

“A STUDY ON GREEN BANKING INITIATIVES BY SELECTED PRIVATE AND PUBLIC SECTOR BANKS WITH SPECIAL REFERENCE TO KARNATAKA”

Mr. VATTAPARAMBIL JOM JOSE

M.COM FINANCIAL ANALYSIS

KRISTU JAYANTI COLLEGE, BENGALURU

Email: jomjose21@gmail.com

MOB: +91 8547949467

ABSTRACT

The concern for environmental sustainability by the banks has given rise to the concept of Green Banking. Green banking means promoting environmental friendly practices. Environmental management and protection have become more vital in the business strategy of organizations across India and this would promote the sustainable economic development. This paper is an attempt to identify the green banking initiatives undertaken by the public and private sector banks in Karnataka for environmental sustainability and also studies the role of green banking in the sustainable development of the economy. From private sector, HDFC, ICICI and Axis bank were selected and from public sector Canara Bank, State Bank of India and Punjab National Bank were selected. The study has been conducted based on secondary data collected from various Bank websites, RBI reports, Journals, etc. The study finds that various green banking initiatives have been undertaken by the banks and it shows that public sector banks have taken more green banking initiatives as compared to private sector banks.

Key words: Green banking, environmental sustainability, green initiatives, public sector banks, private sector banks

INTRODUCTION

Promoting environment friendly activities has become a vital part of the sustainable development of the economy. This has made the Reserve Bank of India to put forward the concept of Green Banking. Green banking, which is a normal banking, is an ethical banking system, which focuses more on the social and environmental factors. Its main concern is to protect the environment. It helps to reduce the external carbon emission and the internal carbon footprints from the different operations of the bank. The banking industry, the most important sector for financing the economic and developmental activities of the country has now introduced many green banking initiatives such as green financing, ATM, online banking, Interbank Mobile Payment Services(IMPS), green credit cards, mobile banking, promotion of paperless transaction and many other services in order to protect the environment and the society as well. It can also be called as sustainable banking system, which helps to protect the natural resources. Thus the banks has introduced their green process, infrastructures, green products and services and so on with the aim of reduced usage of paper, water and energy. Green banking initiative have made the banks to see whether any of its products or services or anything related to it has an impact on the environment in future and thus protects the environment, society and the natural resources. It also makes understand the need of green activities to protect environment to the society.

Green Banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environment, and social dimensions. It aims to make banking processes and the use of IT and physical infrastructure as efficient and effective as possible, with zero or minimal impact on the environment. Considering the nature of banking processes and infrastructures, in this report, we offer guidelines for greening banking in two levels.

REVIEW OF LITERATURE

According to **Ritu** (2014) there is an urgent need to create awareness and follow green banking practices to make our environment human friendly and cover the green banking products, methods, opportunities, benefits and challenges of green banking.

Nath, Nayak & Goel (2014) analyzed the green banking practices of top four public and private sector banks in India and come to conclusion that if Indian banks want to penetrate global economy, it is important for them to recognize their responsibilities as a global corporate citizen.

Jha & Bhome (2013) found the ways to Go Green through „Green Banking“. The study found that Green banking is a good way to get more awareness about global warming; each businessman will contribute a lot to the environment. The concept of “Green Banking” will be mutually beneficial to the banks, industries and the economy. It will not only ensure the greening of the industries but it will also facilitate in improving the asset quality of the banks in future.

Sahitya et al. (2014) attempted to understand and appreciate the importance of green initiatives for the attainment of goals of sustainable banking and determine the various attempts that had been made by the top public and private sector banks in India. The Private Banks are as much involved in the green banking approach as the Public Sector Banks. All the banks are making efforts to make banking paperless.

Biswas (2011) highlighted the major benefits, confronting challenges, strategic aspects of Green Banking. It had also presented the status of Indian banks as far as Green Banking adoption is concerned. The study found that there had not been much initiative in this regard by the banks in India, though they play an active role in India’s emerging economy. Banks should go green and play a pro -active role to take environmental and ecological aspects.

Malu, Agrawal, & Jajoo (2014) studied that banks can play an important role in reducing the carbon footprint in the society. Earlier economic development means reducing poverty, inequality and unemployment in the society, but the concept of Economic development had changed to Sustainable development which means “development that meets the needs of the present without compromising the ability of future generation to meet their own needs

OBJECTIVES OF THE STUDY

- To identify the green banking initiatives undertaken by the public and private sector banks
- To study on green banking in the sustainable development of the economy.
- To compare the green banking practices initiated in the private and public sector banks in Karnataka

RESEARCH GAP

An in-depth read-through and the review of the research studies which are already undertaken on the respective field, it is understood that, researches have done on the green banking

initiatives introduced by the private and public sector banks in India, also particularly in Mumbai. This study has done on the green banking practices initiated in the public and private sector banks in Karnataka, this study has also done to identify the green banking initiatives undertaken during the period 2015 to 2018. The present study has been carried out to compare the green banking practices initiated in the public and private sector banks in Karnataka.

