



## A paper prepared and submitted on Green banking in India

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### ABSTRACT

Green Banking practices that bring in Social Welfare Promoting Environment Friendly Banking Practices Banking practices that contributes towards protecting the environment Indian economy has been growing, but paradoxically the rate of poor people is also on the rise. The State must Endeavour to establish an egalitarian society. However, most of the Indian citizens do not have access to credit.

The present banking system is not conducive for protecting the interests of all sections of the population. The banking system of Islam, based on Islamic law has been institutionalized in many parts of the world in the last couple of decades. Islamic banking is interest-free banking system based on real asset and risks are shared between Lender and borrower under the mechanisms of partnership, joint ownership, lease and sale. Money is considered only as a medium of exchange, unlike the conventional banking, where dealing in interest being a main product, implies that money is traded as a commodity. The banking system of Islam, based on Islamic law has been institutionalized in many parts of the world in the last couple of decades. Urban cities of developing countries are witnessing rapid urbanization that has elevated issues in the field of urban planning like a gap in demand and supply of infrastructure services and utilities, traffic congestions, pollution, reduction in natural green cover, peri-urban settlement typology etc, thus affecting the natural and built environment adversely. These prevailing issues will worsen over the coming decades as the urban population is increasing at a phenomenal rate, thus highlighting the urgency to take appropriate actions.

Smart development has been identified as a sustainable world-wide solution to the existing urban planning issues, whose principles aims at providing a better quality of life and advertises livable communities; though the concept is vague to define, as no universal definition exists. The soul reason for the concept to be vague is the number of dimensions in which it is represented and therefore, the concept needs to be standardized in order to scale development worldwide. India has undergone rapid urbanization over the last few decades and the witnessing cities are mostly of Class-I & II tiers. To cater the issues developed by this phenomenon, the governing authorities have taken up initiatives over the years, in the form of programmes that have mainly focused on providing basic infrastructure services and utilities to the cities and have not paid much attention in achieving sustainability in the approach. Recently, India has introduced the smart city mission, which is somewhat on the similar lines of smart development. Since the development is been interpreted differently among the nations due to no standardization of the concept, it's important to understand how the concept has been represented in the Indian context.

**GREEN BANKING:** Green Banking means promoting environmental-friendly practices and reducing carbon footprint from banking activities.

**INTRODUCTION:** Green Banking means promoting environmental-friendly practices and reducing carbon footprint from banking activities. This comes in many forms. Using online banking instead of branch banking. Paying bills online instead of mailing them. Opening up CDs and money market accounts at online banks, instead of large multi-branch banks. Or finding the local bank in area that is taking the biggest steps to support local green initiatives. Any combination of the above personal banking practices can help the environment.

Green banking is like a normal bank, which considers all the social and environmental/ ecological factors with an aim to protect the environment and conserve natural resources. It is also called as an ethical bank or a sustainable bank. They are controlled by the same authorities but with an additional agenda toward taking care of the Earth's environment/ habitats/ resources.

### **FEATURES OF GREEN BANKING**

- Automation and online banking
- Social safety and security
- Consider risk factors regarding environmental conditions while providing loans
- Sustainable and green growth
- Implements Environmental Due Diligence (EDD)
- Reduces cost and energy
- Purpose of Green Banking Bank's Objective: Profit Only Profit with Responsibility

### **GREEN BANKING PRODUCT**

- **Green Loans:** means giving loans to a project or business that is considered environmentally sustainable.
- **Green Mortgages:** refers to type of mortgage that provides you a money-saving discount or a bigger loan than normally permitted as a reward for making energy efficient improvements or for buying a home that meets particular energy efficiency standards.
- **Green Credit Cards:** Be it in form of environmentally friendly rewards or using biodegradable credit card materials or promoting paperless banking, credit cards are going green.
- **Green Saving Accounts:** In case of Green Saving Accounts, banks make donations on the basis of savings done by customers .The more they save, the more the environment benefits in form of contributions or donations done by banks.
- **Mobile banking and online banking:** These new age banking forms include less paperwork, less mail, and less travel to branch offices by bank customers, all of which has a positive impact on the environment.
- **Go Online Use Green Checking/ Savings Accounts Use Green Loans Green Mortgages Use Green Credit Cards Green money market accounts Remote deposit (RDC) Online And Mobile Banking**

### **ADVANTAGES**

- Basically Ethical banking avoids as much paper work as possible and rely on online/electronic transactions for processing so that you get green credit cards and green mortgages. Less paperwork means less cutting of trees.
- Creating awareness to business people about environmental and social responsibility enabling them to do a environmental friendly business practice. • Use of online banking instead of branch banking saves time.
- Green banks adopt and implement environmental standards for lending, which is really a proactive idea that would enable eco-friendly business practices which would benefit our future generations.

