

“A Comparative Study on Green Initiatives Taken By Select Public and Private Sector Banks in Mumbai”

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Abstract: Green Banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environment, and social dimensions. It aims to make banking processes and the use of IT and physical infrastructure as efficient and effective as possible, with zero or minimal impact on the environment. (IDRBT Publication August, 2013). Green banking is making technological improvements, operational improvements and changing client habits in the banking sector. It is a smart and proactive way of thinking with a vision of future sustainability. Banking activities are not physically related to the environment, but the external impact of their customer activities is substantial. The study aims to explore existing literatures about Green banking. Secondly, to know about such initiatives taken by top leading select banks from Public and Private sector to promote those products, process and technology which substantially reduce the carbon footprint from the environment. The study has taken select top leading banks like ICICI, HDFC and AXIS from Private sector and SBI, PNB and BOB from Public sector in Mumbai (as per BSE and NSE and also as per annual reports of 2013 - 14) Also, to compare whether select Public banks is more active or select Private sector banks and Lastly, to know the latest steps taken by RBI for promoting such products.

Keywords: Green Banking, ICICI, HDFC, AXIS, SBI, PNB and BOB

“Banks and financial institutions can play a major and decisive role in these global efforts to make our planet a better place to live in. As providers of finance, banks can ensure that businesses adopt environment-friendly practices. Incentives by way of offering cheaper funds for adopting green technologies will have a long term beneficial impact on the environment. As major implementers of technology, banks themselves can adopt green practices and thereby lead the way in this global initiative. Also, product innovation and leveraging on the use of technology enable banks and their customers today to reduce the usage of resources such as paper, thereby aiding in environmental protection”.

-Anand Sinha, Deputy Governor, RBI, Chairman, IDRBT, 2013

INTRODUCTION

Green banking is making technological improvements, operational improvements and changing client habits in the banking sector. It means to promote environmental friendly practices and to reduce the carbon footprint from banking operations. It is a smart and proactive way of thinking with a vision of future sustainability. Banking activities are not physically related to the environment, but the external impact of their customer activities is substantial. Banks should promote those products, process and technology which substantially reduce the carbon footprint from the environment. Study by Hart & Ahuja (1996) is showing a positive correlation between environmental performance and financial performance. Initially, banks were doing analysis of their financial performance only, but now it is a time to do analysis of social and environmental performance as well. Green Banking is not only a CSR activity of an organization, but also it is about making the society habitable without any considerable damage.

Internationally and domestically, several voluntary guidelines have been set up for the categorization, assessment and management of environmental and social risk in project financing like Equators Principles, National Environment Policy Act, World Bank E&S Norms, Carbon Disclosure Project, CERCLA, ISO 14000, BSE Greenex, etc

The Financial Times and International Finance Corporation (IFC), a member of the World Bank Group had launched the Sustainable Finance Awards for the institutions that are integrating social, environmental and corporate governance considerations into their business operations. The awards highlight the partnership between financial and non-financial companies that are finding commercially viable and innovative solutions to sustainability challenges. The five categories of Sustainable Finance awards as per Financial Times (www.ft.com) are:-

- Sustainable Bank of the Year
- Technology in Sustainable Finance
- Sustainable Investment of the Year
- Sustainable Investor of the Year
- Achievement in Inclusive Business

Despite many initiatives taken in the field of Green Banking, it has been found to be at the nascent stage in India. There is only one Indian organization Infrastructure Development Finance Company (IDFC) Ltd, which has signed Equators Principles for determining, assessing and managing the environmental risks in the projects undertaken (Equator Principles Association, 2014).

LITERATURE REVIEW

Heim, Gal, (2005) Further, investors in the stock market are equally aware of environmental pollution and would take a stand against those industries /institutions that do not comply with pollution norms. Gupta (2003) Environmental hazards management procedures for each project and follow through. There are also few cases where environmental management system has resulted cost savings, increase in bond value etc.

The banking and financial institutions should prepare an environmental risk and liability guidelines on development of protective policies and reporting for each project they finance or invest Jeuken, (2001) In future, market will reward those industries or the companies, which emerge as the efficient users of the energy and raw materials and will penalize the less efficient one.

Nanda Sibabrata and Bihari Suresh (2012) Green banking has been an integral part of the banking system in the developed and the developing economies of the world. Much research has been carried out on the concept of green banking and the possible benefits of its implementation. It studies empirically tests the relationship between the implementation of green banking along with two other variables, net income and expenses, and the profitability in India using a fast data panel regression. The result of the study shows significant relationships between net income and expenses with profitability, whereas no significant relationship between the implementation of green banking and profitability was proven.

