Green Banking Initiatives of Commercial Banks in India

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ABSTRACT

Change is the need of hour to 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. This paper tries to find out the ways to Go Green through ‘Green Banking’. 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.

Keywords: CEO, Green Banking, Green House Effect Online - Banking, RBI, Global Warming.

INTRODUCTION

“The supreme reality of our time is… the vulnerability of our Planet.”

- John F. Kennedy

Environmentalism is a broad philosophy and social movement regarding concerns for environmental conservation and improvement of the state of the environment. Environmentalism and environmental concerns are often represented by the color ‘green’. Global warming, also called as “Green House Effect” is a global issue that calls for a global response. The warming effect of certain man-made gas emission such as carbon-dioxide, methane, nitrous oxide and hydro-fluro carbon is found responsible for distortion in climate changes. The rapid change in climate will probably be too great to allow many eco systems to suitably adapt, since the changes have direct impact on bio diversity, agriculture, forestry, dry land, water resources and human health. However, there is general lack of adequate awareness on the above issues and hence there is urgent need to promote certain urgent measures for sustainable development and corporate social responsibility.

To avoid falling into similar trap, the impulse of ‘going green’ is running faster than blood in Indian Incorporations veins. From IT giants to luxurious hotels, from Automobiles to Aviations, from Mutual Funds to Banks corporate India is moving fanatically ahead with green initiatives.

As a responsible financial organization of the country with its crucial role in financing the economic and developmental activities of the country, banks have to play in addressing the above issues, both in terms of its obligations and opportunities by virtue as a responsible corporate citizen and as a financier.

Green Banking is like a normal bank, which considers all the social and environmental factors; it is also called as an ethical bank. Ethical banks have started with the aim of protecting the environment. These banks are like a normal bank which aims to protect the environment and it is
controlled by same authorities as what a traditional bank do. Green banking is like a normal bank, which considers all the social and environmental/ecological factors with an aim to protect the environment and conserve natural resources. It is also called as an ethical bank or a sustainable bank. They are controlled by the same authorities but with an additional agenda toward taking care of the Earth's environment / habitats / resources. For banking professionals green banking involves the tenets of sustainability, ethical lending, conservation and energy efficiency.

There are many differences compared with normal banking, Green Banks give more weight to environmental factors, their aim is to provide good environmental and social business practice, they check all the factors before lending a loan, whether the project is environmental friendly and has any implications in the future, you will awarded a loan only when you follow all the environmental safety standards.

Defining green banking is relatively easy. Green Banking means promoting environmental – friendly practices and reducing your carbon footprint from your banking activities. This comes in many forms

- 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.

Green banking can benefit the environment either by reducing the carbon footprint of consumers or banks. Either a bank or a consumer can conserve paper and benefit the environment. Ideally, a green banking initiative will involve both. Online banking is an example of this. When a bank’s customer goes online, the environmental benefits work both ways. Green banking means combining operational improvements and technology, and changing client habits.

**STEPS IN GREEN BANKING**

The following are some of the steps that can be taken for going green in banking:

1. **Go Online**
   
   Online banking is the developing concept in young and corporate India. Online banking helps in additional conservation of energy and natural resources. Online Banking includes: a. Paying bills online, b. Remote deposit, c. Online fund transfers and d. Online statements. It creates savings from less paper, less energy, and less expenditure of natural resources from banking activities. Customers can save money be avoiding late payments of fees and save time by avoiding standing to queues and paying the bill from home online.

2. **Use Green Checking Accounts**
   
   Customers can check their accounts on ATM or special touch screens in the banks. This can be called as green checking of account. Using a green checking account helps the environment by utilizing more online banking services including online bill payment, debit cards, and online statements. Banks should promote green checking by giving some incentives to customers by giving higher rate of interests, waiver or discount in fees etc.
3. Use Green Loans for Home Improvements
   The Ministry of Non-renewable Resource in association with some nationalized and scheduled banks undertook an initiative to go green by paying low interest loans to the customers who would like to buy solar equipment. The rate of interest is as low as 4% p.a. Before you undertake a major home improvement project, study if the project can be done in an eco-friendly manner and if you might qualify for a green loan from a bank. Green loans are perfect for energy-saving projects around the house.

   The new 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 (IGBC) and offer several financial benefits—a 5 percent concession in margin, 0.25 percent concession in interest rate and processing fee waiver.

