A STUDY ON GREEN BANKING INITIATIVES OF TOP 10 PUBLIC AND PRIVATE SECTOR BANKS IN INDIA

G.V. Vigneshwara Swamy,
Research Scholar Department of Business Management (SKIM),
Sri Krsihnadevaraya University, Anantapuaram Dist, Andhrapradesh state.

Dr B.Anitha Kumar
Sr.Professor, Department of Business Management (SKIM), & Vice Chancelor (I/C) of
Sri Krsihnadevaraya University, Anantapuaram Dist, Andhrapradesh State. India

ABSTRACT

Green banking refers to the banking business managed in such a manner that helps for overall reduction of external carbon emission and internal carbon footprint. The present study attempts to understand the use of Green Banking Products in banking sector and examine the green banking initiatives by Public and Private Sector Banks in India. Study concluded that both banks have effectively initiated green banking initiative. Comparatively, Public sector banks have shown better performance in terms of Green banking initiatives. Green banking is the term used by banks to make them much more responsible to the environment. The term green banking means developing inclusive banking strategies which will ensure sustainable economic development

Keywords: *Green Initiatives, Green Products, Public Sector Banks, Private Sector Banks, Economic Development, Green Banking Strategies, Carbon Foot Print.*

Introduction

Green Banking is a new phenomenon in the financial world. Banks as the financing agent of the economic and developmental activities have an important role in promoting overall sustainable development. Green banking is the term used by banks to make them much more responsible to the environment. The term green banking means developing inclusive banking strategies which will ensure sustainable economic development.

Green Banking entails banks to encourage environment friendly investments and give lending priority to those industries which have already turned green or are trying to go green and, thereby, help to restore the natural environment. Green banking means combining operational improvements, technology and changing client habits in banking business. It means promoting environmental- friendly practices. This comes in many forms such asusing 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 multibranch banks; or finding the localbank in the area that is taking the biggest steps to support local green initiatives. Foreign banks are practicing green banking on a much serious note. The Indian banks are still taking baby steps into this form of banking. Still, many of them are keen to actively pursue this strategy

Need of the Study

Green banking is indispensable in the contemporary landscape for multifaceted reasons, such as climate change and resource depletion, green banking emerges as a pivotal advocate for environmentally conscious practices.It encourages financial institutions to invest in sustainable projects, renewable energy ventures, and eco-friendly initiatives, actively contributing to environmental preservation. As consumers increasingly gravitate towards socially responsible businesses, banks engaged in green practices not only attract environmentally conscious customers butalso bolster their reputation by aligning with ethical and sustainable values. By connecting the city's sustainability goals with the banking sector's involvement, the study aims to explore how these initiatives influence the adoption of eco-friendly practices within the community. The need for thisstudy lies in bridging the gap between financial institutions' efforts and their impact on environmental sustainability, emphasizing the necessity for robust data collection to support and inform the study'sobjectives.

Objectives of the Study

- To Compare the various Initiates taken by public and private sectors banks by adopting green banking practices.
- To study the environment friendly practices adopted under green banking approach Selected Public & Private Sector banks in India
- To find various Green Banking factors of Public & Private sector Banking Services.
- Green banking Practices by Indian Banks (Select banks from Public and Private Sector taken for the Study)

Review of Literature

Daniel Goleman (bet, 2021)

Green is becoming a symbol of' eco-consciousness' in the world.The modern world faces an unprecedented challenge: striking a delicate balance between economic growth and environmentalpreservation. In this quest for equilibrium, the financial sector has emerged as a powerful catalyst forchange. Enter Green Banking - an innovative approach reshaping finance by integrating environmentalconsiderations into its core practices. It stands as a beacon of hope, offering a path towards sustainabledevelopment and a healthier planet. Green Banking revolvesaroundafundamentalprinciple:financialactivitiesshouldnotcomeattheexpenseofthe environment. It’s about embracing a symbioticrelationshipbetweenfinanceandsustainability. Thisinvolvesfundingeco-friendlyprojects,supporting renewable energy endeavours, and meticulously assessing environmental risks in financialdecision-making processes. The purpose is to utilize the resources through initiating cost-cutting,recycling processes, paperless banking,technological devices, electronic (e) - banking services, and green industries. Green banking is creating an operational model and enabling technological improvements. It is changing the stakeholders' mindsets and habits about environmental issues. Greenbanking involves environment-friendly practices and policies, social responsibilities, and innovativegreen financial products and services to reduce carbon footprint and minimize waste. It represents anintelligentandforward-thinkingmindsetfocuse donenvisioning sustainablefutures.

