



GREEN BANKING PRACTICES – A Case Study on Indian Green Banking System

G. Nandini Prabhu

Research Scholar, College of Management and Commerce, Srinivas University, Mangalore –575001, India

ABSTRACT

As we move into the 21st century in this new scenario of globalization, the lack of greenery is the single object we are missing badly. Green banking means promoting environmental friendly practices and reducing the carbon footprint from banking activities. It is also called an ethical bank or a sustainable bank. It means encouraging environmentally sustainable practices by integrating organizational changes, technology, and evolving consumer preferences in the banking industry. This happens in a variety of ways, like using online banking as a replacement for branch banking to pay online bills instead of submitting them in banks. This study also focuses on Green Banking activities adopted by private and public sector banks in India for environmental sustainability. The analysis is focused on secondary data. The safeguarding of natural resources and the atmosphere is the prime advantage of the green banking approach. It reduces book-keeping to the ideal level and focuses on electric transactions for various customer banking transactions, such as the use of cash machines, movable banking, operational banking, etc. Electronic dealings not only contribute to sustainability but also provide consumers with convenience.

Keywords: Green banking, Green banking Methods, Green products, SWOC Analysis.

1. Introduction

In this financial world, new development is Green Banking. As the funding mediator for fiscal and development initiatives, banks play a major part in supporting overall sustainable development, and inclusive banking policies are built to ensure sustainable economic growth. Going concerned is the word banks use to make them even more responsive to the environment. It encourages banks to spot environmental friendly finance and target financing to industries that have previously twisted green or are irritating to turn green and assist to prevent pollution. Green banks are in start-up mode in India. They should expand the use of environmental information in their business operations, credit extension, and investment decisions. It means encouraging activities that are respectful to the community. This comes in many ways, such as integrating changes in processes, technology, and changing consumer preferences in the banking industry. It arises in various ways, such as the usage of online banking instead of banking from the branch; having the local bank instead of several branch banks, etc. It is taking greater steps to help local green initiatives in the city. Foreign banks are more seriously practicing green banking. In this type of banking, practice Indian banks are still taking small steps. Yet many of them are determined to follow this approach aggressively. State bank of India (SBI), is a Public sector bank of India has become the first bank in the country to venture into a generation of green power by installing windmills for captive use. The industrial credit and investment corporation of India (ICICI), is a private sector bank of India has pioneered green banking, by investing in a solar ATM, and it is India's leading private sector bank, providing a platform for others to accept and save the world these goals were not met in India. Green banking or sustainable banking can be described in several ways. In a broader sense, environmentally sustainable banking operations encourage customers to reduce their carbon footprint through their banking activities. According to the Indian Banks Association "Green Bank acts as a regular bank, taking into account social and environmental considerations for the security bank,". "Green Bank functions as a simple bank, taking into account societal and conservational features for protection of natural resources".[1] The area of green banking is becoming highly competitive, it will become more popular as experts predict that banks will begin to expand ecologically.[2] According to the RBI, green

* Corresponding author

E-mail address: prabhanandini25@gmail.com

banking is supposed to support the climate (IDRBT, 2013). It is developing a significant offering to shift resource-efficient and low-carbon trade and in the general green family as part of green finance.[3]

2. Related Work

Table 1: Related Publications on Green Banking in India by different researchers

| S.No | CONTRIBUTION | REFERENCE |
|------|---|-----------------------------------|
| 1. | Before providing loans, Ethical banks consider all the factors -whether the project is eco-friendly or not. When all the eco-friendly safety measures are followed, then the company will be awarded loans | Bihari, S. C. (2010)[4] |
| 2. | Green investment is a procedure of banking from which eco-friendly assistance is obtained by the country and community. | Lalon, R. M. (2015) [5] |
| 3. | The banking sector can play an intermediary role between economic development and environmental protection, for promoting environmentally sustainable and socially responsible investment | Meena, R. (2013) [6] |
| 4. | The core assumption of the model of the sustainability network is that banks' relationships with stakeholders (i.e., suppliers, employers, and clients) are focused on mutual benefit and outcomes of sustainability | Paluszak, G., et al. (2016) [7] |
| 5. | The key reason for this report is to describe relevance to the green rating guidelines recommended by the Financial institutions, the health and environmental specifications of the Federal Reserve, the initiatives were taken in India by selected banks in the adoption of lean banking, and to sign up popular factors for the approval of banking services. | Nath, V., et al. (2014) [8] |
| 6. | The paper attempts to split the stages of the bank's green brand awareness based on their green banking initiatives. | Yadav, R., et al. (2013) [9] |
| 7. | Conservationism is a societal activity that demos the interest in ecological protection and enhancement of the conditions of the surroundings | Bihari, S. C., et al. (2015) [10] |

