

A Study of Green Banking in India**Mr . Sanjay Ratnaparkhe, Assistant Professor , Devgiri Mahavidalaya ,Abad****Mr. Ratnaparkhe Gajanan, Research Scholar, DCRC, SP Pune University, Pune****Abstract**

The purpose of this paper is to highlight the green rating standards given by RBI, the World Bank's environmental and social norms, the initiatives taken by public and private sector banks in India in the adoption of Green Banking practices and to enlist the significant strategies for adoption of Green Banking.

KEYWORDS: *Green Banking, Strategies, Initiatives.*

Introduction

Global warming is leading to major climate changes across the globe & making various places vulnerable to natural disasters. The need of the hour is to combat the effects of global warming. Everyone can help protect the environment. Small changes made in everyday lives can add up and have a big positive environmental impact. Banks are also doing their bit in this regard through green banking. Green Banking is a new phenomenon in the financial world. It encompasses the type of banking which takes into account the social and environmental impacts with the intention of protecting and preserving the environment.

Green Bank and Banking

Green is becoming a symbol of Eco consciousness in the world. According to Indian Banks Association (IBA, 2014) "Green Bank 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 known as ethical bank or sustainable bank. Their purpose is to perform banking activities but with an additional plan towards taking care of earth's ecology, environment, and natural resources including biodiversity.

Green banking is making technological improvements, operational improvements and changing client habits in the banking sector. It means to promote environmental friendly practices and to reduce

the carbon footprint from banking operations. It is a smart and proactive way of thinking with a vision of future sustainability.

Banking activities are not physically related to the environment, but the external impact of their customer activities is substantial. Banks should promote those products, process and technology which substantially reduce the carbon footprint from the environment. Study by Hart & Ahuja (1996) is showing a positive correlation between environmental performance and financial performance. Initially, banks were doing analysis of their financial performance only, but now it is a time to do analysis of social and environmental performance as well. Green Banking is not only a CSR activity of an organization, but also it is about making the society habitable without any considerable damage.

Review Literature

Sahoo, Pravakar and Nayak, Bibhu Prasad (2008), in their research article on “Green Banking in India” highlighted that banking sector is one of the major stake holders in the industrial sector; it can find itself faced with credit risk and liability risk. Further, environmental impact might affect the quality of assets and also rate of returns of banks in the long run.

Bihari, Suresh Chandra (2010), in his research article analyzed the social responsibility of banking sector. He concluded that the role of banks in controlling the environmental damage is extremely important. As per relatively indirect nature of their environmental and social impacts, banks need to examine the effects of their lending and investment decisions.

Dharwal, Mridul and Agrwal, Ankur (2011), in research article on “Green Banking: An Innovative initiative for Sustainable Development” concluded that Indian banks need to be made fully aware of the environmental and social guidelines to which banks worldwide are agreeing to. As far as green banking is concerned, Indian banks are far behind their counterparts from developed countries.

Goyal and Joshi (2011) highlighted social and ethical issues such as social banking, ethical banking, green banking, global banking, rural banking and agri-banking etc. which facilitate the achievement of sustainable development of banking and finance. They concluded that Banks can act as a socially and ethically oriented

Bahl, Sarita (2012), conducted an empirical study “Green Banking- The new Strategic Imperative” on public sector banks and collected manager’s views on green banking financial products, carbon footprint reduction by paperless banking, carbon footprint reduction by energy consciousness, carbon footprint

reduction by using mass transportation system, carbon footprint reduction by green building and social responsibility services.

Objectives of the study

The main objectives of the study are as follows

- 1) To know about green banking and its associated advantages.**
- 2) To suggest ways to promote green banking in India.**

Research Methodology

The data has been collected from various secondary sources. It has been extracted from among different published sources such as journals, magazines, research articles.

Green banking products

Green banking helps to create effective and far reaching market based solutions for customers. Banks are developing new products and services that respond to consumer demand for sustainable choices. Green banking product coverage includes:

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Green Loans: means giving loans to a project or business that is considered environmentally sustainable.

