



Green banking in India: A Review of Literature

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Abstract:

In the environment friendly society “Go Green” mantra has become relevant in each and every aspect of business. There is a wave of change with all business activities to not only focus on profit but also on people and planet. Due to environment consciousness and awareness businesses can no longer run after profits only. There is a move towards green economy and in every sphere organizations have to be environmentally sensitive. One such area is Green Banking. Green Banking means ensuring environment friendly practices in banking sector and thereby reducing internal and external carbon footprints. Broader view is having green criteria as a lending principle. Banking industry is generally not considered as polluting industry. But it impacts the environment in terms of increasing energy consumption (lighting, air conditioning), paper consumption. This paper attempts to conduct a review of literature on Green Banking and find the major problems in implementation of this green phenomenon. The study highlights lack of consumer awareness and education as a major obstacle. Public sector banks are keener in adopting green practices as compared to private banks. SBI is taken as a case to show what all steps banks can take to face the green challenges.

Keywords: Carbon footprints, Green Banking, Lending Principle, Net Banking, Sustainability

1. Introduction

With increasing awareness and environment consciousness businesses can no longer run after profits only. It will be unwise for them to ignore the concern for the society and the environment. Green movement for protection of environment has brought about a change in the way business is managed. There is a move towards green economy where each and everyone be it customer, employees, employer or general public are concerned about the environment. The desire to engage one in environment friendly green practices has expanded to the organizations also. Sustainability is the key issue. In this new era it becomes essential to address the green issues. Now each action is required to be environmentally responsible. Green is the word now ‘Green Computing’, ‘Green Banking’, ‘Green Strategic Management’ and so on.

In the environment friendly society “Go Green” mantra has become relevant in each and every aspect of business. There is a wave of change with all business activities to not only focus on profit but also on people and planet. With the changing consumer expectation, stricter environment regulation, compliance requirements even the banking sector cannot escape this wave of change.

The paper is structured as follows:

Section 1 states the introduction of the study. Section 2 states the objectives of the study. Section 3 gives an introduction of the concept Green Banking. Section 4 deals with the reasons for adopting Green Banking. Section 5 includes major avenues of Green Banking. Section 6 includes review of

literature and Section 7 studies Green Banking practices in State Bank of India (SBI). The final Section 8 analyses and concludes the existing literature.

2. Objective of the Paper

The objective of the paper is to study the green philosophy in banking. The study includes following aspects.

- Concept of Green Banking.
- Need for Banking.
- Avenues of Green Banking.
- Review of existing literature.
- Case study on green initiative of SBI.

3. What exactly is in Green Banking?

Green Banking is not a separate bank. Green Banking means ensuring environment friendly practices in banking sector and thereby reducing internal and external carbon footprints. Banking industry is generally not considered as polluting industry. But it impacts the environment in terms of increasing energy consumption (lighting, air conditioning), paper consumption. A broader view of this is that banking industry is linked to the external environment as it provides funds to others and hence finances their activities. Banks are a source of funds. So they can contribute to environment by ensuring environmentally responsible investment and a carefully evaluated lending.

Green Banking therefore covers two aspects. The first one being judicious use of all resources, energy and reducing carbon footprints and second being encouraging and financing only environment friendly investment. So Green Banking is not only about making sustainable use of resources but also about environment friendly dispensation of credit. A proper scrutiny of all projects that are financed in terms of environment is another major element of Green Banking.

The concept of Green Banking emerged in 2009 with coming of the first Green Bank based in Mt. Dora, Florida, United States. The Institute for Development and Research in Banking and Technology established by RBI defines Green Banking as:

‘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.’

Considering the nature of banking processes and infrastructures, this report offers guidelines for greening banking in two levels.

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

Green Banking can be implemented by a proper use of technology. The various ways in which banks have adopted through this wave of change are:

- Sending payment slips, reimbursement slips electronically.
- Online Net Banking System.
- Paying bills online.
- Opting for Mobile Banking.

- Paper Recycling.
- ATM.
- Green Checking Accounts.
- Conduct meeting through Video Conferencing.

Green Banking is relatively new. So what is required is consumer awareness, education and training programs to familiarize the customer on use of the new technologies and facilities introduced in light of Green Banking.

