

Green Banking is a new Colour of Indian Banking

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ABSTRACT

In all spheres, change is necessary for survival. Global warming, also known as the "Green House Effect," is a global problem that requires a global response. Economic advancement has received a lot of attention around the world, and humanity has made significant progress over time. Sustainability is at the forefront of business today. Everyone, from Wal-Mart to Apple, is talking about how green their methods, packaging, and approach are. Green business, on the other hand, is still in its infancy, and the green business of the future will probably boil down to a few very real and measurable objectives and practices. One of the most important economic activities for economic growth is investment in commercial projects, which are financed by the banking sector. The idea of green banking is that banks are working to restore the natural environment and encourage businesses to go green. Promoting environmentally friendly practices and reducing the bank's carbon footprint are both parts of green banking. It will make it easier to improve the asset quality of banks in the future and ensure that industries become more environmentally friendly. As a result of public pressure and government regulations, Indian businesses are going green. Green businesses have realized that waste management and pollution control have their own advantages, in addition to attracting capital investment. As a result, the fundamental principles that financial institutions have been relying on in their business strategies in recent years to support quality of service, the implementation of environmental conservation measures, support for deprived sections of society, and concern for quality of life in nature are Introduction, significance of green banking, green banking initiatives, banking institutions' environmental management, environmental management enforcement, and the government's role and green banking strategies are all covered in this paper.

INTRODUCTION

Green banking is similar to traditional banking in that it takes into account all social, environmental, and ecological factors with the goal of conserving natural resources and the environment. It is also known as a sustainable bank or an ethical bank. They are governed by the same authorities, but they have a different goal: protecting the resources, habitats, and environment of Earth. There is, in fact, a banking initiative that combines both environmental protection and cheap credit in a world where both are scarce. Loans for businesses that want to go green, cash to help save energy in the home, and loans to buy an energy-efficient car are all examples of green banking. More and more financial institutions are paying attention to and implementing green initiatives as they spread across the globe. Each organization takes a different approach to sustainable banking, also known as green banking. However, according to one definition, sustainable banking entails using all of the bank's resources responsibly, avoiding waste, and prioritizing decisions that consider sustainability. Banks, as corporate clients, have understood that maintainability and productivity remain closely connected as associations hopes to reduce expenses, smooth out tasks and make long haul processes Green financial won't just guarantee the greening of industry yet it will likewise work withIn further developing the resource nature of banks in future. The financial sector, which includes the banking sector, multilateral agencies, multilateral financial institutions, and development institutions, plays a significant role in providing investment projects that are socially and environmentally responsible.

REVIEW OF LITERATURE

Nath, Nayak, and Others (2014) attempt to investigate the World Bank's environmental and social standards, the RBI's green rating standard, and the bank's initiative to adopt green practices. They also provide a list of methods for

implementing green banking. Green Coin Rating is the name of the Green Rating Standard. This means that banks are evaluated based on how much recycling they do and how much carbon emissions they produce.

Sudhalakshmi and Chinnadorai (2014), despite the fact that the “go green” mantra is necessary for emerging economies like India, significant efforts have not been made, they present the state of Indian banks in terms of green banking. The lending principle must reflect the green credentials of banks. In the future, a better global environment will result from every action taken today. Therefore, India needs a policy measure to encourage green banking. The adoption of this environmentally friendly phenomenon by Indian banks is behind schedule. In this regard, significant actions are required.

Jha and Bhome (2013) survey similar to the one mentioned above is conducted to assess consumer awareness of green banking and, in turn, promote it. They identify specific steps that are required for green banking by conducting interviews and using specially structured survey questionnaires. They suggest a few steps, including Green Credit Cards, Paper Saving Mobile Banking, Green Checking Accounts (ATM, Special Touch Screens), Green Loans (low rate for those who want to buy solar equipment), Power Saving Equipment, and Green Credit Cards. Green banking will guarantee the sustainability of an organization.

Yadav and Pathak (2013) look at how private and public banks use green banking strategies to protect the environment. Using a case study approach, they discover that Indian banks have recognized the significance of environmental responsibility. In addition, the study reveals that, with the exception of ICICI Bank, public sector banks have taken more initiative than private sector banks. Only ICICI Bank’s strategy is sustainable in the private sector.

