

Green Banking Practices - A Review in Select Banks of India

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Abstract

The “Go Green” concept has become significant in every facet of business in today’s environmentally conscious culture. With all company activities, there is a need to focus on people and the environment rather than just on profits as businesses can no longer operate only for profits. The concern towards environment results a shift toward green economy, and businesses must be environmentally conscious in all aspects of their operations. Green banking is one of the initiatives in this direction. Green banking entails ensuring environmentally friendly practices in the banking sector and, as a result, lowering internal and external carbon footprints. A broader perspective is that green criteria should be used as a lending principle. The banking industry isn’t often thought of as a polluter. However, it has a negative influence on the environment because it increases energy use lighting, air conditioning and paper consumption. The paper reviews the green banking practices among select banks in India & to identify the challenges associated with implementing this eco friendly phenomenon.

Keywords: Green Banking Initiatives, Green Banking Practices, PNB, ICICI, HDFC and J&K Bank.

Introduction

Green banking is a concept originated in Western countries. It was initially introduced in the state of Florida in Mt. Dora, Florida, United States in the year 2009. However the concept emerged in the year 2003 with a view to protect the environment & natural resources. Congressman Chris Van Hollen of the United States sponsored the Green Bank Act in March 2009, with the goal of establishing a green bank under US government ownership. Because man needs to cut down trees as raw materials to make papers, the goal of Green Banking was to reduce the amount of paper used in banking transactions. As a result, deforestation naturally reduces the concentration of oxygen and increases carbon-dioxide in the atmosphere. Green banking can be accomplished in two ways. One is in-house green banking, and the other is green banking as practiced by bankers in their respective business areas. Online banking, green building, reforestation, installation of solar panels on the banks rooftop, using webcam for video conferencing instead of physical meetings, using e-mailing documents and online statements, are all part of the in-house Green Banking. Working on specific green projects, bankers’ volunteer actions, and financing green projects like Solar/Renewable Energy Plants, Biogas Plants, Bio-fertilizer Plants, Projects with ETP, Effluent Treatment Plants (ETP), etc. are key practices by bankers in their business domains. Green banking takes proactive steps to safeguard the environment and address climate change concerns while funding and utilizing renewable, nonrenewable, human, and natural resources efficiently. Green is becoming a global

emblem of environmental awareness. “For protecting the environment and conserving natural resources, it examines all social and environmental/ecological concerns” (IBA, 2014).

Their mission is to conduct banking activities while also ensuring that the earth’s ecosystem, environment, and natural resources, especially biodiversity, are protected. Green banking is a broad term that refers to policies and practices that make banks more economically, environmentally, and socially sustainable.

Banking operations are not physically tied to the environment, but their customer actions have a significant external influence. Banks should encourage products, processes, and technology that reduce the environment's carbon impact significantly. There is a link between environmental and financial performance. Initially banks used to solely look at their financial performance, but now it's time to look at their social and environmental performance also. Green Banking is more than just a company’s CSR initiative; its about making society habitable without causing significant harm (Hart and Ahuja, 1996).

Several voluntary guidelines, such as the National Environmental Policy Act, Equators Principles, Carbon Disclosure Project, World Bank E&S Norms, CERCLA, BSE Greenex, ISO 14000, and others, have been established on an international and domestic level environmental and social risk categorization, evaluation, and management in project funding.

The “Go Green” mantra has become relevant in all aspects of business in today’s environmentally conscious society. All company activities are shifting to place a greater emphasis on people as well as profit and the environment. With changing consumer expectations, stricter environmental regulations, and compliance requirements, even the banking industry cannot avoid the wave of change.

Literature Review:

Khairunnessa et al., (2021) This study was carried out in Bangladesh and the purpose of this study is to investigate the growth of "Green Banking" in Bangladesh, with a prime focus on the role of financial regulations in greening the Bangladeshi financial sector. It also examines the role of financial & non financial institutions in encouraging the green financial evolution. Secondary data gathered from a variety of sources, including websites of Bangladesh’s central bank and other commercial banks is to be used. Descriptive statistics is to be used for analyzing the data. Findings revealed that the Bangladesh’s reserve bank played a significant role in promoting the green financial system of a country by introducing numerous green policies and regulatory measures. Bangladesh has achieved tremendous progress in establishing and extending green banking practices, infrastructure development, and driving green growth over the last years, but still lagging behind wealthy countries in terms of eco friendly performance.

