

ADOPTION OF GREEN BANKING PRACTICES BY INDIAN BANKS

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ABSTRACT

Environment change is a remarkable concern for world. However, while the belongings of climate change are increasingly a risk to the health, economy and the environment of the world. Various economists are also finds that there are monetary rewards for controlling environment change and developing a low carbon economy. It is important for every corporate client to consider environment and climate change as a business model. In current scenario environmental sustainability and sustainable development have a prime agenda in the international community. So for Indian economy it is time to change their business model from profit-profit-profit in to profit planet people. Beside of other sectors banking sector has special ability to influence economic growth and development of the country. We also called that banking sector have leadership in economic transformation of the country. The main agenda of this paper is to indepth study of Indian banks activities regarding environment challenges and to give an overview of their policies in view of green banking adoption and its pros.

Key Words:-Green banking, Indian bank strategies, Environment sustainability.

INTRODUCTION

Green banking is a recently emerging concept in the financial market and green banks are normal bank just like other bank which entertains all the Environmental and social factors with an objective to safeguard the Environment and natural resources also. These banks are also regulated by same authorities, which regulate traditional banks. Green banks are also known as social bank or sustainable bank. Which main aim is to done banking activities carefully and some extra additional activities like care of earth, environment and natural resources.

Green banks are ethical banks with the mission of protecting the environment. Green banking involves banks to promote environment conscious investment and give lending first to those sectors which have turned as green or are trying to go green. There are differences between normal banking or green banking. Green banks are focus on environmental elements their objective is to facilitate good environmental and social business activities. These banks evaluate all the elements before lending the money whether project is environment conscious and has any good consequences in future. You can borrow a loan when you act in accordance with environment safety standards.

Environment sustainability- This phenomenon was started in 1969 with the establishment of the national environmental policy act (NEPA 2014) in the United States. Whose main aim is to promote the social welfare, to sustain production harmony between people and environment and to promote social and economic welfare of current and next generation also. In 1970 another independent agency was established Environment protection agency (EPA) with the objective to safeguarding the natural resources, human health and quality of the environment. Since then many international and domestic organizations are formed for environment management like IFC, UNFCCC, UNEP, USGBC, CEE, CERE, CERES, Bank tract, Indian green banking council etc. other several organizations voluntary issue rules and regulation for the categorization, assessment and management of environment and social risk in funded projects like equator principle natural environment policy act World bank E&S Norms carbon disclosure projects BSE Greenex, CERCLA ISO 14000 etc. The financial times and international finance corporation a member of World bank launched the award for the institutions that are integrating social environmental and corporate governance consideration in to their business activities. Apart from many initiatives taken in the area of green banking, it has been found to be at the embryonic stage in India. There is only one Indian organization infrastructure development finance company Ltd which is signed equator principle for determining, assessing and managing the environment risk in the projects undertake equator principle association 2014. Following part of literature review give a detailed picture of studies conducting in the field of green banking in India and abroad.

REVIEW OF LITERATURE

According to RBI (IRDBT, 2014), green banking is to make internal bank processes, physical infrastructure and IT infrastructure as effective and structured as possible, with zero or minimal negative impact on the environment.

They had established green rating standards for Indian banks, which are termed as 'Green Coin Ratings'. Under this rating system, banks are evaluated on the basis of carbon emissions from their activities and on the amount of recycling, refurbishment and reuse material being used in their building furnishings and in the systems used by them like servers, computers, printers, networks and so on.

Jha & Bhome (2013) did the empirical study on the process for going green in the banking industry and to see the awareness among bank employees, associates and the general public about green banking phenomena. They did this research by collecting data from 12 bank managers, 50 bank employees and 50 general customers. The authors were of the opinion that online banking, green loans, power saving equipments, green credit card, use of solar and wind energy and mobile banking were some of the strategies that should be followed for going green.

According to Dharwal & Agarwal (2013) green banking is a solution of the credit risk, legal risk and reputation risk. The author had recommended some green banking strategies like carbon credit business, green financial products, green mortgages, carbon footprint reduction (paperless banking, energy consciousness, mass transportation system, green building), and social responsibility services towards the society.

