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## A STUDY OF GREEN BANKING INITIATIVES OF COMMERCIAL BANKS IN INDIA

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### ABSTRACT

The banking sector is the core stone of the financial system. It acts as a key aspect in the growth of Indian economy both in the terms of quality and quantity thus leading to a change in the nature of economic growth. For that it becomes more important that banks play an important role in promoting social responsible investment and eco- friendly environment. So, keeping this in mind the present research study aims to explore the various green banking initiatives taken by commercial banks in India and recommends measures to implement green banking initiative more effectively.

**KEYWORDS:** Green banking, Environmental sustainability, Commercial banks in India, Initiatives by public and private sector banks, Digital banking service, Renewable energy projects, SWOC (Strengths, Weaknesses, Opportunities, Challenges) analysis, Suggestions for improving green banking practices.

### INTRODUCTION

Green banking refers to banking practice that support environmentally responsible investment and operations. It has evolved in response to increase in global awareness of climate change, environmental degradation, and the role of financial intuitions play in sustainable development.

Early Foundations (1970s- 1980s): Environmental Awareness Emerges

During this period due to increase in environmental awareness about pollution, deforestation, and climate change. Some credit unions and ethical banks began incorporating environmental and social factors into their operations.

1990s: In this period the concept of sustainable finance began to take shape. Banks started to recognize their role in supporting green initiatives by financing renewable energy, clean technologies, and eco-friendly businesses.

2000s: During this period Institutionalization and Framework Development had taken place.

2003: In this many banks had adopted a landmark voluntary framework and manage environmental

and social risks in project finance.

**Development of Green Products:** Banks introduced green loans, green mortgages, and environmental credit lines. Institutions like the World Bank and International Finance Corporation (IFC) started promoting green finance.

2010s: In this period under the Global Expansion and Policy Integration the World Bank issued its first green bond in 2008, and the market grew rapidly in the 2010s.

Paris Agreement (2015): Accelerated global efforts to address climate change, leading many banks to commit to climate-related financial disclosure and net-zero targets.

2020s–Present: In this phase the focus has been done in the mainstreaming and Digital Green Banking services. Under this the following services were launched:

- Net-Zero Banking Alliance (2021): Launched by the UN, it unites global banks committed to aligning lending and investment with net-zero emissions by 2050.
- Digitalization and Fintech: New digital banks and apps (e.g., Aspiration, Tomorrow, TreeCard) emerged with built-in environmental features like carbon tracking and reforestation

Due to this change bank has shifted toward the adoption of innovative banking product. The use of ATM, Internet banking, online transfer, debit card and credit card became popular. Innovative product is time saving, create less cost to the bank as well as to the costumer. Innovative banking has different channel to provide service to the customer but the main source is internet which create less cost to the customer and it also save the time and create less pollution to the environment. Environment sustainability can be defined by taking a decision which reduces your business's negative impact on environment. But it's not simply to reduce the impact on environment but it means to develop a process which provides a sustainable growth in future. Environmental sustainability is a process to maintain the resources for long run without harming the environment. Banking can be defined as the business activity of accepting and safeguarding money owned by other and lending out this money to earn profit. Except this now bank is providing many services like issue of debit card, credit card, ATM, mobile banking, Internet banking, online transfer of payments and bills etc. across the world. According to U.S. Chamber of Commerce Small Business Nation define going green as save energy, reduce pollution and save money.

## **RESEARCH METHODOLOGY**

To achieve the objective of the present study secondary data will be used. The secondary data will be collected from various books, journals, research papers, research paper, websites etc. It will also be collected from the Annual Reports of RBI and government reports.

## **SCOPE OF THE STUDY**

The scope of the study is narrowed down to six financial intuitions which includes major public sector banks that is State bank of India, Bank of Baroda, Punjab National Bank and major private sector banks that is Axis bank, Industrial Credit and investment Corporation Bank of India (ICICI) and Housing Development Finance Corporation Bank (HDFC). The above stated banks were selected by considering top banks from public and private sector.

### **Objectives of the study**

- To study the various initiative taken towards green banking by commercial banks in India.
- To conduct SWOC analysis of green banking practices of the commercial banks.

### **Findings of the study**

#### **➤ Green Banking Initiatives by Commercial Banks**

#### **1. PUBLIC SECTOR BANKS**

##### **a) SBI BANK**

SBI had launched the green channel counter facility at their branches in 2010-11 to change their traditional way of paper-based banking.

- The bank has also signed the project for the generation of wind energy in the different part of the country.
- SBI aims to allocate at least 7.5% of its domestic loan portfolio to green projects by 2030. As of FY24, the bank sanctioned ₹47,419 crore for renewable energy projects, contributing to a renewable energy portfolio of ₹36,243 crore and financing a capacity of 23,679 MW.
- Achieved Indian Green Building Council (IGBC) ratings for 45 buildings, including 13 in FY24.
- EXIM bank and SBI entered in to an agreement to jointly provide loan up to 14 years Spain based company Aston field renewable Resources and Group T- solar Global SA for building solar plants in India.
- Planted 18 lakh trees and installed 538 rainwater harvesting systems in FY24.

##### **b) PNB BANK**

Green initiatives taken by the bank are as under:

- PNB is conducting electricity audit of offices as an energy conservation initiative and maintained separate audit sheet for assessing the impact of green initiatives taken by the bank.
- NB's commitment to green banking is exemplified by its flagship project, **PNB Palaash – Uniting for a Greener Tomorrow**. This initiative encompasses a range of eco-friendly practices aimed at reducing the bank's carbon footprint and promoting sustainability.

