



Sustainable growth and Green Banking in India

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Abstract:

The banking industry can play an outstanding role between economic growth and environmental protection for promoting environmentally sustainable and socially accountable institution. The banking of this kind can be termed as "Green Banking". Green Banking refers to the banking business conducted in selected area and technique that helps the overall reduction of external carbon emission and internal carbon footprint. To aid the reduction of external carbon emission, bank should finance green technology and pollution reducing projects. Green finance as a part of Green Banking makes great contribution to the transition to resource-efficient and low carbon industries i.e. green industry and green economy in general. Green banking is a factor of the global initiative by a group of participants to save environment.

Keywords: *Sustainable growth, Environmental Protection, Green initiatives, Carbon emission.*

Introduction:

Green banking is like a regular bank, which considers all the social and conservational factors with an aim to protect the environment and conserve natural resources. It is also called as a sustainable bank. They are controlled by the same authorities but with an additional agenda toward taking care of the Earth's environmental resources. In a world where both inexpensive credit and measures to protect the environment are few and far between, there is in fact a banking initiative which is combining both. Green banking incorporates everything from a loan to purchase an energy efficient car, cash to help save energy in the home, and loans for industries who want to go green. As green initiatives sweep across the globe, more and more financial organizations are taking note and taking action.

Objectives:

1. To study the concept of Green Banking.
2. To know the products and services in Green Banking.
3. To study the progress of green banking in India.

Research Methodology:

This paper reviews the literature on the basis of secondary data collected from various sources such as articles, research papers, annual reports, sustainability reports, banking official websites.

Meaning:

Green banking means promoting environmentally friendly practices and reducing carbon footprint from banking activities. It is like a normal bank, which considers all the social and environmental factors with an aim to defend 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 a spare agenda toward taking care of the Earth's environment/ resources.

Definition:

According to RBI: Green banking is to make internal bank processes, physical infrastructure and Information Technology effective towards environment by reducing its negative impact on the environment to the minimum level.

Review of Literature:

1. Goyal & Joshi (2011) In their research study “A study of Social and Ethical issues in Banking Industry” he highlighted social and Ethical issues such as social Banking, ethical Banking, green Banking and rural Banking. Which facilitate the success of sustainable development of banking and finance. They resolved that banks can act as a socially and ethically oriented organization by distribution of loan only to those organizations which have environmental concerns.

2. 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, green building and social responsibility services. They initiate that carbon footprint reduction by green construction had been given top priority in green banking approaches.

Green Banking Financial Products:

Various green banking financial products are-

- 1. Green Deposits:** Banks offer higher rates on commercial deposits, money market accounts, checking accounts and savings account if customers opt to conduct their banking activities online.
- 2. Green Mortgages and Loans:** Banks offer green mortgage with better rates or terms for energy efficient houses. Some green mortgages allow home buyers to add as much as an additional 15 percent of the price of their house into loans for upgrades including energy- efficient windows, solar panels, geothermal heating or water heaters. The savings in monthly energy bills can offset the higher monthly Mortgage payments and save money in the long run.
- 3. 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.
- 4. Green Reward Checking Accounts:** A bank product called reward checking accounts pays a bonus rate for customers who go green. Customers can earn higher checking account rates if they meet monthly requirements that might include receiving electronic statements, paying bills online or using a debit or check card.
- 5. 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 mobile phone. On 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 have introduced this paper-less facility.

Adopting Measures:

Carbon Footprint Reduction Banks can reduce their carbon footprints by adopting the following measures.

- I. **Paper-less Banking:** As banks have computerized their branches, there is ample scope for doing paperless or less-paper banking. Banks should encourage their customers also to switch over to electronic transactions and popularize e-statements.
- II. **Energy Consciousness:** Developing energy consciousness, adopting effective office time management and automation solutions and using compact fluorescent lighting (CFL) can help banks save energy consumption considerably. Banks can conduct energy audits in all their offices for effective energy management. They can also switch over to renewable energy to manage their offices and ATMs. Using Mass Transportation System: Banks can become fuel efficient organization by providing common transport for group of officials posted at one office.
- III. **Green Building:** The Indian banking industry uses more than one lakh premises for their offices and residential houses throughout the country. These banks should develop and use green buildings for their office and employee accommodation.
- IV. **Save Paper:** Bank should purchase recycled paper products with the highest postconsumer waste content possible. This

includes monthly statements, brochures, ATM receipts, annual reports, newsletters, copy paper, envelopes etc. Whenever available, vegetable-based inks should be used instead of less environmentally friendly oil-based inks.

