



GREEN BANKING SERVICES IN INDIA AND ABROAD

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ABSTRACT:

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. Green banks give more importance to environmental friendly factors like ecological gains thus interest on loan is comparatively less. Majority of the people are using bank accounts and they are using the green banking services provided by the bank. The need for moving towards green banking in the banking sector in this fast changing environment provides competitive benefit to both the banker and customer. Customers' are much interested in environment friendly goods and services such as green loans, ATMs, mobile banking, online banking, Green savings accounts, Green credit cards etc. This paper mainly focuses on green banking a sustainable development.

KEYWORDS:

Green banking, Environment, sustainable development.

INTRODUCTION

A bank is a financial institution and financial intermediaries that accepts deposits and channelize them into lending activities, either directly or through capital markets. Banking in India originated in the last decades of the 18th century. The first bank was the general Bank of India, which started in 1786, and Bank of Hindustan which was started in 1970, both are now defunct. Later the Bank of Bengal in 1809, Bank of Bombay in 1840 and Bank of Madras in 1843 these three presidency banks were merged in 1921 to form the Imperial Bank of India and converted into State Bank of India in 1955. In 1969, 14 banks were nationalized and in the second phase of nationalization six more banks were nationalized in 1980. The need for nationalization was mainly the private commercial banks were not fulfilling the social and developmental goals of banking which are so essential for any industrial economy. The RBI was established in 1935, as the central bank of India regulate to the financial and banking system and it formulates monetary policy and

prescribes exchange control norms. The banking regulation act 1949 and RBI act 1934 authorize the RBI to regulate the banking sector in India. There are currently 27 public sector banks in India, out of which 19 are nationalized banks and 6 are SBI and its associate banks, and rest two are IDBI Bank and Bharatiya Mahila Bank, which are categorized as other public sector banks.

Later, traditional banking system was converted into e-banking. Before computerization of banks, the Ledger Posting Machines (ALPM) were used. To enable the e-banking system, all bank branches were computerized and were introduced 'Any branch banking' and 'Core banking solution' (CBS). E-banking means any user with a personal computer and a browser can get connected to his bank's website to perform any of the virtual banking functions. In internet banking system the bank has a centralized database that is web enabled. All the services that the bank has permitted on the internet are displayed in menu. E-banking provides enormous benefits to consumers in terms of ease and cost of transactions either through internet, telephone or other electronic delivery. Banking is now no more limited in going and visiting the bank in person for various purposes like depositing and withdrawing money, requesting for account statement, stop the payment, etc.

Electronic -Banking has several advantages over traditional one which makes operating an account simple and convenient. It allows people to conduct various transactions using the bank's website and offers several advantages. Some of the advantages of E-banking are:

- Online account is simple to open and easy to operate.
- It is quite convenient as one can easily pay his/her bills, can transfer funds between accounts, etc. Now people do not have to stand in a queue to pay off their bills; also they do not have to keep receipts all the bills and they can now easily view their transactions.
- It is available all the time, i.e. 24x7. One can perform his/her tasks from anywhere and at any time; even in night when the bank is closed or on holidays. The only thing he/she needs to have is an active internet connection.
- It is fast and efficient. Funds get transferred from one account to the other very fast. People can also manage several accounts easily through internet banking.
- Through Internet banking, Customer can keep an eye on his/her transactions and account balance all the time. This facility also keeps their account **safe**. This means that by the ease of monitoring their account at anytime, he/she can get to know about any fraudulent activity or threat to his/her account before it can pose their account to severe damage.
- It also acts as a great medium for the banks to endorse their products and services. The services include loans, investment options, and many others.

REVIEW OF LITERATURE:

Sarita bahil (2012), in their study deals with Indian banks need to be made fully aware of the environmental and social guidelines to which banks worldwide are agreeing to. As far as green banking is concerned Indian banks are far behind their counterparts from developed countries. If Indian banks desire to enter global markets, it is important that they recognize their environmental and social responsibilities. In addition to mitigating risks, green banking opens up new markets and avenues for product differentiation. Therefore, Indian banks should adopt effective strategies for green banking by considering it as a strategic imperative and need of the hour.