4. Power Savings Equipment
   Banks can directly contribute to controlling climate change and as an initial step they intend to start a campaign to replace all fused GSL bulbs in all owned premises offices and residential. Banks can also make a feasibility study to make rainwater harvesting mandatory in all the Bank’s owned premises. In December 2009 Indusind Bank inaugurated Mumbai’s first solar-powered ATM as part of its ‘Green Office Project’ campaign titled ‘Hum aur Hariyali’.

5. Use Green Credit Cards
   Some of the banks introduced Green Credit Card. The benefit of using a green credit card is that banks will donate funds to an environment-friendly non-profit organization from every rupee you spend on your credit card to a worthwhile cause of environment protection.

6. Save Paper
   Banks should purchase recycled paper products with the highest post-consumer waste content possible. This includes monthly statements, brochures, ATM receipts, annual reports, newsletters, copy paper, envelopes etc. Whenever available, vegetable-based inks are used instead of less environmentally friendly oil-based inks.

7. Use of Solar and Wind Energy
   Using solar and wind energy is one of the noble causes for going green. State Bank of India (SBI) 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.

8. Mobile Banking
   Mobile banking is tricky. On the one hand, it is great to have the ability to check balances, transfer funds or pay bills from your phone. One the other hand, it saves time and energy of the customers. It also helps in reducing use of energy and paper of the bank. Most of the Indian banks introduced this paper-less facility. The basic concept we can understand from green banking are:

   o Basically Green banking avoids as much paper work as possible and rely on online/electronic transactions for processing so that we get green credit cards and green mortgages. Less paperwork means less cutting of trees. It also involves creating awareness
to banking business people about environmental and social responsibility enabling them to do an environmental friendly business practice.

- Green Ethical banks adopt and implement environmental standards for lending, which is really a proactive idea that would enable eco-friendly business practices which would benefit our future generations.

- When we are awarded with a loan, the interest of that loan is comparatively less with normal banks because green banks give more importance to environmental friendly factors - ecological gains.

- Natural resources conservation is also one of the underlying principles in a green bank while assessing capital/operating loans to extracting/industrial business sector.

- Green Banking as a concept is a proactive and smart way of thinking with a vision for future sustainability of our only Spaceship Earth - as design science explorer Richard Buckminster Fuller called our Earth.

- The value proposition for corporations to go green includes many of the same issues as that for individual consumers but on a much large scope and with additional concerns. Corporations may share a desire to reduce carbon footprint and enhance security by eliminating paper waste, but they are also extremely concerned with eliminating or decreasing errors due to manual processing and with creating a profitable bottom line. For these reasons and more, corporations are actively pursuing green programs, many companies are taking active steps to reduce waste, implement sustainability measures and increase profitability by going green.

GREEN BANKING INITIATIVES BY INDIAN BANKS

Green Banking Initiatives by Indian Banks include both public sector banks and private sector banks. Public sector banks are those where majority stake (more than 50%) is held by the government and public sector banks are those where majority stake is held by the private shareholders. Various green initiatives had taken by public sector and private sector banks in India. In this study, the researcher has taken top four public and four private sector banks selected on the basis of their net profits (Details in the Table 1).

<table>
<thead>
<tr>
<th>Public Sector Banks</th>
<th>Private Sector Banks</th>
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<tr>
<td>Banks</td>
<td>Net Profit (Rs Crore)</td>
</tr>
<tr>
<td>State Bank of India</td>
<td>14104.98</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>4747.67</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>4480.72</td>
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<tr>
<td>Canara Bank</td>
<td>3282.71</td>
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Source: Money Control (2014)

Public Sector Banks

State Bank of India (SBI)
- SBI had launched Green Channel Counter (GCC) facility at their branches in 2010 to change the traditional way of paper based banking (SBI, 2014).
- The bank had also collaborated with Suzlon Energy Ltd for the generation of wind power for selected branches by setting of windmills in Gujrat, Tamil Nadu and Maharastra (Business Standard, 2014).
- It has become a signatory to the Carbon Disclosure Project in which they undertake various environmentally and socially sustainable initiatives through its branches spread across the length and breadth of the country (WWF-INDIA, 2014).
- Export Import Bank of India (EXIM) and SBI entered into an agreement to jointly provide long term loans up to 14 years to Spain based company Astonfield Renewable Resources and Grupo T-Solar Global SA for building solar plant in India (Yadav & Pathak, 2013).

