

GREEN BANKING PRACTICES OF THE COMMERCIAL BANKS IN INDIA

R. SENTHILRAJAPRABHA

Ph.D. Research Scholar
Department of Commerce
Manonmaniam Sundaranar University
Tirunelveli - 627 012

Dr. C. THILAKAM, Professor

Department of Commerce
Manonmaniam Sundaranar University
Tirunelveli - 627 012

1. Introduction

Environmental change is as old as the history of human development. In the last century, unimaginable changes have come much faster than ever before. The increasing economic development and a rapidly growing population that has taken the India from 300 million people in 1947 to more than one billion people today is putting a strain on the environment, infrastructure, and the natural resources. Across India, concern is mounting over an ever growing list of environmental problems. Global warming, nuclear waste, pollution, extinction of species, the list of global environmental issues, which is already quite a long one, continues to grow in length. These issues are negative aspects of human activity on the biophysical environment. To combat these problems, world bodies like the United Nations and the World Commission on Environment and Development have been formulating policies for environmental protection and sustainable development. Though the banks themselves are generally environment friendly and do not impact the environment much through their own internal operations, in view of the relationship between the banking sector and the firms who are users of banks' products, the external impact on the environment through these entities is substantial. In the green frenzy of the mid-2000, every bank was claiming to offer a green banking option for their customers, capitalizing upon the growing public sentiment for the environment.

2. Concept of green banking

Today's business is all about being green. From Wal-Mart to Apple, everyone is talking about how green their approach, packaging, or methods are. Bankers may question the relevance of the "green movement" to their own bank. Many might agree that it makes sense financially and ethically to promote conservation, but is there such a thing as a green value for bank customers? A green bank is a bank that promotes environmental and social responsibility but operates as a traditional community bank and provides excellent services to investors and clients. A 'green bank' has adopted sustainability practices across all lines of the organization; the employees, facilities,

products & services, and governance. Green banking, which considers all the social and environmental factors, is also called 'ethical banking'. Ethical banks started with the aim of protecting the environment. Green banking clearly has a direct, positive effect on the environment, but the benefits go much further, reaching into security and cost. Green banking helps to create effective and far-reaching market-based solutions to address a range of environmental problems, including climate change, deforestation, and biodiversity loss, while at the same time identifying and securing new business opportunities that benefit customers. Overall green banking is really a good way for people to get more awareness about global warming; each businessman will contribute a lot to the environment and make this earth a better place to live.

3. Benefits of green banking

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, namely, loss of biodiversity, climatic change, environmental damage, etc. As environmental issues gain greater attention, pressure is being placed on all industries, including financial services, to implement "green" initiatives. A truly green bank can reduce their carbon footprint by building more efficient branches, implementing more energy-efficient operational procedures, offering transportation services for their employees and carefully screening their lending in environment-sensitive industries. Banks can support eco-friendly groups, offer green lending and raise money for local environment initiatives. A green banking movement such as less paper is good for the environment where customers make paperless deposits, withdrawals and remittances.

4. Green banking initiatives of the banks

Many banks are now successfully implementing green banking practices. IndusInd Bank inaugurated Mumbai's first solar-powered ATM as part of its "Green Office Project" campaign titled "Hum our Hariyali". With the solar-powered ATM, the bank expects to save around 1980 Kw of energy annually besides reducing carbon emissions by 1942 kg. It also expects to save power bills of around Rs. 20000 per year in urban areas, where it replaces diesel generators with solar panels. State Bank of India has become the first bank in the country to venture into generation of green power by installing windmills for captive use. As part of its green banking initiative, SBI has installed 10 windmills with an aggregate capacity of 15 MW in the States of Tamil Nadu, Maharashtra and Gujarat. These windmills are set up with a definite objective of reducing the dependence on the polluting thermal power and not on purely business considerations. Further, the Green Home Loan Scheme from SBI, for instance, will support environmentally friendly residential projects and offer various concessions. These loans will be sanctioned for projects rated by the

Indian Green Building Council and offer several financial benefits, a 5 per cent concession in margin, 0.25 per cent concession in interest rate and processing fee waiver.