IMPORTANCE OF THE STUDY

Banks and financial institutions can play a major and decisive role in these global efforts to make our planet a better place to live in. As major implementers of technology, banks themselves can adopt green practices and thereby lead the way in this global initiative. Reserve Bank of India provides a lot of guidelines for making the banks green for environmental sustainability and environmental protection. As providers of finance, banks can ensure that businesses adopt environment-friendly practices. So in this context, it is very imperative to study the initiatives taken by the public and private sector banks for promoting the green banking and for maintaining environmental sustainability.

RESEARCH METHODOLOGY

The study has conducted based on secondary data which is collected mainly from annual reports of the respective banks from 2015 to 2018, and then the reports of the RBI, web sites of the banks and research articles published in the relevant field. The study has undertaken on three public sector banks (State Bank India, Canara Bank and Punjab National Bank) and three private sector banks (Industrial Credit and Investment Corporation Bank of India (ICICI), Housing Development Finance Corporation Bank (HDFC) and Axis bank). These are the top three public and private sector banks based on their net profit.

GREEN BANKING

Green Banking means promoting environmental friendly practices and reducing carbon footprint from banking activities. This comes in many forms. Using online instead of branch banking. Paying up CDs and money market accounts at online banks, instead of large multi-branch banks. Or finding local bank in area that is taking the biggest steps to support local green initiatives. Any combination of the above personal banking practices can help the environment.

There are four major avenues for greening banks – processes, products and services, strategies and other activities—which are briefly outlined here.

Green process

A Green Bank requires each of its functional units and activities to be green – environmentally friendly and help to improve environmental sustainability. Several opportunities are available for banks to green their functional units and activities. Some of them are:

Supply Chain Management

- Adopt techniques and plans to minimize inventory and wasted freight
- Adopt networked design using a carbon footprint.

Enterprise Resource Management

- Facilitate paperless transactions
- Adopt techniques for workforce and parts optimization as well as intelligent device management.

Customer Relationship Management

- Use electronic means, wherever possible, to maintain contact with and correspond with customers and potential customers, and minimize paper-based correspondences.

Sourcing and Procurement

- Select vendors by the sustainability rating of their products, services and operations.

Product Life Cycle Management

- Design and offer banking products and services in such a way that consume less resources and energy and thereby reduce carbon footprint
- Implement effective systems for product end-of life management that have minimal impact on the environment.

Green products and services

- Banks are developing new products and services that respond to consumer demand for sustainable choices. Following are some of the options that banks should offer to their customers, if they are not offering already:
- Electronic and telephone banking, facilitating customers to perform most of their banking needs anytime, anywhere.

- Automatic payments reduce the need to write and send cheques by mail.
- Electronic (paperless) statements, product information, guides and annual reports to customers and stakeholders.
- Offering and promoting mutual funds that focus investment in 'green' companies
- Offering a special line of credit to help homeowners invest in energy-efficiency upgrades for their home.
- Offering credit cards co-branded with environmental charities.
- Card based transactions: Banks have introduced a variety of card based transactions by launching green channel counters (GCC). GCC promotes card based transactions to their customers not only to reduce the consumption of paper and energy but also to save the time of customers. A variety of cards such as ATM, Credit and Debit cards, green remit cards, Foreign Travel Card, eZ Pay Card, Gift Card, Smart Payout Card etc. are available for customers.
- Green Finance: Bank should finance environment friendly projects and environment friendly products such as solar equipment's, recycled furniture, vehicle finance for low carbon emissions vehicles, home finance for green buildings etc. with giving some concessions in processing fee and concessional rate of interest.
- Green Infrastructure: Green infrastructure includes IT infrastructure (Data Centers), green buildings with sufficient natural lightening and air, generate electricity for their own use and waste recycling plants for recycle their own waste. Green infrastructure may also be considered Self Service Passbook Printers, Kiosks (Multi-FunctionKiosks and Self Service Kiosks), Cash Deposit Machines and Contact Centre etc. It facilitates to reduce banks internal carbon footprint.
- Use of power saving equipment's: Use of solar powered UPS, GSL/LED bulbs, rain water harvesting by banks, establishing solar powered ATMs etc.

Green Banking Strategies

- Engage with key stakeholders and create awareness of environmental issues and their impact on the economy, the environment, and the society. Also, explain to them the business and environmental value and the necessity of greening the bank processes, products, and services.