**Punjab National Bank (PNB)**

- According to Corporate Social Responsibility Report 2010-11 (PNB, 2011), they had taken various steps for reducing emission and energy consumption.
- PNB is conducting Electricity Audit of offices as an energy conversation initiative and maintained a separate audit sheet for assessing the impact of green initiatives taken by them.
- The bank had organized more than 290 Tree Plantation Drives.
- It started emphasizing on green building practices such as energy efficient lights, immediate repair of water leakage, printing on both sides of paper, mater censors for lights, fans, etc.
- The organization had signed a ‘Green Pledge’ with Ministry of New and Renewable energy under which they had set up the butterfly park at the compound of Guruvayur temple which houses 18 types of medicinal plants.
- They had formulated guidelines to ensure that all the necessary approvals and permissions, including from Pollution Control Board has been obtained before disbursement of term loans and for the project loans, compliance with environment and social safeguards including rehabilitation and resettlement of project affected people is to be ensured as pre-disbursement condition.
- The bank is also considering stepping of sustainable development with particular reference to the Equators Principles on project finance
- The organization had sanctioned nine wind energy projects with an aggregation limit of 185.81 crore and they were also awarded with a second prize for ‘Best Wind Energy Power Financer’ by wind power India 2011.

**Bank of Baroda**

According to the annual report of BOB (2013), they had taken various green banking initiatives such as:

- While financing a commercial project, BOB is giving preference to environmentally friendly green projects such as windmills, biomass and solar power projects which help in earning the carbon credits.
- The organization had made considerable changes in their lending policy, i.e. it is compulsory for industries to obtain ‘No Objection Certificate’ from the Pollution Control Board and also they are not extending any finance to environmental hazardous industries which are using ozone depletion substances such as halos-1211,1301,2402 used in foam products, chlororfluoro carbon CFC 11,12,113, solvents in cleaning and aerosol products.
- The bank had taken several technological initiatives such as compliance with e-business guidelines, use of internet banking, mobile banking to promote paperless banking and also increasing the installation of ATM’s in most of uncovered areas to reduce the petrol or diesel consumption in travelling and helps in maintaining a clean environment.
- As a part of green initiative, they had made changes to desktop virtualization, backup consolidation and server virtualization improve data center operational efficiency.
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 initiative, 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.
- In terms of Lending policy, they are giving due preference and weightage to projects which can earn carbon credits like solar energy projects, windmills, etc.
- The bank is also not extending any finance to the units which are producing ozone depletion substances such as chlorofluoro carbon, carbon tetrachloride, aerosol products, solvents etc.
- While appraising any project, the organization insists the manufacturing units which are emitting toxic pollutants, to install water treatment projects to process such pollutants and they also ensure that the borrower to obtain No Objection Certificate (NOC) from central or state pollution control board.

Private Sector Banks

ICICI Bank Ltd

ICICI bank had adopted ‘Go Green’ initiative, which involves activities such as Green products/offerrings, Green engagement and green communication with customers as per ICICI Bank (2014):-

- Green Products and Services: The bank is offering green products and services like (i) Insta banking: - It is a service which gives convenience to the customers to do banking anywhere and anytime through internet banking, mobile banking, IVR banking, etc. This reduces the carbon footprint of the customers as they do not require the physical statement or travel to the bank branches. (ii) ‘Vehicle Finance’: - They are offering 50% waiver on processing fee of auto loans on the car models which uses alternate sources of energy like the Civic Hybrid of Honda, Tata Indica CNG, Reva electric cars, Mahindra Logan CNG versions, Maruti’s LPG version of Maruti 800, Omni and Versa and Hyundai’s Santro Eco. (iii) Home Finance – The bank had reduced the processing fee for the customers who are purchasing homes in LEED certified buildings.
- Green Engagements: (i) During Diwali 2013, the organization had conducted an environmental awareness program for employees and customers in which money plant was presented to all the people present there as a token of collective responsibility to protect the environment. (ii) It has also become partners with the Green theme CNBC – overdrive auto awards. (iii) The bank is celebrating World Environment Day every year on June 5. They perform various activities on that day like green pledge through signature campaigns, plantation and distribution of saplings etc. They are also celebrating Earth hour every year in March in which they switch off the lights of their premises, branches and ATM’s between 8:30 pm to 9:30pm.
- Green Communications: The bank always insists their customers for online bill payment, online funds transfer and subscription to e-statements which promote ‘paperless’ and ‘commute free’ modes of banking transactions.
- Green Partners: The organization is looking forward for partnerships with national and international green organizations and NGO’s. They are partners with Green Governance awards set up by BHNS to appreciate the participant’s organization effort beyond the statutory compliance for protection of the environment.
HDFC Bank Ltd
HDFC bank is taking up various measures in reducing their carbon footprints in the area of waste management, paper use and energy efficiencies as per HDFC Bank (2013):

