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"Green Initiatives in Private Sector Banks in India"

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Abstract

Today due to technological advancement the global economy is threatened from three major challenges: namely climatic changes, energy crisis and financial constraints. As a result of human pressure on Earth's resources, natural capital has declined. Increase in environmental Pollution, natural resource depletion and effects from global environmental issues compel large economic stresses and costs. In order to meet these challenges, new ecologically sustainable development strategies, that lead to economic growth and increased social equity while preserving the environment and responding to the rapidly increasing problems related to climate change, must be adopted. Hence, There is great need to support such Green Growth strategies that induce the required revolution process towards low-carbon and resource-efficient economies. A green financial system is the remedy for achieving harmony between the economy and the environment. One such sector is Green Banking. Green Banking means adopting environment friendly practices in banking sector and thereby reducing internal and external carbon footprints. It promotes green investments in renewable energy development projects which help in achieving sustainable economic growth for the nations. The present study primarily aims at exploring existing literature on the Green banking initiatives taken by the top leading private sector banks in India. Secondly, to know about the different green processes available in the Indian financial markets, and thirdly the future scope of green finance in India.

Keywords: Green Finance; Green Banking; Green Engagements, Green Communication

INTRODUCTION

The Finance sector of an economy forms the backbone of the country. It has a direct impact on the country's economic growth and development. However in order to achieve sustainability in economic growth the philosophy of Environmentalism plays a very crucial role. Therefore, with increasing environmental concerns both at national and global level; it has become important for the finance sector to become responsive to these environmental issues. This gave rise to the concept of Green Finance which is an innovation in the field of finance.

Green Finance thus involves making investments in environmentally sustainable products and projects which aims at reducing or avoiding greenhouse gas emissions, controlling industrial pollution, water sanitation, waste management and overall biodiversity protection. It also includes green investments i.e... The stocks, exchange traded funds and mutual funds of the companies whose operations aims at improving the environment. The concept of 'GreenBanking' will be beneficial to the environment, banking industries as well as economy & it will not ensure the greening of industries only but also facilitates the improving in asset quality in the future .Considering the benefit of going green the Indian banks have also adopted the 'Green Banking' approach in the past few years and taking various green initiatives on all possible scales to be more environmentally responsible. However the 'Green Banking' approach of Indian banks differs from each other as they are in different phases of green marketing on the basis of their approach toward Environmental sustainability.

The existing literature in this area emphasizes upon the role of Green Banking in promoting environmental sustainability through its eco – friendly initiatives and practices.

RESEARCH OBJECTIVES

1. To review the existing literature on Green Banking initiatives taken by the leading private sector banks in India.
2. To study the kind of green initiatives adopted by the leading private sector banks in India
3. To understand the future implications in Green banking in India.

SCOPE OF THE STUDY

The scope of the study is limited to only six top performing banks in private sector operating in India.

LIMITATION OF THE STUDY

Public sector banks and low performing banks are not taken under this research paper.

RESEARCH METHODOLOGY

This research paper is based on the following methodology in which secondary data is used from the secondary sources such as articles, research papers, annual reports, sustainability reports, bank's websites, etc.

LITERATURE REVIEW

1. Gupta (2003) Environmental hazards management procedures for each project and follow through. There are also few cases where environmental management system has resulted cost savings, increase in bond value etc.
2. Ginovsky (2009) had focused that in order to implement ecologically friendly practices, banks should launch new banking products which promotes the sustainable practices and also needs to restructure their back office operations
3. According to Srivatsa H. S (2011) banks consume natural resources which add to the pressure on the environment so the impact of banking services on environment is huge.
4. As per the research of Joshua A J & Koshy M P (2011) the ATMs have been widely adopted but the level of adoption of other electronic banking means despite their potential are yet to flourish at large.
5. Biswas, N. 2011 in his "Sustainable Green Banking Approach: The Need of the Hour. Business Spectrum" had emphasized that Green banking is an essential part of the Bank's environmental policy as applied through its wider Corporate Social Responsibility strategy. The adoption of green banking strategies will help the bank to deal with these risks involved in their business operation.
6. Nanda Sibabrata and Bihari Suresh (2012) Green banking has been an integral part of the banking system in the developed and the developing economies of the world.
7. Chadichal Shilpa and Dr Misra Sheelan (2013) Banks are beginning to recognize that they have a social responsibility to fulfill as distinct from mere accepting of deposits for the purpose of lending or investment.
8. Yadav and Pathak (2013) study the Green Banking approaches opted by private and public bank for environment sustainability. Using case study approach they find that Indian banks have understood the relevance of taking positive steps towards the environment.

