

Emerging Trends in Green Governance: A Study of Indian Banks



Rupali Rani

Research Scholar,
Dept. of Commerce,
Punjabi University,
Patiala, Punjab, India

Abstract

In the era of development and industrialization humans had largely ignored the environmental health of the earth which raising the levels of pollution and resulted in occasional natural disasters as well as depletion of the natural resources across the world. It is desirable to include the environmental concern in the development process for sustainable development. Therefore, governments are taking various initiatives for the conservation, promotion and management of the environment. Government alone cannot undertake this green movement at macro as well as at micro level. Other institutions of the economy such as political community, society, business organizations, NGO's, Banks etc. should also be held responsible for this green movement. With their collective efforts, we can pass on a safer and healthier world to our future generation. As financing institutions, Banks played a major role in the economy of a country and should initiate programmes and policies to make the environment safe and healthy. Green Governance is a new generation's move to drive towards the overall sustainability. The present paper is an attempt to study the emerging trends in Green Governance and the various initiatives taken by the selected Indian banks. The case study method used for achieving the objectives of the study. Findings of the study concluded that Indian banks had taken various measures in the direction of green governance and still moving forward to manage the environment. However, in comparison to their foreign counter parts they stood far behind and recommended that to create more innovative ways and means to protect and conserve the environment.

Keywords: Environment, Trends, Green Banking, Governance, Banks.

Introduction

"Everything in excess is like a poison" a saying by Swami Vivekananda is very true in context of Industrial revolution triggered around the world. As it leads to more burning of fossil fuels, deforestation, overloading of carbon dioxide, which damaged our climate. The side effects of such industrialization process seen in today's most discussed burning issues like global warming, climate change, loss of biodiversity and environmental imbalance etc. These are the very causes behind the various natural accidents and disasters occurred across the world. It is desirable to include the environmental concern in the development process for sustainable development. Therefore, there is an urgent need of protection and preservation of environment. National governments are taking various initiatives for the promotion and management of the environment. Government alone cannot undertake this green movement at macro as well as at micro level. Other institutions of the economy such as political community, society, business organizations, NGO's, Banks etc. should also be held responsible for this green movement. Environmental awareness movements have forced the public, industrialists & individuals to act in a more responsible way and put their share in green governance. Green governance means governing the operations and actions of the economy with the environment friendly approach generally. In particular, it means formulating a framework of policies and programmes to control and manage the environment and natural resources. Moreover it also include monitoring of the working of these policies and to make it sure of their successful implementation in order to achieve sustainable development.

Environmental governance as "the multi level interactions (local, national, international) among, but not limited to, three main actors i.e., state market and civil society, which interact with one another, whether in formal and informal ways; in formulating and implementing policies in response to environment related demands and inputs from the society; bound by rules, procedures, processes, and widely accepted behavior;

possessing characteristics of “good governance”; for the purpose of attaining environmentally-sustainable development”

-International Union for Conservation of Nature (IUCN) 2014

Key Principles of Green Governance include:

1. Keeping the environment at the centre of at all levels of decision-making and action.
2. Conceptualizing the state and societies' economic and political life as a sub-set of the environment.
3. Establishing a strong connection of people to the ecosystems in which they live.
4. Promoting the transition from open loop (garbage disposal) to closed loop (like perm culture and zero waste strategies).

Now these days many organizations from different sectors are striving to adopt the 'Green Governance' in their daily operations and decision making process and pose as 'Green Ethical Entities' even banks are taking great concern regarding the environment. Employing green governance has been proved beneficial for environment as well as for banks itself with increased efficiency and profitability. As a financing institution, Banks play a major role in the economy of a country; Major developmental activities are affected by it. However, banks have low impact on the climate in comparison to other industries but it finances those industries that pollute or dilute the environment. Therefore, banks should play a proactive role in preserving the environment.

Green Governance has a strong connection with the condition of our environment, which is now in a great danger. We cannot fix the problem but we can prevent it from going worse. By adopting green governance in our daily life actions, Banks are now shedding off the traditional practices and adopting the Green Banking approach. Banks can achieve the green governance goals in most effective way through its sustainable and eco friendly investment policies.

Literature Review

The following are some studies undertaken by the various authors and researchers and pointed out their views about environment safety and sustainability.

Ahuja (2015) reviewed the literature on eco-friendly banking system and the major implementation and adoption obstacles faced by the banking industry. The findings of the study revealed that public sector banks expressed more concern in comparison to private banks. Further, the illiteracy and unawareness among the public aroused as the main hurdles in the path of the success of green banking system.

