



## A CRITICAL REVIEW ON GREEN BANKING PRACTICES BY PUBLIC AND PRIVATE SECTOR BANKS IN INDIA

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### ABSTRACT

Banks are assumed to be the backbone of the economy. So it is very important that banks must change their old traditional techniques to modern banking techniques. In the present global scenario, due to the danger of global warming, environmental conservation is quite an important aspect. Green Banking are such modern banking techniques which mainly works for economic growth and environment protection. It benefits the environment by promoting environment friendly practices and reducing the carbon footprint from banking activities by providing Various green financial products to the masses. This study attempts to understand the use of green banking practices and inspect the green banking initiatives by few public sector and private sector banks.

**KEYWORDS:** Green banking, Environment protection, Green financial products.

### 1. INTRODUCTION

The finance sector of an economy works like the backbone of the country and it directly affects the economic growth and development of the country. The present time of globalization and industrialization has added a lot of luxury and comfort to human life but has also led to an alarming situation of huge environmental degradation incorporated with all involved activities. Banks can certainly play an important role between economic growth and environment protection. Banks are the financial institutions which play an important role for the growth of an economy. Basically the banking system is a network of institutions that provide financial services to the public. Now in a present scenario green banking practices are a very new concept which benefits the environment by promoting environment friendly practices and reducing the carbon footprint from banking activities.

According to **Indian Banks Association ( IBA,2014)** “ Green Bank is like a normal bank, which considers the entire Social, environmental and ecological factors with an aim to protect the environment and conserve natural resources.”

The study of **Clark Schultz(2012)** describes “Green banking means promoting environment friendly practices and reducing your carbon footprint from your banking activities.”

Basically Green banking practices are modern banking techniques like use of ATM'S, use of internet banking, online payment system etc. It emphasizes on less time and cost consumption and preventing frauds as well.

### 2. OBJECTIVES

- 1) To study the concept of green bank.
- 2) To identify the green banking products.
- 3) To critically examine the green banking practices of public and private sector banks in India.

### 3. SCOPE

Green banking is a wider concept to use from an environmental perspective. It is evident from the various studies that both public as well as private sector banks have already taken initiatives to create awareness among the masses for adopting green banking. This paper would help the customers in understanding the benefits of green banking by presenting them various efforts done for the welfare of the economy and society as well. This paper serves the commercial objective of the bank as well as their corporate social responsibility also. This paper clearly mentioned that banks should apprehend their responsibilities towards the environment as well as the society in order to compete and survive in the global market. This particular study will facilitate the people to be acquainted with the adoption of these eco- friendly banking practices realizing the tremendous benefits of using it. However , much more effort is still required to make our country carbon free.

### 4. LITERATURE REVIEW

- 1) **Bahl (2012)** highlights the means of creating awareness about green banking to ensure sustainable growth.
- 2) **Jha&Bhoome(2013)** also conducted their study to check consumer awareness towards green banking.
- 3) **Rajput et al. (2013)** in their paper studied the initiatives taken by SBI for green activities and sustainable development. Their paper supports secondary data and theoretical framework for statistics.
- 4) **Ravi Meena (2013)** covered the various aspects of green banking such as it's benefits, methods adopting green banking and initiatives taken by Indian Banks and also made suggestions to encourage green banking.
- 5) **Laxman (2014)** described the importance of Green banking and varieties of green banking products provided by the banks as their banking strategies.
- 6) **Ruchi (2014)** in his research paper focused on activities initiated by the bank on how to go green in various functional units and activities like CRM, SCM, Procurement and PLC management and various green banking strategies.
- 7) **Jaggi(2014)** studied the initiatives taken by ICICI and SBI on Green banking and also did comparative analysis of their activities.
- 8) **Sreesha (2014)** identified the green banking initiatives adopted by public and private sector banks. She concluded from the study that public sector banks are more efficient in implementing green banking practices.
- 9) **Nath, Nayaket.al. (2014)** also studied the green rating standards given by RBI useful for environment conservation.
- 10) **Chaurasia (2014)** attempted to highlight the major benefits, confronting challenges, strategic aspects of Green Banking and also presented the status of Indian banks as far as Green Banking adoption is concerned.
- 11) **Garg (2015)** focused their studies on the various trends for green banking useful in the present scenario.
- 12) **VadrakeKavita (2016)** studied the initiatives taken by the various Public and Private Sector Banks for green banking by exploring the initiatives taken by various public and private sector banks.