ICICI Bank's green initiatives aimed at customers are driven by the objective of collaborating with each of its customers and making 'green' a part of all lives. These initiatives range from green offerings, green engagement to green communication to its customers. ICICI's 'Instabanking' is the platform that brings together all its alternate channels under one umbrella and gives customers the convenience of banking anytime anywhere through internet banking, i-Mobile banking, and IVR banking. This reduces the carbon footprint of the customers by ensuring they do not have to resort to physical statements or travel to their branches. ICICI's vehicle finance initiative towards more environment friendly way of life, auto loans offers 50 per cent waiver on processing fee on car models which uses alternate mode of energy. The models identified for this purpose are, Maruti's LPG version of Maruti 800, Omni and Versa, Hyundai's Santro Eco, Civic Hybrid of Honda, Reva electric cars, Tata Indica CNG and Mahindra Logan CNG versions. In coal technologies, ICICI Bank has introduced innovative concepts like deep, beneficiation of coal and coal bed methane. It also assisted a company develop a product that provides an eco friendly air-conditioning alternative to conventional air conditioners. ICICI Bank also initiated a programme to sensitize corporate bodies, institutions, banks and government agencies involved in project planning on issues like biodiversity, wildlife habitats and environmental laws.

Energy efficiency is another key focus of banks, with an estimated market worth more than \$15 billion by 2015 in India. IDBI Bank, for instance, has an exclusive team working on clean development mechanism advisory services. It also implemented a refinance scheme for energy saving projects for micro, small and medium enterprises sector. Yes Bank, too, is incorporating community development initiatives such as clean and green drives, energy efficiency practices, workplace health and safety and the development of local disaster management plans through its "Yes Community" initiatives. ABN AMRO, the Royal Bank of Scotland, launched the Indian Sustainable Development Fund, opening up a new emerging market for socially responsible investors, while the "Equator Principles" serve as a backbone for City's broader Environmental and Social Risk Management policy, which extends beyond project finance.

India's second largest private sector bank, HDFC Bank, is all set to launch 'green banking', for which it has constituted an Environment Management Committee to implement its green banking initiatives. The bank has rolled out range of initiatives on the environment front that promises to make it India's only "green bank". A high level three-member committee has been formed to drive the organization-wide campaign that will encompass organization and employee level initiatives. While the organization level initiatives would include working on areas like alternate energy sources and watershed management, at the employees level, these would include planting trees, and using car pool to commute. Green Clubs will be formed within the bank across

regions, while environment managers will be appointed for every office, branch, and floor. Bank of Baroda has adopted environment friendly systems and technologies in the design of the new Data Centre, which includes energy efficient electrical HVAC design; environment friendly construction material; chiller based HVAC; temperature monitoring; intelligent building management software; high efficiency precision air-conditioning units. The Bank's ultimate objective to reorient itself as a highly technology enabled bank and bank of first choice for its customer in order to emerge as a leader in coal technologies.

5. Tips for effective green banking

The term green banking is now popular worldwide now-a-days. It is for stopping the environmental degradation and making this planet fit for human habitation. The concept of green banking developed in the western countries, which has been imitated by many developing countries. We all know that the people of the whole world are concerned about the environmental degradation, especially the rising of global temperature and thereby melting of glaciers and ice-berg in the polar region and consequently rising of sea level, which will directly affect the low lying countries of the world. As green initiatives sweep across the globe, more and more financial institutions are taking note and taking action. The trend towards green banking is still largely driven by and directed toward consumer behaviour. Since banking industry is a vital institution in the economic and business activity round the world, bankers cannot remain indifferent to this burning issue. A banker may address many issues to save environmental degradation and conserve the ecological balance. Bankers are the important professional group who has interaction with the other groups of people and also with general masses. Hence, they can adopt different green activities within their in-house environment and also can initiate the protection of the air pollution, water pollution by their clients. Many banks in the developed world have already started green banking activities. The following are the suggestions for effective green banking:

