



## Green Banking in India: A Novel Approach in Banking Sector

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### ABSTRACT

For the economic development of any county the financial system plays a pivotal role and the financial institutions stands as a one of the important pillar of the financial system. The banking system in India is undergoing considerable changes during the time towards the development. It has become immense need to adopt the positive changes for the effective survival and improved performance of the banks and the economy at large. In this changing scenario the concept of Green Banking has emerged as Novel approach in the banking sector, in connection with economic development and environmental protection as its social responsibility as one of the corporate citizen. As a part of protecting environment the green banking aims at minimizing the internal and external carbon emission in the banking sector. Green banking stood as a vital ingredient in environmental protection in global scenario. The green banking is associated with integration of upgraded technology with banking practice and activities that reduces pollutions and results in environmental friendly. The adoption and effective implementation of Green banking is a wise initiative for the sustainable development for Indian economy. The paper emphasizes on the salient features, significance and Challenges of Green banking.

*Key Words: Green Banking, Environmental Protection, Significance, Challenges.*

### INTRODUCTION

In the global paradigm the depletion of environment is taking place by exploitation of resources without appropriate measures, which is resulting in ecological imbalance. Now it is the time to protect the environment and the society at large. Go Green has become the buzz word in the variety of businesses in Indian economy, as the focus is not only on earning profits for but also look for sustainable environment. A stringent move has to take place towards green India. As a corporate citizen, the banks have a significant role along with others in protecting the environment and initiate the eco friendly banking transactions and activities. At this juncture the concept of Green Banking has evolved. The concept of Green Banking originated in 2009, Florida, United States. The concept of green banking is entirely different from the conventional banking; the green banking system is involved with using of advanced technology in banking transactions. Green banking means promoting environmental friendly banking practices and minimizes the carbon footprints from transactions of banking. The concern of sustainable environment has given rise to the innovative concept of green banking. Green banking is every initiative of banking activity from that the nation gets environmental benefits by safeguarding from pollution. The green banking is banking system that directs the core operations towards the environmental protection. The financial institutions play a role of mediator in environmental protection and economic development of a nation. In the current scenario of Indian banking sector it is need of the hour for encouraging the green banking practices by policy making and its effectual execution.

### DEFINITION

According to Reserve Bank of India (IDBRT, 2013), green banking is to make internal bank processes, physical infrastructure and information technology effective towards environment by reducing its negative impact on the environment to the minimum level.

### LITERATURE REVIEW

**Dr. K.Mekala**<sup>1</sup> in a research article found that the people are not yet fully aware about the green banking practices in Coimbatore District and also identified that some customers are not aware to avail ATM services and mobile banking services due to lack of financial literacy. Therefore, banks must literate their customers. Concluded that green banking services are very convenient, easy and cost effective for the customers of bank. It saves customers trips to the bank. They need not to go to the bank for banking transactions.

**Shakkeela Cholasseri**<sup>2</sup> concluded that Indian economy is an emerging economy and there is a huge potential of growth of Indian banks by adoption of innovative approach in their strategy making process. There is a need of an approach towards paradigm shift by setting up the business model. The future of green banking seems to be very promising in India as lots of green products and services are expected in the future.

**Dr. R. Janakiram & Dr.S. Karthikeyan**<sup>3</sup> in their paper concluded that green banking, if implemented sincerely opens up new markets and avenues for product differentiation. As initially these commitments will cause a huge financial burden of the Indian banks. Recently our Indian banking sector takes step forward to initiate to such type of banks. For the effective adoption of green banking, the RBI and the Indian government should play a major role and formulate green policy.

**Nejati Ahuja**<sup>4</sup> in a study inferred that there is an increase in awareness regarding protecting and conserving the environment. Green banking is an emerging concept here. It integrates the management of environment with banking activities and aims at reducing carbon footprints. Banks are also corporate citizens who have the responsibility towards the society and green banking is a key issue concerning the development of a nation.

**Raad Mozib Lolan**<sup>5</sup> in a research article on green banking noted that, green banking has become a buzz word in today's banking world. For going green products, electronic compliances, motor vehicles etc, for eco friendly atmosphere. Green banking now is not only limited to awareness but also in practice. It is now expected from all scheduled banks that they would not only allocate budget for green finance under CSR but also ensure effective utilization.

