

# Green Banking: Issues and Challenges in India

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**Abstract:** An attempt is made on to understand the concept of Green banking and its issues and challenges in Indian context. Green is becoming a symbol of eco-consciousness in the world. Green banking is making technological improvements, operational improvements and changing client habits in the banking sector. Green Bank is like a normal bank, which considers all the social and environmental factors with an aim to protect the environment and conserve natural resources. It means to promote environmental friendly practices and to reduce the carbon footprint from banking operations. It is also known as ethical bank or sustainable bank. Banks should promote those products, process and technology which substantially reduce the carbon footprint from the environment. But adopting green banking in India is having many issues and challenges, which will be discussed in this paper.

**Key words:** Green Banking, Ethical bank, Green Marketing, Eco-consciousness

## I. BACKGROUND

Environmentalism is a broad philosophy. Environmentalism and environmental concerns are often represented by the color 'GREEN'. Global warming is a global issue that calls for a global response. The warming effect of certain man-made gas emission such as hydro-fluro carbon, methane, carbon-dioxide, and nitrous oxide is found responsible for falsification in climate changes. However, there is general lack of adequate awareness on the above issues and hence there is urgent need to promote certain urgent measures for sustainable development and corporate social responsibility. As banking is part of service sector where directly and/or indirectly responsible for issues in environment.

## II. INTRODUCTION

Green Bank is like a regular bank, which contemplates all the social and environmental factors which aim to protect the environment and thereby conserve natural resources. It means to promote environmental friendly practices and to reduce the carbon-footprint from banking operations. Such operations are known as ethical or sustainable bank. Banks should promote its 7P's and importantly products, process and technology which substantially reduce the carbon footprint from the environment. Banks and all other financial institutions have to focus on the environmental protection with the purpose of fulfilling the dual role. The first role of a bank is to work

towards ethically and socially responsible banking and second as an important role of their corporate social responsibility.

## III. MEANING AND DEFINITION OF GREEN BANK

Green Banking is like a normal bank, which considers all the social and environmental factors; it is also called as an ethical bank. Ethical banks have started with the aim of protecting the environment. These banks are like a normal bank which aims to protect the environment and it is controlled by same authorities as what a traditional bank do. 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. For banking professionals green banking involves the tenets of sustainability, ethical lending, conservation and energy efficiency.

## IV. APPROACHES IN GREEN BANKING

Following points portray the different approaches for going Green banking:

- i. **Online banking:** Online banking is an emerging concept which helps in preservation of natural resources. Online banking saves paper, energy and outlay of natural resources. It also helps customers to save money by avoiding late payments and also save their time.
- ii. **Mobile Banking:** Mobile banking refers to 'operating the banking transactions through cell-phones by customers of banks'. Banks' customers can check their account balances. They can transfer funds or pay bills from the cellphones and it also helps to save time and energy of the customers.
- iii. **Net Banking:** Net banking helps customers to achieve most of their banking related activities without personally visiting the bank's premises. To avail this facilities, one must have an internet banking identity and a password provided which is generated and provided bank. Online banking entails of use of credit and debit cards, online bill payment, Electronic Fund Transfer etc.

- iv. **Green Cards:** By using Green Credit Cards, banks donate funds to an environment friendly non-profit organization where funds can be utilized for eco-friendly social activities.
  - v. **Recycled paper:** Banks may use recycled paper products to reduce replanting with highest post-customer waste content. This process may include Automated Teller Machine receipts, monthly statements, annual reports, envelopes etc.
  - vi. **Electronic Pay Cheque:** Banks have to promote the Electronic pay cheques in its place of paper cheques. Most companies will give an option to employees to receive their pay-check electronically which saves paper, time and even paper work.
  - vii. **Green Checking:** Green checking refers to checking of account related information through Automated Teller Machine or with a special touch screens which are located in banks. This process may help the account holder by providing more online banking services like online bill payment, debit cards, and online statements.
  - viii. **Green Loans:** Banks provide loans for home solar system with low rate of interest whereby banks are contributing in save dependency on hydro-power and to Go-green. The Ministry of Non-renewable Resource in association with some nationalized and scheduled banks undertook an initiative to Go-green by paying low interest loans to the customers who would like to buy solar equipment's.
  - ix. **Power Hoard Kits:** Banks are taken inventiveness in making the rain-water harvesting in their own constructions, usage of GSL bulbs whereby they are directly causative to control climate change.
- society and also the banks' profit. This will also help in the ecological balance.
5. None of the Indian banks have adopted Equator Principle despite the RBI instructions. Also, none of the Indian banks are signatory to the UNEP-FI. But in recently, various Indian banks have adopted various important contributions.
  6. State Bank of India has started Green Channel Counter to initiate various paperless transaction activity of the banks in the branches like cash deposit, cash withdrawal and fund transfer up-to Rs. 40,000/-.
  7. Indus Ind Bank has set up solar power ATM to save 1981 KW of energy per hour every year to reduce carbon emissions.
  8. Yes Bank under community development initiatives called "Planet Earth" is promoting clean and green drives energy efficient practices and local adversity management plans at its retail branches.
  9. ICICI Group have saved over 30,000 trees and 16 crore liters of water through their various environmental friendly activities.
  10. Bank investing and/or lending to those businesses and projects which have environment-friendly approach can set a trend for the companies in order to endure in the environmentally friendly market.
  11. There is no law and rule in India that can hold banks responsible for examining investment projects before financing and for the environmental damage created by its client.

