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## Role of Green Banking in Environment Sustainability – A study of selected Commercial Banks in Himachal Pradesh

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### Abstract

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 comparatively a new concept. It is a 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. The main objective of this paper is to know about the initiatives taken by the banking sector and conduct a SWOC analysis about the banking sector regarding green banking activities.

**Keywords:** Green banking, SWOC, Sustainability, Green counter

### 1. Introduction

During the past decade there has been a growing awareness of wide spread environmental degradation facing current and future generations. Attention has been become so great that environmentalism has been identified as potentially 'the biggest business issue of the 1990s'. Human did not came to harm the environment but the problem came when he wants to separate himself from the environment and start the use of technology. Technology has done a lot of good to the world but most bothering issue is damage cause 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 toward environment protection and sustainable development. Consumer is also responsible for the environment pollution due to use of non-renewable energy which cause harm to the environment <sup>[2]</sup>. 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 only it will also improve the assets quality of the bank in future <sup>[7]</sup>.

The beginning of 21<sup>st</sup> century brought with a number of activities. Due to this change bank has shifted toward the adoption of innovative banking product. The use of ATM, Internet banking, online transfer, debit card and credit card became popular. Innovative product is time saving, create less cost to the bank as well as to the costumer. Innovative banking has different channel to provide service to the customer but the main source is internet which create less cost to the customer and it also save the time and create less pollution to the environment. Environment sustainability can be defined by taking a decision which reduces your business's negative impact on environment. But it's not simply to reduce the impact on environment but it means to develop a process which provides a sustainable growth in future. Environmental sustainability is a process to maintain the resources for long run without harming the environment <sup>[3]</sup>.

Banking can be defined as the business activity of accepting and safeguarding money owned by other and lending out this money to earn profit. Except this now bank is providing many services like issue of debit card, credit card, ATM, mobile banking, Internet banking, online transfer of payments and bills etc. across the world.

According to U.S. Chamber of Commerce Small Business Nation define going green as save energy, reduce pollution and save money. According to going green facts from Fox43tv.com, if American household went online to view and payments of bills, over 16 million trees would be saved <sup>[8]</sup>.

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## 2. Green Banking

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 on line banking instead of branch banking, paying bills online instead of mailing them, opening online bank account.

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 importance for bank to act with responsibility and contribute to sustainable development so that the impact of global warming can be reduced with the help of banking industry. Green banking means to promote environment friendly practices and to reduce the carbon footprint from banking operation.

According to Indian Bank Association 2014, "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 known as sustainable bank. The purpose of the bank is to perform banking activity with taking care of earth's ecology and environment.

## 3. Steps in Green Banking Initiatives <sup>[6]</sup>

Now the question arise is how banks go green. For this there are various steps or alternative delivery channels by adopting with bank can go green. Some of the steps are discussed as under:

### a) Go online

Online banking is very useful now. By online customer can check balance online, payment of bills, transfer of funds and remote deposit. It is totally paperless banking. The use of green banking creates less expenditure, less energy and less use of paper in banking activities.

### b) Internet Banking

Internet banking is an electronic payment system that enables customers of a financial institution to conduct financial transactions on a website operated by the institution, such as a retail bank, virtual bank, credit union or building society.

### c) Green checking of accounts

Now a customer can check his account statement online through ATM or special touch screen. This process is called green checking of accounting. Green checking of account also helps in environment sustainability and reduction of global warming effects.

### d) Green loans for home improvements

Any person who is purchasing eco-friendly product for home, bank is providing finance for the equipment at very less interest rate like 4% p.a. it is a very good deal for the person who is purchasing solar equipments.

### e) Use of green credit cards

Every rupee you spend on green credit card, the bank will donate fund to the non-profit environment friendly organization for environment sustainability program.

### f) Save paper

Bank should use purchase the recycled product for customer use like deposit slip, ATM slip, annual report etc.