**Ravi Meena**<sup>6</sup> in a study on green banking identified that India growth story and commitment to cut its carbon intensity by 20-25 percent from 2005 levels by 2020 provides tremendous opportunities for Indian banks from finding sustainable projects to offering innovative products and services in the areas of green banking. For effective green banking, the RBI and the Indian government should play a pro active role and formulate a green policy guidelines and financial incentives.

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## OBJECTIVES

1. To study the salient features of green banking.
2. To assess the significance of green banking.
3. To examine the challenges of green banking.

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## METHODOLOGY

The current research article is conceptual and descriptive in nature and made an attempt to highlight the salient features and importance of green banking. To serve the purpose the secondary data has been collected from the different published sources that are available to study the above defined objectives.

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## SALIENT FEATURES OF GREEN BANKING

The innovative approach called green banking has the following salient features for the sustainable development through environmental protection,

1. The financial institutions can make the favour to environment through computerization and digital banking mechanism, which reduces the physical banking at branch.
2. The green banking offers the industrialization and other social activities for sustainable development with green growth and Go Green.
3. This novel banking system focuses on social safety and security measures by reducing the adverse affect of their activities on the society.
4. Green finance also gives the priority to loans and investments that considers the environmental conditions at most.
5. It treats the customers and clients as its family members and gives proper guidance, supervises and monitors effectively in dropping down the pollution.

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## SIGNIFICANCE OF GREEN BANKING

The concept of green banking has its own significance due to its unique aspects linked with the green banking. The following factors reveal its importance in banking sector;

1. Green banking is regarded as paperless banking as it avoids the paper work. In the era green banking all the banks are computerizes and facilitating online banking and digital transactions and ensuring digital correspondence for environmental protection.
2. It allows the electronic and digital platforms for making the payment of bills.
3. Under the green fiancé, the banks provide the financial assistance at lower rates of interest to the companies and business firms that are offering environmental friendly products and involved in similar projects.
4. The green banks are into the action of creating awareness and educating about the green banking among the customers and employees for the sustainable development through protection of environment.
5. Green banks usually follow standards of environmental protection for lending the loans. It's a great idea because the business firms will ensure to change their business activities and products so as to protect the environment and helps the next generations.

6. The present banking system is able to offer certain green products and services and also looking for new innovations, that looks attractive to customers and protects the environment.
7. As many of us are experiencing that E-statements are generated and will be sent to registered email. That saves the time and money of customers and also facilitates to open a bank account through online.

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## CHALLENGES OF GREEN BANKING

Though the concept of green banking has a concurred great significance due to its positive impact on the society and economic development, still it has some challenges to face in the process of adoption of green practices as discussed below;

1. The most important challenge the green banks have to come across is reputational risk.
2. Adoption of green banking as a new practice has a problem of lack of awareness about the concept among the customers and employees as well and even they are aware but not up to the extent of required for functioning.
3. It has to face the risk of diversification, as the green banks confines their commercial transactions to those organizations and companies who satisfy the terms and conditions of green banking. That will result in limited banking business.
4. It will result in high operational cost, because the green banks essentially require the advanced technology, professional and experienced staff for rendering the banking services in a most efficient manner.
5. Green banks do have start up problem, many of the banks under the green era are in the initial stages of green banking and it takes certain time to mould the entire banking business into green activities.

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## CONCLUSION

Undoubtedly, the banks are serving as vital role as its share towards the economic development of a country and environmental protection. The economic growth is influenced by the banking industry; a shift to green banking will give an effective competitive advantage on the part of financial institutions. Adoption a green banking is positive practice for sustainable progress of country by protecting the environment. The formulation of green banking policy and its effective implementation will take it to a successful method of banking. On the other hand certain initiations have to be taken up for creating awareness among the customers through proper campaigning by way of print media, electronic media, social media, and also by the bankers directly to their customers. For enjoying the fruits of green banking a well trained and experienced staff in respected areas is also immense.

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