

GREEN BANKING: ISSUES AND CHALLENGES

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ABSTRACT

Green banking means less utilization of natural resources and optimal reduction of wastage of paper or carbon foot print. Before the concept emerged there was no improved technology used in banking transactions, which would make work more complicated or tedious involving much of clerical work. Green banking contributes mainly on paperless or less paper transactions. By providing concessional credit facilities, it attracts the businessmen to adopt the environmental friendly products. Green banking protects the environment and also reduces human errors, frauds, improve operational efficiency and reduce cost in banking activities. The Green banking is a part of green initiative taken by stakeholders to save environment. The one of professed role of digital India was "Faceless, Paperless, Cashless" with a vision to transform India into a digitally empowered society and knowledge economy. The objective of this paper is to analyze the concept of green banking and to discuss the issues and challenges in practice of green banking and also to understand the growth of green banking in India.

Key words: Green Banking, Technology, Financial system

INTRODUCTION

Banking sector is one of the major sources of financing investment for commercial projects which is one of the most important economic activities for economic growth. Green Banking makes an effort to restore the natural environment and to make the industries go green. Green banking means promoting environmental friendly practices and reducing carbon footprint from banking activities. Further, Green banking aims at protecting the environment and controlled by same authorities as what a traditional banks do. It includes Self ATM pin generation, mobile banking transaction record, online Banking through internet, SMS, phone and ATM, free electronic bill payment services, e-remittance services, e-statements, online account opening and cash backs for new customers for opening green accounts application.

The implementation of green banking policies would assist the bank in managing the uncertainties inherent in its activities. Green Banking seems to be an initiative and an environmental issue that really seems to be very important to the activities of banks. Green banking encompasses everything from a loan to purchase an energy efficient car, cash to help save energy in the home, and loans for businesses who want to go green. As green initiatives sweep across the globe, more and more financial institutions are taking note and taking action. The approach to green banking or sustainable banking varies from organization to organization. Green banking not only ensures the greening of industry but it will also facilitate in improving the asset quality of banks in future. Online banking system reduces the costs, improves the performance and competitiveness. Providing the service at no cost to retail and business customers. Financial institutions are also pledging commitment to sustainability further by signing on to initiatives like the Equator Principles.

OBJECTIVES

The main aim of this paper is to analyze the issues and challenges in practice of Green Banking. The specific objectives are:

1. To analyze the concept of Green Banking
2. To discuss the issues and challenges in practice of Green Banking
3. To understand the growth of Green Banking in India

RESEARCH METHODOLOGY

The paper is both descriptive and analytical in nature. The analysis is based on secondary data and review of literature.

GREEN BANK AND BANKING

Today, Green bank considers all the social and environmental factors with an aim to protect the environment and also conserve natural resources. There are different ways of green with banking like Green Accounts; Online Statements and Internet Banking Registration .Major purpose of green banking is to perform banking activities with an additional plan towards taking care of earth's ecology, natural resources as well as environment. Today in banking sector green banking is making technological improvements, operational improvements and also changing client habits. Banks should promote those products, technology and process which sustainably reduce the carbon footprint from banking operations. Green banking as such is not only a CSR activity of an organization but it is also about making the society habitable without any considerable damage. However to a certain extent there is general lack of adequate awareness on above mentioned issues and there is an urgent need to promote certain urgent measures for sustainable development as well as corporate social responsibility.

SCOPE OF GREEN BANKING IN INDIA

Traditionally, banking sectors concern for environmentally degrading activities of clients is like interfering in the business affair. The world has seen much focus on economic progress and mankind has made giant steps in its journey through time. Therefore, the financial institutions need to engage proactively with shareholders on environmental and social policy issue and evaluate the impact of the client's investment. It is interest of the banks to practice green banking and thereby avoiding the aforesaid risks involved in the banking sector. The scope of green banking is immense for both the banks and the economy by avoiding the following risk involved in banking sector are credit risk, legal risk and reputation risk.

ISSUES OF GREEN BANKING IN INDIA

In India, industrial sector plays the most important in development of the economy. 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, society and also the banks profit. This will also help in the ecological balance.
5. Recently, the 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/-.
6. 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.

7. 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.
8. 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.

CHALLENGES OF GREEN BANKING IN INDIA

Challenges and Benefits of Green Banks were at start up mode and if they were restricting their business to a smaller pool of customers, then their profits will be impacted. Green Banks had higher operating expenses as banks which require specialized talent, skills, expertise due to the kind of customers they were servicing and also the reputation of the banks was impacted as they involve in the projects emphasized on the confronting challenges of green banks. For certain while adopting green banking practices, banks will face the following major challenges Green Banking operations in India:

- i. **Diversification:** Diversification is the major challenge to go for Green banks. With a smaller group of customers, bank automatically has a smaller profit base to support. If bank focus their loans on certain industries, they open themselves up to being much more vulnerable to economic shifts.
- ii. **Start-up Face:** Several banks in Green business are in the face of start-up. It 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 officers are needed with additional experience in dealing with green businesses.
- iv. **Lack of environmental audits:** Lack of environmental audits is required to determine the environmental status of a facility, property, and operation. These should be done by an independent body or by any environment investigation team.
- v. **Less attention on environmental risk management:** Less attention is given for the environmental risk management after the post transaction period.
- vi. **Non automation of business process:** Mostly banks are not adopting automation process Banks should conduct energy audits in all their offices for effective energy management using compact fluorescent lighting (CFL) can help banks save on energy consumption considerably.
- vii. **Lack of clear policies:** Clear policies are required to altering the present management systems to incorporate sustainability issues.
- viii. **Unavailability of skilled employees:** Skilled employees are required to implement the strategies properly.

