. References