Ali Bukhari et al., (2020) This article presents a number of green practises that can be implemented by individual banks at any stage of Green Banking adoption, based on the ESG aspects. It outlines techniques for establishing this corporate structure, which can be used by regulatory bodies to develop Green Banking rules or policies. This study is based on the notion of human ecology, which considers the interrelations and interconnectedness of the factors that influence environmental sustainability. According to this study banks can achieve Green Banking adoption by applying certain practises in a sequential or parallel manner. The adoption process is influenced by a variety of external and internal environmental factors. Green Banking adoption techniques can be split down

into three categories, namely ESG, Rating agencies, and ESG, allowing for the best degree of coverage and complexity.

A.Aruna Shantha, (2019) highlights customers intention to use green banking products According to the findings, green product familiarity, value perception, benefit, reliability, and privacy are all positively connected with customers' intentions to acquire green banking. Consequently, trust and image are negatively linked to purchasing intent. This study investigates the existing green banking practises at Sri Lanka's People's Bank. This outlines the conceptual framework offers an excellent instrument for measuring green banking buying intention. The information was gathered by mailing a structured questionnaire to 371 clients of People's Bank's Kandy branch. The response variable was customers' purchase intention, while the independent factors were green product awareness, product trust, product image, its advantages, green perceived value, and green product security & privacy.

Prabhu & Athal, (2016) determine the research gap and potential research themes for linking green banking practises with CSR activities of a few selected private and public sector banks in India. Secondary data was used & collected through previous literature & through internet. The current state of green banking practises and corporate social responsibility activities is evaluated through this overview study. The impact of public and commercial banks' green initiatives, such as internet banking, mobile banking, green debit, and credit card loans, is examined. The research need is estimated based on the existing situation and the optimum technique for deploying CSR funding for such green initiatives. Diverse research themes to connect green banking practises with corporate social responsibility operations are designed and analyzed based on the research vacuum.

Gopal, Sharma et al., (2014) endeavor to investigate the amount of consumer knowledge of the Green Banking project in India, with a focus on Mumbai, according to the results of their primary poll, over three-quarters of those who use online banking services supplied by their banks are unfamiliar of the phrase 'Green Banking'. They uncover those who are familiar with the term Green Banking, associate it primarily with online bill payment and cash deposit systems. Other Green Banking components that customers are not aware of include Green CDs, Solar Powered ATMs, and bonds for environmental conservation, to name a few. They also seek to investigate the gender differences in awareness of bank green programmes, specifically Net Banking, E-Statements, and Green Loans. Chi-Square test was used for testing the hypothesis; they found that both males and females have the same degree of understanding of Green Banking. According to the researchers, technological challenges are the greatest barrier to Green Banking followed by a lack of education.

Nayak, Nath et al., (2014) examine the RBI's green rating criteria and the banks initiative in adopting green practices. Green Coin Rating is another name for Green Rating Standard. Under this scheme, banks are graded based on their carbon footprint and the amount of recycling they do. The World Bank has established environmental and social standards for financial institutions. These standards provide methods for reducing environmental impact. Banks are expected to do environmental audits, report regularly, and use sustainable technologies. The researchers investigate and provide a list of environmental initiatives undertaken by various banks in India. If Indian banks wish to have a foothold in the global economy, they must be decent corporate citizens.

Jaggi (2014) investigates ICICI's and SBI's Green Banking project SBI has implemented no-queue banking, a green channel counter, and increased commitment to carbon neutrality, wind farms and online money transfer. ICICI Banks Green Products and Services effort includes insta-banking (anytime, anywhere), auto finance, and house finance. Furthermore, these banks have implemented

energy-saving measures such as duplexing (two-sided printing), recycling, CFLs, carpooling, and so on. .

Chinnadorai and Sudhalakshmi (2014) discusses the situation of Indian banks in terms of green banking and claim that while the goes green motto is critical for rising economies such as India, major efforts have not been made. Banks are expected to include a green component in their lending policy. Every action taken today will result in a more sustainable global environment in the future. As a result, India needs a policy action to promote Green Banking. Indian banks are lagging behind in adopting this environmentally friendly trend. In this regard, serious measures must be taken.