Concept:

In a society that cares about the environment, the “Go Green” adage has become relevant to every aspect of business. All business activities are changing to put people and the environment ahead of profit and profit margins. Even the banking industry cannot withstand this wave of change due to shifting consumer expectations, tighter environmental regulations, and compliance requirements.

“Green Banking is an effort by banks to make industries greener and restore the natural environment at the same time.” Combining technological advancements with operational enhancements and altering client habits is required. For instance, remote deposit allows for growth without the need for physical locations, ACH payments cut down on incoming mail, and electronic statements save trees. The money spent on these initiatives will pay off long after the current tightening of budgets is over. The operational, technological, and client acceptance aspects of green banking are the three areas that Green Bank examines.

Scans and electronic delivery have replaced the daily courier service, for example, in the operational area. Electronic payments and reimbursement checks are sent to each worker. There are numerous approaches to going green with banking.

- a. Green Accounts
- b. Online Statements
- c. Online Banking Registration

This means receiving electronic statements each month as opposed to conventional banking statements. One contributes to the reduction of waste and paper consumption in this manner. Reduced costs, enhanced performance, and competitiveness all depend on a solid online banking system. Offering the service to retail and business customers at no cost. Converting existing customers to online bill payment, the next logical step in online banking, is a more difficult and time-consuming process. There is a possibility that customers will switch to entirely electronic banking once they arrive.

Numerous businesses and financial institutions are focusing on going green even as the market slows as a result of economic turmoil. Policies that focus on green lending trends and investment strategies are manifesting the activities for banks. By signing on to initiatives like the Equator Principles, financial institutions are further demonstrating their commitment to sustainability. ISO-14000 is a set of comprehensive guidelines issued by the International Organization for Standardization (ISO) for incorporating environmental protection and pollution prevention goals into global industrial activity.

What precisely does green banking entail?

Green Banking does not operate its own bank. Green banking is the banking industry's commitment to environmentally friendly practices and the consequent reduction of both internal and external carbon footprints. The banking sector is generally not regarded as polluting. However, it has an effect on the environment by increasing the use of paper and energy (for lighting and air conditioning). A more extensive perspective on this is that Banking industry is connected to the outer climate as it gives assets to other people and subsequently funds their exercises. Money can be obtained from banks. So they can add to climate by guaranteeing earth capable speculation and a painstakingly assessed loaning.

As a result, there are two parts to green banking. The first is making wise use of all resources, including energy, and lowering carbon footprints. The second is encouraging and funding only investments that are good for the environment. Therefore, environmental-friendly credit disbursement and sustainable resource utilization are two aspects of green banking. Another important aspect of green banking is proper environmental scrutiny of all financed projects.

The first Green Bank opened its doors in Mt. Dora, Florida, in 2009, coining the term "green banking." Green Banking is defined by RBI's Institute for Development and Research in Banking and Technology as:

The practices and guidelines that make banks economically, socially, and environmentally sustainable are collectively referred to as "Green Banking." It aims to make banking procedures, IT usage, and physical infrastructure use as efficient and effective as possible while having as little or no environmental impact as possible.

This report offers two levels of green banking guidelines taking into account the nature of banking processes and infrastructures. Making banking products and services, as well as day-to-day business operations, more environmentally friendly by adhering to straightforward procedures and making them eco-friendly. Reducing waste in IT infrastructure (such as data centers) and physical infrastructure (such as buildings) and taking steps to enable a bank to generate its own electricity. If technology is used correctly, green banking can be implemented. Through this change, banks have adapted in a variety of ways, including:

Sending payment slips, reimbursement slips electronically.

- Online Net Banking System.
- Paying bills online.
- Opting for Mobile Banking.
- Paper Recycling.
- ATM.
- Green Checking Accounts.
- Conduct meeting through Video Conferencing.

Why green bank?

