

Green Banking : An Initiative Through E-Banking Towards Environmental Sustainability

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Abstract- Environment Protection and Environment sustainability has now become a constant concern in every country. Business organizations are continuously exploiting natural resources therefore, "Being Green" came into the picture for expanding markets and restoring environment. it will not only help in environment sustainability but also boost economic development. Banking sector is considered as the backbone of the country and realized the importance of environmental sustainability and stability with the help of Green banking. Green Banking is a concept in which banks are making an effort to restore the natural environment and to make the industries go green. The present paper aims to analyze various methods of Green Banking in India. Further, an attempt has been made to highlight major initiative taken by SBI and HDFC bank towards Green Banking.

Keywords: Green Banking, Environment sustainability, E-banking .

INTRODUCTION

Climate of the earth is drastically changing at a very fast pace due to increase in the emission of Greenhouse gases and improper use of natural resources which are mainly caused by human activities. So, it is the duty of the society to restore these resources and utilizing the resources in such a way that it fulfills the need of present generation without compromising the need of future generation. Banking sector influences the economic growth and overall industrial activity in an economy. It is one of the major sources of financing investment for commercial projects. Therefore, banking sector can play a crucial role in promoting environmentally sustainable and socially responsible investment. Banks are environmentally neutral and non-polluters because they are not directly impacting the

environment but have a banking relationship with those companies and investment projects which are directly polluting the environment. Green banking is the new financial term which is used by banks to make them little more responsible towards environmental sustainability.

GREEN BANKING

Green banking was originally introduced by Reed Hundt and Ken Berlin, as a part of the 2008 Obama-Biden Transition Team's efforts to facilitate clean energy development. State bank of India being the largest commercial bank of India took Green Banking initiative by installing Windmills and generating green power through it. Green banking means combining operational improvements, technology and changing client habits in banking business (Giramkar, 2018; Murugan, 2021; Trehan, 2015). It means promoting environmental- friendly practices.

The Indian Institute for Development and Research in Banking Technology (IDRBT, 2013), which is established by the Reserve Bank of India, defined "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".

According to Indian Banks Association (IBA, 2014) "Green Bank is like a normal bank, which considers all the social and environmental/ecological factors with an aim to protect the environment and conserve natural resources". Ethical banking and Sustainable banking are considered as the other names of green banking. Green Banking is that environmental friendly

banking activity which helps in reducing carbon footprint from banking activities. Green Banking has become relevant in every aspect of business. “Green Banking” will be mutually beneficial to the banks, industries and the economy ((Sahoo & Prasad Nayak, 2015)

Information and Communication Technology (ICT) plays an important role in boosting Green banking activities by using different methods of E-banking. Different benefits of E-banking are opening of online bank accounts with less paperwork, paying bills online instead of mailing them, opening up of Central Depository (CDS) account and Money market accounts, instead of large multi-branch banks in paperless form. which have a positive impact on the environment. E-banking helps the bank in increasing their efficiency and productivity by reducing their cost results from paper overload and bulk mailing. Green banking avoids as much paperwork as possible and mostly rely on online/electronic transaction for processing. The need for expensive branches reduces as more customers are using E-banking facility. This facility of online banking/ E-banking is provided by almost all the banks, which not only helps in minimizing manual/ human errors in banking process and improving natural environment but also helps in reducing carbon footprint volume.

REVIEW OF LITERATURE

- (Prabhu, 2021) attempts to focus on Green Banking activities adopted by Private and Public sector Bank in India for Environmental Sustainability and concluded that Green Banking is an effective way of future sustainability in India but banks are running behind their counterparts from advanced and developed economies.
- (Chitra & Gokilavani, 2020) studied the level of consumer knowledge and awareness towards Green Banking and concluded that the knowledge of Green Banking is good at Foreign Banks, moderate in Private and Public Banks and other Banks need to increase both the awareness and knowledge level towards Green Banking.
- (Charan, A Dahiya, R Kaur, 2019) revealed that most of the young customers are using Internet Banking and concluded that Environmental Payoffs, importance of Green Banking and

consumer role are the major factors affecting customer perception towards Green practices.

- (G. P. Rao et al., 2017) conducted the study on Current Green initiative undertaken by the BRICS nations and the market penetration in the respective countries. The study showed that Regulators of BRICS nations issued recommendation and nations are taking initiative towards Green Banking activities for achieving environmental sustainability. Market Penetration among the Banking population has also increased as more population is using e-banking. But more focus should be on enhancing the security feature of the Technological Product.
- (Y. G. P. Rao, 2015) conducted the study to understand Indian banks response towards environmental turbulence and to provide an overview on Go Green Banking adoption and its advantages and concluded that Go Green Banking will benefit to the economy, Industries and the banks. It will also ensure in improving the asset quality of the banks in the long term.
- (Trehan, 2015) in her paper studied the Green Banking in India and concluded that if Green Banking is followed sincerely then it will act as a barrier for polluting industry that gives a pass to other Institutional Regulatory Mechanism. Furthermore, not enough initiative in this regard has been taken by the banks and other Financial Institutions in India, though they play an effective role in Indian emerging economy.
- (Deka, 2015) studied Green Banking practices of SBI and concluded that green banking has a direct and positive impact on sustainability. It significantly results in reducing carbon footprint from banking activities. Green banking practices are also time, cost and energy efficient for the customer.