Kaur, Rajput et al., (2013) intends to learn how Indian banks react to ecological changes and the actions performed in relation to Green Banking. Findings revealed that the response of Indian banks to international environmental initiatives is gradual. There is not a single Indian signatory to the United Nations Environment Programme Finance Initiative. Using factor analysis, they indicated that the risks of business failure to peers, as well as a lack of RBI mandates, are the barriers to moving towards sustainable development. The gaps in India are in environmental understanding and consciousness. Projects on Emission Disclosure- India demands public disclosure of emissions. This transparency project is now underway in India. However, the response is quite low, with only 8 signatories. According to the researchers, the present management system must be connected with environmental and sustainability challenges.

Bhome and Jha (2013) outlined key measures required in Green Banking by conducting interviews and utilising specially prepared questionnaires for surveys. Green Checking Accounts (Special Touch Screens and ATM), Green Loans (lower rate for individuals seeking to obtain solar equipment), Green Credit Cards, and Paper Saving Mobile Banking are just a few of the solutions they advocate. Green banking will ensure that businesses make the transition to long-term sustainability.

Pathak and Yadav (2013) investigate the Green Banking strategies used by private and public banks to ensure environmental sustainability. Using a case study technique, they discover that Indian banks recognise the importance of adopting positive environmental initiatives. Furthermore, the study's findings show that, with the exception of ICICI Bank, public sector banks have taken more measures than private sector banks. Only ICICI Bank's approach is sustainable in the private sector.

Bahl (2012) highlights the means of raising attention about Green Banking in order to achieve long-term growth. The most essential Green Banking techniques are examined using a rating technique. Raising awareness and giving education are the only ways to achieve the goal of promoting sustainable development. Internal subsystems should prioritise publications and newsletters to raise awareness, while external subsystems should prioritise event meetings, media, and websites. For Green Banking to be effective, a properly developed green policy guideline is required.

Sahoo and Nayak (2008) investigate the significance of Green Banking and provide examples from throughout the world. According to the study, banks in India have not taken many attempts to promote green banking, In order to encourage green banking in India, concrete steps must be taken. Not a single Indian bank has adopted the equator principle, and none of them have signed the UNEP financial initiative statement. Environmental factors should be used by Indian banks while funding projects.

Objectives of Study

1. To investigate the 'Green Banking' as a new norm in the present dynamic business environment &

2. To explore the 'Green Banking' practices adopted by the select banks in India.

Research Methodology:

For the purpose of Study, State bank of India (SBI), Punjab National Bank (PNB), Industrial Credit & Investment Corporation of India (ICICI), The Housing Development Finance Corporation Limited (HDFC) & Jammu & Kashmir Bank were taken into consideration & green banking practices reviewed thereof. Secondary data has been used for the purpose of this study. The study considers numerous facts connected to green practices of private and public banks based on published data such as annual reports of banks, green financial institution practices, state owned commercial banks, and private banks. Data for the study also include related journals, newspapers, published research papers, and published Articles, Bank's website, papers developed by banks personnel.

Green Banking- A new Norm

Green banking entails ensuring environmentally friendly practices in the banking sector and, as a result, reducing external and internal carbon footprints. In general, the banking industry is not regarded as a polluting industry. However, it has an environmental impact by increasing energy consumption like paper consumption, air conditioning and lighting. Green banks are those whose external operations are those with a connection to stakeholders, customers, and society whereas internal operations are eco-friendly and meet social duties such as minimizing energy consumption, paper use, and so on. Green banks encourage green education, green transportation, green housing loans, online fund transfers, green cards, green car loans, and other initiatives that improve banks image, and attract capital, partners, and lower costs. It also aids in the retention of customers and partners, as well as the expansion of environmentally friendly loans, competitiveness, and environmentally friendly resources. A broader perspective is that it lends money to others and consequently finances their operations. They can help the environment by ensuring environmentally responsible investment and lending. As a result, green banking addresses two issues. The first is to use all resources wisely, to conserve energy, and to reduce carbon footprints, while the second is to encourage and finance only environmentally friendly investment. As a result, Green banking isn't just about conserving resources; it's also about being environmentally conscious. Credit dispensation that is environmentally friendly. Another important aspect of Green Banking is a thorough examination of all projects that are financed in terms of the environment.