Green Banking aims at greener and a clean future. As stated earlier what is needed in context of this new concept is consumer awareness. Sharma, Gopal et al. (2014) attempt to study the level of consumer awareness of Green Banking initiative in India with special reference to Mumbai. From the primary survey they conducted they find that surprisingly even those people who are using online facilities provided by their banks nearly three fourth of them are unaware of the term Green Banking. They find that among those who are aware of Green Banking term consider it mainly related to online bill payment and cash deposit system. Other Green Banking aspects like Green CDs, solar powered ATM, bonds for environment protection are among few of which consumers are not aware of. They also attempt to analyze the gender based difference in awareness of green initiatives by bank especially E-Statements, Net Banking and Green loans. Using Chi-Square test for hypothesis testing they arrive at a result that both males and females have the same level of awareness with respect to Green Banking. The researcher’s state that the major obstacle in Green Banking is the technical issues involved followed by lack of education

Nath, Nayak et al. (2014) attempt to study the green rating standard given by RBI, the World Bank’s environmental and social norms and the initiative taken by bank in adopting green practices. They also list 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 institution. These norms provide ways to reduce environmental impact. Banks are required to do Environmental Impact Assessment, Annual Reporting and adopt sustainable technology. The researchers study and list the initiative taken in respect of environment by different banks in India. If the Indian banks want to achieve some position in global economy then they have to act as good corporate citizens.

National and International Regulatory Drives for Green Banking

Numerous international and local organizations, such as NGOs and multilateral agencies, along withmarket forces, have spurred the financial sector's adoption of environmental management practices.The United Nations Environment Programme (UNEP) launched the UNEP Finance Initiative in theearly 1990s, encouraging about 200 global financial institutions to align with sustainable developmentgoals. This initiative aims to integrate environmental and social dimensions into financial performance and risk assessment, emphasizing the precautionary approach to environmental management. Simultaneously, entities like the International Finance Corporation (IFC) and certain banks, such asABN Amro and Deutsche, have established environmental units or frameworks to assess and managenon-financial risks. Advocacy groups like Friends of the Earth (FoE)and theRain forest ActionNetwork (RAN) have challenged banks through campaigns, leading to the formation of coalitions likeBank Track and the Collevecchio Declaration. These movements promote principles of sustainability, responsibility, transparency, and accountability within banking practices. However, in the Indiancontext, the adoption of global standards like the Equator Principles or participation ininitiatives such as the UNEPFI remains low among banks and financial institutions.The National Environmental Policy(NEP) of 2006 outlines environmental policies and rules for various stakeholders,yet it does not specifically address the role of financial institutions. Despite this, NEP emphasizes standardized environmental management practices for industries, potentially influencing other stakeholders like the banking sector to enhance their environmental responsibility. Recently the Reserve Bank of India (RBI) has taken steps in this direction by releasing a discussion paper on climate risk and sustainable finance. The Reserve Bank of India(RBI) released a paper on July27, 2022. The paper was released in accordance with the Statement on Development and RegulatoryPoliciesinApril2022.TheRBIalso released a report of the Survey on Climate Risk and Sustainable Finance in January 2022. The survey assessed the approach, level of preparedness, and progress of 32 scheduled commercial banks. The survey highlighted the significant challenges that Indian commercial banks faced in making their lending practices contribute effectively to the global efforts in addressing the climate crisis. Recognizing climate-related financial risks, the RBI proposed a disclosure framework and established a 'Sustainable Finance Group' (SFG) to lead regulatory initiatives in sustainable finance and climate risk within the banking sector. These efforts signal a growing acknowledgment and action towards integrating environmental considerations into India's financial land scape.

Datacollection

The present study is based on primary as well as secondary data sources. Data is collected from the customers and employees of bank branches located in Agraregion.