### g) Power saving equipments

Bank should use less power consumption equipment in place of other equipment. Bank should start campaign to replace GSL bulbs by CFL bulbs. It will also contribute a lot in environment sustainability program.

## h) Mobile banking

Mobile banking is very helpful. In one hand it is great ability to check and transfer the balance and in other hand it is helpful in saving time of the customer. It also helps the banking sector to save the paper. Most of banks are now providing mobile banking service.

### i) Use of solar and wind energy

Use of solar and wind energy is an efficient way to green banking. State bank of India became the first bank in India to use and invest in solar and wind energy plant.

### j) ATM

An electronic banking outlet, which allows customers to complete basic transactions without the aid of a branch representative or teller. There are two primary types of automated teller machines, or ATMs. The basic units allow the customer to only withdraw cash and receive a report of the account's balance. The more complex machines will accept deposits, facilitate credit card payments and report account information. To access the advanced features of the complex units, you will usually need to be a member of the bank that operates the machine.

## 4. Review of Literature

**Jha & Bhome (2013)** <sup>[7]</sup> in their paper entitled *A Study of Green Banking Trends in India*, studied the green banking initiatives taken by the public sector bank in India and the way of go green by green banking. The main objective of the paper is to know green banking sector and checks the awareness of employees, associates and the public about the green banking concept. Further the study suggested that interest on loan should be less for green project then normal rate of interest and companies can increase their profitability by recycling of waste generated. They should stress upon green mortgage loan, green credit card and online banking.

**Singhal, Singhal & Arya (June 2014)** <sup>[4]</sup> in their paper entitled *Green Banking: An Overview* studied, how bank can go greener. According to study banking industries and financial institution plays a very important role in the growth of an earth. Green banking saves the energy and environment both. Now a day's many bank offering green product like ATM, Green credit cards, green CDs, electronic fund transfer, use of solar and wind energy etc. but still it's not completed. We have to make more efforts so we can save environment and green banking is one of the best way to start this.

**Khedekar (2014)** <sup>[5]</sup> in her research entitled *Banking with Technology- Green Banking* studied the various technology used by the banking industries to make the environment green. According to study bank should provide basic + premium internet banking product such as opening bank account, Demat holding, standing instruction, investment etc. This Study suggests that bank should conduct seminar and conference to educate the public regarding the uses of internet banking as well as security issue. She suggests "Virtual Banking" where customer can't deal in cash to those branches which are far from the main branch.

**Sreesha ch (2014)** <sup>[11]</sup> in his paper entitled *A Study of Green Banking Initiatives of Selected Private and Public Sector Banks in India*, in her paper entitled *banking with technology-green banking* the various models or channels of green banking which are taken by the banking sector in the banking activities. This study also focuses on environment sustainability concept adopted by various private and public sector banks in India. According to the study, bank is not

taking interest in green banking completely. Public sector banks are more interested in green banking as compare to private sector bank. For maintaining sustainability, bank should expand the use of environmental information in the banking operation, lending and investment decision. This will help them to improve environment sustainability and create long term value for the business.

**Sahitya & Lalwani (2014)** <sup>[12]</sup> made an attempt to understand and appreciate the importance of green banking initiative for the attainment of goal of sustainable banking and determine the various attempt that have been made by the top public and private sector bank in India. The study has revealed that the banking sector has become extremely conscious of the need of go green. Both public and private sector bank are involved in this process. It can be possible by the paperless banking like ATM, mobile and internet banking. The adoption of green banking not only enhances the image of green banking but also contribute in the sustainable growth of economy.

**Ragupathi. M and Sujatha .S (2015)** <sup>[10]</sup> in their paper entitled *Green Banking Initiatives of Commercial Banks in India*, studied the way to go green through green banking. According to this paper, earlier bank was not aware about the concept green banking. But now a day's banks are playing very important role in environment sustainability program. By the green banking practice people is getting more aware about the global warming and each business man's contributing in environment sustainability to make this earth a better place to live in. Green banking is not only greening the industries but it will also facilitate in improving the assets quality of the bank in future.

