



AN OVERVIEW OF GREEN PRACTICES OF BANKING INSTITUTION IN INDIA

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Abstract

Banks are the important agencies for money supply to the economic development of the nation. They are responsible and playing an important role in promoting a sustainable environment. This study mainly focused on how Indian banks respond to environmental changes and the actions taken in respect of green practices. The study applies the statistical tools of Trend and Compound Annual Growth Rate (CAGR). The results indicate that the growth rate of green banking initiatives are showing fluctuating trend.

Keywords: ATM, Banks, CAGR, Environment, GDP, Green Practices, RBI, Trend.

Introduction

Green is becoming the order of the day and a symbol of Eco consciousness in the world. Green Bank is like a normal bank that considers all the social and environmental factors aiming to protect the environment and to preserve our natural resources. Its aim is to perform banking activities without affecting the environment and reducing the carbon footprint from them. At present the world is much concerned about the environmental issues and man-made games are found responsible for the distortion of climate. It has made a significant impact on biodiversity, forestry, agriculture, water resources, dry land and human health. A study conducted by Hayward showed that out of 1000 CEO's studied across the world, 67% believe that the global economy is not going on the right path to meet the demands of the growing population and to address the global sustainability challenges. With increasing awareness and environment consciousness businesses can no longer run after profits only. It will be unwise for them to ignore the concern for the society and the environment.

Banks are the major economic agents influencing the industrial sector for lending and financing the projects. They are playing an important role in promoting a sustainable environment. They persuade the economic development and growth of the country. They should promote socially responsible and environmentally sustainable investment which helps them in minimizing their reputation risk, legal risk and credit risk currently, in India, the concept of green banking is new but banks are actively looking for the ways to portray themselves as a Green Bank.

All banks in India are computerized or operate on a core banking solution (CBS). Thus there is ample scope for the banks to adopt paperless or less paper for office correspondence, audit, reporting etc. Banks follow environmental standards for lending, is really will make business owners to change their business to environmental friendly which is good for our future generations. Green banking has two dimensions. First, the way the banking business is being done – is it paperless or not. The second dimension of green banking relates to where the bank puts its money. It considers the clients as its family members, and as such, guide and supervise the projects to reduce pollution and thus implement scientific methods in the real sense by implementing environmental due diligence (EDD) checklist. It reduces cost and energy, thus saving money and increasing GDP of a country.

There is often a doubt that what big impact a monthly paper statement can have. It could be enormous. Estimates of US suggests that if every household were able to switch to paperless bank billing, this would save an estimated 16,500,000 trees per year or about a 46,000 acre forest, 396,000 tones of CO₂ a year, 495,000 tones of air pollution per year and gain almost 2,145,000 tones of oxygen per year. Hence, it is intended to make an attempt to study and examine the growth of green practices of banking institutions in India.

There are several guidelines from the Reserve Bank on e-banking and banks are also putting sincere efforts towards adopting paperless banking.

Steps in Green Banking

It is that found that following are some of the steps that can be taken for going green in banking:

- To encourage online banking to the customers. It creates savings from less paper, less energy, and less expenditure of natural resources from banking activities.
- Customers should encourage checking their accounts on ATM. It helps the environment by by utilizing more online banking services including online bill payment, debit cards, and online statements.

- To provide Green Loans facility to customers for to buy solar equipments with very less Interest rate.
- Banks can initiate to start a campaign to replace all fused GSL bulbs for controlling climate change and rain water harvesting storage in owned premises.
- Banks can introduce Green Credit Cards to their customers. The benefit of using a green credit card is that banks will donate funds to non-profit organizations for environment protection.
- Bank should purchase recycled paper products such as monthly statements, brochures, ATM receipts, annual reports, newsletters, copy paper, envelopes etc and vegetable-based inks that are used instead of less environmentally friendly oil-based inks.
- Using solar and wind energy is one of the noble cause for going green.
- To encourage to use Mobile banking by the customers. It saves time and energy of the customers. It also helps in reducing the use of energy and papers in the banks.

Review of Literature

Raad Mozib Lalon (2015) studied the green practices and process of banks in Bangladesh. The study finds that foreign banks provides 100 per cent online banking facility to their customers and public Sector Banks green financing is much higher than other commercial banks. It also suggested that automation and rigorous training programmes required for all level of management.