Malu, Agrawal, & Jajoo (2014), banks can play a crucial role in decreasing the carbon footprint in the environment. Earlier economic development means low rate of poverty, inequality and unemployment in the society, but the concept of Economic development had switched towards Sustainable development which means "development that meets the needs of the present without compromising the need of future generation". (World Commission Environment and Development 1987).

Chandra (2011) focus on green banking initiatives that has been taken by the Indian banks, such as, IndusInd Bank, SBI, Union Bank of India, IDBI Bank, ICICI Banks, YES Bank and ABN Amor Bank and so on. According to the researcher, Mumbai, Delhi and Chennai are included in the list of ten most polluted cities in the world, and the major industries which causes pollution are, fertilizers, paper and pulp, pesticides/insecticides, chemicals pharmaceuticals, metallurgical and textiles. SIDBI had made important changes in their lending standards and follow a pre decided conditions for lending of credit.

Biswas, (2011); Chaurasi, (2014); Sudhalakshmi and Chinnadorai, (2014); Verma, (2012) also spotlighted the position of all banks of India towards the espouse of green banking and researchers have also said that there has not been much initiative taken by the Indian banks regarding green banking. Bank should go “green” and also play a proactive role to take environment and ecological dimension as part of their internal activities, investment rules and regulation and lending standards.

Bihari and Pradhan (2011) and Sharma (2009) have done his study on CSR activities of leading banks of the Indian Banking Sector and said that CSR has positively effect the performance and reputation of the banks. They conclude that due to absence of tight compliance and rules, banks working in Indian banking industry have yet not espouse the green banking in full extend. Apart from this some of the banks have adopted CSR as tool to increase customer loyalty, yet they are not able to achieve the true ethos of green banking.

Green banking instruments

Green loans—Green loan means providing loans to a project or business which are environment sustainability concern. Green loans are also depend on environmental criteria for the planned use of funds.

Green debit and credit cards-Use of biodegradable debit and credit cards materials or enhance less paper work. Green credit cards are promote environmental sustainability.

Green Mortgages – Green mortgage refers to that type of mortgage which provides you a larger loan amount than normally allowed as a reward for promoting energy efficeient improvements or purchasing a home that fullfil energy efficiency standards .

Green Saving Account- In case of these accounts banks provide or distribute donation according to saving made by customers. Higher the amount save higher the benefits in the form of donation are made by banks.

Banking Online- In current era of technology banks are also adopt some innovative or environmental friendly practices like less paper work ,less travel,to branch offices,

short customer handling period .All the practices are direct of positive impact on the environment.

Use Direct Deposit- Most of the organizations will provide an option to his employees to receive salary direct in his bank account. This option is not only boost up the availability of your money but also save your time to travel in the bank.

Online Bill Payment- Online payment of mobile bills, electricity bill,cable bill, credit card payment of taxes and other liabilities makes easier life style for every one . Some customers are completely change their banking habits from traditional to online banking.

Instabanking – Insta banking is a common platform which are intermediate for all and provide an option or an alternate of banking through net banking, mobile banking, IVR Banking. It also help in reducing paper work or promote environmental friendly activities.

Vehicle Finance–Auto loans or vehicle loans are provided for environmental concern following companies launched environment friendly vehicles like Hyundai, Tata Indica CNG, Maruti800,Mahindra jaguar , etc.

Importance of green banking

Less paper work- In current scenario almost all banks are convert his traditional activities in to online activities. There are bright scope for the banks to use paperless or less paper for office use, audit,reporting and so on.

Creating cognizance to business people about environment- Many NGOs and environment concern people are creating environment awareness programs, seminars, competitions etc. banks are directly connected with these programs by providing financial assistance and being a sponsor of these programs. Apart from this there are many businessman organize similar program in their concern line of business like zero or net direct green house emission policy by Disney.

Protection of the natural resources and the environment- These banks are reduce paper work at maximum level and focus on online transactions like online banking , mobile banking , use of green debit cards , this will help in safeguarding natural resources and environment.

International initiative regarding green banking

In early 1990s the United Nations environment program put to sea what is now known as UNEP finance initiative. Around 200 financial institutions around the world are participants in this program to promote sustainable development within the framework of market mechanism towards similar objectives. The motive of this organization are to integrate the environment and social dimension to financial performance and risk related with in financial sector.