## V. ISSUES OF GREEN BANKING IN INDIA

India is on a higher growth arch for almost two decades and the industrial sector plays the most important role in India's success story. However, Indian industry faces the many challenges in controlling pollution and emission of their clients. The following are the major issues relating to green banking in India.

1. Though Government is trying to address the issue by framing environmental legislations since years and encouraging banking industry to follow environmental, technologies and practices, they would not be enough.
2. Having the poor track records of implementation of environmental technologies, and also public awareness about it is very poor.
3. Industries inability to derive competitive advantage by producing eco-friendly products.
4. Green banking requires a fundamental change in the planning process of the banks with the adequate consideration about the economy, business, finance,

## VI. CHALLENGES OF GREEN BANKING IN INDIA

Following are the major challenges Green Banking operations in India:

- i. **Diversification:** Diversification is the major challenge to go for Green banks which hamper their business transactions to those business bodies who qualify screening process done by green banks. With limited number of customers, Green banks will have a smaller base to support them.
- ii. **Start-up Face:** Several banks in Green business are very new and are in start-up face. It generally takes 3 to 4 years for a bank to start making money, thus it does not help banks during recession.
- iii. **Operating Cost:** Green banks require talented, experienced staff to provide proper services to customers which requires higher the operating cost. Experienced loan officers are needed with additional experience in dealing with green businesses and customers.
- iv. **Brand Risk:** If banks involved in Green banking operations, such projects will damage the environment where they are prone to loss of their brand reputations. There are also few cases where

environmental management system has resulted in cost saving, increase in bond value.

- v. **Credit Risk:** It arises due to lending to those patrons whose businesses are pretentious by the cost of pollution, changes in environmental regulations and new chunks on emissions levels. It is higher due to probability of customer default as a result of uncalculated expenses for capital investment in production facilities, loss of market shares and third party claims.
- vi. **Specific Banks:** The focal area of a Green bank is to support those who takes care of the environment, which involves money. Saving the environment does not necessarily equate to “making a profit”. Hopefully though, this premise is proven wrong in this case and that green banks prove that they can survive, even as they face restrictive requirements for doing business.

## VII. CONCLUSION AND SUGGESTIONS

Implementation of Green method in Banks is more than just fetching environment-friendly. It is connected with lots of reimbursements to the bank like reduction of risk as well as cost. Enrichment of banks standings and support to the common good of environmental besides enhancing the reputation of the bank. In a broad sense, Green banking serves the commercial objective of the bank as well as the Corporate Social Responsibility. Thus, it is important that Indian Banks should apprehend their responsibilities towards the environment as well as the society in order to compete and survive in the global market.

For effective adoption of Green banking, the RBI and the union Government should play major role in formulation

of Green policy guidelines and financial incentive. Some suggestions for the banks to encourage green banking are given as below:

- Communicate Green banking policy execution through press,
- Construct websites and spread the news of Green banking initiatives,
- Impart education through E-learning programs,
- Make green banking activities as part of Annual Environment Reports,
- Training and Development of relevant skills among bank employees,
- Banks may formulate innovative financial solutions to incorporate environmental perspective,
- Banks can introduce Green-funds for customers who would like to invest in environment friendly projects.

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