3. Objectives of The Study

Research goals are primarily to explain the acceptance of the green banking theory by banks. However, the specific objectives are

1. To analyse the various methods of green banking adopted in India.
2. To study the types of green products of banks
3. To study the emerging trend of green banking
4. To determine SWOC analysis of green banking.
5. To find the Green Banking Initiatives by various Indian banks

4. Research Methodology

The approach was based on secondary data and literature review. Secondary data sources were the reports of the Indian Bank, various seminars, journals, workshop information, and other relative information published on the banks and other internet sites.

5. Overview Of Green Banking

Green banking emphasized the importance of banks and the need to take a green step toward a greener future. By adopting modern capabilities, green banking commonly eradicates as much required documentation as conceivable and focuses on internet processing payments to provide green cards and green home loans.[11] Also, consumers benefit from capital gains because with normal banks the interest of a green loan is comparatively less. After all, green banks allocate more significance to environmental friendly factors than conservational signs of progress [12]. The Sustainable Finance Awards were introduced by the Fiscal Periods and Universal-Investment Establishment, a participant of the Biosphere Group Community, for organizations that incorporate societal, ecological, and corporate governance deliberations into their commercial dealings.

Table 2: Green Banking Implication dates in Indian banks:

| Implication Year | Names of the banks operating in India |
|-------------------------|--|
| 1996 | Union Bank of India |
| 2005 | Corporation Bank |
| 2006 | Bank of America, JP Morgan |
| 2007 | ICICI, OBC, SBI |
| 2008 | Bank of Baroda, Karnataka Bank, Dena Bank |
| 2010 | Axis Bank, Kotak Mahindra, South Indian Bank, (2013) |
| 2011 | Canara Bank, IDBI, EXIM, Canara Bank (2013) |
| 2012 | IDFC |

6. Methods of Green Banking Adoption

Two components of green banking strategies are (1) environmental risk management and (2) the identification of chances for creative, environmentally concerned with monetary goods. Banks must design adequate methods to identifying the risks entail in funding ventures to manage environmental risk.

(1) Online Savings Account:

Green banking offers customers to open their savings accounts through an online platform. Customer can deposit their saving through the use of online and can make payments through their accounts. Customers can pay bills and receive bank statements electronically All these measures will reduce the quantity of paper pro dramatically [13].

(2) Paperless Statements:

It is a big waste of paper to send out bank statements by post. In most banks, authorization up for online banking contains an option for clients to receive their financial records automatically via a protected log-in. The duplicates of bank records and accounts can be kept by machine instead of in a filing cabinet,

(3) Practice Straight Credit:

Maximum of the proprietors will offer staff the option to electronically accept their paycheque. This will be accelerating the availability of cash and saves from approaching the bank and it similarly preserves paper, loads of paperwork, and saves time, etc.

(4) Online Bill Payments:

Online bill payment is a secure electronic service that allows customers to pay bills without having to write checks and mail them. Cell phone bills, internet bills, electricity bills, energy bills, card bills, and loan repayments can be paid online. Most online payment clients have discarded their checkbooks and completely turned to digital purchases. Now it is possible to keep all the records and documents safely.

(5) Debit and credit card Facility:

Several banks have joined hands with eco-friendly organizations such as the Sierra Club or Wildlife Protectors to develop debit and credit cards for the reward. Banks that are involved will as a percentage of your online banking make a tiny charitable donation to support the climate operation.

(6) Electronic Banking:

Electronic banking is when the majority of their clients perform the most banking-related tasks, without personally visiting the bank. For this, customers must have an identity electronic banking and a PIN supplied by the bank where an account is kept by the individual client.

