

Sustainable Development through Green Banking in India

Dr. Shashi Bhushan Dubey

Professor & Director, Modern Institute of Technology, Rishikesh, Uttarakhand

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ABSTRACT

At present entire world is facing the problem of climate changes and global warming as a result of development process. So, environment protection has become matter of core concern. Almost all institutions are able in playing vital role in economic development and environmental protection-banking is one of them. Green banking is a process associated with environmental protection and sustainable development of the nation. Banking sector provides job opportunities, creates wealth and eliminates poverty through its different activities. In its different activities banks can deploy environment friendly methods and also can motivate their customers to use them. Green banking consists of internal environment management, environment friendly financing and resources conservations.

This study is based on secondary data and an effort to highlights the green banking aspects, which leads towards sustainable development of the nation. Development should be continuous and in manner so that next generations never face scarcity of resources. Diminishing resources is a matter of great concern and has drawn the attention of economists and scientists and thus the concept of sustainable development came into existence. The role of the banks and the initiatives taken by them for green banking has been studied here. Different measures such as e-banking, green loans, power consciousness, paperless and cashless banking, mobile banking, and green credit cards are ingredients of this study and a practical model is also suggested by the author.

1. Introduction

Banking sector in India is playing very significant role and its contribution in economy is great. Just like other sectors, banking sector also has responsibility to protect environment. Green banking is a great step has been taken by banking sector to protect the environment and it includes all the practices and guidelines that makes commercial banks environment friendly and reduce the carbon footprint. The processes of banking operations are not directly related to environment but their customer's activities indirectly influence the environment. Now a days, the attention of economists and scientists of the world diverted from development and focused on sustainable development and climate change is a crucial issue in front of the present world.

Actually, Indian banks play very important role and supplementing government effort towards reduction in carbon emission. Innovations in technology is enhancing production but by over utilizing the resources. Diminishing natural resources drawn the attention of economists, management scientists and as a result the concept of sustainable development came into existence. Sustainable development is a process forwarded to preserve natural resources the use of next generations.

Infrastruct, Sustainable development meets the urgent needs of the present without compromising the abilities of next generations to meet their own needs in coming years. It's a fact that banking sector makes available the financial resources to all other sectors such as manufacturing, agriculture and service sector. Beyond these sectors, industrial projects like cement, chemicals, steel, paper and fertilizers are highly responsible for carbon emission. All over the world, depletion of environment has become an issue of great concern. The impact of different internal operations and activities of financial organizations on

environment is not direct but their customers operations and activities have affected the environment substantially.

In beginning, banks were not considered a polluting industry but now a days banking sector is considerably using such sources of energy which are highly responsible for carbon emission; such as lightings, air conditioners, electronic equipment, information technology devices, wastage of paper, lack of green buildings (offices of the banks). Therefore, with purpose to combat the effect of all these devices a new approach emerged and adopted by banking sector and known as "Green banking." Green banking is a process or method to reduce carbon footprint and attain the goal of sustainable development in financial world.

As we know, banking sector works for the development of the nation and in this endeavor it creates employment opportunities, generates wealth and eradicates poverty through different entrepreneurial activities. But, all these activities increasingly involved in environmental depletion and carbon emissions. In this study, it is analyzed that green banking is concentrated into improvement of the technological systems and practices that are environment friendly in total. The process and method of green banking reduces operating cost and affect sustainability.

Now, we can say that green banking refers to the steps taken by banking sector to keep environment green, substantially minimizes greenhouse effects through operations and environment friendly financing.

2. Objectives of the study: -

The main objectives of the study are as under:

1. To identify and determine the role of the banking sector in sustainable developments of the nation through green banking.

2. To identify and determine the initiatives taken by banks to adopt green banking method.
3. To produce and propose a model for green banking in India.

3. Research Methodology: -

In the light of the above mentioned objectives of the study, descriptive research approach/method based on secondary data has been adopted. Required data is collected from various sources such as articles, research papers, annual reports and workshop information. Other important and associated information is obtained from internet or websites.

4. Review of Literature: -

All available related literature has been reviewed in this regard. Hart and Ahuja in the year 1996, empirically examined relationship between environmental performance and firm performance, they found that both are positively correlated. Pollution abatement treatment put additional cost burden on firms and detriment to competitiveness.

Joshi and Shah, in the year 2017, found that banking sector play role as intermediaries between economic progress and environmental protection. For effective and efficient implementation of green banking, incorporation of social and environmental strategy is required.

In their study, Goyal and Joshi concluded that customers have become aware of hazardous consequences of rapid industrialization and thus, production of eco-friendly products are must to attain sustainable competitive advantages. Banks should provide loans only to those business entities which are environment friendly.

Hosen and his followers conducted a study in Bangladesh, in the year 2017 and found green funding for environment friendly activities is necessary to reduce the risk of climate change and to induce sustainable development. Financial and non-financial institutions or organizations should focus investment on green projects.