- *Reduction in Plastic Usage:* Implementing measures to minimize plastic consumption within the bank's operations.
- *Recycling Initiatives:* Encouraging recycling practices among employees and stakeholders.
- *Financing Green Projects:* Providing financial support for projects that contribute to environmental sustainability.
- *Digitalization Efforts:* Reducing paper consumption through the adoption of digital banking solutions.
- *Infrastructure Developments:* Constructing eco-friendly data centers, such as the one in Gurugram, to support sustainable operations.

### **c) Bank of Baroda**

The Bank of Baroda's green banking initiatives are:

- Bank of Baroda has deployed Windows server virtualization, desktop virtualization and improvements to data centre operational efficiency as part of its green initiatives.
- Promoting the use of plastic cards, point-of-sale terminals, mobile passbooks, e-transactions, internet banking, and mobile banking were developed as alternatives to traditional circulation stations in the banking industry as a means of reducing the amount of paper that is required for various processes.

## **2. PRIVATE SECTOR BANKS**

### **a) ICICI BANK**

- ICICI Bank has focused on digitalizing processes like KYC, bank statements, loan processing, and other banking activities to reduce paper consumption.
- The bank also offers e-branches and online banking services to minimize paper usage.
- The bank is also investing in renewable energy sources like solar power, increasing the share of renewable energy in its total energy consumption from 9% in FY23 to 35% in FY24.
- They also procure BIS ECO-Mark paper manufactured through agro farming, which constituted 59% of the total paper procured by the bank in volume terms.

### **b) AXIS BANK**

- Axis Bank generates its own solar power and uses renewable power purchase arrangements.
- Bank promote digital banking services like Saksham, e-statements, and e-welcome kits, reducing paper consumption.
- Axis Bank has implemented motion sensors for lighting, uses air-cooled chillers, and utilizes efficient modular UPS systems in its data centers.

- Axis Bank has issued Green Bonds to finance green projects, including renewable energy, energy-efficient buildings, and low-carbon transportation.
- They offer sustainability-linked loans, where loan terms are tied to the borrower's performance in achieving sustainability targets.
- Axis Bank has committed to financing ESG-aligned sectors, including renewable energy, urban mass transport, and green buildings.

### **c) HDFC BANK**

- This was the very first institution in the world to install lithium-ion batteries that are rechargeable batteries in their automated teller machines to ensure an uninterrupted supply of power. In addition to that, they implemented server and desktop virtualization in order to lower the amount of power that was consumed.
- Internet banking, mobile banking, tab banking, and interactive voice response banking provide consumers with the ease of banking whenever and wherever they choose.
- In order to encourage retail consumers to subscribe to paperless transactions, banks prefer electronic media over printed material.
- To lower its environmental imprint, the bank is always implementing new concepts. The bank has installed Energy Management Kits at its branches, which involve the usage of air conditioners that are evaluated by stars for their energy efficiency and their overall performance, the deactivation of branch signage after 11 p.m., etc.
- In addition to partnering with vendors to recycle paper and plastic, the bank employed reusable cups and plates to reduce its waste.
- The emphasis is also on increasing staff knowledge by promoting eco-friendly behaviours, installing motion sensors to turn off lights in unoccupied rooms, etc.

➤ **To achieve the second objective SWOC analysis has been done and the main findings of the study are:**

#### Strengths

- Green banking practice saves time of customer as well as bank also.
- It reduces the cost of bank operation and cost to the customer too.
- Transition can be done any time and at any place.
- By financing in solar energy and wind energy program the bank is reducing carbon footprint from the environment.
- Quality customer practice password in green banking practice take time.

- Lack of knowledge among the employee has been noticed.
- There are some geographical barriers for the implementations of green banking practices.
- All banks are not coming equally for the practice of green banking.
- Problem of security is always with green banking practices.

### Opportunities

- People are becoming more computer literate so it is easy to start green banking practice and grape the customer toward the activities.
- Most of the customer are using ATM card only. So, it is a time to start all the initiatives for green banking practices.
- Mobile banking and internet banking is increasing day by day so it's a time to spread the green banking practice.

### Challenges

- It's a new concept and customer will take time to adopt this.
- Green banking requires a technology which will highly costly.
- It requires renewable and recycling technique which is costly.
- Data protection is another challenge for the adoption of green banking.
- Bank employees need training for all this practice.

### Suggestions

1. The bank ought to establish a specialised green banking department to guarantee the effective implementation of environmentally friendly initiatives.
2. Bank should change their daily routine work through the paper less banking, online banking, mobile banking, mass-transportation system etc.
3. Concept of LEED certified green buildings should be adopted by banking sector
4. The bank should start investment in low carbon producing technology and should develop new sustainable development programs to reduce the carbon footprint from the environment.
5. Banks must organize training program on environment sustainable development program to their employees.
6. Green banks should promote environmental consciousness, social responsibility and good governance by themselves. They should ensure efficiency in using space, water, energy, paper, etc., in its offices and branches.
7. Bank should adopt go green mantra by this method bank could reduce the carbon footprint from the environment.
8. By increasing funding for projects that are good for the environment and by participating in social responsibility initiatives sponsored by the bank.

## **CONCLUSION**

Green banking has evolved from ethical banking roots in the 1980s to a global movement for climate-aligned finance. It's now an essential part of the financial sector's role in transitioning to a sustainable, low-carbon economy.

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