Dr.G.Jayabal & M. Soundarya (2016), in their article said that “Green Banking: As Banking Initiative for Sustainable Development”. The main objectives of the study now days green banking is getting more and more popularity all over the world. Green banks could not be a good profit business avenue. But certainly it has great potential to gain market share and substantial profit in future. For effective green banking, the RBI and the Indian government should play a pro active role and formulate a green policy guidelines and financial incentives. Green banking can be an avenue to reduce pollution and save the environment aiding sustainable economic growth. The survival of the banking industry is inversely proportional to the level of global warming. Therefore, for sustainable banking Indian bank should adopt green banking as a business model without any additional postponement.

Dr.G.Jayabal & M. Soundarya (2017), in their article examined that “customer satisfaction regarding green banking in public sector banks in sivagangai district”, the researcher concluded that banks must take new initiatives to create awareness about green banking among the customers. Bank should also adopt environment friendly practices which ensure the efficient use of resources. Thus, the banks should play a pro-active role to take environmental and natural aspects as part of their lending principles which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems. Majority of the customers are not satisfied of the green banking initiatives adopted by their banks. Therefore it is very essential on the part of the bankers to give awareness programmes on the green banking practices to their customers. The banking institutions must go green and can fulfill their social responsibilities. From the analysis it is found that customers’ satisfaction on green banking among the customers is very low in sivagangai district. In India there has not been much initiative in this regard by banks as compared to foreign countries. For effective adoption of green banking, the RBI and the Indian government should take appropriate steps to formulate green policy guidelines and financial incentives.

STATEMENT OF THE PROBLEM:

Green banking plays an important role in our country. Adopting of greener banking practices will not only be useful for environment, but also benefit in greater operational efficiencies, a lower vulnerability to manual errors and fraud and cost reduction in banking activities. So there is need for banks to adopt green strategies into their operations, buildings, investments and financing strategies. Green banking can help a lot in attaining sustainable

development. Green banking avoids as much paper work as possible and rely on online/electronic transactions for processing. Therefore, the main aim of the study is to analyze the green banking services in India and abroad.

OBJECTIVE OF THE STUDY:

The main objective of the study is to identify the green banking services.

GREEN BANKING SERVICES IN INDIA:

The concept of green banking emerged in 2009 in Mt. Dora, Florida, United States. In India the first green bank is the State Bank of India (SBI), India's largest commercial bank, which took initiative in setting high sustainability standards and completed the first step in "green banking" with Shri O.P. Bhatt, chairman, SBI Inaugurate the bank's first wind farm project in Coimbatore. The green bank initiative which includes ATMs, paperless banking for customers and building of wind mills in rural India. Green Banking means ensuring environment friendly practices in banking sector and thereby reducing internal and external carbon footprints. It makes technological improvements, operational improvements and changing client habits in the banking sector.

Green banking refers to making the banking transactions easily and to avoid paper transactions instead of papers using through the electronic devices using in the day to day activities in the banking sector. This concept of "Green Banking" will be mutually beneficial to the banks, industries and the economy. Not only "Green Banking" will ensure the greening of the industries but it will also facilitate in improving the asset quality of the banks in future. In the environment friendly society "Go Green" mantra has become relevant in each and every aspect of business.

So there is a need for banks to adopt green strategies into their operations, buildings, investments and financing strategies. Green banking can help a lot in attaining sustainable development. Green banking avoids as much paper work as possible and rely on online/electronic transactions for processing. Green Banking has become relevant in each and every aspect of business. Green Banking covers two aspects. The first one being judicious use of all resources, energy and reducing carbon footprints and second being encouraging and financing only environment friendly investment. So Green Banking is not only about making sustainable use of resources but also about environment friendly dispensation of credit.

Customers always expect higher quality services from banks. But still Indian banks haven't accepted the principle equator policy to keep a record of their clients. Now its time that India should take some strict steps to harness these banks and financial institution to adopt the principle equator guideline so that they can contribute in the protection of environment in future. There is definitely a huge opportunity in clean, renewable energy technologies, emissions reduction and reduced-carbon transportation which can be slowly and steadily be achieved if we get cooperation from all sectors of the economy and banks being an integral part of our economy must lead from the front.

There are some reasons for not using green banking fully in our country. In India most of the people live in villages they are illiterate and they do not aware about green banking services. Even though some people aware about green banking services, they do not know the benefits of green banking. Most of the people are

using traditional banking only. Therefore it is the need of the hours, the banks should educate their customers about green products and services. It is also the responsibility of the government to encourage the general people to adopt green banking practices.

