

# Green Banking: An Initiative by Banks in India

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## ABSTRACT

The attack of human beings on nature is the cause of environmental deterioration. This deterioration is leading to global warming and climate change. These issues are caused mainly by human activities like burning fossil fuels for heat & energy, cleaning forest, fertilizing crops, storing waste in landfills, raising livestock and producing some kinds of industrial products which adversely impact our health, environment and economy. Green banks use public funds to leverage private investment in clean energy technologies that, despite being commercially viable, have struggled to establish a widespread presence in consumer markets. Being a financial organization of the country which is responsible for financing the economic and developmental activities of the country, banks have to address these above issues, both in terms of its obligations & opportunities by virtue as a responsible corporate citizen & as a financier. To combat market barriers to clean energy market development, green banks help consumers' secure long-term, low-interest loans. Green banks harness a diverse set of financing techniques, including credit enhancements, co-investment, and securitization.

**Keywords:** corporate, green banking, consumers, financier, market.

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## INTRODUCTION

Green Banking means promoting environmental-friendly practices and reducing carbon footprint from banking activities. This comes in many forms. Using online banking instead of branch banking. Paying bills online instead of mailing them. Opening up CDs and money market accounts at online banks, instead of large multi-branch banks. Or finding the 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. 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.

Banks play a critical role in the economic development of the nations by providing various Socio-Economic activities like Job creation, wealth generation, Poverty eradication, entrepreneurial activity etc. Besides these activities, banks are introducing the practices of green banking in order to protect the environment and to reduce carbon emission. This will not only be useful for environment but it will also provide benefits to the banks in terms of greater operational efficiencies, a lower vulnerability to manual errors & fraud & cost reduction in banking activities.

## RESEARCH METHODOLOGY

This data has been collected from secondary sources i.e., documents, websites, journals, research articles & other papers.

## GREEN BANKING

Green Banking refers to a banking business in which all the banking activities focused on Socio-Economic and environmental factors that helps in reducing external carbon emission and internal carbon emission. Internal Carbon Emissions are generated by the bank through the use of paper, electricity, lighting, stationery, air conditioning & electronic equipments. In order to reduce this, banks can adopt Green banking practices such as Online banking, use ATMs, Mobile banking, Credit & Debit cards, Online transfer of funds, SMS banking, Cash & cheque deposit machines, E-statements, SMS alerts, e-mail correspondence, electronic checks and more. With an aim to reduce external carbon emission, banks should finance that projects which are considered to be environmental friendly or pollution reduction projects. Priority in

lending should be given to those industries which have already become green & those which are making serious attempts to grow green.[1]

### **HOW CAN BANKS GO GREENER?**

In Today's World, every institution is trying to reduce carbon footprint & in a low carbon economy there will be lot of challenges and opportunities for the banks. Banks can take various green programs to reduce their own impact on the environment. These include:

1. Finance in Green projects- Banks can go green by investing in eco-friendly projects or projects that do not harm the environment. Such projects includes installing Solar energy plant, Bio-Gas, other renewable energy plants, bio- fertilizer plants, Effluent treatment plant etc. Before investing in any projects, banks should take proper steps to assess its environmental or climatic risk. Environmental audits of the financed projects can also be conducted by the banks in this regard.
2. Green Mortgages- Banks can offer special discount to those customers who provide mortgages of land & buildings which are greener. This will induce use of more energy efficient material & building plans. Those building which are designed & constructed with energy efficient items such as solar panels & improved insulation should be given preference as a mortgage.
3. Green fund-Banks can introduced the concept of Green fund for the environmental friendly customers for investing their funds in greener or environmental friendly projects.
4. Green credit cards- Banks can offer Green Credit cards to their customers which allow card holders to accumulate rewards points that can be used to help offset global warming.
5. Mobile Banking – Mobile banking is an innovative way through which customers can check balances, transfer funds or pay bills on mobile phone that save the time & energy of the customers and also reduced the need of the paper.[2]
6. Energy conservation- Banks can take proper steps in order to save energy. For e.g.: Use of day light instead of electric bulb, use of energy saving bulbs, Proper ventilation, use of solar energy or renewable energy etc.
7. Development of human capital – Banks can develop skills and environmental consciousness among its members by arranging several seminars & symposiums time to time. This will ultimately help the staff members to become habitual to the green banking activities.
8. Online Banking services- Banks can provide online services like online bill payment, online transfer of funds, online statements etc. benefits of online banking include less paper work , less mail and less driving to branch offices which all have a positive impact on the environment. Through online banking, banks can increase their efficiency profitability and can also reduce their own cost that results from paper overload & bulk mailing fees.
9. Charge on offline payments- Several banks levied a service charge on those customers who make credit card dues/ by cash or cheque in order to reduce paper based payment transactions& to encourage the electronic mode.[3]
10. Minimize Plastic Consumption- Banks can provide various documents such as FD receipts, loan agreement in eco friendly pouches instead of plastic pouches to their customers. This will helps in reducing plastic consumption of banks.
11. Reduce Air Pollution- By providing common transport for group of officials posted at one office, carbon emission can be reduced to a great extent.
12. Organize Environmental Campaigns- As a part of their CSR activities, Banks should organize environmental campaigns such as tree plantations, pollution check ups etc.
13. Solar Energy- Banks can save energy consumption by establishing solar panels. For e.g. IndusInd Bank has introduced solar powered

14. Encouragement to clients- Banks can encourage their clients and business houses to comply with the environmental regulations & undertake resource efficient & environment friendly activities. Banks can also introduce elaborate programmes to educate clients.

