

# **A Study on Influence of Green Banking Techniques on Indian Banking Industry with Respect to Telangana Region**

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## **Abstract**

The burning problem of today's society is Environmental Protection. Global Warming has given rise to many environmental issues. One of the trending solutions to overcome this issue is to adopt Go Green Mantra. The present paper focuses on adoption of Environmental Sustainability practices through various techniques in Indian Banking Industry. The paper highlights about various Green Banking Techniques implemented and also its related problems. The study also has come up with some suggestions for better implementation.

**Key words:** Green banking, Banking Industry, Techniques, Environment sustainability.

## **Introduction**

In the environment friendly society "Go Green" mantra has become relevant in each and every aspect of business. There is a move towards green economy and in every sphere, organizations have to be environmentally sensitive. One such area is Green Banking. Green Banking means ensuring environment friendly practices in banking sector and thereby reducing internal and external carbon footprints. Broader view is having green criteria as a lending principle. 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 environmentally friendly practices and to reduce the carbon footprint from banking operations. It is also known as ethical bank or sustainable bank.

There is an increase in awareness regarding protecting and conserving the environment. Green Banking plays a predominant role in protecting the environment. It integrates management of environment with banking activities and aims at reducing carbon footprints. Green banking is key issue concerning the development of the nation with globalization and increasing competition moving towards the green wave provides competitive advantage. The Indian banks

association defines it as —green bank functions like a normal bank along with considering the social and environmental factors for the protection of the natural resources. According to RBI (IDRBT 2013) —green banking is to make internal bank process, physical infrastructure and information technology effective towards environment by reducing its negative impact on the environment to the minimum level. Green banking promotes environmentally friendly practices and reduces carbon footprints from banking activities. This comes in many forms using online banking instead of branch banking, paying bills online, instead of mailing them open up CDs and money market counts at online banks, support green initiatives.

The present research study is being undertaken to study the “Influence of Green Banking Techniques on Indian Banking Industry” w.r.t. Telangana Region. The study focuses on various Green banking Techniques used by Indian Banking Industry and its related Issues and Challenges.

### **Need for the Study**

Banking industry is never considered as a polluting industry; however, the present scale of banking operations has considerably increased the carbon footprint of banks due to their massive use of energy, high paper wastage, lack of green building, green project investment etc. To aid the reduction of external carbon emission, banks should finance green technology and pollution reducing projects. The banks operation should be emphasized on green banking activities conducted in such area and in such a manner that helps the overall reduction of external carbon emission and internal carbon footprint. Therefore, banks should adopt technology, process and products which result in sustainable reduction of their carbon footprint as well as develop a sustainable business.

### **Objectives of the Study**

- To study the Influence of Green Banking Techniques on Indian Banking Industry w.r.t. Telangana Region.
- To study about various Green Banking Techniques implemented by Indian Banks
- To study the challenges facing by Indian Banking Industry in implementing Green Banking Techniques.
- To provide suggestions for betterment.

### **Sources of Data**

The data for the study is purely taken from secondary sources such as Collection of information through various Books, Journals, online publications and Bank website.

## Origin of Green Banking

Green Banking concept is associated to Triodos Bank. It was established in the year 1980, having the origin of Dutch. It started the ecological sustainability in the segment of banking since beginning. The concept of green banking was developed in the western countries. Green Banking was formally started in 2003 with a view to protecting the environment. Then the Equator Principles (EPs) were launched and were initially adopted by some leading global banks, such as Citigroup Inc, The Royal Bank of Scotland, Westpac Banking Corporation. In March 2009, Congressman Chris Van Hollen of USA introduced a Green Bank Act with the aim of establishing a green bank under the ownership of the US government.

There are two ways of green banking practices. One is in-house green banking; another is practice by the bankers in their business area. Creating clean and hygienic banking environment, green building, reforestation, online banking, waste management, installation of solar panel on the rooftop of the bank and using high mileage vehicles, reducing sound pollution, using webcam for video conferencing instead of physical meetings, online statements, emailing documents are included in the in-house Green Banking.

Financing the green projects like Bio-gas Plant, Solar/Renewable Energy Plant, Bio-fertilizer Plant, Effluent Treatment Plant (ETP), Projects having ETP etc, working on specific green projects, voluntary activities of banks are major practices by the bankers in their business areas. Green banking undertakes proactive measures to protect environment and to address climate change challenges while financing along with efficient use of renewable, non-renewable, human and natural resources.

## Why Green Banking?

The reasons for moving towards green mantra in banking sector in this fast-changing environment is

- Going green provides competitive advantage.
- Consumers are more interested in environment friendly goods and services.
- The wave of globalization has increased awareness of investors and they now opt for environment friendly investment.
- Stricter government regulations are in place now.
- Government agencies demand a greater disclosure.

So, on account of all these banks are required to manage their day- day operations considering the environment impact and also finance only those alternatives which are having a positive impact on the planet.

## Literature Review

The word green banking has been conceptualized to implement the broader concept like sustainable development. According to World Commission on Environment and Development (WCED), "Sustainable development is development that meets the needs of the present without compromising about the ability of future generations to meet their own needs (Smith, Rees, and Gareth 1998).

According to RBI (IRDBT, 2014), green banking is to make internal bank processes, physical infrastructure and IT infrastructure as effective and efficient as possible, with zero or minimal impact on the environment.

