ABSTRACT

Society is facing most complicated issues of climate change. People nowadays are more conversant with global warming and its inherent consequences on human life. So change is the need of the hour for the survival and continuous efforts should be made for the environmental management in a sustainable manner. It is not only the concern of the government and the direct polluters but also of other stakeholders like financial institutions such as banks, which are playing a fundamental role in the development of the society. Banking activities are not physically related to the environment, but the external impact of their customer activities is substantial. So there is need for banks to adopt green strategies into their operations, buildings, investments and financing strategies. Green banking means combining operational improvements, technology and changing client habits in banking business. This study has made an attempt to highlight the strategic aspects of Green Banking, opportunities & challenges faced by green bank in India. The aim of this paper is to study the major Green Banking Initiatives taken at national and international level. The finding of the study shows that SBI has taken more green banking initiatives as compared to ICICI Bank.

Keywords: Green Banking Strategies; Green Banking Initiatives; Opportunities and Challenges

INTRODUCTION

Enterprises are now increasingly interested in establishing and implementing strategies that will help them to address environmental issues and also pursue new opportunities. The reasons for going green are manifold, and the key among them are: increasing energy consumption and energy prices, growing consumer interest in environmentally-friendly goods and services, higher expectations by the public on enterprises’ environmental responsibilities and emerging stricter regulatory and compliance requirements. Further, enterprise will increasingly feel the effects of environmental issues that impact their competitive landscape in ways not envisaged earlier. For instance, investors have started discounting the share prices of companies that poorly address the environmental problems they create. When making purchasing, leasing or Outsourcing decisions, many customers now take into consideration the company’s environmental records and initiatives. Investors are increasingly placing their money on initiatives that are green or that develop and promote green products and services. Government agencies, investors and the public are demanding more disclosures from enterprises regarding their carbon footprint and their environmental initiatives and achievements. As a result, enterprises with the technology and vision to provide products and services that address environmental issues will enjoy a competitive edge.

Like any other enterprises, as consumers of natural resources, banks directly interact with the environment. For instance, banks contribute towards the carbon emission directly in their day-to-day operations in terms of use of paper, electricity, lighting, air conditioning, electronic equipment and other things, although this is moderate compared to other carbon sensitive industries like steel, oil and gas, etc. Banks affect the environment indirectly by financing intermediaries who are the major source
of long term funding to various industries that pollute the environment heavily. Hence, it is imperative to understand the need for sustainable practices for banking.

Green banking refers to the banking business conducted in such areas and in such a manner that helps the overall reduction of external carbon emission and internal carbon footprint. To aid the reduction of external carbon emission, banks should finance green technology and pollution reducing projects. Although, banking is never considered a polluting industry, the present scale of banking operations have considerably increased the carbon footprint of banks due to their massive use of energy (e.g., lighting, air conditioning, electronic/electrical equipments, IT, etc), high paper wastage, lack of green buildings, etc. Therefore, banks should adopt technology, process and products which result in substantial reduction of their carbon footprint as well as develop a sustainable business.

Suresh CB (2011), investigated the social responsibility of banks relating to green banking activities and the study elucidated that green banking promotes the corporate social responsibility of the banks. The first green bank is based in Mt Dora, Florida, USA, the first of its kind to promote environmental and social responsibility. 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. Alice Mani (2011), who conducted a study entitled ‘Green banking through Green lending’, indicated that such banks have a major role and responsibility in substantial carbon omissions.

Green banking refers to the efficient and effective use of computers, printers and servers to optimize the use of energy and waste-less paper. One of the important ways in which banks can implement green banking is by promoting the use of online banking among customers. Online banking helps reduce paperwork and the need to travel to bank branches. This positively impacts the environment. This facility is beneficial for banks, as it reduces operational costs and increases efficiency.

In particular, green banking coverage includes:

- Sustainable banking
- Ethical banking
- Green mortgages
- Green loans
- Green credit cards
- Green savings accounts
- Green checking accounts
- Green CDs
- Green money market accounts
- Mobile banking
- Online banking
- Remote deposit (RDC)

**OBJECTIVES OF STUDY**

- To identify the various strategies for making Bank with Green.
- To identify different levels of Green banking initiatives taken for making Environmental Sustainability.
- To compare the green banking initiatives taken by SBI and ICICI Bank.
- To find out the opportunities and challenges faced by Green bank in India.