Moreover results of the study conducted reveals that public sector banks have taken more initiatives as compared private sector with exception of ICICI bank. In private sector only ICICI bank's approach is a sustainable approach.

9. Chaurasia (2014) in his paper states that "Green Banking practices in Indian Banks" benefits the strategic aspects of green banking and status of Indian banks regarding green Banking adoption.
10. Singh, Y. (2015) Environmental Management through Green Banking: A study of Commercial Banks in India discussed that it is important to engage with key stakeholders and create awareness of environmental issues and their impact on the economy, the environment and the society.

Green Banking Practices of Top Leading India Private Sector Banks

1. Axis Bank

- Encourages its customers to subscribe for e-statements and other electronic formats of communication to reduce paper consumption,
- Encourages adopting green building concept for its office space (Bank's corporate office 'Axis House' is designed and constructed as a Platinum LEED-Certified "Green Building") and many other similar activities.
- Conducts tree plantation programs (Plant a Sapling initiative)
- Uses renewable energy units for the purpose of street lighting.
- Uses water collected from rainwater harvesting system and a sewage treatment plant.
- Uses furniture made out of a high percentage of recycled materials.
- Initiated solar-based UPS for ten ATMs under its Independent ATM Deployment (IAD) model.

2. ICICI Bank

Green Initiatives for Customers:

A) Green Products & Services

- **Instabanking** - It is the platform that brings together all our alternate channels under one umbrella and gives customers the convenience of banking anytime anywhere through Internet banking, I-Mobile banking, Tab banking and IVR banking. This reduces the carbon footprint of the customers by ensuring they do not have to resort to physical statements or travel to their branches.
- **Electronic Branches** - Fully electronic branches have also been set up where customers can conduct all their banking transactions.
- **E- Drive** - We have sent nearly 200 thousand annual reports in electronic form. In the last quarter we have saved more than 60 tonnes of paper by sending e-statements to over 6.5 million Bank accounts and 300 thousand credit card customers.

B) Green Engagements

- **World Environment Day**- June 5, 2014: On the occasion of 'World Environment Day' ICICI Bank employees undertook several activities to show our commitment towards 'Go Green'. A Pan India **sapling plantation drive** was conducted across all ICICI Bank towers and branches, along with **PUC drive** where employees were encouraged to get their vehicle's PUC checked and vendors were set up at select towers for the same. As a continued effort to reduce use of paper, ICICI Bank has undertaken an **e-statement and**

e-registration drive where customers are encouraged to switch to email based statements and bills through Branch banking and Phone banking staff.

- 'Go Social' campaign was launched for employees where every individual could post pictures of their green initiative on facebook and twitter, and spread the word to families and friends to join in the journey to Go Green
- **World Environment Week** - continued from June 09 to 13 with each day of the week representing a different green theme: No plastic day, Reuse paper day, Carpool day, Duplex printing day and Save energy day. Employees have been sensitized on the Bank wide goal taken to save paper, energy and water and its importance.
- **Solar Branches** - As part of the Bank's Go Green initiative, about 294 rural low cost branches have been fitted with solar panels, with a plan to extend the same to 122 more branches by July 2014. Solar power is a source of renewable and non-polluting clean energy. As a result of this initiative, 1440 Units of solar energy is generated per branch annually and the energy consumption cost has reduced considerably.

C} Green Communication

- ICICI Bank has extensively capitalized on the existing internal media- statements, inserts, and Credit Card Charge slips- to reach out to the customers and seek their collaboration in the 'Go Green' movement. The communication on Online Bill pay, Online Funds Transfer and Subscribing to e-statements are aimed at migrating customers to 'paperless' and 'commute-free' mode of conducting some of their banking transactions during the 'World Environment Week' June 09 to 13, Phone banking has also introduced a Go Green message on the IVR encouraging customers to switch to e-statements.

Green Initiatives for Employees:

1. Conserving Energy

- Encouraging turning off and/or unplugging all lights and electronic equipment (computers, monitors, photocopiers, cell phone chargers, printers, radio, etc.) when not in use, and fully utilizing power-saving settings when in use.
- Recycling and refilling ink cartridges for our printers.
- Replacing incandescent bulbs with CFLs when they need to be replaced, internally and externally.
- Utilizing online "Webinars" for shorter meetings that involve people who might otherwise have to travel a long distance.
- Encouraging use of carpool and use public transportation.

2. Saving Paper

- Upgrading to a higher percentage post-consumer waste recycled paper internally (copy and printer paper) and externally (brochures, etc.)
- Shredding and recycling all papers internally.
- Sharing electronic files, voice mail and e-mail instead of paper memos.
- Duplexing (two-sided printing) when possible as well as limiting printed materials/e-mails/memos to only what is necessary.