“Green Banking is a catch-all term for strategies and ideas that make banks more economically, environmentally, and socially sustainable.

Green Banking Practices in Select Banks

State Bank of India

- 1) To replace the traditional paper-based banking system, SBI developed the Green Channel Counter (GCC) feature at its branches (SBI, 2010).
- 2) The bank also worked with Suzlon Energy Ltd to erect windmills in Maharashtra, Tamil Nadu, and Gujarat, to generate wind energy for certain of its branches. (Business Standard, 2014).
- 3) It is a signatory to the Carbon Disclosure Project, and through its several offices across the country, it participates in a range of environmentally and socially beneficial programmes. (WWF-India, 2014).

4) The Export-Import Bank of India (EXIM) and the State Bank of India (SBI) have agreed to provide Astonfield Renewable Resources and Grupo T-Solar Global SA of Spain with long-term loans of up to 14 years for the building of solar facilities in India. (Yadav & Pathak, 2013).

Punjab National Bank (PNB)

They had made several initiatives to reduce emissions and energy usage, according to their Corporate Social Responsibility Report 2010-11 (PNB, 2011).

- 1) PNB is undertaking an electricity audit of its offices as part of an energy conservation campaign, and they've kept a separate audit sheet to track the impact of their green measures.
- 2) More than 290 Tree Plantation Drives had been organised by the bank.
- 3) It began stressing green building methods like printing on both sides of paper, repairing immediate water leak, energy efficient lighting and particle sensors for lights and fans, among others.
- 4) The organisation signed a "Green Pledge" with the Ministry of New and Renewable Energy, as part of which they constructed the Guruvayur temple compound's butterfly park, which houses 18 different species of therapeutic plants.
- 5) They had created standards to ensure that all required clearances and permissions, including those from the Pollution Control Board, were obtained prior to the disbursement of term loans, and that compliance with environmental and social safeguards was ensured as a pre-disbursement condition for project loans.
- 6) The bank is also pondering to boost up its commitment to sustainable development, with a focus on the Equators Project Finance Principles.
- 7) Wind Power India 2011 awarded the PNB second prize for "Best Wind Energy Power Financer" after sanctioning nine wind energy projects with an aggregate limit of 185.81 crore.

ICICI Bank

ICICI Banks "Go Green" campaign includes;

Green Products and Services

The bank provides environmentally friendly products and services such as;

- a) *Insta-Banking*: It is a service that allows clients to bank from anywhere and at any time via internet banking, mobile banking, IVR banking, and other methods. Customers' carbon footprint is reduced because they no longer need physical statements or visit to bank locations.
- b) *Vehicle Finance*: They are offering a 50% concession on auto loan processing fees for car models that use alternative energy sources, such as the Reva electric cars, Honda Civic Hybrid, Mahindra Logan CNG versions, Tata Indica CNG, Hyundai's Santro Eco and Maruti's LPG version of the Omni, Maruti 800, and Versa.
- c) *Home Finance*: The processing cost for consumers purchasing homes in LEED certified buildings has been cut by the bank.

Green Engagements

- (a) During Diwali 2013, the organisation held an environmental awareness session for employees and customers, during which a money plant was delivered to everyone in attendance as a symbol of joint responsibility to safeguard the environment.
- b) Overdrive vehicle awards in collaboration with CNBC's Green theme.
- c) Every year on June 5, the bank observes World Environment Day. On that day, they engage in a variety of activities such as green pledge signature drives, sapling plantation and distribution, and so

on. They also participate in Earth Hour by turning off the lights at their headquarters, branches, and ATMs from 8:30 p.m. to 9:30 p.m. every year in March.

Green Communications:

The bank promotes online bill payment, online funds transfers, and e-statement subscriptions, all of which support “paperless” and “commute-free” banking.

Green Partners:

Collaborations with national and international green groups and non-governmental organisations are sought by the organisation (NGOs). They work with the BHNS Green Governance Awards, which honour companies that go above and above regulatory standards in order to protect the environment.

