Introduction
CHAPTER-1
INTRODUCTION

1.1 CONCEPTUAL INTRODUCTION OF THE RESEARCH

Banking sector is one of the premier sectors in our country. It plays a very important role in the growth of Indian economy. Like other sectors, banking sector also has its responsibility to protect environment. To fulfill this responsibility, the banking sector has adopted the concept of Green Banking. The concept of Green banking is relatively a new concept. It is paperless banking, which not only reduces the cost of banking activities, but also helps in environment sustainability. It helps in reducing the use of paper, power and energy. (Gordon and Natarasa, 2006).

Green is becoming a symbol of Eco awareness 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. Its 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.

During the past decade there has been a growing awareness of widespread environmental degradation facing current and future generations. Attention has become so great that environmentalism has been identified as potentially - ‘the biggest business issue of the 1990s’. Human did not come to harm the environment, but the conflict arise when he wants to separate himself from the environment and start taking use of technology. Technology has done a lot of good to the world, but most bothering issue is damage caused to the environment. The threat to the environment is global warming, ozone depletion, climate changes and water pollution. On the global level, there is an increase in the awareness towards the global warming and adverse climate conditions. As a result, interest increased towards environment protection and sustainable development. Consumer is also responsible for the environment pollution due to use of non-renewable energy which causes harm to the environment. Sustainable development and saving of environment are now recognized globally as overriding imperatives to protect our earth from the activity inflicted on it by the human. The concept of green banking will be mutually beneficial to the banks, industries and society. Not only green banking is related to greening but will also improve the assets quality of the bank in future. *(Anderson and Sullivan, 1993)*

Banking activities are not physically related to the environment, but the external impact of their customer activities is substantial. Banks should promote these products, process and technology which substantially reduce the carbon
footprint from the environment. Study by *Hart & Ahuja (1996)* shows 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.

There are two important frameworks that work for the sustainable development in a particular market - first, the cost-efficient regulation and second, economic instruments. In any country, Banking acts as the prime economic agent influencing the overall industrial activity and hence, the economic growth. Financial institutions such as Banks, Stock Exchanges and Micro Finance Institutions play a pivotal role in shaping the economy and Therefore, it is essential for them to be financially and ecologically practicable. The second criterion, however, is often neglected and needs serious attention. The Concept of Green Banking can be emphasized here which would not only help a financial institute to maintain ecological balance but will also reduce its own operational cost. Etymologically, *Green* signifies environment and *Banking* refers to cash transaction facility and Therefore, Green Banking signifies performing the same banking functions with consideration of environment as a whole. Alternatively, providing products and services in such a manner that helps to reduce the carbon foot print and to up bring the environment. (*Kannabiran and Narayan, 2005*).

If it is imagined that a typical bank performs 5000 transactions per day, and if the same number of transactions are performed through online or paperless mode,
concerned bank will not only save paper but significant human time in buying bill
rolls, printing receipts and cleaning paper waste every day. In essence, online
banking can be more eco-friendly and sustainable in a small but significant way.

Green banking is a transformation from traditional banking, new paradigm
often referred as modern banking, but it should not be confused with Online
Banking. Online Banking does support Green Banking but it is just one way out of
many possibilities. Green banking not only concise with the online banking, but it
also includes environment friendly banking, ethical banking, sustainable banking
and carbon footprint banking.

Green bank is not the separate bank or the branch. It is the same bank with a
different style of transactions (often electronic transactions) reducing use of paper,
manual efforts and time in order to uplift the environment as a whole. Green
banking brings under its fold bunch of benefits, as it challenges traditional practices
and encourages technological advancement with operational efficiency, changing
habits of the clients, making transactions less fallible, minimizing human errors and
hence reducing the overall banking cost. (*Lianxi, 2004*)

While considering environmental issues Green banking takes into the
account social factors. It keeps away excessive use of paper through the virtue of its
electronic transaction mode. However, it not only saves the paper but also involves
the environmental and ethical issues with it and Therefore, one should set a
demarcation between the terms green banking and electronic banking. The word
green banking can generously be used to denote ethical banking, paperless banking,
low carbon footprint banking and social responsibility banking which all constitute
ways of achieving green banking. Just like the Green Revolution in agriculture, Green Banking might come out as a new revolution.

