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“A Study On Effectiveness Of Green Banking System In India.”

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ABSTRACT:

The role of banking is significant in growth of an economy. Many studies have been proved that there is long run stable relationship between banking sector and economy. Matter of fact development of the economy has been invariably depends on the multi-dimensional growth of banking sector. At the same time, the meaning of development has changed from mere increasing national income to sustainable development. The millennium development goals (MDGs) have replaced by sustainable development goals (SDGs). Since, the banking sector has high degree of relationship with economy; it has significant influence on sustainable development. Globalization and industrialization have been fulfilling the needs of the people at the cost of environment. However, in recent years, concerns about environmental issues have been gained much importance with increasing temperature, increasing sea level, environmental hazards, green house effects, increasing carbon dioxide emissions and many more. United Nations Organization (UNO) has set seventeen goals to achieve sustainable development. And UNO has specifically identified the role of institutions in achieving sustainable development. Accordingly, banks have greater role to play in achieving sustainable development.

Keywords; Banking, Green banking, Initiatives, Security, Usability.

Introduction:

The concept of green banking is attached to TRIODOS BANK established in the in 1980 (Rambalak & Govind Swaroop, 2013). From then, most of the banks particularly in the west have been introduced different initiatives of green banking practices. Today, banks in developing countries also started introducing green banking initiatives in their practices. Green banking means promoting environmental friendly practices and reducing the carbon footprints from the banking system. Institute for Development and Research in Banking Technology defines, green banking as “green banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environmental and social dimensions (Institute for Development and research in Banking Technology, 2013)This definition is focusing on minimization of possible impact on environment.

There are three stages in the process of implementation and practice of green concept in the world. In the first stage, manufacturing units have been compelled to reduce the carbon emission to the environment. In the second stage, institutions have been started practicing environmental friendly practices. In the third stage, environmental friendly and efficient technologies have been developed where; there is zero or minimal impact on environment. Most of the banks are operating in second or third stage.

The green banking practices have been classified into two groups; one, supply side green banking practices wherein, banks adopt green banking practices. Two demand side green banking practices wherein, customers adopt green banking practices. However, there is close interaction between supply side factors and demand side factors. Matter of fact, there is need of equilibrium between supply of green banking initiatives and demand for green banking initiatives. The four key dimensions namely, personality, security, usability and social influence have played predominant role in determining the practice of green banking initiatives. Each of these dimensions has number of factors within it which indirectly influence the dimension in enforces. The present study will focus and elaborate these dimensions and sub-dimensions in order to examine the effectiveness of green banking practices and initiatives.

Green Banking Initiatives:

There are different modes and operation of green banking. Over the period of time banks have been developed and being practiced different green banking initiatives. The most important green banking initiatives are;

Use Green Loans for Home Improvements:

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 equipments. The rate of interest is as low as 4 percent. Before you undertake a major home improvement project, study if the project can be done in an eco-friendly manner and if you might qualify for a green loan from a bank Green loan are perfect for energy-saving project around the house. The new Green Home Loan Scheme from SBI, for instance, will support environmentally friendly residential projects and offer various concessions. These loans will be sanctioned for projects rated by the Indian Green Building Council (IGBC) and offer several financial benefits - a 5 percent concession in margin, 0.25 percent concession in interest rate and processing fee waiver.

Power Savings Equipments:

Banks can directly contribute to controlling climate change and as an initial step they intend to start a campaign to replace all fused GSL bulbs, in all owned premises offices and residential. Banks can also make a feasibility study to make rain water harvesting mandatory in all the Bank's owned premises. Indusind Bank inaugurated Mumbai's first solar-powered ATM as part of its 'Green Office Project' campaign titled 'Hum aur Hariyali'.

Use of Solar and Wind Energy:

Using solar and wind energy is one of the noble cause for going green. State Bank of India (SBI) has become the first bank in the country to venture into generation of green power by installing windmills for captive use. As part of its green banking initiative, SBI has installed 10 windmills with an aggregate capacity of 15 MW in the states of Tamil Nadu, Maharashtra and Gujarat.