Brar (2016) examined the adaptability prospects of green banking concept in Indian Banking Industry. The results of the study concluded that considering the views of banking employees towards accepting and using green banking solution technologies is significant for the smooth implementation of green banking in reality.

Gopal et.al. (2012) studied the customer awareness level towards the green banking initiatives

undertaken by the banks specifically located in Mumbai from public as well as from private sector. The results of the paper concluded that the participation level of public and private banks in green movement was encouraging but slower and hindered due to the various technical, procedural, administrative problems.

Sahoo et.al. (2016) investigated the behavior difference between the banking customers of different age groups in terms of adaptability of green banking products. The results of the analysis showed that old and middle age group people were less interested in adopting the eco friendly banking products and relied on the old-fashioned methods. On the other side, younger people conveniently adopted the same and enjoyed the new technology products.

Yadav and Pathak (2014) assessed the green marketing approaches used by the top performing public and private banks. The findings of the present study explained that the public sector banks topped in adopting the green marketing strategies in comparison to private banks in order to safeguard the environment.

Objectives of the study

1. To study the emerging trends in green governance and its major drivers.
2. To study the major initiatives taken by the banks with regard to green governance.
3. To make a comparison of private and public sector banks with regard to green governance.

Research Methodology:

In this paper Secondary data is used which is collected from various articles, journals, concerned websites, speeches, newspapers and their respective annual reports etc. Case study method adopted to explore the results. Under the study we have, taken six banks from the banking industry of India among these three from public sector and three from private sector are as follow: State Bank of India, Punjab National Bank, Canara Bank, HDFC Bank, Kotak Mahindra Bank, Yes Bank.

Findings and Results

Environmental Drivers

Green Governance is very helpful for nature as well as it provide a competitive edge to banks. It reduces the chances of errors/fraud increase efficiency, ultimately leads to cost reduction. Green initiatives undertaken by the banks give it name and fame for a long lasting period. Following are the major drivers, which has accelerated the green transition of banks. These are:

Environmental I.T coverage

I.T has given the chance to public to understand the severity and impact of environmental issues. Various environmental campaigns, programmes and conducted all over the earth made the public more informed.

Climatic Awareness

Nowadays people are very well aware with the nature's health. People want to do for the nature that is why they demands and prefers to purchase eco-friendly products and services.

Legal Compulsion

Green rules and a no. of statutory compulsion from the part of the Government forced the businesses entities to realize their green ethics.

Green Goodwill

Caring for environment and providing green products and services to public fetch them green goodwill that has a long lasting benefits.

Cost reduction and greater efficiency

By using greener approach in their banking business practices, they can reduce cost of their operations in big amount. It also leads to greater efficiency ultimately to greater profitability.

In today's world green governance are emerging industrial norms for the betterment and sustainability of climate. However, challenge to business people is to ensure profitability while using environmentally sustainable methods. For this purpose, Innovation can make them in a single row, which means- Business, Ethics and Environment. We desperately need new ideas; concepts and theories that inspire us and give solutions. Banks can protect and conserve the Earth by using its manifold

customer base and its financing power. Government of India and the ruling body of Banking Industry, RBI has taken many efforts to protect the climate.

RBI issued a circular in December 2007 according to which RBI asked to all banks to integrate their business operations with socials and environmental issues under their corporate social responsibility. Along with it, RBI in its publication "Policy Environment" acknowledges the term "Green Banking" and outlines the implementation of green IT in all areas of its work. In this regard, many Indian Banks has started to publish their philanthropic initiatives under their CSR reports.

Green Governance by Indian Banks

Under study we have taken four banks that are-SBI (State Bank Of India) , PNB (Punjab National Bank, HDFC (Housing Development Finance Corporation, YES Bank. The data collected for comparisons from their Business Responsibility Report for the period of 2013-2014 and 2014-2015 respectively.