Describing Green banking is a relatively easy task. It means promoting more environment friendly applications and reducing carbon footprint for the banking activities. This can be done in many ways like using the online banking services instead of traditional banking services, paying bills online rather than standing in a long queue and finding a local branch instead of stepping in to the main branch for everyday banking needs. Going to the distant main branch will lead to more carbon emission which depletes the environment, however, stepping to the nearest local branch will lead to the biggest contribution to green initiatives. Green banking is convenient and reliable service channel where we can play an active role in saving the environment and live our life greener. The concept of Go green is pretty demanding and it has initiated various intra-organization as well as the automated channels where the main aim is to build awareness and find the alternative means of energy and environment projects so as to protect the environment and live greener life. Green banking is not just the tree panther; it also works on the platform for daily operations within the organization with the aim to build awareness towards saving the environment and practicing more environment friendly activities. (Shergill and Li Bing, 2006).

Green banking not only promotes environmental sustainability but also the social responsibility. Green Banking covers both internal and external aspects. Internal in terms of its day by day working i.e. paperless banking which includes use of newer technologies to save the paper and so the environment. Replacing daily
courier services with scans and electronic deliveries, electronic transfer of salary and reimbursements, implementation of the online banking system, use of ATM’s for cash withdrawals and deposits, e-statements of accounts, electronic fund transfer through RTGS can lead to an increase in customer convenience, reduction in costs incurred by the banks and an improvement in the banking performance. External aspect of Green Banking includes change in the habit of its industrial customers to protect and sustain the environment. An organization/company shall be awarded a loan only when all the safety measures and standards related to environment are followed. Before financing a project, banks consider whether it is environment friendly and has any implications for the future. India is growing very rapidly and the progress of India is mostly supported by the industrial sector. India is also one among the countries where green house gas emissions are increasing rapidly. Delhi, Chennai and Mumbai are among the ten most polluted cities of the world. The Government has framed several regulations but has succeeded little in controlling environmental detriment. Focusing on India, the major industries causing significant amount of pollution include-

- Primary metallurgical industries
- Fertilizers and Pesticides/ Insecticides
- Chemicals/ Pharmaceuticals
- Textiles
- Paper and Pulp, etc.

These industries primarily depend on banks for their finance and Therefore, the role of banks in curbing environmental damage becomes influential. Before financing an industrial project, proper scrutiny from an environmental perspective is
quite essential. Small Industries Development Bank of India (SIDBI), one of the principal lenders in the Micro, Small and Medium enterprises (MSME) sector has committed itself in achieving sustainability by incorporating environmental and social (E&S) aspects in its core business. The bank requires the firm/enterprise to obtain a “No Objection Certificate” or “Consent to Establish” from the respective state pollution control board, before the enterprise takes implementation of the project. This is stipulated as a pre condition before sanctioning credit.

- **Dematerialization:** Dematerialization or Demat is the move from physical certificates to electronic book keeping. It deals with personalization and book-keeping process in real time and reduces need for paper report. This practice will help the bank in reducing the habit of the customer as well as the bank. The customer will get more habitual to online bank statements rather than the paper statements and the employees will get habitual with the efficient use of the paper by using it on both side and promoting the customer for using the online banking rather than the traditional banking. *(Singh, 2009).*

- **Alternative material:** There has been research on alternative materials for paper and plastic currency, i.e. debit/credit cards. Such materials must have a low carbon footprint and environmentally degradable qualities. Poly Lactic Acid [PLA; chemical name \((\text{C}_3\text{H}_6\text{O}_2)_n\)] is a starch-based plastic substitute which can be manufactured using corn starch, tapioca  (तापिओका) roots or sugarcane. PLA is bio-degradable polyester which can be recycled back to its initial resin over and over again without loss of quality. PLA is also carbon neutral and non-toxic if incinerated. These qualities all put it streets ahead in
the green stakes when compared with materials such as PET, bio PVC or recycled PVC used by many other card manufacturers. In 2010, PLA had the second highest consumption volume of any bio-plastic in the world. The Bio Sourced card is also compatible with magistrate and smartcard (with Dams modules) technology. In addition, dual interface PLA cards are being developed and were due for launch in 2013.

1.2  BENEFITS OF GREEN BANKING

- As the word ‘Green’ implies environment friendly or Eco friendly, Therefore, green banking avoids much use of paper and allows more work through online/electronically, so that we get green credit cards and green loans. Less paperwork means less cutting of trees.