Chadichal Shilpa and Dr Misra Sheelan (2013) Banks are beginning to recognize that they have a social responsibility to fulfill as distinct from mere accepting of deposits for the purpose of lending or investment. As per relatively indirect nature of their environmental and social impacts, banks need to examine the effects of their lending and investment decisions. Incorporating environmental and social criteria into business decision-making can reduce the impacts of operating activities Financial institutions can do a lot to assist efforts for corporate social responsibility and achieve sustainability. Capturing the voice of customer and understanding complete requirements includes stated needs and also other value adding requirements which would delight the customers. Benchmarking and re- designing of processes to meet the customer expectations. Encourage innovation to add facilitating features. Training and development: Good electronic customer relationship management (e-CRM) largely depends on communication. The organization needs to develop a framework which measures and tracks the customer satisfaction and to address the customer s related to e-service problems from time to time and improve the degree of satisfaction which leads to customer retention and new customer creation. Continuous improvement: Various quality improvement tools like e-CRM based Website services, Six Sigma, Business process re-engineering, Business process management system, value chain analysis and various lean tools would help the organization to address the challenges related to effectiveness and efficiency and thus promoting paperless banking service, hence reducing environment damage.

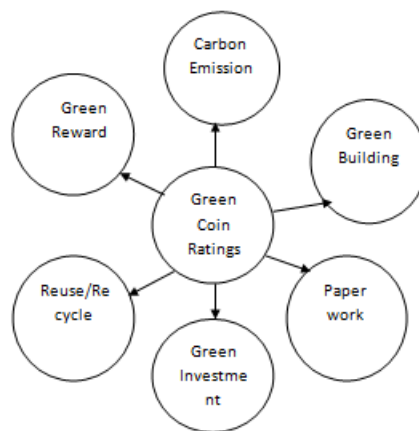
Yadav Rambalak and Pathak Govind (2014) From the study it was analyzed that Public sector banks are emphasizing more on green initiatives as compared to the Private sector banks except ICICI Bank. The Private sector banks except ICICI bank are mainly inclined toward green initiatives such as net banking, mobile banking which are needed by the bank to match with the competitors as all the banks are providing these facilities. The environmental friendly activities such as using energy efficient alliances, implement green data centers help in improving their operational efficiency as well as cost saving in the long run. Whereas Public sector banks along with ICICI bank are taking various initiatives such as creating environmental awareness among society, giving more preference to environmentally friendly commercial projects, promoting the pollution control measures, promoting Environment Management System certification etc. along with the basic green initiatives such as paperless banking, energy efficient products recycling, etc.

Dr. Jha Nishikant and Bhome Shraddha (2013) did the empirical study on the steps that can be taken for going green in the banking sector and to check the awareness among bank employees, associates and the general Public about green banking concept. They did this study by collecting data from 12 bank managers, 50

bank employees and 50 general customers. The authors were of the opinion that online banking, green loans, power saving equipments, green credit card, use of solar and wind energy and mobile banking were some of the strategies that should be followed for going green.

Step taken by RBI for promoting Green Banking

Recently IDRBT 2013 has proposed the introduction of standard rating for green efficient banks and banking practices among Indian Banks. Under this rating system, both the infrastructure and operations of the banks are being considered. IDRBT coined the term of Green Rating Standard as “**Green Coin Rating**”. Banks' primary business must not be money making only, but it should also keep in mind social and environmental relating to its operations. Green Coin Rating will be in line as energy star rating given for alliances. Banks will be judged based on the rate of carbon emission out of their operations, the amount of reuse, refurbish and recycling concept being used in their building furnishings and in the systems used by them such as computers, servers, networks, printers, etc. They are also being evaluated on the number of green projects being financed by them and the amount of rewards and recognition they are paying for turning businesses green.



Green banking initiatives by Indian Banks (Select banks from Public and Private Sector taken for the Study)

Literature says that there are various green initiatives which had been taken by Public sector and Private sector banks in India.

Public Sector Banks

• State Bank of India (SBI) (Statistics as per Annual Report 2013 – 14)

- ✓ 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 Gujarat, Tamil Nadu and Maharashtra (Business Standard, 2014).
- ✓ It has become a signatory to the Carbon Disclosure Project in which they undertake various environmentally and socially sustainable initiatives through its branches spread across the length and breadth of the country (WWF-INDIA, 2014).
- ✓ Export Import Bank of India (EXIM) and SBI entered into an agreement to jointly provide long term loans up to 14 years to Spain based company Astonfield Renewable Resources and Group T-Solar Global SA for building solar plant in India. Most of the financial institutions avoid giving long term loans to such projects because of their uncertainty and technological changes.
- ✓ Bank has adopted energy efficient measures.
- ✓ SBI is the largest deployer of solar ATMs.
- ✓ Bank has installed windmills in three states for its own energy needs.
- ✓ Paperless Banking is promoted and implemented across the country.
- ✓ Gives project loans at concessionary rate of interest to encourage reduction of greenhouse gases by adopting efficient manufacturing practices.