OBJECTIVES

- To study the concept of Green Banking.
- To analyze different methods of Green Banking in India.
- To study and compare about the Green Banking initiatives by SBI and HDFC Bank..

RESEARCH METHODOLOGY

The present study is conceptual in nature and based on two leading banks of India. one is public sector bank i.e. State bank of India and other is private sector bank i.e. HDFC bank. The study is based on secondary data which is collected from annual report and sustainability report of SBI and HDFC bank, reports of the RBI, E-journals, published article in newspapers, web sites of the banks and research articles published in the relevant field.

METHODS OF GREEN BANKING

E-BANKING - Online Banking / E-Banking allows to access bank account and conduct many transactions using computers or mobile phone. It is simply the use of electronic and telecommunications network for delivering various banking products and services. Online Banking includes Paying telephone bills, cable bills, credit card bills, remote deposit, electronic fund transfers and Online statements. It is also cost effective, Secure as well as time saving.

PAPERLESS STATEMENT- Banks are providing e-banking facilities which includes receiving electronic statements. Mailing Bank statement is a big waste of paper which influence the environment to a great extent. Paperless statements are helpful for the environment by reducing the amount of paper used in the process. Fewer billing or paperless statement means less demand for paper, hence lesser tree cutting which ultimately helps in environment protection.

NET BANKING : Net banking is that part of online banking in which customers perform most of their banking related functions without visiting the bank physically. For this, customers must possess a Net banking ID and a password provided by the bank in which the customer can avail the benefit of account 24 x 7 with easy access, time saving and eco-friendly process.

MOBILE BANKING : Mobile banking is a service provided by Bank or Financial Institution that allows its customer to conduct financial transactions using Mobile device such as Smartphone or Tablet. It uses Software usually called an App. Mobile banking depends on the feature provided by mobile banking app such as balance checks, account transactions, electronic bill payments, credit applications etc.

Customers can avail this service any time anywhere with the help of his Smartphone or Tablet.

VIRTUAL CARD : Virtual cards are new age and one time use card that has no physical existence. It is created for e-commerce transactions. Which provides an easy and secure way of transacting online without providing the Details of the card to the merchant. Any customer having internet banking facility with transaction rights can avail /create virtual card. Virtual cards can help in reducing carbon footprint from banking activities with zero efforts. It not only saves paper but also reduces the use of plastic which is used in making Physical Debit or Credit card.

GREEN FINANCE : Green finance is a loan or investment that support environmental friendly activity and sustainable development projects which helps in reducing carbon emission. Green finance is a structured financial activity which is created to ensure better environmental outcome. Banks are increasingly making more green finance available for green projects such as Renewable energies, water sanitation, climate change, biodiversity protection, pollution control etc. Green finance covers a wide range of products and services which can be classified as banking, insurance and investment products. Example - Green bonds, Green loans and Green funds.

ATM : Automatic Teller Machine has become a rapidly popular banking outlet that allows customers to complete basic transactions without the need of visiting bank branch. ATMs are convenient, quick and self service outlet for withdrawing and depositing cash, depositing cheques, checking balance in the account, amount transfer between banks. use of ATMs helps in reducing carbon emission as it reduces the need to travel to the banks all the time even for little transactions and saves time also.

GREEN BANKING INITIATIVE BY INDIAN BANKS

State Bank of India

- SBI launched Green power project by installing 10 windmills with the capacity of 15MW in the state of Tamil Nadu, Maharashtra and Gujarat.
- SBI has contributed 2.05 crore towards acquiring solar power plant, solar water heater, solar street

lamps, Tree plantation and donated battery operated vehicles.

- SBI has build his own captive renewable capacity through wind and solar roof tops and so far has installed 151 solar roof top sites with a 6.23 MW capacity.
- SBI has deployed Green Channel Counter (GCC) terminals at retail branches for transaction through Debit cards to promote Green Banking.
- SBI has launched its first digital banking platform " YONO" which stands for ' you only need one'. YONO is a smart phone app which offer conventional banking services and different e-commerce services.
- SBI has installed solar panels on around 2400 ATM sites and discontinued printing of unsuccessful transactions.
- SBI has developed in-house paperless solution for its internal correspondence and approval mechanism.
- SBI has organized Green marathon for showing bank's commitment towards Green Environment and sustainability.
- SBI has taken Green initiative for Digital channel customer by offering Green reward point which can be redeemed for credit to SBI green fund, the proceed of which can be utilized for sustainable activities like installation of water harvesting units, Tree plantation, and Covid care activities.
- SBI has issued SBI's Green Bonds worth 650 million on the Indian International Exchange and the Luxembourg Stock Exchange.
- In FY 2022, SBI planted more than six lakh trees across the country.
- SBI maintain all Apex Training Institutes (ATIs) and State Bank Institutes of Learning and Developments (SBILDS) as " Plastic Free Zone " and use clean energy using solar plants, employ water conservation, rainwater harvesting system and recyclers for recycling biodegradable wastes.
- SBI's four of six ATIs and SBILDS are certified as Green Buildings with three rated Platinum and one Gold by Indian Green Building Council. Apart from this, nearly 500 SBI premises have solar power installation and more than 3000 ATMs are backed by solar power.