- Set SMART (Specific, Measurable, Attainable, Realistic, and Timely) green goals as the internal targets to reduce your carbon footprint along with timelines. Develop criteria for measuring progress towards the goals.
- Develop and implement a green policy that aims to achieve higher utilization of systems while reducing energy use and lessening their environmental impact
- Encourage, motivate, and energize the workforce to follow the green path and to come up with and implement their own ideas. In addition, also encourage clients, suppliers, and outsourcers to adopt green practices
- Monitor the progress regularly; watch industry trends and new developments. Revise the green policy as required
- Publicize your environmental policy, actions, and achievements and thereby get credits and accolades from customers, peers, industry groups, environmental advocates, government agencies, and society at large.

Other Green Banking Activities

- Banks may formulate innovative financial solutions and redesign the existing ones so as to incorporate environmental perspectives.
- Banks may provide loans with concessions to corporates or individuals who undertake environment-friendly projects such as projects employing sun, wind equipment, manufacturers of fuel-efficient automobiles.
- Banks can introduce green funds for customers who would like to invest in environment-friendly projects.
- Banks can involve themselves in carbon credit business, where in they can provide all the services in the area of clean development mechanisms and carbon credit business.
- Banks can support projects ranging from community clean ups to national initiatives on climate change, water, air, biodiversity and more.
- Drawing on the above guidelines, opportunities and options, banks need to set their near-term and long-term green goals, develop their green strategies, and execute their greening activities in a phased manner.

Green Banking on Sustainable Development of the Economy

Sustainable development is the economic development that attempts to satisfy the needs of humans but in a manner that sustains the natural resources and the environment for future

generation. Economic progress leading to improved standard of living and thus in turn leading to the degradation of the environment. any increase in the national income would arise only from increased production of goods and services, which involves greater consumption of natural resources. Green banking helps in the sustainable development of the economy through the reduced usage of natural resources. Green banking brings out different green initiatives to the economy through the banking sector for the sustainable development. Green banks are also called balanced banks which try to implement sustainable development policies. It creates awareness and educates the common people about the importance of the green concept introduced by the RBI. With the introduction of green banking concept by the RBI, it has led to the development of the economy in a sustainable manner.

RBI says that banks play a crucial role in the sustainable development. In this respect the green banking concept has emerged and is recognized as the important strategy to address the sustainable development concern and awareness among people about environmental responsibility. Green banking has two dimensions. First is the way the banking business is done – it is paperless or not. This would save an estimated 16,500,000 trees per year or about a 46,000 acre forest, 396,000 tons of CO₂ a year, 495,000 tons of air pollution per year, and gain almost 2,145,000 tons of oxygen per year. There are several guidelines from the RBI on e-banking and banks are also putting sincere efforts toward adopting paperless banking.

The second dimension of green banking relates to where the bank puts its money. Green banking entails banks to encourage environment friendly investment and give lending priority to those industries which have already turned green or are trying to go green and thereby helps to restore the natural environment.

Green banking can be an avenue to reduce pollution and save the environment aiding sustainable economic growth. Green Banking is a multi-stakeholders' endeavour where banks have to work closely with government, NGOs, regulator, consumers, and business communities to reach the goal.

RBI proposes the introduction of standard rating for green efficient banks and banking practices among Indian Banks. Under this rating system, both the infrastructure and operations of the banks are being considered. We have coined the term of Green Rating Standard as “Green Coin Rating”. Banks' primary business must not be money making only, but it should also keep in mind social and environmental issues relating to its operations.

Green Coin Rating will be in line as energy star rating given for appliances. Banks will be judged based on the rate of carbon emission out of their operations, the amount of reuse, refurbish and recycling concept being used in their building furnishings and in the systems used by them such as computers, servers, networks, printers, etc. They are also being evaluated on the number of green projects being financed by them and the amount of rewards and recognition they are paying for turning businesses green.

The primary objectives behind Green Coin Rating are as follows:

- Improving the energy and carbon efficiency of bank
- To estimate energy usage and wastage
- Comparative assessment of banks and its products efficiency for the customers and other stakeholders in relation to environment impact assessment
- Recognize and reward the environment-conscious financial institutions.

Green Banking Initiatives by Public Sector Banks and Private Sector Banks

Public Sector Banks

State Bank of India

- SBI launched its Green Channel Counter (GCC) facility at their branches in 2010 to change the traditional way of paper based banking.
- It has put forward Carbon Disclosure Project in which they undertake various environmentally and socially sustainable initiatives through its branches spread across.
- Bank encourages shareholders to receive annual reports of the bank in electronic form
- Rainwater Harvesting Projects are also implemented in number of bank building and have undertaken tree plantation across.
- Bank has adopted energy efficient measures.
- SBI installed solar ATMs.
- Paperless Banking is promoted and implemented across.
- It has introduced the Green Remit Cards and Green PIN

Canara Bank

- The bank had taken many green initiatives such as mobile banking, internet banking, tele-banking, solar powered biometric operations etc.