HDFC Bank

HDFC Bank is implementing a number of initiatives to reduce its carbon footprint, including waste management, paper usage, and energy efficiency. (HDFC Bank, 2011).

- a) The bank encourages its staff to avoid wasting natural resources and emitting greenhouse gases.
- b) Usage of paper is minimizing by delivering e-transaction advices to their corporate customers, connecting with their high net worth customers via electronic media, and encouraging retail consumers to use electronic statements.
- c) Energy conservation methods are to be developed by the bank, like constructing green data centers equipped with cutting-edge technology, adopting CFL lighting and turning off all lights after 11 p.m. at all branches.
- d) The organisation is experimenting with renewable energy by installing 20 solar ATMs, including a prototype ATM in the state of Bihar, as well as replacing ATM batteries with Lithium-ion batteries.
- e) They also manage their trash by partnering with vendors to reuse plastic and paper.
- f) Green products are to be purchased by the bank that meet the requirements of the Central Pollution Control Board and are Energy Star rated as well.

Green Banking Practices by J&K Bank:

Green Banking initiatives taken by Bank are not only to aware customers but there is also special focus on initiatives to reduce carbon footprints & carbon emission of the bank branches. Following are some initiatives taken by JK Bank.

Green finance:

J&K Bank provides a subsidy linked scheme for solar off-grid (photovoltaic) and decentralised applications in order to promote commercial marketing of solar energy systems and devices by extending financial incentives in the form of capital and interest subsidy on loans obtained from financial institutions by the target clientele under the Ministry of New and Renewable Energy (MNRE). The programme directs that the capital and interest subsidies on bank loans obtained by clients from the banking system for solar energy conversion/user systems and devices under this scheme be routed through the National Bank for Agriculture and Rural Development (NABARD). The JK Bank Solar Lighting & Solar Funding Scheme has been offering finance to eligible borrowers for the purchase of any authorised photovoltaic system from MNRE approved vendors.

Paperless:

All circulars, for internal communication are in soft form no usage of paper is permitted from controlling offices to branches and between offices for communication of any circular. The bank's internal magazine is only available in soft copy, and the paper-based version has been discontinued in compliance with the bank's policy of decreasing unnecessary paper usage.

Plantation Drive:

JK Bank planted hundreds of sapling of different plant species across Jammu & Kashmir. It continuously maintained, preserved & developed many of the historical parks across the JK including Badamvaer. Apart from aiding in environmental conservation, these parks have arisen as sociability hotspots and public areas for leisure and amusement for the inhabitants of this state as part of heritage preservation programme. At Platinum Jubilee when bank celebrated 75th year it carried out grand plantation drive & planted 75000 sapling of different species across JK, in which almost all stakeholders of society participated & 48750 sapling were planted in the very first day.

Energy Efficient Operations:

To reduce energy consumption, high-energy-consuming CRT monitors in computer systems have been replaced with energy-efficient TFT/LED monitors. Furthermore, the bank's entire computer systems are energy star certified in compliance with European Standards. Similarly, all new generator sets installed by the bank must be zero-emissions.

Internal activities of bank Branches:

Compact LED Bulbs have been installed in all of the bank's offices and business units to save space and energy.

Solar Powered Branches & ATMs:

Currently, JK Bank has solar powered Branches & ATMs at 23 places across various parts of the country including Aligarh, Leh, Moradabad, Kargil, Tangmarg.

Conclusion

The colour green is currently trendy. There is a growing understanding of the importance of environmental protection and conservation. In this country, green banking is a brand-new notion. It attempts to reduce carbon footprints by combining environmental management with banking activity. Banks are also corporate citizens with responsibilities to the society in which they operate. Green banking is a critical issue for the nations development. Heading towards the green ripple gives a competitive edge in an era of globalisation and increased competition. There are numerous opportunities available for India to capitalise on in order to achieve their aim of economic development. Strict measures are required if we are to adopt Green Banking. But, first and foremost, consumer awareness must be raised. Green banking entails not just sustainable resource usage but also green lending concepts. According to a review of the literature, a high level of customer awareness and education is lacking in the context of Green Banking implementation. As a result, effective training and educational programmes for banks' green initiatives will be critical to the success of Green Banking.

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