### 5. Research Gap

Green banking is an environmental friendly system that has the potential to increase customer satisfaction as well as performance of the banks. The review of literature reveals that various scholars at the international level have initiated different studies on different aspects of green banking. But at the national level there are very few studies initiated towards green banking. Moreover, in Himachal Pradesh there is hardly any study in this regard. The present study will be an attempt to fill this gap.

### 6. Research Design

The formidable problem that follows the task of defining the research problem is the preparation of the design of the research project, popularly known as the research design. Decision regarding what, where, when, how much, and by what means concerning an inquiry or a research study constitute a research design <sup>[1]</sup>. Here an attempt has been made to present a clear picture of the research design formulated for the present study. Research design will include selection of problem, need and importance of the study, scope of the study, objectives of the study, hypotheses of the study, research methodology, sampling procedures, tools and techniques for analysis and interpretation of data.

### 7. Need of the Study

As environmental sustainability is an important issue and green banking is a step in this regard. Hence, there is a need to study the green banking initiative taken by the banking sectors and also to review the role of green banking in environment sustainability.

### 8. Scope of the Study

Banks, in India, has started various green banking initiatives. These initiatives brings easiness to the customers and also helps the banks in reducing their cost of services. It is not possible to evaluate green banking initiatives taken by all the banks in Himachal Pradesh. Hence, the scope of the present study will be limited to analyze the green banking initiatives taken by the Punjab National Bank, State Bank of India, ICICI Bank in Himachal Pradesh in general and in Mandi district in particular. The study will evaluate the perception and opinion of bank employees and customers of Punjab National Bank, State Bank of India, ICICI Bank.

### 9. Objectives of the Study

To identify the various initiative taken toward green banking and environment sustainability by commercial banks in India. To conduct SWOC analysis of green banking practices of the commercial banks.

### 10. Hypothesis

Hypothesis provides a direction to the research. Hence, to achieve the objectives of the present study following hypotheses will be made.

$H_0$  = There is no significant awareness among the customer toward green banking.

### 11. Research Methodology

To achieve the objective and to test the hypothesis of the present study secondary data will be used. The secondary data will be collected from various books, journals, research papers, websites etc. It will also be collected from the Annual Reports of PNB banks and government reports.

### 12. Sample Size

For the conduction of the study all the branches of SBI, PNB, ICICI in Mandi district has been selected.

### 13. Analysis and Interpretations

The data collected from different resources will be classified and arranged in tables in one or more forms according to the requirement of analysis. For the analysis of results, the following techniques will be applied:

Mathematical tools  
Statistical tools

#### Mathematical tools

In the present study mathematical tool viz., percentage will be used to analyze the collected data.

#### Statistical tools

In the present research work as far as statistical tools are concerned, mean, correlation, chi-square, skewness, standard deviation, ANOVA, t test, Likert scale shall be applied as and where it fits to the data.

### 14. Finding

According to the support of objectives here are the findings:

### 15. Green Banking Initiatives by Commercial Banks

#### SBI

- ❖ SBI had launched the green channel counter facility at their branches in 2010-11 to change their traditional way of paper based banking.
- ❖ The bank has also sign the project for the generation of Wind energy in the different part of the country.

- ❖ It became a signatory to the Carbon Disclosure Project in which bank is taking different environmental sustainable initiatives through its branches spread across the country.
- ❖ EXIM bank and SBI entered in to an agreement to jointly provide loan up to 14 years Spain based company Aston field renewable Resources and Group T- solar Global SA for building solar plants in India.

