

A Study on Green Banking Initiatives Adopted by Public and Private Banks in India

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Abstract - In this present scenario of globalization, as we pass through 21st century, one thing that we miss very badly is the depletion of greenery. As everybody in this society is becoming more and more concerned and worried about the natural environment, business organizations and corporations have started modifying their working in an attempt to increase greenery to the maximum possible. Green banking means combining operational improvements, technology and changing client habits in banking business. It means promoting environmental-friendly practices. This comes in many forms such as – using online banking instead of branch banking; paying bills online instead of mailing them; opening up CDs and money market accounts at online banks, instead of large multi-branch banks; or finding the local bank in the area that is taking the biggest steps to support local green initiatives. Main emphasis has been made on the concept and scope of green banking in India so as to make our environment human friendly and enrich our economic productivity.

Index Terms – Green Banking, green products, environmental sustainability.

INTRODUCTION

Green banking is a new phenomenon of the banking world. Green banking which serves both the commercial objectives and social responsibilities investment and sustainability to the environment. The concept of sustainable development that is taking care of the need of present generation without compromising the needs of future generation, has given rise to green marketing and then green banking. Green banking for the purpose of economic development and promoting environmental-friendly practices and reducing carbon footprint. Banking institutions are innovative financing to accelerate the transition to clean energy and fight climate change. On-line banking, i-banking (Internet banking), ATM, CRM, POS, IDM, SMS service, finance in solar

energy, etc., lending money for clean energy or energy-efficiency projects with an expected return on investment. Green banking means combination of operational improvements technologies and changing client habits in banking business. This green banking is not only important for the banks but also it will benefited for the society industries, company's, economy. These green banking will facilitate and improve the asset quality of the bank in future. Green banking is different from conventional banking as convention is based on the principal of security and profitability and morality has a very little role

OBJECTIVES

1. A study on products and consequence of green banking
2. A study on green banking initiatives taken by public sectors and private sectors like Kotak Mahindra bank, Axis bank and sbi ,and Bank of Baroda

Products of green banking

- Green car loans.

Green loan means giving loans to a project or business that is considered environmentally sustainable.

- Green Mortgages.

A green mortgage is a mortgage specifically targeted at green buildings. As an incentive for the borrower to either buy a green building or to renovate an existing one to make it greener, the bank would offer them either a lower interest rate or an increased loan amount. Green mortgages are a method of incentivizing the adoption of green housing methodologies.

Green certificates of deposits (CDs): Banks offer higher rates on commercial deposits, money market accounts, checking accounts and savings account if

customers opt to conduct their banking activities online.

- Mobile banking and online banking: These new age banking forms include less paperwork, less mail, and less travel to branch offices by bank customers, all of which has a positive impact on the environment
- Green Saving Accounts: In case of Green Saving Accounts, banks make donations on the basis of savings done by customers. The more they save, the more the environment benefits in form of contributions or donations done by banks.
- Green Credit Cards: Be it in form of environmentally friendly rewards or using biodegradable credit card materials or promoting paperless banking, credit cards are going green.

Consequences of green banking:

Diversification Problem: Green banks restrict their business transaction to those business entities who qualify screening process done by green banks. With limited number of customers they will have a smaller base to support them.

Start-up face: Many banks in green business are very new and are in start-up face. Generally it takes 3 to 4 years for a bank to start making money. Thus it does not help banks during recession.

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Environment risk : Green banking strategies involves two components

(1) managing environment risk and (2) identifying opportunities for innovative environmentally oriented financial products (IFC, 2007).). To manage environmental risk, the banks have to design proper environmental management systems to evaluate the risks involved in the investment projects. The risks can be internalized by introducing differential interest rates and other techniques

Legal risk: It can occur in different forms. Most obviously, banks like other companies are at risk if

they themselves do not comply with relevant environmental legislation. But more specifically, they are at risk of direct lender liability for cleanup costs or claims for damages if they have actually taken possession of contaminated or pollution causing assets. An environmental management system helps a bank to reduce risks and costs, enhance its image and take advantage of revenue opportunity

Technology risk: Green bank requires a technology and renewable and recycling technique which is more effective and costly. Data protection and avoid of cybercrimes is major challenges to the banking sectors

Green banking initiatives in public banks:

1. Sbi green banking initiatives:

Instillation of windmills: SBI being the first bank of India to generate green power, has installed 10 windmills holding a capacity of 15 MW in Gujarat, Tamil Nadu and Maharashtra.