- V. **Use of Solar and Wind Energy:** Using solar and wind energy is one of the noble causes for going green. State Bank of India has become the first bank in the country to venture into generation of green power by installing windmills for captive use.

Green Banking Services:

Banks are developing new products and services that respond to customers demand for sustainable choices. Following is some of the options that banks should offer to their customers:

1. Electronic and mobile banking facilitates customers to perform most of their bank needs anytime, anywhere.
2. Automatic payments reduce the need to write and send cheques by mail.
3. Paperless statements, product information guides and annual reports to customers and stakeholders.
4. Offering and promoting mutual funds that focus investment in 'Green' companies.
5. Credit cards and debit cards can be used while making the payment of various expenses without carrying money.
6. Mobile banking is used for performing balance cheques, account transactions, payments, credit appliances etc., via mobile

phone or Personal Digital Assistant (PDA).

Challenges of Green Banking:

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

1. **Reputational Risk:** If banks are involved in those projects which are damaging the environment they are prone to lose their reputation. There are few cases where environmental management system has resulted in cost saving, increase in bond value.
2. **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.
3. **Start-up face:** These banks are still startups. Apparently, it takes 3 to 4 years for a typical bank to start making money. Many green banks in business today are very new and are still in startup mode. It doesn't help that these banks are trying to get their footing during a recession.
4. **Credit Risk:** Credit risk arises due to lending to those customers whose businesses are affected by the cost of pollution, change in environmental regulation and new requirements of emission level.
5. **High operating cost:** Operating expenses and costs are higher. Green banks require specialized talent, skills and expertise as well, due to the kind of customers they are servicing. Employees, such as loan officers, need to have additional background and experience in dealing with green

businesses and consumers. Plus, giving breaks to such clients via discounted loan rates can eat at their profit margins.

6. Banks are "specialized" The main goal of a green bank is to do good by supporting those who are taking care of the environment, which involves money. Saving the environment does not necessarily equate to "making a profit". Hopefully though, this premise is proven wrong in this case and that green banks prove that they can survive, even as they face restrictive requirements for doing business.

Green banking in India:

The various banks in India which provide green banking services to their customers are as follows

1. **State Bank of India:** SBI has launched green banking policy and set up windmills in Tamil Nadu, Maharashtra and Gujarat in generating 15MW power. This is the first bank in India which is in green banking and promoting green power projects.
2. **Punjab National Bank:** They had taken various steps for reducing emission and energy consumption.
3. **Bank of Baroda:** They had taken various green banking initiatives such as financing a commercial project. BOB is giving preference to environment friendly green projects such as windmills, biomass and solar power projects which help in earning the carbon credits.
4. **Canara Bank:** As a part of green banking initiative, it had adopted environmentally friendly measures such as mobile banking, internet banking, telebanking, solar powered biometric operations.

5. **ICICI Bank Ltd:** ICICI bank had started 'Go Green' initiative which involves activities like green products/offerings, green engagement and green communication with customers.
6. **HDFC Bank Ltd:** HDFC bank is taking up various measures for reducing their carbon footprints in waste management, paper use and energy efficiencies.
7. **Kotak Mahindra Bank:** Through the 'Think Green' initiative this bank had taken several initiatives such as to reduce the paper consumption and encouraging their customers to sign for e-statements and they had become partners with 'Grow- Trees.com' to plant one sapling for every e-statement on behalf of its customers.
8. **IndusInd Bank:** It has initiated its Green Office Project under which it had installed solar powered ATMs in different cities targeting energy saving as well as reducing CO2 emissions.
9. **YES Bank:** It has projects portfolio in the areas of alternative energy and clean Technologies.
10. **HSBC Group:** HSBC has separate targets for data center, paper consumption and business air

travel. The purposes of the targets are to drive efficiency, reduce its operational impact on the environment and generate cost savings.

11. **IDBI:** IDBI Bank is providing various services in the field of Clean Development Mechanisms (CDM) to its client.

Conclusion:

Green banking refers to the initiatives taken by banks to encourage environment-friendly investment. Green banking as a concept is a proactive and smart way of thinking towards future sustainability. It is very important for the banks to be pro-active and accelerate the rate of the growth of the economy.

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