3. Water conservation

- Employees are encouraged to turn off taps when not in use and ensure that leaky faucets are fixed
- Our Mumbai and Hyderabad towers have water treatment plants for recycling sewage water. The recycled water is then used in washrooms, used for irrigation and will soon be

used in water-cooled chillers for air conditioning, which are more efficient than air-cooled chillers.

- Some towers also have sensor based taps to avoid water wastage

3. Kotak Mahindra Bank

- KMBL is cognizant of its role as a key financial institution to promote environmental sustainability. It has a two-pronged approach towards environmental sustainability – promoting adoption of environmentally sustainable technologies and processes through its lending and investment decisions, and reducing the Bank's own carbon footprint.
- The Bank encourages customers to choose the option of e-statements for their credit cards. This eliminates wastage of paper resources and helps customers to store and retrieve statements electronically at their convenience. As token of appreciation for every customer who opts for an e-credit card statement, the Bank plants a sapling in partnership with Grow-Trees.com.
- The Bank strictly adheres to RBI's mandate on negative screening list for investments and checks for all relevant clearances on environment as part of project appraisal process before making lending decisions. KMBL has also established a Social Environmental Management System Plan (SEMSP) to evaluate the social and environmental risks of eligible borrowers for IFC Line of Credit. SEMSP guides the credit risk assessment team to evaluate the social and environmental risks as part of overall credit risk assessment.
- The Bank has limited material environmental impacts and hence focuses primarily on building energy efficiency, data centre efficiency and resource (paper) optimization as part of its internal green agenda. Since data centres are one of largest energy consumers, the Bank has optimized the Data Centres facility into a single facility in 2009 to leverage system efficiencies and exercise better control on their energy performance. Initiatives such as high and medium density server rooms, server virtualization, server consolidation, cold aisle containment, managing optimal levels of inlet temperature, etc. have yielded good results to reduce the energy intensity of Data Centre and contribute towards environmental sustainability.
- The Bank focuses on improving its office building efficiency to consume fewer resources and save more energy. The two corporate offices of the Bank - Kotak Infiniti, Malad (East) and 27BKC, which together have the maximum employee footprint, have incorporated green building features at the design stage itself. The Kotak Infiniti office has occupancy and day-light sensors, energy efficient chillers and CFL lighting solutions to reduce energy demand. Further, the Bank has made conscious efforts to switch to energy efficient LED lighting through phase-wise replacement of CFL lighting. Being a green building, the 27BKC office is pre-certified for LEED (Leadership in Energy and Environmental Design) Silver rating and is expected to get the final certification soon.
- The fresh water intake is reduced at both office premises by recycling wastewater and reusing this treated water for toilet flushing and gardening. This is supplemented by efforts to harvest rainwater through rainwater collection tanks at both offices, and ground water recharge at BKC office. Furthermore, kitchen waste generated at these office premises is donated to a trust which composts it to use as manure.

4. HDFC Bank

- The ATMs at HDFC Bank have gone paperless, enabling reduction of its carbon footprint. The bank has reduced this effort a further fillip by ensuring multichannel delivery through Net Banking, Phone Banking and Mobile Banking. This reduces carbon emission from

operations as well as by reducing customer travel requirements. The bank has implemented E – HRM policies and procedures in the system.

- The Bank in order to control its environmental footprint has introduced solar ATMs. These use rechargeable Lithium Ion batteries which use solar energy for their functioning, thereby reducing the consumption of conventional energy. At the time of appraisal of projects the bank makes it mandatory for the manufacturing units emitting toxic effluents to install the water treatment plants and also obtain approval of the central or state Pollution Control Board.
- Bank has initiated "Energy Management Module" in 100 select branches across 4 metro cities to pull data from sensors to monitor real time usage and based on analytics will help control electricity wastage. This system will also monitor diesel consumption of DG sets.
- HDFC Bank reports on voluntary reporting standards of Global Reporting Initiative and Carbon Disclosure Report. The Bank is a signatory to the Carbon Disclosure Project (CDP) and has been reporting since 2011. The bank also finished on the CDP Leadership Index (CDLI) India in FY 2014-15.
- HDFC Bank released its second sustainability year for the FY 2014-15. This is a GRI G4 Comprehensive report.
- Sustainable Plus is the world's first and only corporate sustainable label. It is based on comprehensive ESG analysis of companies which helps them to measure performance as well as identify risks that challenge sustainability of their business. Each year, CESD undertakes ESG analysis of top 100 companies across 20 sectors and provides Sustainable Plus label.
- HDFC Bank was rated with "**Sustainable plus Gold Label**" for FY 2015, based on ESG analysis conducted on public information, scans and information request.