Green Banking Initiatives in India:

In India most of the commercial banks have been functioning in public sector. In public sector State Bank of India has been taken the lead in implementing green banking initiatives. The private sector banks namely, ICICI bank, HDFC bank, Axis bank and Kotak Mahindra banks are also in the race of implementing green bank initiatives. Some of the initiatives taken by these banks have been listed bellow;

Public Sector Banks:

State Bank of India (SBI)

- SBI had launched Green Channel Counter (GCC) facility at their branches in 2010 to change the traditional way of paper based banking (SBI, 2014).
- The bank had also collaborated with Suzlon Energy Ltd for the generation of wind power for selected branches by setting of windmills in Gujrat, Tamil Nadu and Maharastra (Business Standard, 2014).

Punjab National Bank (PNB):

- The bank had organized more than 290 Tree Plantation Drives.
- It started emphasizing on green building practices such as energy efficient lights, immediate repair of water leakage, printing on both sides of paper, mater sensors for lights, fans, etc.

Bank of Baroda:

According to the annual report of BOB , they had taken various green banking initiatives are;

- While financing a commercial project, BOB is giving preference to environmentally friendly green projects such as windmills, biomass and solar power projects which help in earning the carbon credits.
- The bank is also promoting measures for pollution control and environmental conservation.

Canara Bank – According to Canara Bank, the bank had taken many green initiatives such as: -

- As a part of green banking initiative, the bank had adopted environmental friendly measures such as mobile banking, internet banking, tele-banking, solar powered biometric operations etc.
- Canara bank had set up e-lounges for high-tech banking facilities like internet banking, pass book printing kiosk, ATM, online trading, tele-banking and cash/cheque acceptor.

Private Sector Banks:**ICICI Bank Ltd:**

ICICI bank had adopted 'Go Green' initiative, which involves activities such as Green products/offering, Green engagement and green communication with customers as per ICICI Bank;

The bank is offering green products and services like;

- **Vehicle Finance**
- **Home Finance**
- **Green Engagements**
- **Green Communications**
- **Green Partners**

HDFC Bank Ltd:

HDFC bank is taking up various measures in reducing their carbon footprints in the area of waste management, paper use and energy efficiencies as per HDFC Bank;

- The bank is encouraging their employees to prevent any wasteful use of natural resources and emission of greenhouse gasses.
- The bank is procuring green products which are compliant with the norms of the Central Pollution Control Board and which are rated by Energy Star.

Axis Bank Ltd:

AXIS bank implementing several initiatives in green banking such as per Axis Bank ;

- They are also encouraging their customers to use e-statements and other electronic communications to reduce paper consumption.
- Annual reports are being sent through emails.
- The organization had initiated Independent ATM Deployment (IAD) model in which ten solar based ATM has been set up in Coimbatore circle.

Kotak Mahindra Bank:

Through the 'Think Green' initiative, the bank had taken several initiatives as per Kotal Mahindra Bank;

- The rain water harvesting tank has been installed in the premises and also used oil generated from a diesel generator is disposed off through vendors approved by Pollution Control Board.

Issues in Green Banking:

The increasing awareness about environmental protection has also increased the responsibility of all its stake holders like, government, policy makers, administrators, officials, institutions, NGOs, communities, media, judicial system and also people. Each of the stake holders have their own specific responsibility to play. However, these responsibilities are subject to the objectives, commitment, ethics, principles and belief of each stake holders. For example the objectives of public sector bank are different from private sector bank. Technology adoption of different communities is different. Commitments of media is also differs to some extents.

The three dimensions namely; Personality, Security, Usability and Social influence are also very important role to play in determining the green banking practices. These dimensions have many sub-dimensions which also have significant influence in practice of green banking. Age, education, income, gender, occupation, region, organization and many other personality characteristics do play significant role in green banking practices. Therefore, examining all these issues will bring certain clarity and ways for understanding and implementing green banking practices.