Profile of selected Indian Banks undertaken for the Study

	SBI BANK	PNB BANK	CANARA BANK	HDFC BANK	YES BANK	KOTAK MOHINDRA BANK
Net profit up to 2013-14 (Rs.incrores)	10891	3343	2438	8478	1617.8	2465
No. of Branches	15869	6201	4755	3403	560	605
No. of Employees	222033	65541	48794	66076	8798	26000
No. of ATMs	48000	6940	6312	11256	1139	1103
% spending on CSR	1.37%	0.07%	1.72%	0.83%	0.76%	0.15%

(Source- Data extracted from the Business Responsibility Reports of respective Banks)

Indian banks are the largest entities that drive the economic development of the economy. With pressure of statutory laws and with their voluntary efforts in representing them in social and environmental protection front are taking many initiatives under their corporate social responsibility. Banks also disclose initiatives in their annual reports under a separate section known as business responsibility report. The above table shows the details about the Net Profit earned by the banks during the year and shows their capability in terms of no. of branches and no. of employees they have. The total no. of ATMs setup by the banks shows their efforts in paperless banking. The percentage amount of profit spends on CSR activities by the banks is also given in the table. The various initiatives undertaken for the environmental sustainability are covered under the CSR activities of the banks as well as taken as green governance initiatives.

Various initiatives taken by the banks are as follows:

State Bank of India

State Bank of India is the oldest and largest banking institution. The bank was established in the year 1806(Bank of Calcutta) and after independence became as SBI in the year 1955.State bank of India is actively participated in community services since 1973 and sponsor the various social and welfare activities.

Initiatives undertaken by the SBI in environmental ethics are:

1. Bank has launched The Green channel counter.
2. Create innovative products such as Green home loan scheme.
3. It also has signed the Carbon disclosure project.
4. Promoting green finance by providing a term loan to company for building a solar plant in India (14 years).
5. SBI also providing loans at concessionary interest rates to the clients in order to promoting the optimum utilization of resources so less amount of GHG can be produced.
6. Bank has installed highest number of Solar ATMs in the world.
7. It has also saved 2000 tonnes CO₂ annually.
8. It is promoting the utilization of renewable energy resources through various campaigns and seminars.
9. Bank also itself has started optimum utilization of resources in its business operations.
10. Set up wind mills in Tamilnadu, Maharashtra and Gujarat for producing the substitute energy.
11. Bank also undertakes a special drive to plant fruit bearing trees to improve green coverage.
12. It also arranges the various Trees plantation campaigns during the year throughout the country to promote the greenery.

Punjab National Bank

Punjab national banks also an old bank as established in 1894 and the second biggest bank in the public sector of India. Apart from its financial activities also involved in social and welfare cause. Various actions undertaken by banks in green ethics are:

1. Using energy efficient appliances, green infrastructure, building
2. It is also making efforts for harvesting the rainwater at its branches.
3. Bank does not finance the environmental hazardous industrial project.
4. It make request to industries to use effluent plants and make sure they get the NOC from the pollution control board.
5. Bank undertakes the risk based management audit of the administrative office of the bank.
6. It established Green Lobby with solar energy provides various banking services.
7. Conducts electricity audit and also undertaken the green audit.
8. Solar ATM installed in states of Bihar and U.P
9. Saplings of 3345 plants were executed in 33 trees plantation camps.
10. Bank has sanctioned 9 wind energy project of Rs.185.81 crore.
11. It also undertakes the Energy Audit of the bank during the year.
12. Bank takes actions for proper E-Waste management.
13. Bank is also signed the Carbon Disclosure Project to reduce its carbon footprints.

Canara Bank

Initially Canara bank was established as Canara Hindu Permanent Fund in 1906 and gain the bank status in 1910. after the nationalization became public sector bank since then it is provides services to public in various financial matters. Moreover it has joined hand with UNEP in 2003 for a solar project. Green initiatives taken by the Canara bank are:

1. Bank has set up a number of E-lounge with Hi-Tech banking facilities at various locations.
2. It has installed water purification plants at their branches to use the waste recycled water in gardening to improve the green cover.
3. For serving the community as well as to promote the energy conservation bank donated solar water heaters to hospitals, villages and to schools.
4. Bank has installed a number of solar powered biometric ATMs at rural areas for the use of rural people.
5. For promoting the green and clean energy bank give preference in financing the Solar, Biogas and Windfall projects.
6. It is also providing online facilities as it launched opening of online saving bank account no need to commute with branch offices.
7. Bank had planted about 1 lakh saplings across its all branches during the year.
8. To promote paperless banking encourage the customers to use Internet / Mobile and Tele banking.