- The benefits of going green in the banking industry in this rapidly changing environment Going green gives you a competitive advantage.
- Products and services that are better for the environment are more appealing to consumers.
- Investors' awareness of the globalization wave has grown, and as a result, they now prefer environmentally friendly investments.
- Right now, government regulations are more stringent.
- Government agencies want more information.

IMPORTANCE OF GREEN BANKING

In the past, customers' environmentally damaging behavior has been viewed as an interference or meddling in business affairs by the banking industry. On the other hand, it is now believed that dealing with the environment poses a risk to businesses. Industries would be required to adhere to certain standards in order to run their businesses because of the stringent environmental regulations that are enforced by the relevant authorities in all of the countries. In the event of failure, businesses would be forced to close, increasing the likelihood of bank default. Take, for instance, the Environmental Response, Compensation, and Liability Act, which was enacted in 1980. As a result, financial institutions must evaluate the impact of the client's investment and actively engage shareholders on environmental and social policy issues. The significance of green banking is enormous for both the banks and the economy by Keeping away from the accompanying gamble associated with banking area:-

1) Credit risk

It can emerge by implication where banks are loaning to clients whose organizations are unfavorably impacted by Cost of cleaning of contamination or because of changes in natural guideline. Some businesses may be driven out of business by the expense of meeting new emission standards. Credit risks may be higher because of the likelihood of customer default, unanticipated costs for capital investments in production facilities, market share loss, and third-party liability claims. In addition, debtors running the risk of defaulting on loans as a result of environmental obligations brought on by fines and legal obligations, as well as the reduced priority of repayment under bankruptcy.

2) Legal Risk :

Banks like other businesses, run the risk of not adhering to applicable environmental laws. But more specifically, if they actually acquire contaminated or pollution-causing assets, they may be subject to direct lender liability for cleanup costs or damages. In this way, Ecological administration framework assists the save money with lessening hazard and cost, upgrade its picture and take benefit of income open doors.

3) Reputation Risk :

As environmental safety awareness grows, banking institutions are more likely to lose their reputation if they participate in large projects that are thought to be harmful to society and the environment. Risk was reduced, environmental stewardship was improved, and operating profit was increased in some instances when an environmental management system was implemented. The polluting industries face greater opposition and are frequently forced to shut down or face a massive consumer boycott. The issue that environmental regulation and enforcement authorities face regarding the size and location of polluting units is addressed by green banking.

Green Banking Product Coverage Includes

- 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)

Green Banking: Initiatives

The central bank's Green Banking initiatives aim to determine the necessary steps to save the environment, cut down on pollution, and improve internal environment management by making efficient and effective use of resources in all bank branches and headquarters.

The following goals will be accomplished by banks by putting this policy into action:

- Show their commitment to saving and protecting the environment to improve their brand's image or build goodwill;
- Cut back on loans for certain projects that are bad for the environment;
- Prior to making a loan or investment, conduct the necessary environmental due diligence;
- Utilize resources in an environment-friendly manner and channel financing in an efficient and effective manner; Implementing new banking technology that would not only benefit customers but also increase employee productivity;
- Reduce the amount of carbon footprint in all bank headquarters and branches;
- Inspire stakeholders to adopt environmentally friendly business practices by raising awareness of environmental and social responsibility.

Green Banking In India

In terms of emissions and pollution, the banking industry is generally considered to be environmentally friendly. The banking industry has low and clean internal environmental impacts, such as its use of energy, paper, and water. Banks' environmental impact is not directly related to their banking activities but rather to the activities of their customers.

1. ICICI Bank's green initiatives aimed at customers are motivated by the goal of collaborating with each customer and making "Green" a part of everyone's lives. The following are some of the activities banks are carrying out to promote green banking in India: These initiatives include environmentally friendly offerings and incentives, customer engagement, and customer communication. "Instabanking" is the platform that brings together all alternative channels under one umbrella and gives customers the convenience of banking anytime, anywhere through Internet banking, i-Mobile banking, and IVR banking. Green products and services offered by ICICI Banks include: By ensuring that customers do not have to resort to physical statements or travel to their branches, this reduces the customers' carbon footprint.

