



## GREEN BANKING IN INDIA: AN EMPIRICAL STUDY OF COMMERCIAL BANKS

**Shikha Agrawal**

Faculty of Commerce, S.S. Khanna Girls' Degree College Allahabad

**Voice of Research**

Vol. 2, Issue 4,

March 2014

ISSN 2277-7733

**Abstract**

Today across the world the biggest problem is environment management and reducing the damage to the natural resources and global warming. It is the responsibility of every individual as well as institutions in the world to work in this direction. Lots of agencies are doing research on various related topics and from the literature review it is observed that in India RBI has already given a direction for the banks through circulars to implement certain strategies for betterment of the environment. So this leads to the question, which banks are green? This paper tries to study the practices in the various commercial banks in India and to find whether they are promoting environment friendly practices or not.

**Keywords:** Sustainable development, IDRBT, Green Coin Rating.

Sustainable development and preservation of environment are now recognized globally as

overriding imperatives to protect our planet from the ravages inflicted on it by mankind. Change is the need of hour for survival in all spheres. The world has seen much focus on economic progress and mankind has made giant steps in its journey through time. The side effects of the development process have, however, also been equally enormous loss of biodiversity, climatic change, environmental damage, etc. Bank is also not the exception for this.

The banking sector can play an outstanding role between economic growth and environmental protection for promoting environmentally sustainable and socially accountable institution. The banking of this type can be termed as 'Green Banking'. Green Banking is comparatively a new development in the financial world. It is a form of banking taking into account the social and environmental impacts and its main motive is to protect and preserve environment.

**What is green banking?**

Green banking means promoting environmental-friendly practices and reducing carbon footprint from the banking activities. This comes in many forms; 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. Any combination of the stated personal banking practices can help the environment.

Enterprises are now increasingly interested in establishing and implementing strategies that will help them to address environmental issues and also pursue new opportunities. The reasons for going green are manifold, and the key among them are: increasing energy consumption and energy prices, growing consumer interest in environmentally-friendly goods and services, higher expectations by the public

on enterprises' environmental responsibilities and emerging stricter regulatory and compliance requirements.

There are four major avenues for greening banking – processes, products and services, strategies and other activities – which are briefly outlined here.

**Green Bank Process**

A Green Bank requires each of its functional units and activities to be green – environmentally friendly and help to improve environmental sustainability. Several opportunities are available for banks to green their functional units and activities. Key among them are:

Adopt techniques and plans to minimize inventory and wasted freight.

Adopt networked design using a carbon footprint.

Facilitate paperless transactions

Adopt techniques for workforce and parts optimization as well as intelligent device management.

Use electronic means, wherever possible, to maintain contact with and correspond with customers and potential customers, and minimize paper-based correspondences.

Select vendors by the sustainability rating of their products, services and operations.

Design and offer banking products and services in such a way that consume less resources and energy and thereby reduce carbon footprint

Implement effective systems for product end-of life management that have minimal impact on the environment.

**Green Bank Products**

Green banking helps to create effective and far reaching market based solutions for customers. Banks are developing new products and services that respond to consumer demand for sustainable choices.

Green banking product coverage includes:

Green mortgages

Green loans



- Green credit cards
- Green saving account
- Green checking account
- Green CDs
- Green money market
- Mobile banking
- Online banking

**Green Banking Strategies**

The green banking strategies developed are as follows:  
 Engage with key stakeholders and create awareness of environmental issues and their impact on the economy, the environment, and the society. Also, explain to them the business and environmental value and the necessity of greening the bank processes, products, and services.

Conduct energy audits and review equipments purchases and disposal policies and practices.

Assess IT's environmental and cost impact and identify areas to be "greened".

Set SMART (Specific, Measurable, Attainable, Realistic, and Timely) green goals as the internal targets to reduce your carbon footprint along with timelines. Develop criteria for measuring progress towards the goals.

Develop and implement a green policy that aims to achieve higher utilization of systems while reducing energy use and lessening their environmental impact

Encourage, motivate, and energize the workforce to follow the green path and to come up with and implement their own ideas. In addition, also encourage clients, suppliers, and outsourcers to adopt green practices.

Monitor the progress regularly; watch industry trends and new developments. Revise the green policy as required.

Publicize your environmental policy, actions, and achievements and thereby get credits and accolades from customers, peers, industry groups, environmental advocates, government agencies and society at large.