- 13) **Rakesh et al. (2016)** studied the concept of green Banking and rating standards given by RBI. They also discussed World Bank's environmental and social norms, the initiatives taken by public and private sector banks in India for green banking practices.
- 14) **Mahesh et al. (2016)** focused on trends in banking for going green. They explained how green banking promotes environmentally friendly practices.

## 5. RESEARCH METHODOLOGY

The secondary data is used for this study. It is collected from annual reports, official websites, journals and research papers etc.

## 6. WHY GREEN BANKING

Green banking is useful not for the environment but for banking activities also as it leads to time and cost reduction. In an emerging economy like India, management of the environment should be the key focus area for all working industries here. It's not a separate bank. Green banking means to ensure environment friendly practices in the banking sector and thereby reducing internal and external carbon footprints. Since banks are taken as a source of funds so they can contribute to the environment by ensuring environmentally responsible investment and carefully evaluated lending. Green banking has emerged as an alternative tool towards maintaining ecological balance and thereby protecting the environment. Nowadays green banking practices are followed by almost all the public and private sector banks as well by providing various green banking customers to the public.

### 6.1 GREEN BANKING FINANCIAL PRODUCTS

Green banking helps to create effective and far-reaching market-based solutions to address a range of environmental problems, including climate change, deforestation, air quality issues and biodiversity loss, while at the same time identifying and securing that benefit for customers. Some of Green banking financial products include: Green mortgages, online banking, remote deposit capture, green car loans and green credit cards.

- 1) **Green Mortgages:** In general Green mortgages also known as Energy Efficient Mortgages (EEM'S), provide retail customers with considerably low interest rates compared to market rates for clients who purchase new energy efficient homes or invest in retrofits, energy efficient appliances or green power. Banks can also choose to provide green mortgages by covering the cost of switching a house from conventional to green power, as well as include this customer benefit when marketing the product.
- 2) **Online Banking:** Online banking, also known as internet banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website.
- 3) **Remote Deposit Capture:** Remote deposit capture (RDC) is a system that allows a customer to scan cheques remotely and transmit the cheques images to a bank for deposit, usually via an encrypted Internet connection. When the bank receives a cheque image from the customer, it posts the deposit to the customer's account and makes the funds available based upon the customer's particular availability schedule. Banks typically offer Remote Deposit Capture to business customers rather than to individuals.
- 4) **Green Car Loans:** Many green car loans encourage the purchase of cars for below market interest rates, which demonstrate higher fuel efficiency.

- 5) **Green Credit Cards:** A green credit card allows cardholders to earn rewards or points, which can be redeemed for contributions to eco-friendly charitable organizations. These cards offer an excellent incentive for consumers to use their green card for their expensive purchases.

## 6.2 GREEN BANKING SERVICES OFFERED BY PUBLIC SECTOR BANKS

- 1) **State Bank of India:** SBI has launched Green Channel Counter on 1st July, 2010 which is available in 7052 branches and more than 100000 transactions done through it. SBI has promoted and implemented paperless banking across the country. SBI also provides project loans at a concessionary rate of interest to encourage reduction of greenhouse gases by adopting efficient manufacturing practices. SBI has successfully commissioned wind based power projects and the power generated from these projects helps power Bank's branches/offices in the States of Maharashtra, Gujarat and Tamil Nadu.
- 2) **Canara Bank:** Canara Bank is the initiator of paperless banking. It is the highest financer for solar energy related projects. Various services like core banking solutions, mobile banking, solar powered biometric ATMs, Changing to CFL's in all its premises have been initiated by the bank itself.
- 3) **Bank of India:** To promote environment friendly Green practices of the bank is using CFL lamps instead of incandescent lamps. It provides rain water harvesting, use of solar energy, printing on both sides of paper, immediate repair of any water leakage and also makes provision of more than 140000 ATMs across the country. Banks provide self service kiosks- bar coded passbook printers. Bank has issued e-transactions advice to corporate customers and reduction in paper usage as well as motivating electronic statements among retail customers.
- 4) **Bank of Baroda:** As a part of green initiatives bank has undertaken optimum technology utilization such as windows server virtualization, desktop virtualization and backup consolidation, improve data centre operational efficiency, application virtualization etc. Banks have implemented solar power generation systems in their branches which provide alternative sources of energy through UPS at branches.