(7) Mobile Banking:

The mobile banking system is a service provided by a bank. It is pleasant to be able to check the sum of the balance, transfer the funds, and pay the bills from our handset [14]. Providing financial dealings through mobile devices is a new spreading channel for financial establishments [15]

7. Green Products

Green financial products and services are green lending, green consumer banking, power-friendly investment banking, etc [16].

(1) Green Loans:

Green loans mean issuing loans to a scheme or organization deemed to be eco-friendly.

(2) Green mortgage loans

As the name implies, a “Green Mortgage” is an environmentally friendly type of home loan. Also known as Energy Efficient Mortgage. Green Mortgages are a special type of loans that are designed to make home more energy efficient while saving money at the same time.

(3) Organic Credit Cards:

Credit cards are going green, whether in the form of eco-friendly prizes or encouraging paperless banking using decomposable credit card materials, etc.

(4) Green saving account:

It is a regulated saving account for an unlimited duration accessible to everyone. With this saving account, banks make contributions based on the investments made by consumers.

8. The Emerging Trend of Green Banking

Today, the phrase “Green Banking” is perceived extra regularly. Green Bank is similar to a standard bank, conferring to the Indian Banks Association (IBA,2014), which takes into justification both societal and biological factors with an opinion to conserving the atmosphere and saving natural properties. It is often referred to as a sustainable bank or an ethical bank. By tumbling the carbon footmark of customers and banks, green banking will help the world. Online investment is a specimen of the Green Bank's creativity. Operational banking advantages include less paperwork, less mail, less travel by bank customers to subdivision workplaces. Interestingly, a bank's productivity and profitability can also be improved by online banking. If their clientele uses online banking, a group can lessen their prices that arise from paper overburden. The need for costly branch banks can also be reduced by green banking. Green banking is gaining popularity too. Banks may also fund eco-organizations, provide green loans and raise funds for local environmental initiatives. It is a little more difficult to find banks that drive to these essential distances to be ecological than banks that pretend to be green by purely providing operational facilities. Banks offer interest cuts on investment accounts, mutual funds, online savings accounts, and digital banking savings accounts help to promote financial institutions by encouraging online banking. In terms of reducing costs rising efficiency-enhancing performance, monitoring and handling nonperforming assets, facing risks carrying out asset-liability management, managing increases in interest rates, managing foreign exchange rates, compliance with regulatory requirements and fines, there has been an outstanding upgrading in the functioning of banks.[17]

9. SWOC Analysis

Table 3: The SWOC Analysis of green banking [18][19].

| Constructs | Features |
|-------------------|---|
| Strengths | Each entrepreneur will be offering a great deal to the atmosphere and turn this biosphere into a good dwelling to aware and survive It generally eliminates as much paperwork as possible by introducing new and advanced technologies and depends on online/electronic processing activities to provide you with green home loans and green cards. By financing, solar energy and wind energy programs the bank is reducing carbon footprint from the environment. Green banking saves the time of the banks and customers by proving online services |
| Weaknesses | The cost of Construction of green technologies is not proven enough. All banks are not coming equally for the practice of green banking. There are some geographical barriers to the implementation of green banking practices. Lack of knowledge among the employees is noticed. |
| Opportunity | There is an improvement in the credibility of enterprises if businesses try to go green. It also contributes to creativity and there are cost reductions that allow banks to be more successful. It is understood that not just the consumers who prefer green, the employees often feel favorable to operate in green organizations like this. They are going to be more active and they are going to indirectly will be very reliable to their organization. |

| | |
|------------|---|
| Challenges | <p>First, as the green bank needs talented professional employees to provide sufficient services, there could be high operating costs</p> <p>It's a new concept and customers will take time to adopt this.</p> <p>It requires renewable and recycling techniques which is costly.</p> <p>Since buyers need more experience dealing with qualified loan officers, their business transactions are typically limited to those passing the transactions. The initial process is considered to be the core challenge of green banking.</p> |
|------------|---|

10. Guidelines of The Rbi Concerning Green Banking:

Banking guidelines of the (RBI) Reserve Bank of India have suggested the introduction of a standard for the ranking of environmental banking and other financial practices between India's green banks.