PrimaryData:Primary data will be collected by administering a well-structured questionnaire and interviews.

SecondaryData:This data collection will be accessed from various sources such as the banks official website, annual reports,sustainability reports,articles, IDRBT Reports, RBI reportsetc.

Research Gap

On the basis of the review of literature conducted by the researcher for this study,the following research gaps were identified- significant studies were found analyzing the customer dimension of green banking practices,but very few studies were found analyzing the employees'perception of green banking practices.

Very few studies were found which have comprehensively analyzed the customer and employee perception of greenbanking in the particular region.

The parameters such as Time and cost saving, accessibility, training and development, technologyadvancement, security & credence, and environmental & social concerns are some of the prominent factors but were not considered much,hence making it a significant research gap.

Research Questions

The proposed study will try to answer the following research questions:

What are the perceived barriers o rchallenges encountered by bank employees when promoting green banking products and services to customers?

What innovative green banking products and services are emerging in thegreen banking sector, and how are they impacting the customers?

Are there specific marketing strategies or communication channels that significantly impact consumers'choices toward green banking?

Are there significant differences in customer up take and satisfaction with green banking initiatives between the two sectors?

Scope of the STUDY

Considering the context of Smart City's achievements in sustainability, Agra Smart City clinched the third position nationwide in the national Smart City award category. Also in the ICCC sustainable model category, Agra Smart City secured the third position for revenue generation and reducing carbon emissions through the satellite command and control centre. This research direction bridges the gap by connecting the city's sustainability efforts with the financial sector's involvement, providing insights into how banking initiatives contribute to or hinder the adoption of eco-friendly practices within the community. It has become a prominent area for data collection to support the present study.

Data Analysis & Interpretation

Public Sector Banks

Public Sector Banks (PSBs) are a major type of bank inIndia,where a majority stake (i.e.more than 50%)is held by a government. The shares of these banks are listed on stock exchanges. There area total of 18 Public Sector Banks along side1 state-owned Payments Bank in India.

✣ State Bank Of India (SBI)

SBI is an Indian multinational, public sector banking and financial services statutory body headquartered in Mumbai, Maharashtra. SBI is the 43rd largest bank in the world.The Government of India took control of the Imperial Bank of India in 1955, with Reserve Bank of India taking a 60% stake, renaming it State Bank of India.SBI provides a range of banking products through its network of branches in India and overseas, including products aimed at non-resident Indians (NRIs). SBI has 16 regional hubs and 57 zonal offices that are located at important cities throughout India.

Apart from five of its associate banks, SBI‟s non-banking subsidiaries include:

• SBI Capital Markets Ltd

• SBI Cards & Payments Services Pvt. Ltd. (SBICPSL)

• SBI Life Insurance Company Limited

They were the seven regional banks of former Indian princely states. They were renamed, prefixing them with 'State Bank of'. These seven banks were State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Indore (SBN), State Bank of Mysore (SBM), State Bank of Patiala (SBP), State Bank of Saurashtra (SBS) and State Bank of Travancore (SBT). All these banks were given the same logo as the parent bank.

✣ Punjab National Bank

PNB is an Indian public sector bank head quartered in New Delhi, India. The bank was founded in 1894 and is the second largest public sector bank (PSB) in India, both in terms of business and its network. The bank has over 180 million customers. The founding board was drawn from different parts of India professing different faiths and of varying back-ground with, the common objective of creating a truly national bank that would further the economic interest of the country. PNB is the first Indian bank to have been started solely with Indian capital that survives to the present – the earlier Oudh was established in 1881, but failed in 1958. PNB is the first Indian bank to have been started solely with Indian capital that survives to the present – the earlier Oudh was established in 1881, but failed in 1958.

The Government of India (GOI) nationalized PNB and 13 other major commercial banks, on 19 July 1969. In 1976 or 1978, PNB opened a branch in London. some ten years later, in 1986, the Reserve Bank of India required PNB to transfer its London branch to State Bank of India after the branch was involved in a fraud scandal. Shareholders of Oriental Bank of Commerce and United Bank will receive 1,150 shares and 121 shares of PNB, respectively, for every 1,000 shares of they hold. On 1 April 2020, the merger came into effect. Post merging, all customers of other two merging banks are now being treated as the customers of PNB.