Islam and Kamruzzaman in the year 2015, focused on green banking as a new and dynamic approach for environment issues. Banks were funded two million Tk for green banking in 2012. Functioning of green banking is not satisfactory in Bangladesh.

Meena suggested green technology and pollution reducing projects to reduce carbon emissions. Green finance is also a part of green banking which induces green industries.

5. Significance of the study: -

Throughout the world environment and diminishing stock of natural resources has become an issue of core concern. Green banking is a term covered many practices and guidelines which helps to attain basic goal of sustainable development and environment protection or protection of nature as a whole.

6. Green Banking Practices: -

At present era, banking operations can be performed through various banking channels which are far away from the bank premises. ATM is a suitable example. ATM has given more modern options such as internet banking, mobile banking, credit card, debit card facilities too.

Some important strategies for green banking practices are given below-

- a. E- Banking: Showing concern towards environment the apex body of banks RBI has issued guidelines to all the banks in India and even working abroad to increase the use of electronic payment systems. It helps in preservation of natural resources. All banks and their branches are very fast becoming CBS providing ATM to all customers.
- b. Green Loans: The Ministry of non-renewable energy/resources in collaboration with some nationalized scheduled banks steps out initiative to provide green loans at low interest rates on solar equipment.
- c. Power Consciousness: Banks are required to install CFL in all owned premises and housing apartments for effective power management. Banks will have to conduct audits in their offices to check the level of electricity consumption. Banks can use renewable energy to manage offices and ATMs.
- d. Paperless Banking: As we know, PSBs uses huge quantity of papers for official correspondence, audit reporting and recording of public transactions. Now, banks can initiate electronic correspondence and can motivate their valuable customers to switch over to electronic transactions. Banks should buy recycled papers treatment of waste management of papers.
- e. Mobile Banking: It provides quick access to check balance, fund transfer, bill payments, recharge of phone and DTH services. Thus, mobile banking is a facility to save time and other resources.
- f. Green Credit Cards: Green credit cards allow earning points which can be redeemed for contributions to eco-friendly charitable organizations. The benefits of using green card are dual- for consumers and for environment protection. It provides good incentives for consumers to use their green cards for their expansive purchase.

7. Green Banking Leads to Sustainable Development: -

The term 'Sustainable Development' is a new concept and came into existence in 1980s, from the perspective of public and private sectors policy makers in economy. Sustainable development is an important paradigm for twenty first century. It utilizes the goods, services and natural resources provided by natural ecosystems and biosphere process, without compromising the ability of coming generations to meet their needs on time. Consciousness associated with green banking is higher in high levels of management in banks and reduces at lower levels and least with the employees (Sharifi and Hossein, 2015). Actually, the consciousness and positive aspects of green banking must be higher among employees because they are in direct touch with the customers. Green banking is helpful for sustainable development. Sustainable development is mainly associated with maintenance and conservation of natural resources. It is clearer from the points given below-

1. Green banking is a time saving practice for both- customers and banks.
2. It reduces operating cost of both- customers and banks.

3. Mobile banking and net banking saves fuel in the forms of transportation cost. No need to visit bank personally to check account balance and transfer fund.
4. It is power saving approach, banks are following the guidelines of RBI and using CFL in their premises.
5. Almost all customers are using ATM cards. It reduces dependency on paper and also promotes paperless banking.
6. Green credit cards promote and spread environment awareness among customers and also save their money.

7. Green loans are helpful to spread power conservation approach and being provided at very low rate of interest.
8. Solar equipment also saves power.

Financial transactions through ATMs, mobile banking and internet banking lead to paperless transactions. Paperless transaction makes way for resources conservations which are helping hands in sustainable development.

Table- 01: No. of ATMs Deployed On/Off Site by Banks & No. of Transactions

Year: 2018 Name of Month	ATMs		No. of Actual Transactions	
	On Site	Off Site	Credit Cards	Debit Cards
January	107659	99080	745019	741564703
February	107630	99029	689402	718276986
March	106776	100276	785732	774943830
April	104011	101173	727175	758938556
May	107230	99759	748783	748042005
June	108202	98207	748395	75271129
July	108375	97879	804212	781758131
August	107914	97751	839033	805522146
September	108197	97669	800216	798646330
October	106852	97327	908597	869610231
November	106554	97252	800554	838922906
December	NA	NA	NA	NA

Source: www.rbi.org.in

The table No.01 is showing the No. of ATMs deployed in the year 2018 and also financial transactions made credit/debit cards. It's very clear from the facts that people prefer debit cards in comparison to credit cards.

Digital India Programme launched in 2015 is also a step of government of India in the direction of green banking, envisages paperless, cashless and also faceless services across the country. This allows payments through electronic modes. As a part of Digital India programme cashless transactions are converting India into less cash society. Banking cards, USSD, AEPS, UPI, mobile Wallets, Banking Pre-Paid Cards, Point of Sale, Internet Banking, and Mobile Banking for digital payments.

JAM (Jan Dhan Yojna, Aadhar Initiative of UIDAI and Mobile No.), this trinity is one of the biggest reform for direct subsidy transfer to the BPL citizens of India. Electronic payments and receipts are must for financial inclusion programmes of governments, either central or state.