GREEN BANKING INITIATIVES IN BANGLADESH:

Banking system occupies an important place in a nation's economy. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core of the money market in an advanced country. In recent times the banking sector over the world has been undergoing a lot of changes due to deregulation, technological innovation, globalization, environment etc. Bangladesh banking sector is lagging far behind in adopting these changes. But they are trying to adjust their activities with the required necessitate and adopting themselves as world class bank. As of late another challenge attach with banks to concentrate their finance in the environment frankly industry and avoiding waste and giving priority to society. It is not an easy task. Because banks are also concern about profit. So they have to earn profit in such a way where they could able to give the priority of society also. And the only solution is -GREEN BANKING. Many developed country already triggered their activities on green banking. And recently Bangladesh is also trying to commence it for the sake of environment and social benefit.

Taking into account the adverse effects of climate change and progressive action Worldwide, Bangladesh Bank, the central bank of Bangladesh, has shown a deep commitment towards the vision of green world through green initiatives. Thereby Bangladesh Bank itself appears to be an example for the financial sector by performing some green banking activities for its head office and branch office management. These activities certainly convey a strong message to the financial Institutions about the seriousness of Bangladesh Bank in its green movement.

Bangladesh Bank's green activities are concentrated in term of in-house and Other than in-house activities. The word 'in-house activity' refers to domestic or activities limited to the office building related to network expansion, office automation and daily green operation etc. Under the networking program, all the Departments of Bangladesh Bank head office and its nine branch offices have already been brought under a computer network (LAN/WAN), connecting almost 3,100 PCs as of March 31, 2012. Banks have been brought under the purview of E-Commerce with a view to providing the customers with online-banking facilities covering payments of utility bills, money transfer, and transactions in local currency through internet.

Besides, Bangladesh Bank has taken the lead position in encouraging and Implementing IT based technologies in the overall banking sector. The implementation of the Bangladesh Automated Cheque Processing System (BACPS), Bangladesh Electronic Fund Transfer Network (BEFTN), Enterprise Resources Planning (ERP), Credit Information Bureau online facilities, and Mobile Banking Service are worth mentioning. Establishment of a National Payment Switch (NPS) is also a major driving force for the whole payment System. In addition, Bangladesh Bank with its network package is now activated on a web based e-tendering system, which covers announcement of tender, distribution of schedules, bidding etc., to

ensure simplicity and transparency of the tendering process. Online salary and other necessary advice, personnel file updated information, office orders, notification about on-line balance statements for all members or employees of Bangladesh Bank, an electronic pass for visitors and many more such conveniences are instantly available.

In other than in-house activities of Bangladesh Bank, it includes only refinance Scheme. Bangladesh Bank has launched a refinance program in 2011 and as of 2012 it disbursed about Taka 2 billion in various sectors at only 5 percent interest rate. As electricity shortage is the major problem in a developing Country like Bangladesh, the bank gives an emphasis on alternative energy like Solar home system, solar pumping station, and solar PV module assembling Plant. While Bio-gas, Effluent Treatment Plant, and Hybrid Hoffman Kiln schemes are funded as energy efficiency has received significant attention around the globe.

IMPLEMENTATION STATUS OF GREEN BANKING:

Policy Formulation and Governance:

About 85% banks (out of 47 scheduled banks as of September, 2012) have formulated their own Green Banking Policy Guidelines approved by their Board of Directors/competent authority, whereas the remaining 15% are yet to formulate their own policy for green banking. On the other hand, so far 43 banks (91%) have formed a Green Banking Unit (GBU) for contributing to green banking activities, while 4 banks (9%) are yet to establish GBU.

Branches Powered By Solar Energy:

A total number of 101 branches of 18 banks are powered by solar energy as a part of in-house green initiative by commercial banks. 16 branches of Al-Arafah Islami bank and 12 branches of Islami Bank Bangladesh Limited are powered by solar energy. Some branches of Sonali, Eastern, BASIC, Dutch-Bangla, Shahjalal Islami Bank Limited are equipped with solar energy. Brac bank has facilitated 84 SME unit offices with solar/renewable energy..

TOP TEN GREEN BANKS IN BANGLADESH:

The following banks have been graded as the top 10 banks on the basis of their overall Green Banking activities:

Bank Asia Limited	Standard Chartered Bank Limited
Dutch Bangla Bank Limited	Trust Bank Limited
Eastern Bank Limited	Mutual Trust Bank Limited
Islami Bank Bangladesh Limited	Pubali Bank Limited
Shahjalal Islami Bank Limited	Prime Bank Limited

Source: Bangladesh Bank-Green Banking Report,2015.