According to RBI, green banking is to make internal bank processes, physical infrastructure, and Information Technology effective towards the environment by reducing its negative impact on the environment to the minimum level. RBI states that the core objectives of the banks must not be maximizing the profit, but it should take into account environmental protection [20]. The institute of development and research and in banking technology (IDRBT) established by the Reserve Bank of India has proposed the introduction of standard rating for green efficient banks and banking practices among Indian Banks.

11. Allocation of Budget and Utilization For Go Green

Commercial banks are expected to devote a substantial sum to green banking, in compliance with the Central Bank guidelines.[21] Undertaking in their annual financial plan and allocations can be divided into categories.

1. Investment green savings deposit.
2. Environment risk management fund
3. Fund for Green Training & Growth, Marketing & Construction of Capacities [22]

12. Green Banking Initiatives By Various Indian Banks

State Bank of India (SBI)

The State Bank was founded in 1806 as the Bank of Calcutta and developed the State Bank of India in 1955 when the Federal Banks of India were nationalized. According to its widespread network of branches throughout the country and abroad, the bank delivers a wide range of facilities including financial services, commercial lending, business banking, wealth management, pensions, insurance, loans, and credit cards.[23]

Bank of India SBI has launched a green banking policy and set up windmills in Tamil Nadu, Maharashtra, and Gujarat to generate 15 MW power. This is the primary public bank in India that is in green banking and encouraging green power projects [24] Solar ATM has been installed by SBI. It is the world's largest installer of solar ATMs. [25]

Punjab National Bank (PNB)

Punjab National Bank is a bank based in Punjab, Punjab National Bank was established on May 19, 1894, and is one of India's oldest banks [26]. It is currently India's second-largest commercial bank in terms of assets and third-largest bank overall (including both non-public and public sector banks).

Punjab National Bank's Green Banking Initiatives include: The bank has begun to use energy-efficient equipment and has conducted an electricity audit of its offices. On the other hand, the bank is putting a strong emphasis on infrastructure development.

Bank of Baroda

It is a state-owned bank in India that was established in 1908 in the princely state of Baroda.[27] The Bank of Baroda's green banking initiatives (a) To minimize the use of paper in banking procedures, internet banking, and mobile banking were introduced as alternative circulation stations. (b) As part of green banking programs, improvements such as backup integration and database and desktop virtualization were implemented.

Canara Bank

It is a public sector bank in India that began as the Canara Hindu Permanent Fund in 1906, changed its name to Canara Bank in 1910, and was nationalized in 1969. [page 28] The bank operates a nationwide network of 3564 branches and 4000 ATMs. Many green banking services have been implemented by the bank, including online banking, telebanking, and mobile banking. Solar-powered fingerprint ATMs have been developed in several rural areas.

HDFC Bank

HDFC Bank was recognized in 1994 by Housing Finance Company and was one of the initial private sector banks to take permission from the Reserve Bank of India.[29] Green Banking Initiatives of HDFC Bank decrease in paper usage by delivering e-transaction advice to company clients& inspiring e-statements among retail customers.[30]

ICICI Bank

ICICI Bank is a global financial services company based in India. A bank was founded as a privately owned company in 1994. (31) Contribution green banking services like mobile banking and net banking, which reduce the use of paper and save customers time while also helping the bank reduce carbon emissions, are part of ICICI Bank's Green Banking Initiatives. (32)

13. Findings

Green banking is a proactive way of future sustainability, but banks in India are running behind their counterparts from advanced economies. Banks trying to clarify green is tough and there are chances for customers to accept that the potentials made by the banks' team. Several steps have been taken by the private and public sector banks to reduce carbon emissions. Banks recognize the problems involved in introducing green banking in the country

14. Suggestions

1. Making consumers increasingly awareness via their website of green banking.
2. Creating media recognition for clients.
3. Subscription to clients with environmentally biodegradable benefits.
4. Byfunding environment-friendly projects more and more and conducting Bank's Social Responsibility programs.
5. To integrate sustainability concerns specific policies are needed to modify the current management processes.
6. Develop and Spread the News on a Website Reducing the carbon footprint by mass transportation.
7. Inform through the Intranet and Public Website of the Bank
8. Engage in sports., encourage green business, set up outlets.

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