- Making the business pro-active/aware about environment and social responsibility, enabling them to do an environment friendly business practice.
- Green banks adopt and implement environmental standards for lending that would enable eco-friendly business practices which would benefit our future generations.

- When an individual or a firm awarded with a loan, the interest of that loan is comparatively less with normal banks because green banks give more importance to environment friendly factors-ecological gains. Natural resources conservation is also one of the underlying principles in a green bank while assessing capital/operating loans to extracting/industrial business sector.

1.3 TOOLS OF GREEN BANKING

- **Online Banking:** A few years back, an initiative was taken to make India digital, but the step to move forward was very small. Demonetization followed by changing rupee notes 500 and 1000 is a little step towards digitization which affected the whole India. Chandigarh in Punjab is declared as the digital city, similar steps are taken for the other metros to makeover India as an ‘Online India’. Awareness campaigns and promotional steps are taken to make awareness towards the use of plastic money or E-Money rather than paper money. *(Shergill and Li Bing, 2006).*

- **Green Checking Account:** Customers can check their statements through ATM or online rather than standing in a long queue at the bank branch. Banks should provide the incentive scheme to the customers for using and promoting up of online services, use of ATM, DEBIT CARD and CREDIT CARD, or in waiver of fees for promoting 'go online'.

- **Using Green Loan for Home Improvement:** The Ministry of non renewable resources with the help of various Private and Public Banks took
the initiative in the Go Green project, providing loans at low interest rates to
the customers who would like to purchase solar equipments. For instance, if
we are looking for the major home improvement projects study, if it is
beneficial in eco-friendly manner in any ways, SBI will provide loan for the
residential projects with various offers or concessions. IGBC (Indian Green
Building Council) provides financial benefits of 5% concession in margin
and 0.25% concession in interest rate and waiver in processing fees.
(Szymanski and Hise, 2000)

- **Power saving equipments:** Banks are also contributing directly in
controlling Climate Change, as an initial step, they started a campaign to
replace all fused GSL bulbs in all residential and bank-owned premises.
Banks can also make a feasibility study step to make rain water harvesting
mandatory in all bank owned premises. In December 2009, IndusInd Bank
inaugurated Mumbai’s first solar-powered ATM as part of its ‘Green Office
Project’ campaign titled ‘Hum aur Hariyali’.

- **Use Green Credit Cards:** Some of the banks introduced Green Credit Card.
The benefit of using a green credit card is that banks will donate the funds to
non-profit organization which helps in protecting the environment, the more
you spend on credit cards will directly be a worthwhile cause of environment
protection.

- **Save Paper:** Banks are taking step to save the papers; various steps are taken
to save the paper, save the tree mission. Banks are purchasing recycled paper
products with the highest postconsumer waste content possible. This includes
monthly statements, brochures, ATM receipts, annual reports, newsletters,
copy paper, envelopes etc. the one more step can be taken is whenever available and possible, use vegetable-based inks instead of less environmental friendly oil-based inks.

- **Use of Solar and Wind Energy:** As green banking is sustainable banking so using solar and wind energy is one of the noble cause for going green. State Bank of India (SBI) has become the first bank in the country to take the initiative of green banking by installing the windmill. As part of its green banking initiative, SBI has installed 10 windmills with an aggregate capacity of 15 MW in the states of Gujarat, Maharashtra and Tamil Nadu.

- **Mobile Banking:** Mobile Banking is becoming more trending with the emergence of Digitalization. On one hand, Mobile banking is tricky but on the other hand, it is great to have the ability to check balances, transfer funds or pay bills from your phone. It saves both time and energy of the customers; it also helps in reducing use of energy and paper of the bank. ICICI Bank has introduced 24x7 online bank branches and all the public and private sector banks providing the facility mobile banking and phone banking.

### 1.4 GREEN BANKING ‘A BANKER’S PERSPECTIVE’

Go Green practices becoming more popular nowadays due to the environment friendly practices. As banking is not an easy task, every bank has to work closely with the government, NGO’S, Consumers and business communities to achieve the goals. Do we think that all the banks are working ethically towards the environment, not fairly? Somehow or the other there is a question mark with the growing needs of the customer, banks have to work around the clock, demanding more employees, working in the well equipped office with more computers,
increased electricity demand which was often created the burning of coal in environment. (Maymand M. and Mahmaoudi., 2005).