Green Mortgages: refers to type of mortgage that provides you a money-saving discount or a bigger loan than normally permitted as a reward for making energy-efficient improvements or for buying a home that meets particular energy-efficiency standards.

Green Credit Cards: Be it in form of environmentally friendly rewards or using biodegradable credit card materials or promoting paperless banking, credit cards are going green.

Green Saving Accounts: In case of Green Saving Accounts, banks make donations on the basis of savings done by customers'. The more they save, the more the environment benefits in form of contributions or donations done by banks.

Mobile banking and online banking: These new age banking forms include less paperwork, less mail, and less travel to branch offices by bank customers, all of which has a positive impact on the environment

Green banking initiatives in India

The Government of India has issued guidelines / instructions to banks on Green Initiatives. In order to implement the green initiatives of the government, all public sector banks and all regional rural were asked to:

- I. Increase use of Electronic Payment.
- II. Increase use of Core Banking Solution (CBS).
- III. Increase use of Video Conferencing.
- IV. Offer centralised payment system through sub-membership route to all banks to facilitate direct Electronic Benefit Transfer (EBT)

Advantages of Green Banking

- Use of online banking instead of branch banking saves time.
- It leads to rationalization of paper usage.

Green banks are more environments friendly.

- Green banking makes people aware about effects of global warming
- Green banking creates awareness about environment and social responsibilities among people
- It provides support to development of new projects which are more environments friendly.

Green Banking Strategies

The incorporation of social and environmental strategies into the development goals of the banks helps them in arriving effective environmental management system. According to Krebsbach (2005), the banks, which adopted socially and environmentally responsible lending and investing strategies were altering their processes of bond underwriting, investment banking and corporate lending. These banks were enjoying a competitive advantage over others as society is aware about the environmental issues. But the author had suggested that banks should adopt the green lending principles in such a way that a customer base will not be affected. The author said "Credibility comes from having high standards, but if you push the standards too high too quickly, it may stop some banks from lending and have a serious impact on companies that needs capital".

Environmental management in the banking sector is like risk management because it reduces the credit risk, improves the asset quality and increases the enterprise value. Biswas (2011) revealed some strategies for the adoption of environmental management in the banking sector:-

- Banks should do Environmental Impact Assessment (EIA) in which they design the environmental system to evaluate the risk involved before investing in different projects;
- They should adopt the Annual Reporting System (ARS) in which they prepare an annual report on environmental risk guidelines for every project they invest or finance;
- They should adopt environmentally sustainable technologies which minimizes risk, saves cost and enhance the bank's reputation;

Challenges and Benefits of Green Banks

Green banks were at start up mode and if they were restricting their business to a smaller pool of customers, then their profits will be impacted. Biswas (2011) emphasized on the confronting challenges of green banks. Green Banks had higher operating expenses as banks, which are going green required specialized talent, skills, expertise due to the kind of customers they were servicing and also the reputation of the banks was impacted if they were involved in the projects which were viewed as socially and environmentally damaging. The author had also discussed the benefits of green banking to the society like banking through internet, SMS, phone and ATM, free electronic bill payment services, e-remit services, e-statements, online account opening and cash backs for new customers for opening green accounts etc.

Conclusion and Suggestions

With increasing concern about global warming and conserving environment, Indian banks are becoming more responsive towards the green aspirations of their customers. New initiatives like green products and new environment friendly policies are being adopted. But still there is a long way to go. Indian banks should adopt effective strategies for green banking by considering it as a necessity rather than desirability. This endeavour will surely help them in creating long term value for their business.

- **Make customers more and more aware about green banking through their websites.**
- Promoting different forms of electronic banking
- Creating customer's awareness through the media.
- Carbon footprint reduction by saving energy and paper.
- Carbon footprint reduction by offering transportation services for their employees.
- Providing environment friendly rewards to customers.
- By financing more and more environment-friendly projects
- Join hands in more and more environment preserving causes.
- Focus on greening IT infrastructure

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