Bangladesh bank has ranked the top ten banks based on their performance in implementation in each guideline provided by Bangladesh bank. In the top ten bank listed above Standard Chartered Bank Ltd., is

only a foreign commercial bank, and rest of the banks are domestic private commercial banks including two Islamic shariah based banks namely IBBL and SIBL. Bangladesh bank has ranked the top ten banks based on their performance in implementation in each guideline provided by Bangladesh bank. In the top ten bank listed above Standard Chartered Bank Ltd., is only a foreign commercial bank, and rest of the banks are domestic private commercial banks including two Islamic shariah based banks namely IBBL and SIBL.

BUDGET ALLOCATION AND UTILIZATION:

Bangladesh Bank have made provision to allocate a considerable amount of money for green banking in banks annual budgets, which should include Budget for green finance, Climate Risk Fund and Marketing, Training & Capacity Building.

Area	Utilization Amount
Green Finance	270921.53
Climate Risk Fund	258.89
Marketing, Training & Capacity Building	90.42

Source: Bangladesh Bank-Annual Report on Green Banking 2012

GREEN BANKING PRACTICES BY BANKS IN BANGLADESH:

Green banking in Bangladesh is at implementing stage. Few banks are doing this banking without knowing the term. But this is not in full fledge. For example, The Prime Bank Ltd., The Mutual Trust Bank Ltd., The Islami Commercial Bank Ltd., The Dutch Bangla Bank Ltd., The Brac Bank Ltd. etc. Few other banks are also member of this club. Bangladesh Bank is also trying to prepare the green banking guideline for this banking system. In this paper few banks are taken as a sample of analysis to attend the present status of green banking in Bangladesh. Banks are always committed in discharging its due social commitment and its especially concerned about the impact of Bank's financed projects on surrounding environment. Since there is no green banking guideline yet in Bangladesh, banks are following the Environmental Policy formulated in accordance with guidelines issued by the government. As per policy environmental impact will be considered at the time of credit and lending risks analysis. With a view to reduce to reduction and pledge for a green banking Bangladesh, banks are expending following support:

- Financed many CNG conversion projects which are environment friendly and directly reducing the environment pollution of the country. For example, Prime Bank Ltd. financed Tk 350 million to establish 13 new CNG refueling stations as well as provided Tk 80 million to 15 such existing projects.
- Supported establishment and operation of handful of Effluent Treatment Plant (ETP) for dying and other RMG industries. For example recently DBBL has financed Tk 20 crore in an RMG industry to set up their ETP plant Convert vehicles of Bank transportation pool and those of employees to run on CNG.

- Banks are participating in building roads and bridges, development and maintenance of numerous roads and bridges. For example, Prime Bank Ltd. financed second Sitalakhya Bridge, Teesta Bridge, Dapdapia Bridge, reconstruction of Chittagong-Dohazari National Highway etc.
- Banks are participating in big project by syndication finance. For example, Prime Bank Ltd. financed Tk 500 million for supporting established of five power projects with total capacity of 150 MW. Besides, extended working capital support of Tk 610 million to a 110 MW barge mounted power project.
- They are also financing long term finance in Telecommunication sector. Prime bank finance Tk 700 million to the largest mobile operator of Bangladesh. Besides the bank is also arranged 528 million for establishment of an interconnection exchange project in the country.
- Banks are contributing to finance in Information Technology also. Prime bank financed establishment of the only private sector international gateway operator of Bangladesh.

CONCLUSION:

The researcher concluded that Indian banking technology have transformed banking from the traditional system towards a more inclusive one incorporating the interests of customers, the bank and the environment. Nowadays, banking operations can be carried out through various banking delivery channels away from the bank branches. ATM is the most popular banking delivery channel and the extraordinary success of ATMs had made the banking sector courageous to develop more innovative alternative delivery channels such as Internet banking, mobile banking, Green channel counters, kiosk banking, credit card, debit card, online bill payment services etc. In the environment friendly society, Green Banking has become relevant in each and every aspect of business.. Green banking plays an important role in our country. Adopting of greener banking practices will not only be useful for environment, but also beneficial for greater operational efficiencies, a lower vulnerability to manual errors and fraud and cost reduction in banking activities.

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