Vehicle Financing: Auto Loans waives 50% of the processing fee on car models that use alternative energy sources in an effort to promote a more sustainable way of life. The models distinguished for the Object are, Maruti's LPG form of Maruti 800, Omni and Versa, Hyundai's Santro Eco, Community Half breed of Honda, Reva electric vehicles, Tata Indica CNG and Mahindra Logan CNG versions. Make an educated decision for a greener planet with every car on the road. Home Finance: Customers who purchase homes in LEED-certified buildings can take advantage of reduced processing fees provided by ICICI Home Finance.

2. Public sector bank State Bank of India plans to construct windmills in the three Indian states of Tamil Nadu, Maharashtra, and Gujarat in order to promote green energy as part of its Green Banking Policy. According to bank sources, the new mills in these states are expected to generate 15 MW of power as part of the project. On April 23, the SBI chairman will officially open a windmill in Panapatti village in the Coimbatore district of the southern Indian state of Tamil Nadu. While the mill in Tamil Nadu will have a capacity of 4.5 MW, the mills in the western states of Maharashtra and Gujarat will have a capacity of 9 MW and 1.5 MW, respectively. They stated that the windmill project aims to provide environmentally friendly "green power" as an alternative to polluting thermal power.

3. IndusInd Bank:- It had opened the country's most memorable sun based fueled ATM and spearheaded an eco-wise change in the Indian financial area. The first solar-powered ATM 4 is depicted in the image below. HDFC Bank also provided green banking tips, such as purchasing recycled paper, printing on reusable sheets, printing multiple pages on a single sheet of paper, setting defaults to print double-sided and print on both sides, printing only the required pages, previewing documents before printing, and increasing document margin width and reduce the default font size from 12 points to 10, which would result in a 10 percent reduction in size.

Banking Institutions' Environmental Management:

When Financing Projects, Financial Institutions should encourage projects that take care of the following: a) The utilization of natural renewable resources in a sustainable manner; b) The safeguarding of human health, biodiversity, occupational health, and energy use; c) The reduction of population growth and waste; and d) The appointment of a third-party expert to develop an environment management plan.

- 1) Banking institutions must evaluate the value of real property and the potential environmental liability associated with real property when financing projects. FIs should keep the following aspects in mind. As a result, banks ought to be able to inspect the property or conduct an environmental audit throughout the loan's duration.
- 2) Examining the project's impact on the environment in terms of its scope, nature, and magnitude. The task ought to be assessed based on possible negative and positive natural impacts and afterward Contrasted and the 'without project circumstance.'
- 3) Throughout the execution and operation of the project, banks must also monitor post-transaction for the ideal environmental risk management program. Production, resources, audit programs, and other areas should all be physically inspected.
- 4) Financial institutions should consider sensitive issues like involuntary displacement, vulnerable groups, and others when investing in or funding projects. And projects ought to be evaluated in terms of environmentally significant areas like forests, grasslands, and wetlands.
- 5) Loan management, credit approval, and structuring are all part of the subsequent evaluation phase. Additionally, independent third parties and the government conduct annual audits and issue quarterly certificates of environmental compliance for additional banks.

Role of Government:

As the financing agent of the world's economic and development activities, banks could also play a crucial role in promoting sustainable development as a whole, in addition to agriculture and industry. In light of this, the idea of green banking has emerged and is regarded as an important strategy for addressing issues related to sustainable development and raising public awareness of environmental responsibility. There are two dimensions to green banking. First, whether or not the banking industry uses paperless procedures. It is frequently questioned how significant a monthly paper statement can be. It could be huge.

The location of the bank's money is the second aspect of green banking. Green banking requires banks to prioritize lending to industries that have already turned green or are working toward doing so, thereby contributing to the restoration of the natural environment, and to encourage investments that are friendly to the environment. Green banking is not covered by any specific RBI regulations or guidelines for banks. Investment banking has received more attention from commercial banking than environmental issues; in the not-too-distant future, environmental liabilities will play a larger role in the investment decisions made by banks. Additionally, environmental audits are required to ascertain the facility's, property's, and operations' environmental condition. An independent body or an environment investigation team should be established to determine the project's environmental risks and liabilities, past and present issues, and regulatory compliance status. Banks should be required to produce a formal environmental policy statement and distribute publicity through legislation passed by the government. The following are the government's responsibilities for promoting green banking in India:

1. **Green jobs:** Jobs that are primarily concerned with agricultural, manufacturing, research and development, administrative, and service activities that contribute to the preservation of environmental quality—including jobs that aid in the protection of ecosystems and biodiversity—are known as green jobs, and there are good prospects for the creation of green jobs in the non-conventional energy sector and other emerging sectors.

