

# Green Banking-A Revolution in the Banking Industry

Shailaja D<sup>\*1</sup>, Prof. Ramesh O Olekar<sup>#2</sup>

Research Scholar, Department of Commerce, Vijayanagara Sri Krishna Devaraya University, Ballari, Karnataka

Professor, Department of Commerce, Vijayanagara Sri Krishna Devaraya University, Ballari, Karnataka

**Abstract** — Banking is a key service sector in India. Banks have very important role in the development of economy. It contributes its income to the economy in the form of increased Gross Domestic Product. Modern banking is also concentrating on the protection of environment as a CSR initiative through its Instrument called Green Banking. Green banking is the process of reducing internal carbon foot prints and external carbon emissions with a concern over reducing the depletion of natural resources. This paper concentrated on elaborating the initiatives of Green banking of banking sector. The study used descriptive method. It is found that the banks in India are well equipped with Green banking instruments and most of the customers are adopting it. And also benefits of green banking are highlighted.

**Keywords** — Sustainability; Carbon Emissions; Carbon Footprints; Environment; Depletion.

## 1. Introduction

Green Banking is an innovation in the field of banking sector. Green banking is the process of reducing the carbon footprints from its activities towards ensuring environmental efficiency and speed up of its services and assisting the customers to operate their banking activities from their home itself using the different modes of Green banking through online mode. Basically banking is not a polluting sector but the activities of banks leads to contributing in the depletion of natural resources like paper, electricity, water etc. So Green Banking emerged as a best solution for the Traditional banking system with a transformational change from branch banking to online banking, mailing of bills to paying online and opening up Commercial deposit and Money market accounts instead of large multi-branch banks. Green bank is like a normal bank which considers all social and environmental factors with an aim to protect the environment from its activities and to conserve the natural resources.

## 2. Green Banking Products and Services

Years ago there was no growth for industries because of poor financial support. After the industrialisation, the growth of industries was good with lot of financial support from banks and other financial institutes, profits of organisations increased; rate of GDP was grown high with lot of opportunities for new entities. But the over use of natural resources though digging, mining and other activities made the industries to think about their responsibility towards environmental protection. So banking being a major lender of finance to many organisations took the initiative to reduce the impact of banking activities on environmental degradation like lending loans to those industries which have poor concern over environmental protection, over use of paper and other

resources in their day to day activities. Evolution of Green Banking changed everything, banks started to do transact their banking using online mode, providing facilities to their banking customer to operate their banking activities at their convenience etc. Few of the Green Banking products and services are highlighted below:

### 2.1 Green Mortgages

A green mortgage is an energy efficient loan product, here the borrower obtain finance from a bank to purchase house and to refinance the existing house.in green mortgage monthly payments are high for the loan borrowed. Green mortgage is eligible only for an environment friendly building like recycled glass, bamboo flooring etc.

### 2.2 Mobile Banking

It is a service, which is provided by banks and allows its customers to conduct banking transactions anywhere by using a mobile phone such as smart phone, tablet. It is available 24\*7 basis.

### 2.3 Automated Teller Machine(ATM)

An ATM is a specialized computer that makes convenient to manage a bank account holder's funds. It helps to check the account balances, withdrawal and deposit of money, printing of statement of account transactions. It is served as a 24\*7 service.

### 2.4 NEFT/RTGS

National Electronic Fund Transfer is a nationwide payment system that facilitates one-to-one fund transfer. This scheme facilitates the individual to transfer funds electronically from one bank to any individual having an account with any other bank branch in the same country.

RTGS is nothing but Real Time Gross Settlement and it is a quick fund transfer method which is done on a real-time basis. This allows the money sent by the remitter to immediately reach the beneficiary account. It is the fastest interbank money transfer method.

## 2.5 Point-Of-Sale Terminal

A point of sale terminal (POS) is a system of processing card payments at retail locations. It is a computerised replacement of cash register which processes credit and debit cards. Here the customers need to enter the Personal Identification Number (PIN) number of his card to complete the transaction using the POS terminal.

## 2.6 Electronic Clearing Services

Electronic clearing service (ECS) is nothing but fund transfer from one bank account to another through an electronic mode. It is largely helpful for firms, individuals and corporates for the payment of bills such as electricity bills, water bills and loan payment and other services like payment of insurance premium etc.