**Objective of the study**

- The objective of the present study is
- To understand the environmental development concept.
- To understand RBI guidelines with reference to green banking.
- To understand the practice of Top five Indian banks with reference to green banking concept.

**Methodology**

- Generally, the banks are using-
- Online banking instead of branch banking.
- Paying bills online instead of mailing them.
- Opening up accounts at online banks, instead of large multi-branch banks

Finding the local bank in your area that is taking the biggest steps to support local green initiatives.

The study is made by using random sampling and the target respondents are customers from top 5 banks of our country.

- State Bank of India
- ICICI Bank
- HDFC Bank
- Punjab National Bank
- Bank of India

The data on green banking has been collected through interview and questionnaire from 100 target customers from Allahabad district.

**Observations and findings**

The primary data collected from the questionnaires and interviews reveals the following results:

**Table: Respondents view regarding adoption of green banking**

Sl No	Methods of Green Banking	State Bank of India	ICICI Bank	HDFC Bank	Punjab National Bank	Bank of India	Total
1.	Online saving account	20	30	30	15	05	100
2.	Paperless Statements	12	38	34	11	03	100
3.	Use direct deposits	20	22	27	20	11	100
4.	Online bill payments	20	29	21	19	11	100
5.	Reward debit and credit cards	19	28	23	17	13	100
6.	Net banking	17	24	21	20	18	100
7.	Mobile banking	21	24	24	18	13	100

(Source: Primary data )

Going through the published annual financial statements of the above banks and also the questionnaire answered by the respondents of the sample banks, the following observations are made:

Out of the above five banks under study, although the selected banks are computerized banking but no bank has mentioned in its annual report about the steps initiated by them for green banking and environmental development.

The respondents to the questionnaire from the respective banks are not aware about the steps initiated by these banks for green banking.

3. Majority of the respondents are not even aware of what Green Banking is.

**Suggestions**

The banks should report in their annual reports the initiatives taken by them for sustainable development

The banks should also upload the information on these

aspects in their respective websites.

Banks should organize specialized training programmes include at-least one or two sessions in every training programme conducted by them regularly.

Banks should motivate the employees to follow environmental friendly practices by giving financial as well as non-financial incentives

In vision statement the banks should include the issues related to sustainability development

### RBI guidelines regarding green banking

The Institute of Development and Research and in Banking Technology (IDRBT) established by Reserve Bank of India (RBI) has proposed the introduction of standard rating for green efficient banks and banking practices among Indian Banks. Under this rating system, both the infrastructure and operations of the banks are being considered. IDRBT has coined the term of Green Rating Standard as “Green Coin Rating”. Banks’ primary business must not be money making only, but it should also keep in mind social and environmental issues relating to its operations. Green Coin Rating will be in line as energy star rating given for appliances. Banks will be judged based on the rate of carbon emission out of their operations, the amount of reuse, refurbish and recycling concept being used in their building furnishings and in the systems used by them such as computers, servers, networks, printers, etc. They will also be evaluated on the number of green projects being financed by them and the amount of rewards and recognition they are paying for turning businesses green.

### Conclusion

Sustainable development can best be achieved by allowing markets to work within an appropriate framework of cost efficient regulations and economic instruments. One of the major economic agents influencing overall industrial activity and economic growth is the financial institutions such as banking sector. In a globalised economy, the industries and firms are vulnerable to stringent environmental policies, severe law suits or consumer boycotts. Since banking sector is one of the major stake holders in the Industrial sector, it can find itself faced with credit risk and liability risks. Further, environmental impact might affect the quality of assets and also rate of return of banks in the long-run. Thus the banks should go green and play a pro-active role to take environmental and ecological aspects as part of their lending principle, which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems.

### References

- Leslie D Monte, ‘It’s Times for Green Banking’, Business Standard, May 21, 2010.
- Ritwik Mukherjee, ‘SBI launches green policy for paperless banking’, Financial Chronicle, August 27, 2010.
- IDRBT Publication, August 2013
- Annual report of SBI (from 2010-2013)
- Annual report of PNB (from 2010-2013)
- Annual report HDFC (from 2010-2013)
- Annual report ICICI(from 2010-2013)
- Annual report Bank of India(from 2010-2013)



Green coin rating parameter