4. Why Green Banking?

The reasons for moving towards green mantra in banking sector in this fast changing environment

- Going green provides competitive advantage.
- Consumers are more interested in environment friendly goods and services.
- The wave of globalization has increased awareness of investors and they now opt for environment friendly investment.
- Stricter government regulations are in place now.
- Government agencies demand a greater disclosure.

So on account of all these banks are required to manage their day- day operations considering the environment impact and also finance only those alternatives which are having a positive impact on the planet.

5. Major Avenues of Green Banking

As highlighted by Institute for Development and Research in Banking Technology established by RBI the major avenues of Green Banking are:

- Green Process which means that each unit and activities should be environment friendly. Few among these are paperless transaction, maintaining contacts with customer through online means, offering banking products in a way to have minimal environmental impact.
- Green Products and Services like electronic banking, electronic paperless statements etc.
- Green Strategies which means explaining the key stakeholders about environmental values, setting a green policy and publicizing it etc.

6. Review of Literature

Green Banking aims at greener and a clean future. As stated earlier what is needed in context of this new concept is consumer awareness. **Sharma, Gopal et al. (2014)** attempt to study the level of consumer awareness of Green Banking initiative in India with special reference to Mumbai. From the primary survey they conducted they find that surprisingly even those people who are using online facilities provided by their banks nearly three fourth of them are unaware of the term Green Banking. They find that among those who are aware of Green Banking term consider it mainly related to online bill payment and cash deposit system. Other Green Banking aspects like Green CDs , solar powered ATM, bonds for environment protection are among few of which consumers are not aware of. They also attempt to analyze the gender based difference in awareness of green initiatives by bank specially E-Statements, Net Banking and Green loans. Using Chi-Square test for hypothesis testing they arrive at a result that both males and females have the same level of awareness with respect to Green Banking. The researcher's state that the major obstacle in Green Banking is the technical issues involved followed by lack of education.

Jaggi (2014) studies the initiative by SBI and ICICI on Green Banking. SBI has introduced a Green Channel Counter, no queue banking, enhanced commitment towards achieving carbon neutrality, online money transfer, wind farms. Green Products and Services initiative of ICICI Bank includes

instabanking (anytime, anywhere), vehicle finance and home finance. Moreover these banks have taken other steps for energy conservation like duplexing (two side printing), recycling, CFLs, carpool etc.

Nath, Nayak et al. (2014) attempt to study the green rating standard given by RBI, the World Bank's environmental and social norms and the initiative taken by bank in adopting green practices. They also list strategies for adopting Green Banking. Green Rating Standard is known as Green Coin Rating. Under this banks are evaluated on the basis of carbon emissions and amount of recycling activities. World Bank has formed environmental and social norms for financial institution. These norms provide ways to reduce environmental impact. Banks are required to do Environmental Impact Assessment, Annual Reporting and adopt sustainable technology. The researchers study and list the initiative taken in respect of environment by different banks in India. If the Indian banks want to achieve some position in global economy then they have to act as good corporate citizens.

Sudhalakshmi and Chinnadorai (2014) present the status of Indian Banks in respect of Green Banking and state that though goes green mantra is essential for emerging economies like India but significant efforts have not been taken. Banks are required to include their green aspect in the lending principle. Every step taken today will mean a better global environment in future. So a policy measure to promote Green Banking is needed in India. Indian banks are running behind time in adoption of this green phenomenon. Serious steps are required to be taken in this regard.

Jha and Bhome (2013) conduct a similar survey as stated above to check and thereby create consumer awareness on Green Banking. Conducting interviews and using specially structured questionnaires for survey they state certain steps needed in Green Banking. Online Banking, Green Checking Accounts (ATM, Special Touch Screens), Green loans (low rate to those who wish to buy solar equipments) for supporting environment friendly residential projects, power saving equipments, Green Credit Cards, Paper Saving Mobile Banking are among few steps suggested by them. Green Banking will ensure organization's move towards sustainability.