8. Methods of E-Payments in Banks in India: -

Following are the methods of E- Payments in India-

1. National Electronic Funds Transfer (NEFT)
2. Real Time Gross Settlement (RTGS) especially for B2G services.
3. Net Banking
4. POS Terminal Based Through Debit/Credit Cards.
5. Mobile App Based –NEFT/RTGS/Net Banking.
6. IMPS/PPIs.

If we go through the bank wise statics of ATMs, higher no. of ATMs belongs to the largest public sector banks, State banks of India which has 25809 ATMs (Nov. 2018). Second position is occupied by Punjab National Bank, the second largest public sector bank in India.

Implementation E-Payments: -

Electronic payment is implemented as two-step process-

1. Assessment of Department's Services and Existing Channels.
2. Adoption of Electronic Payments Modes for Selected Channels as per Guidelines.

Table- 02: Electronic Payment System (Data Updated 16 Jan, 2018)

Time	RTGS		NEFT	
	Volume(in Million)	Value (in Rs. Billion)	Volume(in Million)	Value (in Rs. Billion)
January	9.3	72486.1	164.2	11355.1
February	9.1	74218.8	148.2	10877.9
March	12.5	123375.8	186.7	16294.5
April	9.5	88512.2	143.2	12156.2
May	10.4	90170.5	155.8	12410.8
June	9.8	92812.6	152.3	12694.2
July	9.4	87149.3	148.1	12011.6
August	9.5	89163.4	151.6	12500.4

September	9.6	102348.1	157.7	14182.1
October	10.0	92056.1	158.8	13851.3
November	10.8	98410.5	162.0	13884.0
December	10.9	100907.8	169.0	15779.2

Source: www.rbi.org.in

Table No. 02 is exhibiting electronic payments made through NEFT and RTGS. It also evident from that people not only aware, but they are also interested in time saving devices

being provided by the banks in India. Thus, electronics payment system is become very popular and effective in the nation.

Table- 03: E-Transactions

Items	Volume (in Million)	Value (in Rs. Billion)
RTGS	120.8	116611.2
NEFT	1897.6	157997.3
CTS	1184.2	79198.1
IMPS	890.4	7660.3
NACH	2248.6	8760
UPI	426.60	565.9
USSD(in Thousand)	2462.7	3814093.6
Debit/Credit Cards	2889.6	5556.5
PPI	1074.8	312.6
Mobile Banking	978.4	14868

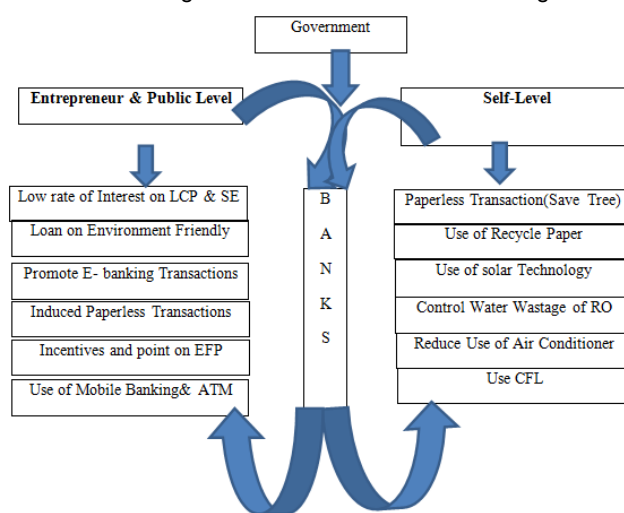
Source: www.rbi.org.in

Table- 03 is showing the volume and value of different e-transaction modes and momentum of its increasing popularity in the customers. People once used these modes never like to return to traditional mode of transaction and they will always prefer e-transaction because it's a time and money saving transaction.

“Go Green, Become Green and Keep Green for Future Generations”. This model works in three tier way- (1) Governments, (2) Banks and (3) Public. It generates dual benefits- first to protect environment from carbon emission and secondly, saves natural resources from depletion and thus ensure preservation of the natural resources for the use of next coming generations. Government implements the practices for banks and banks implements the same for people.

9. Model for Green Banking in India: -

Figure- 01: Model for Green Banking



The present model of green banking suggest actions at banks level as well as at public & entrepreneur level which is bound to reduces carbon emission and save resources for sustainable development of the nation.

10. Conclusion: -

The present study is based on descriptive method of research and suggests green banking practices and induces

sustainable development in place of development. Indian banks should adopt green banking model to reduce the high risk of climate change and ensure sustainable development. Green banking ensures and preserves the environment assets. Banks should enhance environment friendly credit and investment decisions. But, in India there has not been much steps taken in this regard by government and financial institutions in comparison to foreign governments and banks.

Even after adoption of the guidelines issued by RBI and their implementation as green banking methods Indian banks are still operating in paper mode instead of paperless mode for advertising their products and services.

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