Banking subsidiaries Subsidiaries is available in Punjab national bank

- PNB Housing Finance Ltd.
- PNB MetLife India Insurance Company Co. Ltd.
- PNB Investments Services Ltd.
- PNB (International) Ltd.
- PNB Gilts Limited

Private Sector Banks

The private sector banks in India are banks where the majority of the shares or equity are not held by the government but by private shareholders. The new private sector banks are those that have gained their banking licenses in the change of policy in the 1990s.

✣ ICICI Bank

ICICI bank had adopted ‘Go Green’ initiative, which involves activities such as Green products / offerings, Green engagement and green communication with customers.

(i) Green Products and Services: The bank is offering green products and services like 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 India CNG, Reva electric cars, Mahindra Logan CNG versions, Maruti's L version of Maruti 800, Omni and Versa and Hyundai's Sandro Eco.

(iii) Home Finance – The bank had reduced the processing fee for the customers who are purchasing homes in LEED certified buildings.

(iv) 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.

(v) 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 isalso 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 eco-friendly air conditioner alternative to conventional air conditioner.

✣ **HDFC Bank:**

HDFC bank is taking up various measures in reducing their carbon footprints in the area of waste management, paper use and energy efficiencies. 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 offall the lights after 11 pm at all the branches and establishing green data centers with state of the art technologies. A Study on Green Banking Initiatives by Public and Private Sector Banks in Andhra Pradesh https://iaeme.com/Home/journal/JOM 6 editor@iaeme.com 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.

Major Green Banking Products and Services

The following table shows some of the major green banking products and services which are initiated and being implemented inthe Indianbankingindustry.

Table 1:MajorGreenBanking ProductsandServices

Green Mortgages (Energy- Efficient Buildings)	Green Car Loans (Electric vehicles)
Online banking (Electronic FundTransfers)	Green Credit Cards
Green ATMs (Paper less statements)	Green Bonds

Green Financing	Green SavingA/c
Green Cards (DepositCards)	Green Home Equity Loans
Mobile Banking	Green Certificate of Deposits (GCDs)
Solar ATM	Green Insurance

(Source: Herath and Herath 2020)

This paper reviews the literature on the basis of secondary data collected from the sources such as articles, research papers, annual reports, sustainability reports, company's official websites, etc. For analyzing the green banking initiatives taken by Indian banks, top performing banks (on the basis of net profit) are selected in both public and private sector in India.

Here are various green banking factors for public and private sector banking services:

Public Sector Banks

✣ **Regulatory Compliance**

Adherence to government regulations and policies focused on sustainability and environmental protection.

✣ **Sustainable Lending Practices**

Offering loans and financial products specifically for renewable energy projects, sustainable agriculture, and eco-friendly businesses.

✣ **Environmental Risk Assessment**

Evaluating the environmental impact of projects before granting loans to ensure sustainable practices.

✣ **CSR Initiatives**

Engaging in community programs related to environmental conservation, such as tree planting and awareness campaigns.

✣ **Digital Banking Initiatives**

Promoting paperless transactions and e-governance to reduce the environmental footprint.

✣ **Green Infrastructure**

Investing in energy-efficient buildings and facilities that meet green certification standards.

✣ **Employee Training**

Training staff on green banking principles and practices to enhance awareness and implementation.

✣ **Reporting and Transparency**

Regularly reporting on sustainability initiatives and impacts to stakeholders.

Private Sector Banks

✣ **Innovative Financial Products**

Offering a diverse range of green financial products, such as green bonds and eco-friendly investment options.

✣ **Agility in Adoption**

Quickly adapting to market trends and customer preferences related to sustainability.

✣ **Advanced Technology Integration**

Utilizing digital tools to facilitate sustainable practices, such as mobile banking and online services to minimize paper use.

✣ **Customer Engagement**

Actively promoting green banking initiatives through targeted marketing and loyalty programs linked to sustainable practices.

✣ **Partnerships with NGOs**

Collaborating with environmental organizations to support sustainability projects and enhance credibility.

✣ **Impact Measurement**

Implementing metrics to assess and report the environmental impact of financed projects.