ABN Ambro bank has evolved some reputation risk management policies to identify, access, and manage non financial present within business engagement. Further the Dutch government has made a formal request to the banks in promoting sustainability development. The conversation between banks and government was established in 1997 to promote policies for environment improvement through the development of new monetary product and services. In 2002 a global alliance of NGOs formed a network named bank track to enhance sustainable finance in commercial sector. This alliance come up with a intent constituting six principle enhancing environment protection and social justice by banks and this is known as collective declaration.

A small unit of banks along with IFC came together to initiate the process of designing the common guidelines in Oct 2002 and come up with guidelines in June 2003 that is known as equator principle with some leading commercial banks, adopting these voluntary set of principles. This equator principle was further updated and new revised sets of principle are launched in July 2006. The area of project funded is revised in this new revised set of principle by reducing the finance threshold limit.

Initiative taken by Indian banks

State bank of India has become the first bank in India to venture in the generation of green power by installing windmills for power use, beside this banking industry has installed 10 windmill with an aggregate capacity of 15 MW in the states of Tamil Nadu, Maharashtra and Gujarat. Banks are also planned to install an additional 20 MW capacity of windmills in Gujarat soon and touch 100 MW power generation through windmills in next five years. Apart from this other banks are also take initiative regarding this.

Punjab National Bank (PNB) – According to Corporate Social Responsibility Report 2010-11 (PNB, 2011), they had taken various initiative for reducing emission and energy consumption. PNB is managing Electricity Audit of offices as an energy conversation initiative and maintained a separate audit sheet for measuring the consequences of green steps taken by them. The bank had arrange more than 290 Tree Plantation programs. It started focusing on green building operations such as energy efficient lights, printing on both sides of paper, mater sensors for lights, fans and so on.

Bank of Baroda – According to the annual report of BOB (2013), they had taken various green banking steps such as - While funding a commercial project, BOB is giving priority to environmentally friendly green projects such as windmills, biomass and solar power projects. The organization had made notable changes in their lending policy, i.e. it is compulsory for industries to obtain 'No Objection Certificate' from the Pollution Control Board .The bank had taken many technological steps such as compliance with e-business guidelines, use of internet banking, mobile banking to promote paperless banking .The bank is also promoting measures for pollution control and environmental conservation.

Canara Bank – According to Canara Bank (2013), the bank had taken many green initiatives such as -As a part of green banking steps the bank had adopted environmental friendly measures such as mobile banking, internet banking, tele-banking, solar powered biometric operations etc. Canara bank had set up e-lounges for high-tech banking facilities like internet banking, pass book printing kiosk, ATM, online trading, tele-banking and cash/cheque acceptor. The bank had implemented e-governance for HRM function and several other administration areas to reduce the paperwork.

HDFC Bank Ltd – HDFC bank is taking up various initiative in reducing their carbon footprints in the area of waste management, paper use and energy efficiencies as per HDFC Bank (2013):- The bank is motivating their employees to prevent any wasteful use of natural resources and emission of greenhouse gasses. They are reducing the use of paper by issuing e-transaction advices to their corporate customers, communicating through electronic media with their high net worth customers and encouraging e-statements to their retail customers.

Conclusion

In nutshell we can say that current era the definition of development is rapidly changing . The feeling is emerging that we should be arrange over priorities and move away from single dimension model which is related with only monetary performance

in term of GDP without considering social and environment sustainability. Banks like other business person have realized that sustainability and profitability go hand to hand. The banking and financial sector should be made to work for sustainable growth as far as green banking is concerned.

India's development history and devotion to cut its carbon intensity by 20-25 percent from 2005 to 2020 create immense opportunities for Indian government and private sector banks from financing sustainable projects to offering ingenious product and services in the area of green banking. The RBI and the Indian government should play a energetic role and draw up a green policy guidelines and financial incentive. Apart from this Indian banks running behind time. None of the bank are adopted equator principle ever for the sake of records neither of them are certifier to (UNEP) financial initiative statements. The durability of banking industries related with level of global warming. For sustainable growth of banking sector, Indian bank should adopt green banking practices as a business model without any delay or adhere with equator principle guidelines that are environment friendly.

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