15. Use Your Check Card. Reduce paper by using your First National Bank Visa® Check Card to make purchases and pay your bills instead of writing checks.[4]

### **GREEN BANKING INITIATIVES OF BANKS IN INDIA**

In India banks are now realizing the importance of going green and taking up various green banking initiatives.

#### **State Bank of India**

SBI as a part of its Green banking policy has set up Wind mills to generate 15 MW of power in Tamilnadu, Maharashtra & Gujarat for its own consumption. The mill in Tamilnadu would generate 4.5 MW of power, 9 MW in Maharashtra and 1.5 MW in Gujarat. This bank has generated Green power as a direct substitute to polluting Thermal power & implement the renewable energy project for captive use.[5]

- In order to support environmental friendly residential project, SBI has introduced a new scheme „Green Home Loan Scheme“ that will offer various concessions-reduced margins, lower interest rates & zero processing fee.
- In order to promote Paperless Green Banking for deposit, withdrawal & remittance SBI has started „Green Channel Counter“ on 1st July 2010. In this customer need not fill up any pay in slips or draw cheques for depositing or withdrawing money from their accounts, saving paper and thereby contributing to the concept of green banking.

#### **Punjab National Bank**

Green initiatives taken by bank included promotion of rain water harvesting, reduced use of paper by using e mail for inter office communications, reduced power consumption through various energy conservation measures & conducting tree plantation drives.

- Conducting electricity audit of offices as an energy conservation initiative.
- Emphasizing on green buildings
- Adopting simple green practices such as energy efficient lights, printing on both sides of paper, purchasing composite fax machines, immediate repair of water leakage etc.
- In 2010-2011 Bank sanctioned a wind energy projects with aggregate limit of Rs. 185.81 crore.
- Guideline for providing finance to units producing clean energy such as solar energy, wind energy & hydel energy on merits of each case which helps in containing Green House Gases emission leading to clean environment.

#### **ICICI Bank**

- ICICI Bank is offering 50% concession on processing fee on car models to those customers who use more environmental friendly vehicle.
- Leadership in Energy & Environmental Design then they have to pay reduced processing fee under ICICI Home Finance.
- ICICI Bank is working on & looking forward to partnership with National & International Green organization & NGOs.
- Communication on Online bill pay, Online funds transfer & subscribing to e – statements in order to migrate the customers to „paperless and commute free“ banking.

#### **Standard Chartered Bank**

Standard Chartered Bank always try to minimize their direct impact on the environment and set stringent targets for reducing consumption of energy, air travel, water & paper. Their green banking initiatives include:

- Use of LED signboards.
- Construction of green terraces in office buildings.
- “Green Zone” paper recycling initiative to recycle 100 tons of paper annually.
- Water conservation efforts like the waterless urinals& auto closure taps.
- Use of Wind energy that reduces Carbon footprint by 134tons/year and a 12% reduction in power cost.[5]

### **Syndicate Bank**

Green Banking initiatives of syndicate bank include:

- Bank has taken steps towards implementation of “Green initiative in Corporate Governance” by allowing paperless compliances through electronic mode.
- Bank is actively encouraging transactions through alternative channel to reduce the
- Usage of paper based payment instruments.
- Through the e-lounge facilities, internet banking & ATMs bank is encouraging banking transactions through E - Mode thus paving way for a greater role towards green initiatives.

### **Yes Bank**

Yes Bank is a first Indian signatory to the carbon disclosure project and has documented its carbon footprint. It is also the first Indian Bank from the Private sector to become signatory to UNEP statements by financial institutions on the environment & sustainable development. Yes bank also advocated a proactive response to climate change from its peers in the banking community, industries and society as well.

### **IDBI Bank**

IDBI Bank took a step towards green initiative in corporate governance in which the bank send all the documents relating to General meeting notices/ other notices, Annual report etc. to their shareholders in electronic form.

IDBI Bank has an exclusive team working on Clean Development Mechanism (CDM) advisory services. It also implemented a refinance scheme for energy saving projects for Micro, Small and Medium Enterprises.[6]

### **Central Bank Of India**

Central Bank Of India launched “Go Green” Campaign for its customers with a purpose to promote Green Banking which is Paperless & Queue less Banking and also promotes use of recyclable products for banks stationery using TYVEK materials. In this, Customers is motivated to opt for E statements, use internet banking & use E- Voucher machine for transactions.

## **CONCLUSION**

Banks and Financial institutions play a major role to make our planet a better place to live in. Green bank and environmentally responsible banks do not only improve their own standards but also affects socially responsible behaviour of other business. Green banking helps in saving the energy and water consumption & also appraise banks in the eyes of environment supporting customers. Today many Indian banks are making efforts to „Go Green” through offering various green products & services to their customers and taking initiatives in their day to day business operations for the environmental concerns. These include- Online banking , mobile banking, ATMs, Electronic fund transfers, Green

mortgages , Green credit card , use of solar and wind energy, recycling of paper, Green buildings etc. But still there is a long way to go. Indian 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.

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