- When you are awarded with a loan, the interest of that loan is comparatively less with normal banks because ethical banks give more importance to environmental friendly factors - ecological gains. Natural resources conservation is also one of the underlying principles in a green bank while assessing capital/operating loans to extracting/industrial business sector.

#### **DISADVANTAGES**

- Difficult to operate: Banking sites can be difficult to navigate at first. Getting acquainted with the banking sites software may require some time to read the tutorials in order to become comfortable in virtual lobby.
- Customer Care: There is no personal contact with any of the staff, and if talk to any staff through the telephone, you have guarantee you are talking to the best person available
- Security Concern: Even though online banking sites are heavily encrypted, with the developing technology, it's hard to rule out the "hackers" who may access your bank accounts.
- Technical breakdowns: As with all technologies, online banking websites sometimes go down. If this happen when you closed your local bank or credit card accounts, you will definitely go penniless.

**GREEN BANKING INITIATIVES IN INDIA:** The Government of India has issued guidelines / instructions to banks on Green Initiatives. In order to implement the green initiatives of the government, all public sector banks and all regional rural were asked to:

- I. Increase use of Electronic Payment.
- II. Increase use of Core Banking Solution (CBS).
- III. Increase use of Video Conferencing.
- IV. Offer centralized payment system

#### **STEPS TAKEN BY BANKS:**

- State Bank of India launched its 'Green Channel Counter' facility at 57 selected branches as a step towards paperless 'Green Banking' for deposit, withdrawal and remittance transactions. With this facility the customers need not fill up any pay-in slips or draw cheques for depositing or withdrawing money from their accounts. At the Green Channel counter, there is a Point of Sale Machine (POS), on which the customer swipes his card. He is then asked by the machine to select the type of transaction, viz. (0) Cash Deposit, (1) Cash Withdrawal and (2) Funds Transfer. And thus the transaction is completed without paper usage • SBI became 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, it installed 10 windmills with an aggregate capacity of 15 MW in the states of Tamil Nadu, Maharashtra and Gujarat.
- Under its campaign 'Hum our Hariyali', IndusInd Bank Ltd inaugurated Mumbai's first solar-powered ATM to save on 1980 Kwh of energy annually. It is also supporting various environment friendly finance programmes and projects.
- IDBI has been actively complementing Government of India's policies, initiatives and targets set for sustainable economic development and environment protection.
- ICICI Bank's Green initiatives range from Green incentives, Green engagement to Green communication to their customers. Paperless initiatives like e-statements and e-greetings helped ICICI Bank save 30,000 trees from being felled in 2009-10, besides cutting down spending on stationery by Rs 7.36 crore.

- The recycling initiative of Axis bank under the Green Banking banner has helped the bank productively use around 21,572 kilograms of dry waste during the year
- Punjab National Bank launched green e-vigilance for the bank which involves paperless dealings in complaint and vigilance procedures through e- network which drastically cuts down cost and time.

### **GREEN BANKING COVERAGE INCLUDES**

1. Green banking coverage includes:
2. Sustainable banking
3. Ethical banking
4. Green mortgage
5. Green loan
6. Green credit cards
7. Green saving accounts
8. Green checking accounts
9. Green CDs
10. Green money market accounts
11. Mobile banking
12. Online banking
13. Remote deposit(RDC)

### **SUGGESTIONS**

1. Make customers more and more aware about green banking through their websites.
2. Promoting different forms of electronic banking
3. Creating customer's awareness through the media.
4. Carbon footprint reduction by saving energy and paper.
5. Carbon footprint reduction by offering transportation services for their employees.
6. Providing environment friendly rewards to customers.
7. By financing more and more environment-friendly projects
8. Join hands in more and more environment preserving causes.
9. Focus on greening IT infrastructure

### **CONCLUSIONS**

Though, even today the success/failure of green banking has been analyzed for green banking is making progress though its profit margins are far below than the other commercial banks. Green banking requires a paradigmatic change in thinking about economics, business and finance. Its success would be greater if the world governments started to revise their economic paradigms from being 'monetary economics' to 'ecological economics' and begin to transform their accounting principles from purely being financial into ecological/operational energy accounting patterns. It is important that Indian bank recognize their environmental and social responsibilities for effective green banking, the RBI and Indian government should pay a proactive role and formulate green policy guidelines and financial incentives. Indian bank should adopt green banking as a business model without much further delay

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