2. **Green funds:** A mutual fund or other investment vehicle known as a “green fund” will only make investments in businesses that are thought to be socially responsible in their business dealings or directly promote environmental responsibility. A focused investment vehicle for businesses involved in environmentally friendly industries like alternative energy, green transportation, water and waste management, and sustainable living can form a green fund.

3. **Green Building:** Throughout a building's life cycle—from location to design, construction, operation, maintenance, renovation, and deconstruction—green building is the practice of creating structures and utilizing processes that are resource-efficient and environmentally responsible. For instance green structures may.

Consolidate practical materials in their development (e.g., reused, reused content, or produced using sustainable assets); reduce product emissions, for example, to create indoor environments that are clean and free of pollutants; or feature landscaping that uses less water (for example, native plants that can survive without additional watering).

GREEN BANKING STRATEGIES

By launching some of the following strategies, Indian banks can adopt green banking as a sustainable banking business model.

1. **Paperless Banking to Cut Down on Carbon Footprint:** A measure of the greenhouse gases (GHGs) is the carbon footprint. In India, nearly all banks use a core banking solution (CBS) or are computerized. As a result, banks can easily transition to paperless or paper-less banking. These banks are able to transition to electronic communication.
2. **Products for the Green Banking Industry:** Indian banks can launch a “Green Fund” so that customers who care about the environment can invest in projects that are good for the environment. Green bank loans with financial concessions for environmentally friendly products and projects like fuel-efficient vehicles, green building projects, housing and house furnishing loans, and solar energy system installations, among others, can also be offered by banks.
3. **Services for Social Responsibility:** Indian banks can start a variety of social responsibility services as part of their green banking strategy, such as camps for tree planting, park maintenance, and pollution checkup, among other things
4. **Energy Awareness:** Banks can significantly reduce their energy consumption by adopting

energy-conscious practices like effective office time management, automation of pollution, and the use of compact fluorescent lighting (CFL). They can also manage their offices and ATMs with renewable energy (solar, wind, etc.).

4. **Green Construction:** Over one million buildings are used by the Indian banking industry for offices and residential homes. Green buildings should be built and used by these banks for office and employee housing. In comparison to a conventional building, a green building uses less energy, water, and natural resources, produces less waste, and its inhabitants are healthier. Not only will these measures assist banks in reducing their carbon footprint, but they will also significantly reduce their operational costs.
5. **Utilizing the Public Transport System:** By providing a common mode of transportation for groups of officials stationed at a single office, PSB can become fuel-efficient organizations.

CONCLUSION

In conclusion, the definition of development in today's world is rapidly evolving. There is a growing sense that we should reorganize our priorities and move away from the one-dimensional model, which has only considered economic performance in terms of growth (GDP) without really taking into account how sustainable our growth is for society and the environment. In the same way that corporate clients have, banks have realized that sustainability and profitability go hand in hand as businesses look to cut costs, streamline operations, and develop processes that will last a long time. Green banking if Carried out earnestly will go about as a functioning ex bet hindrance for the contaminating business that gives a pass by to theOther institutional administrative component. Despite their important role in India's emerging economy, banks and other financial institutions have not taken much action in this direction. India's financial institutions are behind schedule when it comes to green banking, and the banking and financial sector should be made to work for sustainable development. Even for the sake of keeping records, none of the banks or financial institutions have adopted equator principles. They have neither agreed to sign the UNEP financial initiative statement. India must now take significant steps to gradually adhere to the equator principles, which are guidelines for project funding that use environmentally sensitive parameters in addition to financial considerations.

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