With the change in the currency, the cash free banking system have emerged and are beneficial to the consumer, employees, industries and economy as a whole. It is not only helpful in reducing overall transaction cost to consumer but also ease the deposits, withdrawal and increase the trading practices.

Country like India is lacking infrastructural facilities, technology, education and awareness which is preventing the acceptance of green banking practice. It is the prime time when India should take some major steps to adhere the concept of green banking practices like EIA (Environmental impact assessment), ARS (Annual Reporting System) and EMA (Environmental Management Audit). Many Bank employees are still not aware of the green banking practices.

These are the few banks which are taking initiative towards Green Banking. As per the RBI Guidelines all the banks have to work for green banking:

1. State Bank of India-Green with home loans
2. Punjab National Bank with Green Streak
3. ICICI Bank: 50% concession on car Loans for environmental friendly vehicles
4. Standard chartered Bank
5. Yes Bank
6. IDBI Bank
7. Central Bank of India
8. Axis Bank
1.5 PROBLEM DISCUSSION

An educated citizen in the real sense is one who perceives the call of the hour and mends his ways and means accordingly. The world is rapidly changing in the era of technology. Things are becoming electronic and virtual. From physical money to plastic money and now electronic money (e.g. bitcoin) there are numerous options available and one has to be savvy which one to opt. The unquenchable demand of the human race has increased the environmental carbon level so much in recent century that we need to seriously think and amend our lifestyle. Banking is the need of every individual who earns and Therefore, it touches everyone in the world. An ultimate solution to the entire banking related problem specifically in today’s scenario is green banking. Green banking means promoting environmental-friendly practices and reducing carbon footprint from banking activities. There is a wide range of applications available that help performing banking transaction in an eco-friendly way. Gone are the days of long queues and tons of papers which used to define typical branch of a bank. A bank is now just a click away on internet 24X7. Movie tickets or education loan, recharging mobile or transferring funds, reserving train seats or sending gifts online without carrying the burden of adding more to the carbon level of the environment is now possible.

Green banking is a proactive way of future sustainability, but banks in India are running behind their counterparts from developed economies. They have started adopting green practices, but their impact on the environment is still catching up.
Stead (2007) had analyzed the black marks of banks. Number of banks had promised about investing in green businesses and dropping their greenhouse emissions, but growing business in the banking sector meant more employees working in the well lit offices around the clock on more computers, demanding more electricity, which was often created by burning coal and more air travel which were the key sources of global warming.

Green banking is fast, cost-effective, time saving, secure, reliable and Therefore, the need of the era. 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 opportunities that benefit customers. Many Indian banks like SBI, ICICI, HDFC and Axis have started to realize the importance and they are taking up various GREEN BANKING initiatives: like promoting E-banking activities, spreading awareness and educating people in the respective field. Therefore, it creates a need to study the issues and challenges prevailing in adopting concept of Green banking in India.

1.6 PURPOSE OF THE STUDY

Green Banking has created a buzz in the financial world. It banks on social and environmental impacts, preservation of environment, reliability, cost-effectiveness and time saving. Although a new phenomenon, several countries have successfully adopted it in their routine financial activities.

Green banking comes in many forms. It means promoting environment friendly practices for sustainable growth and reduces the carbon footprint from the
banking industry. Using online banking instead of branch banking, paying bills online instead of mailing them and opening online bank account are few steps forward in this direction. Green banking is comparatively new to the financial world.

**Green banking** is a step to change client habits in the banking sector for the sustainable development in future. Online banking is the easiest way to green banking. It is paperless banking which will reduce the cost of banking activities. In December 2007, RBI issued a circular (RBI 2007-2008, 1216) highlighting the importances for bank to act with responsibility and contribute to sustainable development so that the impact of global warming can be reduce with the help of banking industry. Green banking means to promote environment friendly practices and to reduce the carbon footprint from banking operation.

![Figure-1.2: Depicting Time for Green Banking](Source- www.greeneconomies.com)

Banks, in India, have started various green banking initiatives. These initiatives bring easiness to the customers and also help the banks in reducing their cost of services. It is not possible to evaluate green banking initiatives taken by all
the banks in state of Rajasthan. **Therefore, the current research study is focused to evaluate the perception and opinion of bank employees and customers of Selected Public and Private Sector Banks and to Comparatively Study on Issues and Challenges regarding Green Banking in aforementioned banks.**

1.7 BUSINESS MANAGEMENT IMPLICATION OF THE STUDY

The Value of a “green” business strives to have a positive impact on the environment and community. It develops and practices business strategies that go beyond minimal regulation and demonstrate commitment to a healthy and sustainable future. A green business adopts principles, policies, and practices that improve the quality of life for its customers and employees.