Review of Literature:

The previous literature has been reviewed In order to understand the status of research in green banking. The previous literature also helps in understanding the concepts, methodology, techniques of analysis and many more. Accordingly, some of the most relevant literatures related to green banking have reviewed and presented in the following;

Lena Tonzer in the paper entitled 'Cross Border Interbank Network, Banking Risk and Contagion' made an effort to analyze the risk aspects of implementing green banking initiatives. The paper used secondary time series data with econometric models. The study found that banking has become more international over the last 20 years because of globalization and internet. GDP growth has a positive sign and it is most often significant. The interest rate shows negative and significant effect. The banking sector related variable show the expected signs where as their significance depends on the chosen estimation technique. Countries that are linked through foreign borrowing or lending position to most stable banking systems abroad are significantly affected by positive spillover effects. The study suggested that foreign exposes in banking play a significant role in channeling banking risk. They have to be taken with caution in times of financial turmoil affect in the whole system (Lena, 2015).

Ali Rostami and others in their paper entitled "The Impact of E-service Quality on the Improvement of the Level of Communication with Customers of Bank Melli Branches in South Tehran Affairs Office" analyzed green banking e-services. Authors have used Cross Section data for the analysis and used techniques like descriptive method. Author found that there is a relationship between e-service quality and the level of communication with customers in Bank Melli Branches in South Tehran Affairs Office. Authors have suggested for improving efficiency by expanding E-service system, installing more ATMs and increasing the speed of e-service (Ali, Amir, & Glolamali, 2016).

Mahadevi Tigarssa Pillay and Taruna Devi Ramnarain in their article entitle "Designing Sustainable Banking Serves:Case of Mauritian Banksanalyzed green banking issues. Author have used secondary data for the analysis and used techniques like descriptive methods. Authors found that an assessment on the translation of sustainability into organizational practices with focus on the environmental, social and economic dimensions. Authors have suggested that sustainable banking is an everlasting process; it is a journey with emerging challenges and new goals, banks need to review their frameworks and strategies to be on top of its sustainability commitments (Mahadevi & Taruna Dev, 2016).

Hossein Mohammadi in his paper "A Study of Model Banking Loyalty in Iran" has analyzed green banking issues. Author has used research models with secondary data for the analysis. Author found that "system compatibility" was found to be the main factor affecting users' attitudes towards use of mobile banking. Resistance showed a significant negative effect on both ease of use and usefulness. Author has suggested that instead of exclusive focus on system development managers need to pay more attention to factors that are important from users' perspectives, and consider the significance of human and social factors (Hiorrein, 2015).

Research Gap:

Most of the previous studies have tried to identify the green banking initiatives adopted by banks (Ambrosius, 2017). Some of the studies have also made the comparison between commercial banks and other forms of banks at micro level in implementation of green banking practices. Few studies have also tried to establish the relationship between green banking and development (pilly, 2016 15 June), (Richard A, 2016). Many studies have also studied the benefits of green banking and its role in ensuring green economy and sustainable economy.

Statement of the Problem:

One of the basic assumptions of most of researches is that banking sector has positive relationship with economic development and many studies have proved this hypothesis. But, there is a need to test the long run stable relationship between banking and economic development and also the impact of green banking on the economy. Accordingly, the present study will examine the long run stable relationship between banking and economic development and also the impact of green banking on the economy.

Objectives:

The study has well established objectives for the present work. The objectives of the study are;

1. To analyze the practices of green banking initiatives.
2. To estimate the long run stable relationship between banking and development.
3. To estimate the impact of green banking on performance of banking sector and economic development.
4. To identify the significant differences between public sector and private sector banks in practice of green banking initiatives.
5. To study the changes in accounting practices in green banking system.

Hypotheses:

1. There is long run relationship between banking and economic development.
2. Green banking has positive impact on economic development.
3. Green banking has increased the performance of banking sector.
4. Green banking initiatives have been effectively practiced in private sector compared to public sector banks.
5. The accounting practices have been changed by green banking initiatives.
6. There is positive relationship between education and awareness of customer about green banking.
7. The green banking initiatives have been effectively reached the customers.

Methodology:

The present study will be based on secondary data.

Conclusions:

The activities of banks have direct as well as indirect links with sustainable development or environmental degradation. By creating positive externalities banks can contribute for sustainable development or by creating negative externalities banks can contribute for environmental degradation. Accordingly, the green banking practices of banks have positive implications for sustainable development. Therefore, green banking has greater role to play in ensuring sustainable development.

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