

Transition Towards Green Banking in India

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Abstract: *Banks play vital role in economic growth of any country. They have contributed in different areas and have taken green banking in big way. In the late 1980's, the concept of Green economy has emerged. The term green became popular over period as symbol of environmental consciousness in the world. Change is the need of the hour. Thus, the concept of green banking emerged as introduction of green into the world of banking. Green banking can help in creating effective solutions to address many environment related problems. Green bank can be considered as normal bank which aims at protection of environmental resources while performing usual banking activities. In this sense, they can be called as ethical bank or sustainable bank. In India, RBI has already given a direction for the banks to implement strategies for environmental protection. In this article, an attempt has been made by author to study the practices in various Commercial banks with respect to promotion of environment friendly banking practices.*

Keywords: Green Economy, Green Bank, Sustainable Bank

I. INTRODUCTION

The term green has gained popularity due to issues related to climate change and environmental preservation. The reckless economic global growth has endangered the planet earth and the adverse consequences are manifested in global warming, climate change, untimely weather, floods, droughts, high levels of pollution and green house gas emission, etc. There are several definitions of Green banking associated with environmental, social and governance context and sustainable banking. In initial decades of twenty first century, the term green economy and green growth became popular. According to RBI (IRDBT, 2014), green banking is to make internal banks processes, physical and IT infrastructure as effective as possible with minimum effect on the environment. They introduced green rating Standards for Indian banks termed as Green Coin Ratings

- **Objective of the Study:** the objective of this paper is to create awareness about the concept of green bank and steps taken by banks to go green. It tries to stimulate thinking in terms of such concept.
- **Methodology:** This is an exploratory research. The information provided is based on articles, research papers, websites, and journals.
- **Scope of Study:** It is expected that the ideas offered in this article will act as catalyst to banks to intensify their efforts at reducing energy usage and contribute their part in effort of sustainable development. This article is an insight into what banks can achieve by being environmental active and aware.
- **Limitations:** The study is mainly based on secondary data. The article considers only few banks since in India few banks practiced green banking practices.

II. EMERGING TRENDS OF GREEN BANKING

The concept of green banking is new in the financial world, originated in 1980 in Netherlands-Triodos Bank with aim of environment sustainability in banking sector. In 1990, bank started Green Fund for financing environment friendly projects. Till date, there is no common definition of the term green banking. Green banking is considered broader concept of sustainable banking. Any orthodox bank can become green bank by operating towards environmental protection. In house green banking refers to creation of clean banking environment, green building, reforestation, online banking, installation of solar panel on the rooftop of the bank, reducing sound pollution, using webcam for video

conferences, online statement and email documents, etc. in such banks paper work is avoided and substitute with online or electronic transactions.

According to Indian Banks association (IBA, 2014) -green banks is like a normal banks which considers all environmental factor with an aim to protect the environment and natural resources. Thus, it is also known as ethical bank or sustainable bank. The impact of climate change on banks and financial institutions is indirect in the sense they are affected through their clients' activities and constrained economic activities.

III. FEATURES OF GREEN BANKING

Green banking involves certain unique features which are as follows

- Online banking and automation
- Social safety and security
- Consideration of risk in granting loans regards environmental conditions
- Sustainable and green growth
- Reduced costs and energy
- Implementation of environmental diligence

IV. GREEN BANKING PRODUCTS IN INDIA

In India, government has issued certain guidelines to banks on green initiatives. To implement the government initiatives, all public sector banks and regional rural banks were asked to use increasingly electronic payment, core banking solution, video conferencing and offer centralized payment system. The commonly used green banking products are

1. **Green Loans:** It refers to granting loans to given project or business that is considered environmental sustainable
2. **Green Mortgage:** It refers to mortgage that provides money saving discount or big loan for making energy efficient improvements or buying home for energy efficiency standards
3. **Green Credit Cards:** Nowadays credit cards are going green by promoting paperless banking rewards for using biodegradable credit card materials.
4. **Green Saving Account:** Banks make donations on basis of savings done by customers. The more they save, the more the environment benefits in form of contribution of banks.
5. **Mobile Banking:** New age banking includes online banking-paperless work, less mail or travel to branch office by the customers, which ultimately have positive impact on the environment.