- **Being Green:** Companies have strengthened their commitment to sustainability as the benefits become more apparent (and the alternatives more untenable). Just as natural resources are becoming scarce and costly; customers, employees and investors are increasingly environmental-conscious. Championing sustainability allows businesses to align deeply with their missions and engage customers on a more meaningful level. According to a 2011 study by MIT, sustainability is now a permanent part of 70% of corporate agendas. Most companies now also consider green practices to be vital to remaining competitive and many affirm that these practices are contributing to profits. Some of the reasons for going green include:

- **Reduced Risk:** Environmental degradation threatens the ecosystem services that allow our economy to function and companies are beginning to take notice. PepsiCo, for instance, is investing in sustainable solutions to water scarcity while Siemens is abandoning investment in dirty energy sources for
the renewable that will power the future. As investors and partners become more knowledgeable about green strategies that improve the bottom line, climate-responsive business practices are becoming the norm.

- **Green Product Demand.** Demand for environmental-friendly services and products continue to grow. According to a survey conducted by Cohn & Wolfe, a majority of consumers in all countries say that it is very or somewhat important that companies are environment-friendly and 35% are willing to spend a little more for green products.

- **Consumer Engagement.** Community involvement is an important cornerstone for many companies, and green practices enhance public image, community relations and goodwill. According to a report by D S Simon Productions, "media initiatives with a corporate social responsibility focus generates 35%-50% more positive media coverage on television, radio, web and social media than comparable programs without the CSR hook".

- **Attracting Talent.** Environmental-conscious business practices help attract and retain the best employees by increasing employee satisfaction and pride in the workplace. According to a Monster TRAK poll on green employment, 92% of young professionals would be more inclined to work for an environment-friendly company. Engagement programs that empower employees by giving them easy ways to support causes they care about, such as the Earth Share @ Work giving program, are also proven morale boosters.

- **Attracting Investors.** Socially and environmentally responsible assets rose more than 324% from 1995 to 2007, signaling a growing interest in sustainability among investors. Investors are also shifting from a "do no
harm" approach to a "do more good" approach that will benefit companies committed to the health of the communities they operate in.

- **Saving Money.** Nowadays, most of the commercial lending process in different parts of the world scrutinizes projects with a set of tools by incorporating environmental concerns in their day-to-day business. The financial institutions should encourage projects which take care of following points while financing them viz., (a) sustainable development and use of natural resources (b) protection of human health, bio-diversity, occupational health and safety, efficient production, delivery and use of energy (c) pollution prevention and waste minimization, pollution controls (liquid effluents and air emissions) and solid and chemical waste management and (d) there should be a third party expert to draw a plan for the environment management plan. They should keep above aspects in mind while financing any projects.

(i) Analyzing the project in terms of scale, nature and the magnitude of environmental impact. The project should be weighed on the basis of potential positive and negative environmental influences and then compared with the “without project situation”. There should be an Environmental Impact Assessment (EIA) of each project recommending the measures needed to prevent, minimize and mitigate the environmental negative impact before financing the projects.

(ii) While investing or funding the projects, the financial institutions should assess the sensitive issues like vulnerable groups, involuntary
displacement etc. The projects should be evaluated in terms of environmentally significant areas including wetlands, forests, grasslands and other natural habitats.

(iii) Banking institutions need to evaluate the value of real property and the potential environmental liability associated with the real property. Therefore, the banks should have the right to inspect the property or to have an environmental audit performed through the life of the loan.

(iv) Banks also need to monitor post transaction for the ideal environmental risk management program (Rutherford, 1994) during the project implementation and operation. There should be physical inspections of production, resources, training and support, environmental liability, audit programs etc.

(v) The next round of evaluation includes loan structuring, credit approval, credit review and loan management. Further banks have annual audits, quarterly environmental compliance certificate from the independent third party and also from the government.

(vi) Further, the banks can introduce green bank loans and products like-(a) Investing in environmental projects (recycling, farming, technology, waste, etc) for example reduced rate of interest on loans to homeowners who install a solar energy system, (b) Providing option for customers to invest in environment friendly banking products and (c) Investing in resources that combine ecological concerns and social concerns.
REFERENCES