• Punjab National Bank (PNB) – (Statistics as per Annual Report 2013 – 14 and as per their websites)

- ✓ The Bank has been actively pursuing the social policies since two third branches of the bank are in Rural and Semi Urban areas where the CSR is the core of normal day to day banking operations.

- ✓ Punjab National Bank has been proactively catering to the needs and aspirations of the society and small & micro entrepreneurs and youth in particular. Towards improving the livelihood of farmers, the Bank has a well defined set up in terms of Farmers' Training Centres (FTCs), Rural Self Employment Training Institutes (RSETIs) and Financial Literacy and Credit Counseling Centres (FLCCs).
 - ✓ In order to channelize the efforts of the Bank in the area of CSR, a separate wing i.e. PNB Prerna has been set up wherein the wives of the senior officers and female employees identify the needy organisations & beneficiaries who deserve to be supported for bringing about a change in the lives of differently-abled people and also people from the lower strata of the society. The CSR activities have been decentralized to circle levels. To encourage innovative ideas, a scheme to recognise best CSR initiatives of the circles is also put in place.
 - ✓ It started emphasizing on green building practices to conserve resources be it electricity, water, paper, etc.
 - ✓ PNB is putting their best efforts for rainwater harvesting in existing buildings and encourage environment friendly new constructions. Also, promoting wind energy and popularizing solar energy usage in rural areas.
 - ✓ Sapling of 3345 plants was executed in the 33 Tree Plantation Camps organised during the year.
 - ✓ It started emphasizing on green building practices such as energy efficient lights, immediate repair of water leakage, printing on both sides of paper, water sensors for lights, fans, etc. Purchasing composite fax machines which can perform multiple functions. Immediate repair of any water leakage.
 - ✓ The organization had signed a 'Green Pledge' with Ministry of New and Renewable energy under which they had set up the butterfly park at the compound of Guruvayur temple which houses 18 types of medicinal plants.
 - ✓ They had formulated guidelines to ensure that all the necessary approvals and permissions, including from Pollution Control Board has been obtained before disbursement of term loans and for the project loans, compliance with environment and social safeguards including rehabilitation and resettlement of project affected people is to be ensured as pre-disbursement condition.
 - ✓ The bank is also considering steering of sustainable development with particular reference to the Equators Principles on project finance.
 - ✓ Promoted wind energy and popularizing solar energy usage in rural areas. Sapling of 3345 plants was executed in the 33 Tree Plantation Camps organized during the year.
- **Bank of Baroda (Statistics as per Annual Report 2013 – 14 and as per their websites)**
 - ✓ 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 organization had made considerable changes in their lending policy, i.e.. it is compulsory for industries to obtain 'No Objection Certificate' from the Pollution Control Board and also they are not extending any finance to environmental hazardous industries which are using ozone depletion substances such as halos-1211, 1301, 2402 used in foam products, chlorofluoro carbon CFC 11, 12, 113, solvents in cleaning and aerosol products.
 - ✓ The bank had taken several technological initiatives such as compliance with e-business guidelines, use of internet banking, mobile banking to promote paperless banking and also increasing the installation of ATM's.
 - ✓ In most of uncovered areas to reduce the petrol or diesel consumption in travelling and helps in maintaining a clean environment.
 - ✓ As a part of green initiative, they had made changes to desktop virtualization; backup consolidation and server virtualization improve data center operational efficiency.
 - ✓ The bank is also promoting measures for pollution control and environmental conservation.
 - ✓ Bank received the 'Global Excellence & Leadership Award' in the category of '50 most talented CSR Professionals of India' by World CSR Congress in Mumbai on 18/02/2014.
- **ICICI Bank Ltd** – ICICI bank had adopted 'Go Green' initiative, which involves activities such as Green products/offers, Green engagement and green communication with customers as per ICICI Bank (Annual report 2013 -14 and as per their websites):-
 - ✓ Green Products and Services: The bank is offering green products and services like
 - (i) **Instabanking:** - It is a service which gives convenience to the customers to do banking anywhere and anytime through internet banking, mobile banking, IVR banking, etc. This reduces the carbon footprint of the customers as they do not require the physical statement or travel to the bank branches.