Dharwal & Agarwal (2013) studied that green banking is a key in mitigating the credit risk, legal risk and reputation risk. The author had suggested some green banking strategies like carbon credit business, green financial products, green mortgages, carbon footprint reduction (paperless banking, energy consciousness, mass transportation system, green building), and social responsibility services towards the society.

Ela Sen (2010), Besides several benefits of computerization like speed, accuracy, ambience, efficient handling of sizeable business, etc., there is a factor like paper-less business resulting in waste management, eco-friendliness and pollution control.

Yadav and Pathak (2013) studied the Green Banking approaches opted by private and public bank for environment sustainability. Using case study approach, they find that Indian banks have understood the relevance of taking positive steps towards the environment. Moreover, results of the study conducted reveals that public sector banks have taken more initiatives as compared private sector with exception of ICICI bank. In private sector only ICICI bank's approach is a sustainable approach.

Bahl (2012) highlights the means of creating awareness about Green Banking to ensure sustainable growth. Garrettt's ranking technique is used to analyze the most significant strategies in respect of Green Banking. If the goal is to attain sustainable development this can be achieved only through creating awareness and imparting education. Among the internal sub systems emphasis should be given to publications, newsletters so as to create awareness and effective means for external sub systems are event meetings, media and websites. A proper formulated green policy guideline is needed for effective Green Banking.

## Techniques of Going Green

**Online Bank Accounts** - Online banking is the developing concept in India these days. Online banking and mobile banking helps in conservation of energy and natural resources. It includes paying bills online, online fund transfers, online statements and all this will help to reduce the use of paper, energy and natural resources. It will help to save a lot of time by avoiding standing in the queues and avoid late payment fees.

**Paper Less Statement** - By choosing the online banking accounts there will be lot saving of paper. The customers can opt for green checking accounts due to which they can check their accounts details on ATM or touch screen systems at various banks. Online banking includes online bill payments, debit cards, online statements. When the statements are received electronically the chances of theft will also be reduced.

**Direct Deposit** - Most of the employers give the option to their employees to get their pay cheques directly into their account, which will help to reduce paperwork and save you a trip to bank and paper.

**Mobile Banking** - Mobile banking includes balance checks, account transactions, payments etc. via mobile device

**Net Banking** - Online banking means customers perform their bank related functions without personally visiting the bank. But to do so, customer must possess an internet banking ID and password. Net banking gives various benefits like time saving, convenience, eco friendly process etc.

**Reward Debit and Credit Card** - Some banks have joined hands with environmentally friendly groups like The Sierra Club or Defenders of Wildlife to credit reward debit cards and reward credit cards. Participating banks will make a small charitable donation as a percentage of your online banking activity to help the environment.

**Online Bill Payments** - Telephone bills, cable bills, credit cards payments electricity bill, mortgage payments can be all paid electronically. Even some customers have thrown their cheque books and completely converted to online payments. This will help to easy record keeping and saving paper.

**Green Mortgages & Loans** - Green Mortgages is also known as Energy Efficient Mortgages (EEMs). It provides very low rates to the customers against the market prevailing rates of mortgages, provided the client go for such houses which are energy efficient ones, having energy

efficient appliances viz energy-efficient windows, geothermal heating or water heaters, solar panels etc.

**Green Car Loans** - In order to motivate the customers for high fuel efficiency cars, such green car loans are launched, having lower interest rates. There is a legitimate increase in such products and countries like Australia and Europe are first in this league.

**Green Project Finance** - Many top leading banks like Barclays at global level have formed a separate department dealing with the Green Project Finance. This type of finance comprises of the advanced funding arrangements for clean fuels and renewable energy projects. And needless to mention, such financial institutions have got appreciations and even achieved recognition through awards.

### **Problems of Green Banking Techniques**

- Inefficiency and inadequate knowledge of the bank management about the online banking.
- Lack of proper strategic plan to gain and retain market share of the indigenous banks.
- Lack of international standard communication channel.
- High cost of establishing online banking system.
- Inadequate back and front office management.
- Lack of integrated plan among the banks and the Central Bank authority.
- Inappropriate software and less trust by the Bank authorities on local software.
- Legal barriers and appropriate policy framework
- Insufficient budget to train employees

### **Suggestions**

- Authorities must try to organize various training programmes to educate bank employees in handling online banking practices.
- Bank employees must be encouraged to share knowledge and technical know-how among their closest branches to reduce cost burden.
- Government should provide financial support in setting up Green Banks.
- Coordination among concerned authorities is a must.
- Borrowers must be encouraged and create awareness about going green.
- Green banking guidelines must be applied in an efficient manner.

## Conclusion

Green Banking has become a buzz word in today's banking world. Green banking though it's a new concept, has come up with many technological, operational improvements and changing customer habits in the banking sector. The bank should bring awareness in customers to adopt environmental standards for the lending and financing principles, so that they could direct themselves towards reducing the carbon footprint by using the appropriate technologies. Indian Government should regulate standard practices to harness these banks and financial institution to adopt the principle equator guideline so that they can contribute in the protection of environment in future. Green banking is a smart and proactive way of thinking with a vision of future sustainability. Finally, we can say that going green should be the motto of all commercial banks.

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