## 6.3 GREEN BANKING SERVICES OFFERED BY PRIVATE SECTOR BANKS

- 1) **HDFC Bank:** Various green measures are undertaken by the bank like energy efficient lighting systems in major locations, Video conference and video chatting in order to reduce travelling and fuel consumption. Banks are trying to reduce power consumption by server and desktop virtualization. Multi-channel delivery such as phone banking, net banking and electronic payment system etc. are introduced by the bank for ease of the customers and for paperless banking together.
- 2) **ICICI Bank:** Bank offers green banking services like Insta-Banking which gives convenience to customers that they are free to do banking anytime and anywhere through mobile phone banking, Internet banking etc. which surely reduce the carbon emission in the environment. Banks also create awareness among employees about conservation of energy across offices and branches by promoting biodiversity and environment sustainability projects.
- 3) **Kotak Mahindra Bank:** Bank plays a big role in promoting environmental sustainability by supporting the adoption of environmentally-sustainable technologies and processes. Banks also focus on reducing their own carbon footprint. Banks motivate their customers to choose e-statements for their credit cards which reduces the wastage of paper, while also allowing them to store and retrieve statements electronically, at their convenience.

## 6.4. FINDINGS

Green Banking is a wider Concept which requires banks to control the projects from an environmental perspective. The common activities of green banking practices are Green Channel Counter, introduction of card based transactions, installation of solar ATM's, encouragement of e- statements, conducting awareness campaigns for customers etc. After doing study of literature about green banking it is found that:

- 1) People are still unaware about the features, benefits and advantages of green banking and it's available various green products that how they can use them to make their work effective and easier.
- 2) There is a lack of computerized banking facilities among the masses. Most of the population is not used to these computerised banking services so they are unable to save their time.
- 3) Many of the people do not want to use modern banking facilities like internet banking, mobile banking etc., as they are unaware about how to use those services.
- 4) Many of the people feel so much hesitation to use ATMs, electronic payment systems as they feel afraid of using such due to risk of money theft.

### 6.5. SUGGESTIONS

- 1) Banks must set up separate departments in their branches for effective and efficient implementation of green banking practices.
- 2) Banks also conduct training programs for customers to use online and Internet banking.
- 3) Customer awareness programs about green banking practices should be conducted by which carbon footprint can be reduced.
- 4) Banks should integrate management of the environment with banking activities and aim to prevent environmental degradation.
- 5) Banks facilitate concessions to users of online banking and mobile banking which build confidence among them.
- 6) To reduce cybercrime banks should ensure customers regarding safe online banking and card based transactions.

### 6.6. CONCLUSION

Due to increasing concern about global warming and conserving environment Indian Banks should take initiatives towards green banking and green products as well. Being a developing economy Indian Banks have to take big steps towards green banking. Banks must show their leadership attitude to adopt green banking as a business model without any further delay. To accept green banking as a necessity rather than desirability creates aspirations for the customers of the banks. Although various measures and policies are adopted by the government, there is still a long way to go. Although both types of banks are working efficiently for environment protection, public sector banks have shown better performance in terms of green banking practices than private sector banks. This conceptual paper tries to explain the benefits of becoming green to save the environment by increasing environmental friendly banking practices by critically reviewing the facilities provided by the public and private sector banks.

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