### **PNB**

Green initiatives taken by the bank are as under:

- ❖ PNB is conducting electricity audit of offices as an energy conservation initiatives and maintained separate audit sheet for assessing the impact of green initiatives taken by the bank.
- ❖ Section of wind energy project
- ❖ Establishment of green buildings
- ❖ Adopting easy green practice such as printing on both side of the paper, purchasing composite fax machine etc.
- ❖ Guidelines to the project for environment protection in which bank is financing.
- ❖ Sectioned nine commercial project of Wind energy in the year of 2010-11 with total sum of 1850.81 million.
- ❖ Paperless deposit machines.
- ❖ Internet banking started by PNB bank in the year of 2003-04.
- ❖ Green Credit cards also started by the PNB bank toward the environment sustainability as green banking initiatives.
- ❖ Debit cards facility started by PNB bank in the year of 2002-03.
- ❖ ATM is also the green banking initiative taken by the Punjab National bank.
- ❖ Mobile banking is also like internet banking which is also the part of green banking initiative toward environment sustainability.
- ❖ The bank had organized more than 310 Tree plantation drive.
- ❖ The organisation had signed a Green Pledge with ministry of New and renewable energy under which they had set up the butterfly park at the compound of Guruvayur temple.
- ❖ It started emphasizing on green building practices such as energy efficient lights, immediate repair of water leakage, printing on both side of paper. etc.

### **ICICI**

- ❖ The bank always insists their customers to pay online bill, transfer fund online etc.
- ❖ Bank is providing in State banking services that give customer convenience of any time anywhere banking through internet banking. It reduce carbon footprint from the environment.
- ❖ Bank offers reduced processing fee to customers who purchase homes in Leadership in energy and environment design certified buildings.
- ❖ Bank offers auto 50% waiver on processing fee on car models which used alternate mode of energy.

### **16. Green Banking -A Swoc Analysis**

An analysis of strengths weaknesses opportunities challenges (SWOC):

#### **Strengths**

- ❖ Green banking practice save time of customer as well as bank also.
- ❖ It reduces the cost of bank operation and cost to the customer too.

- ❖ Transition can be done any time and at any place.
- ❖ By financing in solar energy and wind energy program the bank is reducing carbon footprint from the environment.
- ❖ Quality customer practice password in green banking practice take time.
- ❖ Lack of knowledge among the employee has been noticed.
- ❖ There are some geographical barriers for the implementations of green banking practices.
- ❖ All banks are not coming equally for the practice of green banking.
- ❖ Problem of security is always with green banking practices.

#### **Opportunities**

- ❖ People are becoming more computer literate so its easy to start green banking practice and grape the customer toward the activities.
- ❖ Most of the customer are using ATM card only. So it is a time to start all the initiatives for green banking practices.
- ❖ Mobile banking and internet banking is increasing day by day so it's a time to spread the green banking practice.

#### **Challenges**

- ❖ It's a new concept and customer will take time to adopt this.
- ❖ Green banking requires a technology which will highly costly.
- ❖ It requires renewable and recycling technique which is costly.
- ❖ Data protection is another challenge for the adoption of green banking.
- ❖ Bank employees need training for all this practice.

### **17. Discussion and Suggestion**

It can be concluded that banks are taking new initiatives and promote different green banking products. Bank should also adopt environment friendly practices which ensure the efficient use of resources. Banking employee should consider the green banking initiatives as primary work. Banking sector is the backbone of the country. So it's important for the banking sector to recognize their responsibility as a global corporate citizen. So following strategies are important for the banking sector:

- ❖ Bank should change their daily routine work through the paper less banking, online banking, mobile banking, mass-transportation system etc.
- ❖ Concept of LEED certified green buildings should be adopted by banking sector
- ❖ The bank should start investment in low carbon producing technology and should develop new sustainable development programs to reduce the carbon footprint from the environment.
- ❖ Banks must organize training program on environment sustainable development program to their employees.
- ❖ Bank employee must be given orientation on evaluation of green finance projects like renewable energy projects, clean water supply, bio-gas plants etc.
- ❖ Green banks should promote environmental consciousness, social responsibility and good governance by themselves. They should ensure efficiency in using space, water, energy, paper, etc., in its offices and branches.
- ❖ Bank should adopt go green mantra by this method bank could reduce the carbon footprint from the environment.

Customers are not required to fill slip in the bank for the withdrawal of money rather they could use ATM facility.

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