GREEN BANKING INITIATIVES IN INDIA

Banking sector as one of the major stakeholders in the industrial sector where, Digitization brings the paradigm shift of conventional business models in the Banking and Financial Services sector in India. The Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1485 urban cooperative banks and 96,000 rural cooperative banks. Some of the specific initiatives taken by few banks in India are:

State Bank of India (SBI)

State Bank of India (SBI) has taken several strategic initiatives to becoming carbon neutral by 2030. SBI is the first bank in the country to take initiatives into generation of green power by installing windmills in partnership with Suzlon Energy. SBI has adopted the Green Bond Framework, a guideline regarding Green Bond issuance and the

use of proceeds for projects creating a positive impact on the environment. At present SBI has 58,555 Automated Teller Machines (ATMs) across all over India.

Punjab National Bank (PNB)

Punjab National Bank (PNB) believes in sustainable growth incorporates environment protection. PNB has adopted "Green Building" initiatives to reduce wastage of resources and energy such as utilizing laminated glass to reduce the infrared & UV light inside building, conserving electricity by usage of energy efficient electrical equipments, LED lights, sensors, etc. For financing Rooftop Photovoltaic Solar Power Projects, the Bank has been sanctioned a line of credit of \$500 million from Asian Development Bank. Further, Bank has introduced 'Green PNB' initiatives to address environmental concerns, to help mitigate wastage of energy, conserving electricity.

IDBI bank

IDBI Bank is a member of the Council of National Action Plan on Climate Change (NAPCC). IDBI Bank is one of the signatory to Carbon Disclosure Project (CDP). During 2013, in Corporate Governance also bank started their initiatives by going paperless and sending documents to shareholders through electronic mode. The Bank has taken several initiatives for funding all potential Clean Development Mechanism (CDM) projects based on clean technologies like renewable, solar cell, co-generation and energy efficiency equipments projects. A project on "Initiative for Low-carbon Business Sustainability through Environmental Banking" by IDBI Bank won ADFIAP's Outstanding Development Project Award 2014 under the Environmental Development Category.

ICICI bank

ICICI Bank launched 'Go Green' - an organization-wide initiative to reduce its own carbon footprint. ICICI Bank has supported various ecological projects across the country. In India, ICICI Bank has installed solar power facilities at 522 Gramin branches across 7 states. Insta Banking is a new feature in the iMobile App initiated by ICICI Bank. During 2019-2020, 11 premises of ICICI Bank have been certified with the highest possible 'Platinum' rating by IGBC. ICICI Rural Self-Employment Training Institute (RSETI) at Jodhpur is India's first IGBC rated 'Net Zero Energy Platinum' new building. ICICI Bank provided a grant to setting up of oxygen generation plant at Siachen in Ladakh.

HDFC bank

HDFC Bank is known for its efforts in reducing greenhouse gas (GHG) emissions. During the period 2019-20, the Bank has achieved 12.0 percent reduction in power consumption through Energy Management System (ENMS) adopted at 600 branches. HDFC Bank is the second top constituent of the NIFTY enhanced ESG Index. The Multi-Functional Devices (MFD) installed at large offices of HDFC Bank also measures and monitors department-wise paper consumption.

AXIS bank

In India, Axis Bank is the third largest private sector bank. The main aim of Axis Bank is to "promote environmental sustainability and equitable growth through sustainable lending practices; reduce impact on the environment on account of our own operations by actively managing our environmental footprint and supporting customers to make 'green banking' choices". In 2019 Axis Bank has decided a guidelines parameters 'Growth, Profitability, Sustainability' (GPS) which will guide them in their operations. During 2020, the Bank's overall exposure to 'sustainable' sectors including renewable energy (including hydro), urban mass transport, and green buildings, stood at ₹6,446.58 Crores.

CONCLUSION

Green Banking has been boosting to improve the environment and promoting economic growth. The most traditional banks did not practice green banking or actively seek investment opportunities in environmentally-friendly sectors or businesses. In today's business, there is a need to create awareness and follow green banking in world of innovative technologies so as to make our environment human friendly. "Go Green" is an organization wide initiative that is moving towards banks, their processes and their customers. Recently the strategies are more prevalent, not only among smaller alternative and cooperative banks, but also among diversified financial service providers, asset management firms and insurance companies. The concept of "Green Banking" will mutually beneficial to the banks, industries and the economy. "Green Banking" not only ensures the greening of the industries

but also facilitate in improving the asset quality of the banks in future. There are lot of opportunities and challenges for Indian banks in adopting 'Green Banking' as profitable business. Therefore, for sustainable banking, Indian banks should adopt green banking as a business model without any further delay.

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