✣ **Sustainable Branch Operations**

Implementing energy-efficient technologies and waste management practices in branch operations.

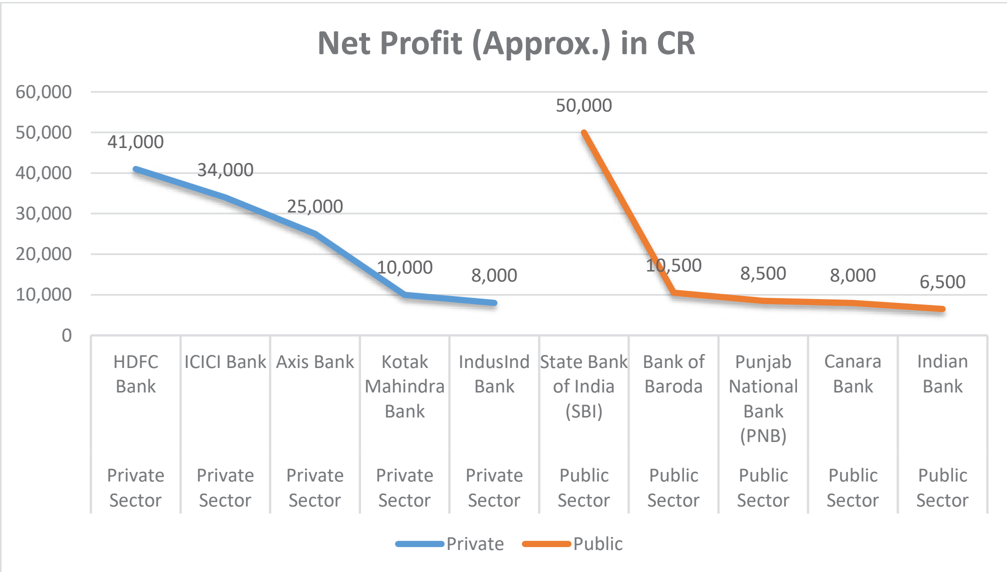
✣ **Corporate Social Responsibility (CSR)**

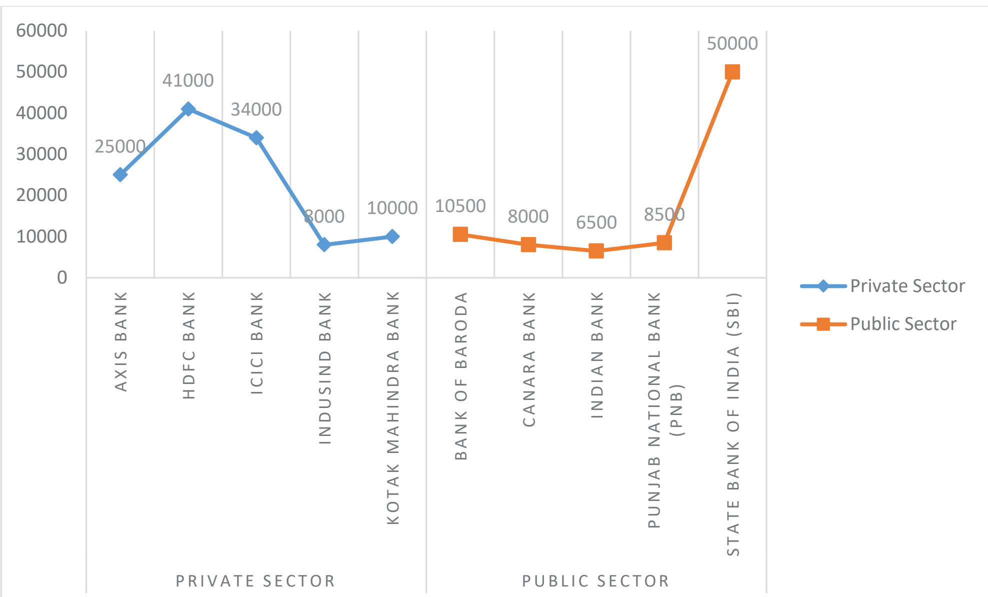
Creating innovative CSR programs focused on environmental conservation and community development.