## 3. Initiatives of Green Banking by Various Indian Banks

*State Bank of India* - State Bank of India is the top public sector Bank in India, has played a key role in adopting and implementing Green Banking. It is appreciable. In India no one bank is providing its sustainability Report and SBI is the only bank in India submitting its Sustainability Report Every year.

- SBI has installed 58555 ATMs which includes 1372 Automated deposit and withdrawal machines as on 31<sup>st</sup> March 2020 to assure 24\*7 services.
- SBI has installed around 3700 Swayam, nothing but it is a barcode based passbook printing kiosks, which enables the customers to print their passbooks on their own.
- YONO-Lite is a safe, convenient and feasible banking application developed by SBI specially made for retail users, which let them manage their bank on the move.
- SBI Pay (BHIM) is a Unified Payments Interface (UPI)- Facilitates the transfer of funds across various bank accounts using a VPA-Virtual Payment Address. More than 9.5 crore users registered during the year 2019-20, in which 333 crore transactions of worth 7.32 lakh undertaken.
- SBI also provides BHIM, in convenience to make bill payments, books tickets online, ordering food online, donation towards few noble causes like PM CARES COVID-19 relief fund, Clean Ganga Fund and various chief minister's relief funds.

*Industrial Credit and Investment Corporation of India (ICICI)* - ICICI is the top private sector Bank in India and its role towards Go Green Initiative is a lot.

- ICICI bank planning to go green by reducing the usage of paper.
- Goal towards environmental perspective bank reduced its energy consumption by 15% in the year 2015-16.
- It is also made a record of energy saving by 29 million units and it is a contribution of both urban households and rural households.
- ICICI Bank's 15 large offices and two data centres has reduced the carbon dioxide emission by 15,500 tonnes in last fiscal as compared with fiscal by the end of March.
- Reduction of paper consumption by one-third in 2015-16 compared to 2013-14, which is equal to protection of 13770 trees.

## 3.1 Awareness of Green Banking

Innovation of new term called Green Banking is a customer perspective one. So the responsibility of implementing Green Banking is not enough but the creation of awareness towards Green banking to its customers is in need. So banks need to conduct awareness programs, advertisements and road shows and spreading the news in the form of pamphlets and online ads is need to be done by the banks.

## 3.2 Benefits of Green Banking

- Reduces the internal carbon footprints from its activities and external carbon emissions.
- Protects the Environment from its degradation.
- Avoids wasting more papers and make it as paperless banking.
- Saves time and cost of both customer and banks.
- Speed up of banking services.
- Easy transfer and deposit of funds from one account to another.
- Online payment of bills, like gas bill, phone bill, electricity bill and also online ticket booking etc.
- Maintains sustainability with Go Green initiative.
- Green Banking also helps to reduce the wastage of resources and maintains eco-friendly environment.

## 4. Review of Literature

*Ramila, et al (2015)* - Author analysed the impact of Green Banking initiatives on the level of carbon footprint and also to examine the impact of green banking initiatives on the level of carbon footprint. Author also framed hypothesis to know the existence of influence on the retail

electronic payment system (ECS, NEFT, and Debit card & credit card usage) on the level of carbon foot print and study is based on secondary data. Research methodology used is empirical study and also multiple regression analysis. The study concluded that the usage of debit & credit card transactions play a major rare in implementing Green Banking by reducing the level of carbon foot prints. But ECS & NEFT / EFT also reduce the level of carbon foot print but it is not that much effective compare to card based transactions

*Sinu gopi (2016)* - Author recognized day by day Environmental Protection is becoming a challenge. So Green Banking is considered as a Key to unlock the problem of Environmental degradation, because green banking refers to the initiative taken by the Banks to Encourage Environment friendly investment. So this paper concluded that Green Banking is a smart way of future sustainability and this study is helpful for Environmental protection. Author collected data both Primary and Secondary by adopting method of Interviews, Questionnaires, observations Etc., and facts are presented in the form of tables, graphs, pie diagrams & Charts.