5. IndusInd Bank

- IndusInd's new Solar ATM replaces the use of conventional energy for 8 hours per day with ecofriendly and renewable solar energy. The energy saved will be 1980 kW hrs every year and will be accompanied by a simultaneous reduction in CO2 emissions by 1942 Kgs. In terms of costs, the savings will be substantial, approximately Rs. 20,000 per year in case of a commercial user with grid power supply.
- Inauguration of Mumbai's first solar powered ATM as part of its Green Office Project campaign 'Hum aur Hariyali'. It also unveiled a 'Green Office Manual -A Guide to Sustainable Practices', prepared in association with the Centre for Environmental Research and Education (CERE), with which the bank has been collaborating with to promote the role of corporations in advancing environmental sustainability through the medium of the 'Green Office Project'.
- Other initiatives of the bank include thin computing, e-archiving, e-learning, e-waste management, paperless fax, energy conservation and also supporting finance programs with incentives to go green.
- Other initiatives includes organizing Webinars, use of CFL bulbs, carpools and public transportation, developing eco friendly air conditioners etc.
- The Bank has been honored with "Best Use of CSR Practices in Banking & Finance" and "Innovation in Corporate Social Responsibility Practices" at Global CSR Excellence & Leadership Award 2013 and "Best Corporate Social Responsibility Practice 2013" at BSE -

7th Social and Corporate Governance Awards. The Bank has also been awarded with "Top Green IT Enterprise Award 2012" by CIO Magazine.

6. Yes Bank

- To promote environmental sustainability and Occupational Health and Safety (OHS) within the Indian MSME sector, the Bank has launched the 'Say YES to Sustainable MSMEs in India', under the YES COMMUNITY umbrella, as a multifaceted intervention to help them become globally competitive.
- The initiative, launched in partnership with the Foundation for MSME Clusters (FMC), is under an ongoing project funded by the European Union named 'Scaling up Sustainable Development of MSME Clusters in India', with UNIDO, GRI, SIDBI, IICA and GIZ as partners.
- In the first phase, the program supported MSME clusters in Punjab and Uttar Pradesh by enhancing their energy efficiency and improving their health and safety systems through sensitization workshops, health camps, providing drinking water facilities, first aid kits and distributing personal protective equipments. Under the initiative, OHS systems were strengthened in 50 foundry MSMEs benefitting 907 workers, and energy efficiency projects were implemented in 20 MSMEs, improving their energy efficiency in the range of 15-20% and reducing coke consumption by 650 Metric Tons per annum, resulting in reduction of 1787 Metric Tons of CO2 emission per annum (1 MT of coke emits 2.75 MT of CO2), thus saving approximately Rs. 97.50 Lakh (assuming price of coke at INR 15,000 per ton).

Future Implications in Green Banking Initiatives

- ✓ The awareness towards complying with environmentally-safe norms and standards is gradually developing in the minds of customers.
- ✓ Environmentally Sustainable banking helps in cost saving, enhances time flexibility also reduces the risk. Today it is believed that adopting saves costs and time, minimizes the risk, enhances the reputation of banks and contributes to the common good of environmental sustainability. So it serves both the purposes of commerce as well as social responsibility.
- ✓ Private sector banks in India have yet large scope in green banking process because of technological competition in external business environment.
- ✓ Banks should to be more vigilant in India about the environmental aspects of their clients and products due to following reasons
 - (a) The future of exports-market is likely to experience stringent environmental rules and so eco-friendly products will have better market.
 - (b) Increase in demand for pollution-control technologies will require more financial assistance from banks.
 - (c) Reserve Bank of India (RBI) may follow environmental guidelines for the banks on the lines of IFC and Asian Development Bank.
 - (d) Big investment projects supported by international organizations like the World Bank and ADB require Environmental Impact Assessment (EIA). so the banks should lay roadmaps and chalk out plans to implement procedures like (i) assessment of risk due to environment (ii) Environmental audit management (iii) assessment of credit requirement and loan follow up before investing on different projects.

CONCLUSION

Thus, it can be concluded that India has a great potential to create a green infrastructure needed for green finance by overcoming the barriers and creating awareness among the corporate citizens. Learning from their western counterparts the banks in India are also adopting various environmental practices and initiatives in their day today business operations for the environmental concern and playing an important role in maintaining the ecological balance. But the Indian banking sector is still at the initial stage of green banking initiatives. As most of the banks are adopting and focusing only on those green initiatives which provides win-win situation for the bank, that help to show the concern for the environment along with helping the bank in cost savings and improved operational efficiency. Future research can be conducted to study the impact of green practices on consumer willingness to purchase green products in other sectors.

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