2. Not only this, there will be a further progression of the initiative through installation of 20 MW more capacity in Gujarat. The most paramount reason for the initiative is not only to be economically beneficial rather it is to preserve the environment through less dependence on non-renewable resources. It is estimated that although the installation cost of 1.5 MW windmill is around 10 crores, the operational cost for the windmills will be nearly zero, hence, proving to be cost efficient

GREEN HOUSING (SBI O)

1. Green housing is another significant initiative taken by the State Bank of India for promoting carbon less society
2. The bank has undertaken the responsibility of providing credit to individuals involved in Green Projects. Green Buildings, with the use of improved designs and operations are mitigating the adverse impact on the environment.
3. The bank provides a Home Loan at 5 percent concession in margin and 0.25 percent in interest rate with no processing fee. The conservation practices involved use of natural lighting and utilizing recycled water (Jagg 2014)

SBI GREEN MARATHON

1. SBI has currently come up with marathon was held in 6 cities including Delhi, Bangalore, Chennai, Ahmedabad and Chandigarh in February and March 2019.
2. The marathon was based on the theme of “Run for Green” and every participant was given a sapling to be sown after finishing the run for a green city.
3. The prominent purpose of this marathon was to create awareness about the dire need of adopting green practices (India CSR Network, 2018)

Green bonds:

1. A major measure on the part of the bank includes introduction of green bonds to the market. The issue was made in order to raise funds for financing the projects which are environment friendly.
2. A value as high as \$ 650 million was raised in September 2018 by the bank. Moreover, a subscription which is three times higher than the actual value was received (Das, 2018).
3. The bank has targeted to invest the funds into projects using renewable energy, buildings with low carbon emissions, energy efficient products, projects with sustainable transportation and also, projects controlling pollution and waste disposals.

Panjab national bank (PNB):

1. Bank has undertaken diverse activities under green initiatives such as using of solar powered ATM, PUM and CDM/Cheque Deposit Machines, using CFL Lamps instead of incandescent lamps, rainwater harvesting, printing on both sides of paper, immediate repair of any water leakage, purchase multiple functioning composite fax machines, use of master sensor/master switches for lights, fans etc
2. In credit appraisal bank has given preference to environment friendly projects windmills and solar power projects.
3. As per bank lending policy bank always lend to those borrowers who have NOC from pollution control board. Similarly, bank insists to manufacturing unit to install effluent treatment project for processing of pollutants.
4. Bank has undertaken several environmental protection activities through CSR initiatives. The activities consist of Van Mahotsav, bank

organized more than 249 Tree Plantation Drives, plantation along roadsides, greening of traffic circles in different cities and maintenance of parks in residential areas etc. Bank conducted energy audit of all offices as energy conservation initiative and maintain electricity audit.

5. Bank has installed Solar UPS at selected ATM sites in Bihar and U.P. where the power cut is high
6. Bank has set up green lobby at bank branch at Bhikhaiji Cama Place, New Delhi. The Cash Deposit Machine, Passbook Updation Machine and Cheque Deposit Machine installed in the lobby and all are powered by solar energy.

Bank of baroda:

1. Bank has undertaken energy efficiency measures like up-gradation of AC, real time monitoring of temperature and pressure, energy efficient IT equipment selection, energy efficient CFL and LED lighting and solar powered UPS etc.
2. Bank requested to shareholders those having shares in physical form to register their mail ids for further communication such as to serve any document, notice and annual report.
3. Shareholder holding shares in Demat form are also requested to register their e-mail ids with respective depository for further communication purpose.
4. According to banks domestic loan policy borrower should obtain NOC from pollution control board and produce it to bank. Bank do not extend any finance to the environmental hazardous industries such as Chlorofluoro carbon (CFC-11,12,113) & Halons-1211,1301,2402 being used in Foam Products, Refrigerators & Air-conditioners, Aerosol products, Solvents in cleaning applications, fire etc
5. On other hand in case of any manufacturing unit emit pollution bank insist to them for installation of water treatment plant for processing of such pollutants.

Private sectors banks:

Icici banks

Green Products & Services:

Instabanking - Bank has provided a variety of services customers to convenience banking anytime anywhere through Internet banking, Mobile banking, Tab

banking and Interactive Voice Response (IVR) banking. This reduces the carbon footprint of the customers because they do not have physical statements or travel to their branches.

Electronic Branches- Bank has set up fully electronic branches where the customers can conduct all their banking transactions. E- Drive-Bank has sent nearly 200 thousand annual reports in electronic form and bank have saved more than 60 tonnes of paper in the last quarter by sending e-statements to over 6.5 million bank accounts and 300 thousand credit card customers.

Vehicle Finance - Bank encourage to customers to use environment friendly vehicles by offering 50 percent waiver on processing fee for those 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

Green Engagements:

1. Environmental day celebrations on 5th June .bank has undertaken sapling plantation drive, along with PUC drive where employees were encouraged to get their vehicle's PUC checked and vendors were set up at select towers for the same.
2. Go Social' campaign was launched for employees where every individual could post pictures of their green initiative on Facebook and twitter and spread the word to families and friends to join in the journey to Go Green.
3. World Environment Week' - continued from June 09 to 13 with each day of the week representing a different green theme: No plastic day, Reuse paper day, Carpool Day, Duplex printing day and Save energy day.