Nath, Nayak et al. (2014) attempted to study the green rating standards given by RBI, the World Bank's environmental and social norms and the initiative taken by bank in adopting green practices. They also listed strategies for adopting Green Banking. Green Rating Standard is known as Green Coin Rating. Under this banks are evaluated on the basis of carbon emissions and amount of recycling activities. World Bank has formed environmental and social norms for financial institutions. These norms provide ways to reduce environmental impact.

Sudhalakshmi and Chinnadorai (2014) analyzed the status of Indian Banks in respect of Green Banking and stated that though goes green mantra is essential for emerging economies like India but significant efforts have not been taken. Banks are required to include their green aspect in the lending principles. Every step taken today will mean a better global environment in future. So a policy measure to promote Green Banking is needed in India. Indian banks are running behind time in adoption of this green phenomenon. Green Banking will ensure organization's move towards sustainability.

Objectives of the Study

The following are the main objectives of the present study

- To study the green practices of the banking Institutions in India.
- To study the Trend and growth of green banking practices in India.

Research Methodology

The study is based on secondary data. The required data have been collected from the banking statistics (data releases), speeches and various issues published by Reserve Bank of India (RBI). The relevant websites were visited for collection of necessary literature and data. The study covers a period of 5 financial years from 2012-13 to 2016-17. The data are analyzed by using appropriate tools such as compound annual growth rate and trend analysis.

Results and Discussion

The present study is concerned with analysis of important green practices of banks such as such as RTGS, Retail Electronic Clearing Instruments, Credit and Debit cards, Prepaid Payment Instruments, and Mobile Banking usages in India during the period of 5 years from 2012-13 to 2016-17 has been analyzed

Table-1 Shows the growth of Real Time Gross Settlement (RTGS) of banking institutions in India.

Table 1: Growth of RTGS of Banking Institutions in India (As on 31st March)

Year	Value Rs.Billion	Increase/Decrease	Growth rate
2012-13	1026350.05	--	--
201314	904968.04	121382.01	11.83
201415	929332.89	24364.85	2.69
2015-16	1035551.64	106218.75	11.43
2016-17	1253652.08	218100.44	21.06
CAGR=4.08 per cent			

Sources: RBI Bulletin, Current Statistics in various issues

From Table –1: It is observed that the total RTGS of Banks in India registered a fluctuating trend. The growth rate had varied between -11.83 per cent and 21.06 per cent during the period under study. The highest 21.06per cent Growth rate was found in 2016-17 and lowest 2.69 per cent in 2014-15 during the study period. The Compound Annual growth rate is 60.28 per cent.

Table-2 Shows the growth of Retail Electronic Clearing of Banking Institutions in India.

Table 2: Growth of Retail Electronic Clearing of Banking Institutions in India (As on 31st March)

Year	Value Rs. Billion	Increase/Decrease	Growth rate
2012-13	31881.14	--	--
2013-14	47415.95	15534.81	48.73
2014-15	65365.51	17949.56	37.86
2015-16	91407.92	26042.41	39.84
2016-17	132250.12	40842.20	44.68
CAGR=32.19 per cent			

Sources: RBI Bulletin, Current Statistics in various issues

From Table-2 shows that the Retail Electronic Clearing in banks in India registered a fluctuating trend. The growth rate varied between 39.84 per cent and 48.73 per cent during the period under study. The highest 48.73 per cent Growth rate was seen in 2013-14 and lowest 37.86 per cent in 2014-15 during the study period. The Compound Annual growth rate was 32.19 per cent.

Table-3 presents the Growth of Credit and Debit cards of Banking Institutions in India.