- The bank is encouraging their employees to prevent any wasteful use of natural resources and emission of greenhouse gasses.
- They are reducing the use of paper through 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.
- The bank is also promoting energy conservation by replacing conventional lighting with CFL, switching off all the lights after 11 pm at all the branches and establishing green data centers with state of the art technologies.
- The organization is exploring renewable energy by setting up of 20 solar ATMs with a pilot ATM set up in Bihar, and by replacing batteries in ATMs with Lithium-ion batteries.
- They are also managing their waste by tying up with vendors for recycling of paper and plastic.
- The bank is procuring green products which are compliant with the norms of the Central Pollution Control Board and which are rated by Energy Star.

Axis Bank Ltd
AXIS bank implementing several initiatives in green banking such as per Axis Bank (2013):

- In August 2011, the bank had initiated the process of collecting all the dry waste generated from the corporate office and thirty four branch offices in Mumbai, and recycle it to notepads, notebooks and envelopes. Till date, more than 1,00,000 kgs of paper has been recycled and converted to 12,000 notebooks, notepads and envelopes which are used at corporate office and branches of the bank;
- The corporate office of the bank, located in Mumbai, is designed and constructed as a Platinum LEED certified ‘Green Building’;
- Car pooling has been initiated by a bank to reduce carbon footprint;
- They are also encouraging their customers to use e-statements and other electronic communications to reduce paper consumption;
- Annual reports are being sent through emails;
- The organization had initiated Independent ATM Deployment (IAD) model in which ten solar based ATM has been set up in Coimbatore circle;

Kotak Mahindra Bank
Through the ‘Think Green’ initiative, the bank had taken several initiatives as per Kotak Mahindra Bank (2013):

- To reduce the paper consumption, the bank is encouraging their customers to sign for e-statements and also they have become partners with ‘Grow-Trees.com’ to plant one sapling for every e-statement on behalf of its customers. 16,623 saplings were planted FY 2012-13.
- The organization had established the ‘Social, Environmental Management System Plan’ (SEMSP) to evaluate the environmental and social risk of borrowers which is based on an IFC sustainable framework and performance standards.
- As per the guidelines of Ministry of Corporate Affairs (MCA), the bank had communicated to their shareholders to adopt electronic copies of annual report instead of physical copies.
- In 2009, they had consolidated their data centers into a single facility to improve power usage efficiencies.
- The rain water harvesting tank has been installed in the premises and also used oil generated from a diesel generator is disposed off through vendors approved by Pollution Control Board.
CONCLUSION

Banks are responsible corporate citizens. Banks believe that every small ‘Green’ step taken today would go a long way in building a greener future and that each one of them can work towards to better global environment. ‘Go Green’ is an organization wide initiative that moving banks, their processes and their customers to cost efficient automated channels to build awareness and consciousness of environment, nation and society Green Banking can give following benefits.

1. Basically Ethical banking avoids as much as paper work, you get go green credit cards, go green mortgages and also all the transactions done through online Banking.
2. Creating awareness to business people about environmental and social responsibility enabling them to do an environmental friendly business practice.
3. They follow environmental standards for lending, which is really a good idea and it will make business owners to change their business to environmental friendly which is good for our future generations.

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. Thanks to green banking. Until a few years ago, most traditional banks did not practice green banking or actively seek investment opportunities in environmentally-friendly sectors or businesses. Only recently have these strategies become more prevalent, not only among smaller alternative and cooperative banks, but also among diversified financial service providers, asset management firms and insurance companies. Although these companies may differ with regard to their stated motivations for increasing green products and services (e.g. to enhance long-term growth prospects, or sustainability principles on which a firm is based), the growth, variation and innovation behind such developments indicate that we are in the midst of a promising drive towards integrating green financial products into mainstream banking.

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.

REFERENCES