Rajput, Kaur et al. (2013) aims to understand how Indian banks respond to environmental changes and the action taken in respect of Green Banking. They find that there is a small group of banks in India that lead in environmental aspect. Response of Indian banks towards international initiative for environment is sluggish. In the United Nation Environment Programme Finance Initiative there is no single Indian signatory. Using factor analysis they conclude that risk of failure of business to peers and lack of RBI mandates are the obstacles to moving towards sustainability. The gaps in India are the awareness and consciousness on the environmental issues. Carbon Disclosure Projects- India requires public disclosure of emissions. This disclosure project is active in India. But the response is very less as only 8 signatories are there. The researchers feel that current management system needs to be integrated with the environmental and sustainable issues.

Yadav and Pathak (2013) study the Green Banking approaches opted by private and public bank for environment sustainability. Using case study approach they find that Indian banks have understood the relevance of taking positive steps towards the environment. Moreover results of the study conducted reveals that public sector banks have taken more initiatives as compared private sector with exception of ICICI bank. In private sector only ICICI bank's approach is a sustainable approach.

Bahl (2012) highlights the means of creating awareness about Green Banking to ensure sustainable growth. Garrett's ranking technique is used to analyze the most significant strategies in respect of Green Banking. If the goal is to attain sustainable development this can be achieved only through creating awareness and imparting education. Among the internal sub systems emphasis should be given to publications, newsletters so as to create awareness and effective means for external sub systems are

event meetings, media and websites. A proper formulated green policy guideline is needed for effective Green Banking.

Sahoo and Nayak (2208) explore the relevance of Green Banking and site international experience in this respect. The researchers find that there has not been much initiatives by banks in India and thus policy measures are needed to promote Green Banking in India. The researchers reveal that none of the Indian banks have adopted equator principle and none of them is signatory to UNEP financial initiative statement. Indian banks should use environmental criteria for funding projects.

7. Green Banking at SBI

SBI had spelt out several initiatives within the bank to further the cause of green banking by:

- The inauguration of a windmill at Panapatti village, Pollachi Taluk, Tamil Nadu.
- Sensitizing employees through training, workshops and education programmes.
- By investing in efficient lighting systems, energy savers and waste water management.
- Mooting a project within the bank to determine its carbon footprint.
- Offer concessional rate of finance for projects that are green, or for implementing clean technologies in building concepts.
- Carbon Credit Plus is a product for financing carbon credit receivables.
- Transaction through the SBI ATM-Cum Debit card.
- CSR Philosophy:
- The Bank is a corporate citizen, with resources at its command and benefits which it derives from operating in society in general. It therefore owes a solemn duty to the less fortunate and under-privileged members of the same society.
- Staff members are encouraged to make their contribution by understanding the aspirations of the public around them and by endeavoring to evolve measures to remove indisputable social and developmental lacunae.
- Green Channel Counter

The Bank had launched 'Green Channel Counter'(GCC) facility on State Bank Day (01.07.2010), at 57 select branches of the Bank spread across the country. This was an innovative step taken by the Bank towards changing the traditional way of paper based banking in a limited way, to card based 'Green Banking' focusing on reduction in paper usage as well as saving transaction time. This is a pioneering concept which would save both paper and time resources.

Referring to exploitation of resources beyond replaceable limits, the banker said: "It is because of our arrogance over science and technology that we have forgotten our wisdom and balance that is important to protect nature. If we do not maintain it (the balance), it will be a catastrophe of our own making."

8. Conclusion

Green is the word now. There is an increase in awareness regarding protecting and conserving the environment. Green Banking is an emerging concept here. It integrates management of environment with banking activities and aims at reducing carbon footprints.

Banks are also corporate citizens who have the responsibility towards the society in which they exist. Green Banking is a key issue concerning the development of the nation. With globalization and increasing competition moving towards the green wave provides competitive advantage. For India there is a huge lot of opportunity available which they can exploit and move towards their goal of economic development. Strict steps are needed if we actually want to practice Green Banking. But before that what is needed is increasing consumer awareness. Green Banking not only means

sustainable use of resources but also adopting green lending principles. The review of literature conducted reveals that what is missing in context of implementation of Green Banking is the level of consumer awareness and education. So proper training and educational programs by banks for the green initiatives will actually make Green Banking a success.

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