*Neevitha (2017)* - Author study the case study of Green banking in Mauritius about customers' perspective of Green Banking awareness by customers by selecting 200 respondents. Most of the customers are aware of Green Banking services. But they are having no knowledge regarding use of Banks to educate their clients to know how to use the services of Green Banking.

*Sutap kumar ghosh, et al(2018)* - Author seeks to detect how the central regulatory policies relating to Green Banking practices reporting by other banks in a country. This study is a descriptive bases research with different published resources (Literatures). After the investigation, central bank of Bangladesh has directly included Green Banking practices & Established specific policies of guidelines. So Bangladesh Bank not only follows up Green Banking but also discloses overall status of Green Banking practices in Bangladesh. But in India because of lack of Central Bank's regulatory policies, the current status of overall Green Banking policies by various financial institutions is not at satisfactory level. In Pakistan Green Banking policies & in Pakistan Green Banking is totally a new concept in Banking sector & Remains at very stage although. State Bank of Pakistan has already established Green Banking unit to exchange green Banking practices in Pakistan.

*Shobha, et al(2018)* - Author studied the opinion of customers about GB initiatives by Banks. He collected information / Data through structured schedules & also from published sources. The sample selected is 30 customers from each Bank SBI, Canara Bank of syndicate

Bank. Tools used for oata-processing is descriptive statistics like mean, mode percentage method & Anova-t-test & Chi-square test it used. It is concluded that GB practices are implemented But not into execution by customers because they were not educated about how to use the GB services.

## 5. Research Methodology

The study described the Green Banking practices adopted and implemented by the selected banks SBI and ICICI and also discussed about recent innovations in the name Green Banking. The study is done using Descriptive Research Method. Data collected from secondary sources by doing Literature review and from both published and unpublished resources like articles, books, websites and sustainability and annual reports of banks.

## 6. Objectives of the Study

- To study the initiatives of Green Banking in India.
- To study the benefits of Green Banking for both its customers and environment

## 7. Findings of the Study

- Top public and private sector Banks are implementing the Green Banking services
- Banks are adopting new Green Banking products and services.
- Few other banks are still at initial stage in implementing it.
- SBI and ICICI are able to achieve sustainable growth at a rapid speed.
- Also banks are creating the awareness towards its customers about Green Banking Facilities.
- Green Banking helps to maintain sustainability and conserve natural resources.

## 8. Conclusion

Green Banking is also called as sustainable banking and eco-friendly banking. Green banking is nothing reduction of internal carbon emissions and encouraging environmental friendly activities. Green Banking is like a great revolution in the banking industry. Although banking industry is a least polluting industry of environment comparing to other industries most of the top banks are adopting the green banking activities and implementing them successfully in achieving complete sustainability. Paper discussed about the green banking initiatives and their benefits as a whole. But many are need to do necessary arrangements with a view to undertaken the

Green Banking activities. So the Green banking is beneficial for both environment, banks and for customers.

## References

- [1] CEO briefing, Green Financial Products and Services (2007), Current State of Play and Future Opportunities, UNEP Finance initiative, report.
- [2] Sustainability Report of Green Banking –SBI for the year 2018-19 and 2019-20.
- [3] Annual Report of SBI for the year 2019-20.
- [4] D.kandeval “Green banking initiatives of commercial banks in India” SIT Journal of management, Vol.3, no.2, ISSN: 2278-9111. pp 213-225. 2013
- [5] Ramila“ Imapct of Green Banking initiatives on the level of carbon foot print-An Empirical Study” vol.4, no.1, ISSN: 2277-6753. 2015
- [6] Sinu gopi “A Study on the impact Green Banking in environmental protection” IJARIE, vol.1, issue.4, ISSN(o):2395-4396. 2016.
- [7] Neevitah “ A Customer Perspective of Green Banking: A Case Study of Commercial Banks in Mauritius” Science Research Publishing Journal, ISSN(o): 2162-2086, ISSN(p): 2162-2078. 2017
- [8] Shobha “Customer Perception on Green Banking Practices in Public sector Banks: An Empirical Study” vol.6, issue-12, ISSN: 2321-1784. 2018.
- [9] Shifa fathima “Digital revolution in the Indian banking sector”. Vol.8, issue.1, P-ISSN: 2320-4168 E-ISSN: 2582-0729. 2020