TOP 10 Public And Private Sector Banks in India Based on Net Profits for 2023

Rank	Bank Name	Sector	Net Profit (Approx.)
1	State Bank of India (SBI)	Public Sector	Rs.50,000 crore
2	HDFC Bank	Private Sector	Rs.41,000 crore
3	ICICI Bank	Private Sector	Rs.34,000 crore

4	Axis Bank	Private Sector	Rs.25,000 crore
5	Bank of Baroda	Public Sector	Rs.10,500 crore
6	Kotak Mahindra Bank	Private Sector	Rs.10,000 crore
7	Punjab National Bank (PNB)	Public Sector	Rs.8,500 crore
8	IndusInd Bank	Private Sector	Rs.8,000 crore
9	Canara Bank	Public Sector	Rs.8,000 crore
10	Indian Bank	Public Sector	Rs.6,500 crore





Analysis of Top 10 Public and Private Sector Banks in India Based on Net Profits for 2023 with a Focus on Green Banking

In 2023, the top banks in India displayed significant profitability, reflecting their strong market positions and effective management strategies. The leading bank, State Bank of India (SBI) achieved a net profit of approximately Rs.50,000 crore, followed closely by HDFC Bank at Rs.41,000 crore. Other notable banks include ICICI Bank, Axis Bank, and several public sector banks like Bank of Baroda and Punjab National Bank.

KEY FINDINGS

PROFITABILITY ACROSS SECTORS

Public Sector Banks (PSBs): SBI and Bank of Baroda led the PSB segment, showcasing strong financial health and stability. However, their profitability is also influenced by government policies and public mandates.

Private Sector Banks: Banks like HDFC and ICICI have shown remarkable agility and innovation, contributing to their higher net profits compared to many PSBs.

Impact of Green Banking Initiatives: Both public and private banks are increasingly adopting green banking practices, recognizing the need to align with global sustainability goals. This trend is crucial as financial institutions play a significant role in funding sustainable projects.

Sustainable Financing: Many of these banks have started offering green loans and financing for renewable energy projects. For instance, HDFC Bank and ICICI Bank have introduced products aimed at funding electric vehicles and solar energy projects.

CSR Activities: Public sector banks, like SBI and Bank of Baroda, engage in extensive CSR initiatives focused on environmental conservation, such as tree planting and community awareness programs.

Investment in Digital Solutions: The push for digital banking has not only improved operational efficiency but also reduced paper consumption. Banks like Axis and HDFC have promoted paperless transactions, aligning their operations with green banking principles.

Risk Assessment and Environmental Policies: Banks are increasingly incorporating environmental risk assessments into their lending practices. This shift helps mitigate risks associated with climate change and ensures that financed projects are sustainable.

Customer Engagement and Awareness:

Private banks, in particular, have focused on customer engagement by promoting green banking products. This not only boosts their green credentials but also attracts environmentally conscious consumers.

Conclusions

Both public and private sector banks are taking significant steps toward adopting green banking practices, but their approaches vary. Public sector banks tend to align closely with regulatory frameworks and government initiatives, while private sector banks often pursue innovation and market-driven strategies. Both sectors can learn from each other's initiatives to enhance their sustainability efforts.

Both public and private sector banks in India are actively adopting various environment-friendly practices under the green banking approach. These initiatives range from sustainable financing and digital banking to community engagement and energy-efficient infrastructure, contributing to a more sustainable banking ecosystem. Both public and private sector banks have distinct approaches to green banking, with public banks often focusing on regulatory compliance and community initiatives, while private banks leverage innovation and customer engagement. Together, these factors contribute to a more sustainable banking landscape.

This paper reviews the literature on the basis of secondary data collected from the sources such as articles, research papers, annual reports, sustainability reports, company’s official websites, etc. For analyzing the green banking initiatives taken by Indian banks, top performing banks (on the basis of net profit) are selected in both public and private sector in India.

Public and private sector banks are actively undertaken a multiplicity of green banking practices. Primarily, banks are creating awareness about environmental issues through green banking among bank staff, customer and mass people. Gradually, bank’s green banking activities have shifted from encouraging and implementing of e-banking to the recycle of the wastes, water treatment plants, rain water harvesting, using solar based equipment’s, constructing green building etc. in more effective manner.

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