**METHODOLOGY**

The Descriptive research design is developed for conducting this study. It is mainly based on both primary and secondary data. The primary data were collected from both SBI&ICICI to identify the green initiatives. The secondary data were collected from Website of banks, Annual reports of RBI, Journals etc.
Strategies of Green Banking

Generally speaking, green banking refers to the efforts of the banking sector to keep the environment green and to minimise greenhouse effects through in-house operational activities and green finance. According to Md shafiqul and prahallel (2013), green banking activities involve two major approaches, that is, green transformation of internal operation and environmentally responsible financing (Green Finance).

Green Banking through internal operations:- Green transformation through internal operations means all banks should adopt green banking activities in their day-to-day operations. These include adopting appropriate ways to use renewable energy, automation and minimising their carbon footprint. In the past few years, all the banks have incorporated paperless technologies in their internal operations to help the environment as well as provide their customers efficient and better services. In their day to day business operations, banks ordinarily generate carbon emissions through the usage of paper, electricity, stationary, lighting, air conditioning and electronic equipment.

Green banking internal operations include online account opening, online banking, mobile banking, SMS banking, net banking, EFT as well as the use of ATM, cash and cheque deposit machines, credit and debit cards, e-statement SMS alert, image statement etc.

Green Finance:- Green Finance refers to banks that provide financial assistance to environmentally responsible projects. The purpose is to provide financial assistance to green technology and pollution reduction projects to reduce external carbon emissions. The bank support industries that are resource efficient and emit low carbon footprint. Priority is given to financing eco-friendly business activities and energy efficient industries such as waste water treatment plant, waste disposal plants, bio-gas plants, renewable energy projects, hybrid car projects and so on.

Fig.1. Conceptual Model for Green Banking Strategies

Green Banking Initiatives

The financial sector’s growing adherences to environment management system is attributed to the direct and indirect pressure from International and local Non-Governmental organizations (NGOs), Multilateral Agencies and in cases market through customers. First Green Bank is a commercial bank based in Mt. Dora, Florida, United States commenced its operations in 2009. The Company is known for its focus on environmentally friendly banking practices. The following are the important initiatives regarding green bank at international level and national level.
International Level Initiatives

- In the early 1990, the United Nation Environment Programme (UNEP) launched what is now known as the UNEP Finance initiative (UNEPFI). The objective is to integrate the environmental and social dimension to the financial performance and risk associated with it in the financial sector.

- Around 34 International bank follow codes of conduct in the lines of UNEP, Environmental Reporting, environmental management system, environmental policies and environmental risk assessment and guidelines to reduce environmental impact on both internal and external. (Jeucken 2001)

- In similarly, the city of London in 2002 launched the London principles on Sustainable finance at Johannesburg Earth Summit. It addresses the environmental and social impact of the financial sector and emphasized issues such as transparency, risk management, equitable access to capital.

- The US Export-Import Bank regularly reviews while financing explores on the ground whether they are environmentally sound.

- Some of the big International banks like ABN Amro Deutsche, standard HSBC bank etc. look at environmental issues discussed under Kyoto protocol.

- The Dutch government has made a formal request to bank in achieving sustainable development. The dialogue between bank and Government was established in 1999 to initiate the policies for environmental improvement through the development of financial products and services.

- In 2002, Aglobal coalition of NGOs formed a network named ‘Bank Tract’ to promote sustainable finance in the commercial sector. This coalition constituting six principles- Commitments to sustainability, no-harm, responsibility, accountability, transparency, sustainable market and governance.

- A small group of banks along with IFC came together to initiate the process of designing the common guidelines in October 2002 and came up with guidelines in June 2003 that is known as ‘Equator Principles’. This principle has become a common standard of project finance that incorporated environmental social issues in project finance.

All the International initiatives towards integrating environmental concerns into business operation of banks are voluntary in nature and meant to promote a better eco system.