- Canara bank has set up high-tech banking facilities like internet banking, 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.
- They give preference and weightage to projects which earn carbon credits like solar energy projects.
- The bank is not extending any finance to the units which are producing ozone depletion substances such as chlorofluoro carbon, carbon tetrachloride, aerosol products, solvents etc.
- While lending the bank 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.

Punjab National Bank (PNB)

- The Bank has been actively pursuing the social policies in the different branches of the bank, where the CSR is the core of normal day to day banking operations
- It started emphasizing on green building practices to conserve resources be it electricity, water, paper, etc.
- PNB is putting their best efforts for rainwater harvesting in existing buildings and encourage environment friendly new constructions. Also, promoting wind energy and popularizing solar energy usage in rural areas.
- It started emphasizing on green building practices such as energy efficient lights, immediate repair of water leakage, printing on both sides of paper, meter sensors for lights, fans, etc. Purchasing composite fax machines which can perform multiple functions. Immediate repair of any water leakage.
- 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 permissions, including from Pollution Control Board has been obtained before disbursement of term loans and for the project loans.

- They have implemented some quick win “Green Practices” to conserve resources like electricity, water, paper etc. They are making efforts for rainwater harvesting in existing buildings and encourage environment friendly new constructions. We are promoting wind energy and popularizing solar energy usage in rural areas. 257 saplings were planted in 15 Tree Plantation Camps organized during the year 2018

Private Sector Banks

ICICI Bank Ltd

ICICI bank had adopted ‘Go Green’ initiative, which involves activities such as Green products/offering, Green engagement and green communication with customers as per ICICI Bank.

- **Green Products and Services:** The bank is offering green products and services like
 - (i) **Instabanking:** - 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 L 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 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.
- The banking major is also encouraging the use of CFL bulbs and carpool and Public transportation. It is also utilizing online "Webinars" for shorter meetings that involve people who might otherwise have to travel a long distance.
- Assisted a company to develop a product that provides an eco-friendly air conditioner alternative to conventional air conditioner.

- The Bank's business operations are conducted keeping in mind the environmental limits and ensuring ongoing efficiency gains. The environment conservation measures by the Bank are focused on improving efficiencies, investing in design and technology and adopting renewable energy.
- This aims to put in place control systems to ensure efficiency in operations. It includes policy of temperature control in occupied workplaces, setting up control systems at specific locations for operating at optimal energy efficiency, promoting communication practices (like video conferencing and i Studio) to reduce employee travel and spreading awareness through emails and rewards among employees.
- The Bank ensures use of renewable energy at its premises wherever feasible.
- The Bank has undertaken various initiatives to conserve water. The Bank recycles and reuses waste water
- The Bank has been focusing on waste reduction and its management in every aspect of its operations and it is moving on with paperless transactions.

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.
- 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 organization is exploring renewable energy by setting up solar ATMs with a pilot ATM set up in the state 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.
- The Bank has taken several steps towards digital banking, renewable energy, waste management and energy reduction. Hence, the focus is to limit the dangers attributable to growing effects of climate change.

- The Bank spreads awareness about energy conservation through its Carbon Footprint Calculator. Aimed at visitors to the Bank's website, this calculator enables an individual or a family to calculate their carbon footprint based on their travel and residence.
- The Bank has undertaken several initiatives such as: for energy saving and supporting go-green initiative green locks and AC controllers are installed in conditioning machines, switching of all main signboards in branches after 10 pm is practiced, for energy saving contract demand has been lowered and CFL lamps have been replaced with LED fixtures
- The Bank has established systems to reduce paper consumption in all its offices, where a centralized stationary desk manages most requirements. Printing of emails has been restricted unless strictly required. Additionally, several other initiatives have been carried out at the individual and the group level.

Axis Bank

- Carpooling 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
- The bank has introduced their internet banking, mobile banking etc.

SUGGESTIONS

- To conduct training program for customers to use online banking and mobile banking users. This will build confidence among them.
- To create awareness among businessman about environmental issues and encourage them for undertaking eco-friendly practices.

CONCLUSION

From the study conducted it can be concluded that, green banking has become one of the prior concept all over the India. It is all to protect the environment, natural resources and the society. It helps to reduce the carbon footprints and thus helps to reduce the future impacts in the future.

It is understood that all most all the private and public sector banks in India has adopted the concept of green banking introduced by the Reserve Bank of India. Many green banking practices are being initiated by different banks. From the study it is understood that more of green banking practices are initiate by the private sector banks in Karnataka than the public sector banks, and ICICI banks has also taken much initiatives on making the economy green. The study also found that there is a major role for green banking on the sustainable development of the economy. Thus the study has made to understand that changes or new initiatives alike green banking which are in harmony with the nature has to be promoted and implemented across the country in order to have a sustainable developed country.