V. LIST OF BANKS PROVIDING GREEN BANKING SERVICES

- SBI: Inauguration of a windmill in village of Tamil Nadu, investment in efficient lighting systems, energy savers and waste water management, offer concessional rate of finance for implementation of clean technologies in building, carbon credit plus, issue of ATM-cum debit card for transaction, Green channel counter (GCC).
- Punjab National Bank: Transformation to Core Banking Solutions (CBS), electricity audit of offices, introduction of e-solutions, green Audit of all units to sensitize staff for sustainable practices.
- Bank of Baroda: Priority lending to green projects, implementation of water treatment plant, adoption of environment friendly technologies in design of new data centre, construction of green buildings at Varanasi and Jaipur.
- Canara Bank: Paperless transactions and online banking
- ICICI Bank Limited: Provides eco-friendly vehicle finance, concessional fees to customers who purchase homes in Leadership in Energy and Environmental Design (LEED) certified buildings, go green initiative for

many rural low cost branches have been fitted with solar panels, water treatment plants in Mumbai and Hyderabad.

- HDFC Bank Limited: incorporation of environment friendly features in their infrastructure, use of LED light, establishment of multiple alternater service points for paperless transaction, employee awareness campaigns.
- Kotak Mahindra Bank: Facilitate green products and services
- Yes Bank: The first Indian bank signatory to UN Global compact to carbon disclosure projects and has documented carbon footprint, voluntarily adopted Equator Principles and IFC guidelines.
- Indusland Bank
- HSBC Group
- IDBI

VI. RBI GUIDELINE REGARDING GREEN BANKING

Institute of Development and Research and in Banking Technology (IRDBT) established in 2014 by Reserve Bank of India has introduced standard rating for green efficient banks and banking practices among Indian banks. IDRBT coined the term Green Rating Standards as **Green Coin Rating**. It is similar to energy star rating given for electrical appliances. Banks will be assessed based on the rate of carbon emission out of their operations, amount of reuse and recycle concept being used in their physical infrastructure(building furnishings) and IT infrastructure like computers, servers , networks, printers, etc. IDRBT prepared a report which provides guidelines in areas like

1. Green processes, products, services, strategies-using daily business operations, making products and services environment friendly. Green processes include supply chain management, enterprise resource management, customer relationship management, sourcing and procurement, product life cycle management. Green products and services includes electronic and telephone banking, automatic payments, paperless works, offering special credit for investment in energy-efficient homes. Green strategies includes energy audits, set Specific-Measureable-Attainable-Realistic-Timely green goals
2. Green infrastructure- making physical and IT infrastructure greener and using laptops, desktop computers and servers. IT infrastructure includes hardware, network and communication, IT architecture.

6.1 Objectives of Green Coin Rating are as follows

- To improve the energy and carbon efficiency of bank
- To estimate usage of energy and wastage of energy.
- To assess banks and its product's efficiency for the stakeholders
- To reward the financial institutions which are environment conscious.

VII. BENEFITS OF GREEN BANKING PRACTICES IN INDIA

1. **Environmental Benefits:** Paperless banking, energy savvy, fewer trips to the banks, less use of fuel, reduced traffic, low carbon footprint and carbon emission
2. **Benefits to Bank Customers:** Time savvy, cost effective, convenient, anytime anywhere, easy, quick access, and incentives.
3. **Benefits to Banks:** Improves bank image, energy savvy, cost effective, better customer service, quick and convenient, increased profits, boundary less network
4. **Benefits to the Merchants and Traders:** Ensure quick payment, settlement of transactions quickly, provides variety of low cost services on par with international standards, avoidance of cost and risk problems of handling cash, growth of clientele base.

VIII. SUGGESTIONS

There is need felt to create more awareness about green banking through banks website. Indian banks should be able to promote various forms of electronic and innovative banking. Banks in routine procedures should be able to reduce

carbon footprint by providing environment friendly rewards to customers or by financing environment friendly projects. RBI and government should outline a broad guideline for green banking practices. Banks must priorities finance for environment friendly projects.

IX. CONCLUSION

In India, there has not been much initiative in this regard by banks or financial institutions. The commitment towards Green will cause huge financial burden for Indian banks. Need of the hour is, RBI and Indian government should play major role in formulating green policy guidelines and financial initiative. There has been a change in banking practice recently towards becoming green.

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