- SBI also shift its Corporate Office to 100% Green Energy which offset around 52 tonnes of Carbon Dioxide every year.
- SBI has also been issuing its Annual Report in Electronic form and also request its shareholders to join in Green Initiative of bank by converting their Physical shares in Demat form.

HDFC Bank

- HDFC bank has set up an internal Environmental committee for addressing the issue of carbon emission and improving its environmental management strategies. Bank also audits his Carbon Footprint.
- HDFC bank has launched "My Green Legacy" a tree plantation initiative for creating awareness among people and planted 25000 saplings in 38 cities and villages.
- HDFC has installed Green locks and AC controllers to save energy, provision of LED lamps and solar panel, put control on the usage of lifts, ACs, common passage lights and other electrical equipment.
- HDFC bank has implemented an Open API based services Oriented Architecture Middleware Platform, which facilitate over 205 crore Digital Banking transactions from its Online platforms such as PayZapp Wallet, SmartBuy marketplace, Mobile Banking app and LoanAssist retail lending app. Bank has also developed Digital Application Platform for applying loans, credit cards or overdraft facilities.
- HDFC Bank ATMs has gone paperless which reduce Carbon emission and customer travel time. Bank also installed solar ATMs which use rechargeable lithium batteries that reduce power consumption.
- In FY2022, Bank has 18130 ATMs / Cash Deposit and Withdrawal Machines (CDMs) which enhances green banking activity of the bank.
- HDFC Bank has disclosed his Greenhouse Gas emission and carbon footprint with full transparency since 2010. Bank has also used automated server and desktop shutdown system that reduce unnecessary energy consumption.
- HDFC Bank has disposed of about 212 tonnes in FY2022 of e-waste through authorised recyclers.

Bank has also been phasing out the use of single plastic from hub offices across India

- Bank has also committed towards Responsible Financing, in which bank do not fund those projects that are adversely impacting environment, health or safety and continue to invest in renewable energy and energy efficient projects to lower carbon footprint.
- HDFC Bank has added sustainability as his Fifth core value. Bank core value guide his ESG strategy which focus on climate change, community and society etc.
- HDFC bank has reduced the usage of paper and saved 2.14 million square feet of paper during FY2022 despite of 18.3% increase in customer base by implementing digital banking / E-banking. Bank has also shifted to electronic payments for electricity bill payments which further helps in reducing use of paper
- HDFC Bank has planted around 17 lakh trees so far for combating and reducing the Greenhouse gas emission.
- HDFC Bank has installed solar plants at Jaipur, Pune, Noida, Bhubaneswar, Chandigarh, Mumbai and mohali. so far Bank has 14 branches which are operating on Green power procured through DISCOM resulting in avoidance of ~905 MT carbon emission on 1028 MWh of procurement per annum.
- HDFC bank has installed centrally controlled energy management system in 600 branches, resulting in minimum 10% saving on power consumption.
- 'Netmagic- DC3B' is a certified Green data centre under the IGBC Green Data Center Rating system.
- Bank has LEED gold certified offices in Mumbai and Bhubaneswar. HDFC bank has also constructing premises to meet IGBC Gold certification.

CONCLUSION AND RECOMMENDATION

In the Context of Green Banking, Indian Banks are running behind time and far behind their counterparts. But now banks are making serious attempts to become 'Green' by realizing the importance of profitability and sustainability, which go hand in hand. By

implementing Green banking practices which includes e-banking, E-banking not only increase profitability of the bank but also helps in reducing carbon footprint which further helps in environment sustainability. E-banking is one of the major method of applying green banking activity in the daily routine of banking system, it reduces the working time and increases the efficiency of the bank. To conclude from the study, private banks are providing more detailed and transparent report on Greenhouse gas emission and carbon footprints which are also verified with ISAE standard by third party auditors. Moreover, either it is public or private both the banks are taking initiatives towards green banking activities. But the focus of the bank has been shifting from encouraging and implementing e-banking practices in banking to achieve sustainability and reducing carbon emission to other green practices such as solar equipment, Tree plantation drive, rainwater harvesting, recycling e-waste, constructing Green building etc. Furthermore, without any delay, this is the need of the hour for the banks to focus more on green banking activities by promoting different forms of e-banking activities and provide environmental friendly reward to the customers for using these activities.

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