Table 3: Growth of Credit and Debit cards of Banking Institutions in India (As on 31st March)

Year	Credit Cards	Increase/Decrease	Growth rate	Debit Cards	Increase/Decrease	Growth rate
2012-13	1243.93	--	--	17393.47	--	--
2013-14	1556.72	312.79	25.15	20601.12	3207.65	18.44
2014-15	1922.63	365.91	23.51	23492.65	2891.53	14.04
2015-16	2437.02	514.39	26.75	29960.63	3467.98	12.86
2016-17	3312.21	875.19	35.91	26960.79	-58.84	-0.22
CAGR=21.64 per cent				CAGR=21.64 per cent		

Sources: RBI Bulletin, Current Statistics in various issues

Table-3 shows that the usage of Credit and Debit cards in banks in India registered a more fluctuating trend. The growth rate of credit cards had varied between 23.51 per cent and 35.91 per cent. The growth rate of debit card varied between -0.22 per cent and 18.44 during the period under study. The highest growth rate of credit and debit cards 35.91 per cent 18.44 per cent respectively. The Compound Annual growth rate is 21.64 per cent.

Table-4 depicts the growth of prepaid payment Instruments of Banking Institution in India.

Table 4: Growth of Prepaid Payment Instruments of Banking Institutions in India (As on 31st March)

Year	Value Rs.Billion	Increase/Decrease	Growth rate
2012-13	79.22	--	0.15
2013-14	79.34	0.12	0.5
2014-15	213.42	134.08	168.99
2015-16	490.14	276.72	129.66
2016-17	838.01	347.87	70.97
CAGR=60.28 per cent			

Sources: RBI Bulletin, Current Statistics in various issues

Table- 4 shows that the growth rate of Prepaid Payment Instruments in banks in India had registered a fluctuating trend and having the highest annual growth of 168.99 per cent in 2014-15 and the lowest .5 per cent in 2013-14 during the during the study period. The compound Annual growth rate was 60.28 per cent.

Table-5 exhibits the growth of mobile banking of banking Institutions in India

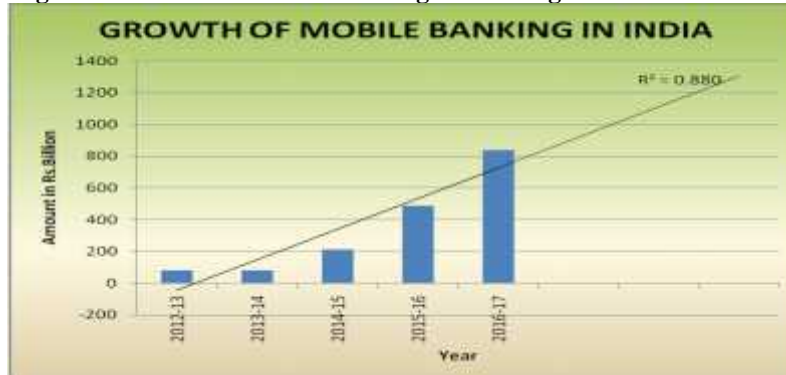
Table 5: Growth of Mobile banking of Banking Institutions in India (As on 31st March)

Year	Value Rs. Billion	Increase/Decrease	Growth rate
2012-13	59.90	--	--
2013-14	224.18	164.28	274.26
2014-15	1035.30	811.12	361.81
2015-16	4022.04	2986.74	288.49
2016-17	13104.76	9082.72	225.82
CAGR=193.77 per cent			

Sources: RBI Bulletin, Current Statistics in various issues

From Table-5 it is found that the growth rates of Mobile banking in India registered a fluctuating trend and it varied between 224.82 per cent and 361.81 per cent during the period under study. The highest growth rate of 361.81 per cent was found in 2014-15 during the study period. The Compound Annual growth rate was 193.77 per cent.

Figure-1: Growth of Mobile banking of Banking Institutions in India



Summary of Findings

The study displays the findings after analyzing the data collected from the bank. The findings are given below

- Generally the green practices of banks of India showed a fluctuating trend.
- The compound growth of usage of RTGS, Retail Electronic instruments, Credit and Debit cards, prepaid payments instruments and Mobile Banking are 4.08, 32.19, 21.64, 60.28 and 193.77 per cent respectively.

Conclusion

The present study considered the green practices in banking institutions in India during the period of 5 years from 2012-13 to 2016-17. The results indicated the fluctuating trend for various green activities. The environmental protection is a very urgent need for healthy living of people in the earth. It is the need of the hour that the banking sector should move towards green practices and also more opportunities are opened up in India to capture new markets for banks. Banks are taking various steps for green practices not only for sustainable development and also for the welfare our future generations. Hence the Government should frame green strategies for achieving 100 per cent green banking practices in India.

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