- (ii) 'Vehicle Finance':** - They are offering 50% waiver on processing fee of auto loans on the car models which uses alternate sources of energy like the Civic Hybrid of Honda, Tata Indica CNG, Reva electric cars, Mahindra Logan CNG versions, Maruti's L version of Maruti 800, Omni and Versa and Hyundai's Santro Eco. (iii) Home Finance – The bank had reduced the processing fee for the customers who are purchasing homes in LEED certified buildings.
- ✓ Green Engagements: (i) During Diwali 2013, the organization had conducted an environmental awareness program for employees and customers in which money plant was presented to all the people present there as a token of collective responsibility to protect the environment.
 - ✓ It has also become partners with the Green theme CNBC – overdrive auto awards. (iii) The bank is celebrating World Environment Day every year on June 5. They perform various activities on that day like green pledge through signature campaigns, plantation and distribution of saplings etc. They are also celebrating Earth hour every year in March in which they switch off the lights of their premises, branches and ATM's between 8:30 pm to 9:30pm.
 - ✓ Green Communications: The bank always insists their customers for online bill payment, online funds transfer and subscription to e-statements which promote 'paperless' and 'commute free' modes of banking transactions.
 - ✓ Green Partners: The organization is looking forward for partnerships with national and international green organizations and NGO's. They are partners with Green Governance awards set up by BHNS to appreciate the participant's organization effort beyond the statutory compliance for protection of the environment.
 - ✓ The banking major is also encouraging the use of CFL bulbs and carpool and Public transportation. It is also utilizing online "Webinars" for shorter meetings that involve people who might otherwise have to travel a long distance.
 - ✓ Assisted a company to develop a product that provides an ecofriendly air conditioner alternative to conventional air conditioner.
- **HDFC Bank Ltd – (Statistics as per Annual Report 2013 – 14 and as per their websites)**
 - ✓ 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 (2013)
 - ✓ The bank is encouraging their employees to prevent any wasteful use of natural resources and emission of greenhouse gasses.
 - ✓ They are reducing the use of paper through issuing e-transaction advices to their corporate customers, communicating through electronic media with their high net worth customers and encouraging e-statements to their retail customers.
 - ✓ The bank is also promoting energy conservation by replacing conventional lighting with CFL, switching off all the lights after 11 pm at all the branches and establishing green data centers with state of the art technologies.
 - ✓ The organization is exploring renewable energy by setting up of 20 solar ATMs with a pilot ATM set up in Bihar, and by replacing batteries in ATMs with Lithium-ion batteries.
 - ✓ They are also managing their waste by tying up with vendors for recycling of paper and plastic.
 - ✓ 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 – (Statistics as per Annual Report 2013 – 14 and as per their websites)**
 - ✓ In August 2011, the banks had initiated the process of collecting all the dry waste generated from the corporate office and thirty four branch offices in Mumbai, and recycle it to notepads, notebooks and envelopes. Till date, more than 1,00,000 kgs of paper has been recycled and converted to 12,000 notebooks, notepads and envelopes which are used at corporate office and branches of the bank.
 - ✓ The corporate office of the bank, located in Mumbai, is designed and constructed as a Platinum LEED certified 'Green Building'.
 - ✓ Carpooling has been initiated by a bank to reduce carbon footprint.
 - ✓ 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.

CONCLUSION

Green banking is still a major issue and can take an important for development of our country in India. As bank and financial institution of India has started taking initiative but not at high level. To sustain the development of the Indian economy bank and financial institution have to work more hard. From the secondary analysis done through exploring respective websites of the banks, Newspaper Articles, Latest annual reports 2013 – 2014, **it was analysed from the secondary data that select Public sector banks are emphasizing more on green initiatives as compared to the Private sector banks except ICICI Bank** The Private sector banks except ICICI bank are mainly inclined toward green initiatives such as net banking, mobile banking which are needed by the bank to match with the competitors as all the banks are providing these facilities.

The environmental friendly activities such as using energy efficient aliances, implement green data centres help in improving their operational efficiency as well as cost saving in the long run. Whereas Public sector banks along with ICICI bank are taking various initiatives such as creating environmental awareness among society, giving more preference to environmentally friendly commercial projects, promoting the pollution control measures, promoting Environment Management System certification etc. along with the basic green initiatives such as paperless banking, energy efficient products recycling, Recently, Ms. Kochhar MD & CEO of ICICI Bank on 11th Nov 2014 said that ICICI Bank's contribution to the Swachh Bharat Abhiyan would be a sustainable, on-going exercise that the Bank would drive for over a year. "To spread the message of building a clean India and reach out to as many people as we can, ICICI Bank is launching a nation-wide cleanliness drive in its branches where for the next one year, on every working day; one ICICI Bank branch will clean the area surrounding the branch. This way, ICICI Bank will carry out and keep alive the spirit of Swachh Bharat for the whole year." etc. Its right time that other Private banks should re-look on such initiatives and contribute to the environment which will be a win win situation for both bank and society in a long term.

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