Green communication:

ICICI Bank has extensively capitalized the existing internal media and always insist to customers about Online Bill pay, Online Funds Transfer and Subscribing

HDFC

1. To reduce environmental footprint bank has continuously undertaken green procurement, efficient lighting solutions, optimized travel planning, reducing paper consumption etc.
2. Bank has send PIN unique code number of debit card through SMS rather than send it by post.(The Hindu, 2015)
3. Bank has made multiple banking channel for customers such as internet banking, mobile banking, ATM etc. which helps for paperless banking.
4. Bank installed solar ATMs and these ATMs use rechargeable Lithium-Ion batteries for uninterrupted power supply.
5. Bank has introduced server and desktop virtualization for reducing power consumption.
6. Bank has initiated Energy Management Kits in branches such as use of star-rated and energy efficient air-conditioners, switching off the branch signage after 11 pm, replacing inefficient lighting with LED lights etc.(BRR, 2013-14)
7. Banks are engaged in electronic media rather than print communication, establishment of multiple alternate service points paperless transactions, encouraging retail customers to subscribe to e-statement, employee awareness campaigns to promote environment friendly practices, deploying motion sensors to switch off lights in an empty room in select locations etc.(BRR, 2013-14)
8. Bank managed their waste by tying up with vendors for recycling of paper and plastic in addition to that, they used reusable cups and plates.

Axis bank :

The annual GHG emissions have reduced through use of renewable energy during the year is 2443 tonnesCO₂e.(BRR, 2014-15)

1. Axis bank launched tree plantation program and planted 1 lakh sapling on 1st and 2nd august over thousand locations of the country.
2. In August 2011, under the green banking activities with the theme of „Reduce, Reuse and Recycle“ bank has processed all the dry waste recycle it into notebooks, notepads and envelopes. The program has helped to recycle around 87,206 kg.(Axis media center, 2015)

3. Bank encouraged to their customers to use of e-statements and electronic communications to reduce paper consumption. In the financial year 2014 banks 61% of shareholders have received their annual reports via e-mail.(Axis My Idea, 2015)
4. As a part of green initiative banks corporate office „Axis House“ at Mumbai which is designed and constructed as a Platinum LEED-Certified Green Building. (Axis My Idea, 2015)Axis House has received the „Platinum“ rating awarded by the US Green Building Council for its environment friendly facilities and reduction of carbon emissions.(Axis Bank Customer Care, 2015)
5. In November 2012, bank organized 'SPLASH' an all-India painting competition for 7-12 age group children at all its 1741 branches to spread awareness about environmental issues. The themes of the competition are go green, save water, save life and one-earth and one family. (Axis SPLASH, 2015)
6. Bank has adopted sustainable lending practices and without producing clearance from pollution control authorities“ bank does not finance to pollutant industries and insist to install effluent treatment plant. (BRR, 2014-15)
7. Under green banking initiatives, banks 29 percent of statements are issued electronically, 83 percent of Demat accounts e-statements issued through electronic medium, 92 percent of Demat welcome kits sent as e-welcome kit and 71 percent of shareholders registered for EAR.(BRR, 2014-15)
8. Bank uses renewable energy for street lighting, collected water from rainwater harvesting system and sewage treatment plant, furniture used by bank which is made out of recycled materials etc. (greencleanguide.com, 2015)
9. Axis bank initiated solar-based UPS for ATMs under its Independent ATM Deployment (IAD) model. (greencleanguide.com, 2015)

SUGSESSION

Public and Private sector banks have effectively initiated Go Green Initiative. The common activities of green practices of the banks are Green Channel Counter, introduced a multiplicity of card-based transactions, encouragement for eAR, e-statement, use

of energy conservation devices, installation of solar ATMs, finance for eco-friendly projects, tree plantation and conducting awareness campaign about environmental issues etc. Based on above mentioned points it is clear that, public sector banks have shown better performance in terms of green banking activities than private sector bank.

Further, those industries which have already become green and those, which are making serious attempts to grow green, should be accorded priority to lending by the banks. This concept of "Green Banking" will be mutually beneficial to the banks, industries and the economy. Not only "Green Banking" will ensure the greening of the industries but it will also facilitate in improving the asset quality of the banks in future. There are lot of opportunities and challenges for Indian banks in adopting 'Green Banking' as profitable business. Green banking if implemented sincerely will act as an effective ex ante deterrent for the polluting industries that give a pass by to the other institutional regulatory mechanisms. Therefore, for sustainable banking, Indian banks should adopt green banking as a business model without any further delay.

CONCLUSION

Green banking is one of the popular concept which make an impressive growth in the field of financial system. Overall, Green banking is really a good way for people to get more awareness about global warming; each businessperson will contribute a lot to the environment and make this earth a better place to live. Thanks to green banking. Until a few years ago, most traditional banks did not practice green banking or actively seek investment opportunities in environmentally friendly sectors or businesses. Only recently, have these strategies become more prevalent, among not only smaller alternative and cooperative banks, but also among diversified financial companies. Although these companies may differ with regard to their stated motivations for increasing green products and services (e.g. to enhance long-term growth prospects, or sustainability principles on which a firm is based), the growth, variation and innovation behind such developments indicate that we are in the midst of a promising drive towards integrating green financial products into mainstream banking. This concept of Go- "Green Banking" will be mutually

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