National Level Initiatives

India is the world’s largest six and second fastest growing country in terms of producing green gases. Delhi, Mumbai and Chennai are the three of the world’s ten most polluted cities. The banking operation and investment by financial institutions should take care of environmental management of the polluting industries by improving the overall environment, the quality and conversation of life, level of efficiency in using materials and energy quality of products and services. So, the role of banking sector, which is on major financing sources to the Industries assumes high importance. This study has taken largest public sector bank(SBI) and largest private sector bank(ICICI) for understanding initiatives at national Level.

Green Banking – SBI Initiatives

a. State Bank of India has a green channel counter and the bank encourages paperless banking

b. Banks have adopted energy efficient measures.

c. Installation of solar ATM, Introduction of green channel banking (paperless banking)
d. The bank had also collaborated with Suzlon Energy Ltd for the generation of wind power for selected branches by setting of windmills in Gujarat, Tamil Nadu and Maharashtra (Business Standard, 2014).

e. Supporting the construction of wind farms in India

f. The initiatives of State Bank of Mysore includes use of energy efficient photocopier, energy efficient computers and CFL bulbs; need based printing to save paper, auto cut off for air conditioners etc.

g. The bank has introduced solar powered ATM’s, support for social forestry programme, waste reduction and recycling, etc.

h. SBI launches green policy for paperless banking

**Green Banking – ICICI Initiatives**

a. **Vehicle Finance**: They are offering 50% waiver on processing fee of auto loans on the car models which uses alternate sources of energy.

b. **Home Finance**: The bank had reduced the processing fee for the customers who are purchasing homes in LEED certified buildings.

c. **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.

d. **Green Partners**: The organization is looking forward for partnerships with national and international green organizations and NGO’s.

e. **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.

f. **Green Engagements**: 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 Banking - Opportunities**

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. 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. Key among 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.

Source 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.

Benefits of going green

The green Bank offers the following benefits;

- Green banking avoids paper work and make use of online transaction such as Internet banking, SMS banking and ATM banking etc.
- Green bank provides green home loan scheme which will support environmentally friendly residential project and offer various concession.
- Green banks gives more importance to environmental friendly factors like ecological gains thus interest on loan is comparatively less.
- Online account is opened in the form of ‘green account’.
- Free electronic bill payment system.
- Cash back will be credited to all customers opening ‘green account’.
- Green bank has used solar and wind energy for generation of wind power.

SBI has become the first bank by installing wind mills.

Green Banking-Challenges

While adopting green banking practices, the banks would face the following challenges;

- **High operating cost:** Green bank require talented experienced staff to provide proper services to customers. Experienced loan officers are needed additional experience in dealing with green business and customers.
- **Reputational Risk:** If banks are involved in those projects which are damaging the environment they are prove to loss of their reputations. There are also a few cases where environmental management system has resulted in cost saving, increase in bond value (Heim.G et al,2005).
- **Diversification Problem:** Green banks restrict their business transaction to those business entities who qualify screening process done by green banks. With limited number of customers they will have a smaller base to support them.
- **Startup face:** Many banks in green business are very new and are in startup face, generally it takes 3 to 4 years for a bank to start making money thus it does not help banks during recession
- **Credit Risk:** Credit arise due to lending to those customers whose business are effected by the cost of pollution, change in environmental regulation and new requirements of emission level.
It is high due to probability of customers default as a result of uncalculated expenses for capital investment in production facilities, loss of market share and third party claims.

- Other Reasons:
  a. Lack of RBI mandates as main barrier to adopting sustainability.
  b. Majority of banks identified ‘risk of failure of business to peers’.
  c. Unavailability of skilled employees.
  d. Insufficient budget to train employees.
  e. Complex reporting framework
  f. Lack of interest shown by customers and investors.

CONCLUSION

In a rapidly changing market economy where globalization of markets has intensified the competition, banks should play a pro-active role to take environmental and ecological aspects as part of their lending principle which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems. The banking and financial sector should be made to work for sustainable development. Even though they have started adopting green practices, but still a lot of channels are unutilized by the Indian banks for greening their activities. Moreover they could adopt the green practices only in selected branches. From the study, it is concluded that the public sector bank has taken more green banking initiatives than private sector bank. As far as green banking in concerned, India’s banks are running behind time and it is the need of the hour to think it seriously for the sustainable growth of the nation.

REFERENCES

8. www.rbi.org.in
9. www.wikiepedia.com