Waste management: A green banker must be cautious about wastage and waste management. The banks should try to control the wastage of resources like water, gas, electricity, paper, foods, etc. For example, if we draft letters on a computer rather than in paper, it will save millions of paper as well as thousands of trees that provide raw materials for paper production. Similarly, when we select a location of the branch of a bank with sufficient access to light and air, it will save huge electricity and create a healthy environment.

Clean and hygienic environment: A green banker will not throw any waste, bottles or packing materials here and there. Each group of waste should be kept in a separate place, which does not pollute the environment and all the wastes must be disposed off separately. A green banker will not spit or cough on the floor, walls or on the road.

On-line banking: Conservation of energy and natural resources, paying bills online, remote deposit, online fund transfers, and online statements are just a few of the ways that online banking can create savings from less paper, less energy, and less expenditure of natural resources from banking activities. Customers can save money by avoiding many of those late payment fees or overdraft fees that can sneak up if the customers use bank by-mail or branch banking services.

Green banking in rural branches: Since India is an energy deficit country the bank can install solar panels in all branches as an alternative energy source. They can also use the vehicles which consume less fuel which will save huge fuel import of the country. They can also use big vehicles to carry the employees of the banks instead of personal vehicle to reduce fuel as well traffic jam in the roads.

Financing the green projects: Bankers must be aware of the environmental issues and they must go for financing the projects that do not pollute the environment. The industries that are financed by the banks must have effluent treatment plant, recycling facilities and smoke and gas arresting unit. The industries should not release any kind of effluents, chemicals or smoke to the environment.

Voluntary actions: Banks should take initiative to make their clients aware by organizing seminar and symposium. They can organize awareness campaign in schools and colleges. They can participate in the tree plantation and cleanliness programmes in city areas.

Working on specific green project: India has lot of problems of proper waste management, drainage and sanitation, and affected by river pollution, water pollution by pesticides, etc. Every bank can undertake a specific green project for removal of existing polluting substances from the ecosystem. Environmental conservation and protection of ecological balance should be maintained through combined efforts of multi stakeholders. The main stakeholders are: businessmen, consumers and professionals, NGOs and government organizations. Since, banking industry deals with public money, they cannot remain indifferent and must be more sensible to the maintenance of ecological balance.

Use green credit cards: The benefit of using a green credit card is that some card issuers will donate funds to an environment friendly non-profit organization. Imagine kicking back a percentage of every rupee to spend on the customer's credit card to a worthwhile cause. Research the latest green credit card deals to find a card that will give back to the organization.

Use green checking accounts: Using a green checking account helps the environment by utilizing more online banking services including online bill payment, debit cards, and online statements. Consumers should be aware that banks offer green checking account because, ultimately, it helps their profits and not for purely altruistic reasons. They can profit customers as

well because many reward checking accounts will pay a high interest rate to bank customers who meet certain monthly requirements.

Use green loans for home improvements: Before a customer undertake a major home improvement project, study if the project can be done in an eco friendly manner and if the customer might qualify for a green loan from a bank. Green loans are perfect for energy saving projects around the house. Find a better loan rate and save energy costs all at the same time.

6. Conclusion

Now when our environment fights us back, we are forced to rethink and amend our ways of living to become more eco friendly. A new trend hence was given birth in our endeavour to become eco friendly which many define as 'being green'. India has enrolled herself to join this new trend and pass out with the best result possible. India already has many ongoing initiatives to talk about in the context of 'being green'. Another trend of being green for publicity has also been reported among many celebrities who support various green causes. The banks should 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. As green bank has rapidly expanded its operations, the challenge for its leadership has been on managing this growth successfully and prudently.

7. Reference

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