HDFC Bank

Housing Development Finance Corporation established the HDFC Bank in 1994 when it get the licenses from the RBI to operate the banking business. It is the first private bank of India. Through the study it can be said that bank is lively active in its financial as well as welfare operations. Initiatives taken in this regard are:

1. HDFC bank is promoting the Energy conservation by using CFLs at its all branches.
2. It installed Green data centers to manage the data at minimum wastage of resources.
3. Set up 20 solar energy operatable ATMs at various locations of the country.
4. It promotes paperless banking.
5. Bank also provide multi-level channel delivery(Internet , Mobile, ATMs banking)
6. Encourage the corporate to subscribe the E-statements, E- bills.
7. Bank also installed energy efficient green infrastructure in its offices.
8. Bank used the only Star Rated and energy efficient electronic products.
9. It used the server and desktop virtualization for the communication purposes to reduce the power consumption.
10. It has strong policy to manage and dispose E-Waste in an efficient and harmless manner.
11. Bank is signatory to carbon disclosure project and making efforts to manage its environmental impacts.
12. Social environmental risk management system for screening the projects before financing them.
13. It had deployed motion sensors to switch off lights in an empty room at selected locations.

YES Bank

YES Bank is founded in 2004 by Mr. Rana Kapoor. It's the only private bank of the country which is awarded by the RBI with the Greenfield License in the last two decades. YES Bank is fully furnished commercial bank providing various services as corporate, retail, SME banking, Branch banking, Business banking and also offers wealth management services. Yes bank also leads in community and social operations as follows:

1. YES Bank has signed the international protocols- Carbon Disclosure Project, Natural Capital Declaration, Equator Principle.
2. It is the First Indian Bank to get the EMS (Environmental Management System) certification ISO14001:2004
3. Bank also promote the proactive handling of E-waste management
4. In order to save the resources bank has initiated the Digitization of various documentation processes.
5. It has funded India's largest Solar PV Project in Madhya Pradesh.
6. Bank launched Yes Money Payment Model on mobile banking which helps in saving the 1 million A4 size paper sheets.
7. It takes initiative to connect the youth with social and green ethics through its 'Yes, am The Change' campaign.

8. To provide the sustainable finance bank is adopting the Triple Bottom Line approach in their lending and investment decisions.
9. YES Bank became the first bank to present the sustainability report with A-Level check certificate from Global Reporting Initiative.
10. It also launched the 'Sustainability Series' to promote the solutions and necessary training for addressing the social and environmental risks associated with lending decisions.
11. It also conducts a Survey of Green Real Estate Sector in 2014 to find out the various challenges and prospective opportunities of this sector and to check the level of awareness level of benefits derived from the green buildings and furniture.
12. Bank provides innovative banking products and services, business solutions to link the sustainability development with the shareholders value.

Kotak Mahindra Bank

In 1985, Kotak Mahindra Finance Limited was established as a financing institution but in 2003, RBI gave the license to the institution for doing the banking business. Kotak Mahindra Bank also involved in various CSR activities. The actions undertaken by the bank for saving the energy and promoting green ethics are:

1. To promote the Green Ethics, bank is adopting the Environmental Sustainable Technologies in their day to day operations.
2. For saving the energy and resources bank build energy efficient Data Centre.
3. Bank gives preference in financing those projects which help the bank to reduce its environmental footprints.
4. Bank also does the appraisal of high risk industrial projects before financing it to promote green and clean finance.
5. By using Electronic statements bank became successful in saving the 88 tonnes of paper during the year.
6. It has constructed reservoir at its various branches for collecting the rain water.
7. Bank encourages its shareholders for taking E-statements at the place of paper statements.
8. It also undertakes the Energy Audit of the Bank.
9. During the year about 30521 saplings were planted by the bank.

Conclusion

"Everything in excess is like a poison" saying by Swami Vivekananda very true in context of Industrial revolution triggered around the world. This leads to more burning of fossil fuels, deforestation, overloading of carbon dioxide it damage our Earth.

From the above study of Indian banks, it has resulted that Indian banks are showing greater concerns towards environment and society. They have taken many initiatives for protection of greenery and promotion of clean environment, but still not enough in comparison to their foreigner companions. Both public and private banks are working regard to implementing green policies, regulations in their governance models. Both banks are competing with each other in adoption of green ethical approach. Yes

Bank has undertaken more strong and early initiative regards to green ethical banking in comparisons to other 3 banks. Yes Bank is the first bank of India who has signed the Equator principle and natural capital declaration agreements. If we consider number of employees or number of branches, Yes bank seems small in comparisons to SBI, PNB and HDFC Bank. But in making environment-friendly efforts it achieved higher position with a new concept of responsible banking. SBI bank also promotes various innovative green products. PNB Banks has initiated the Electricity audit for minimizing the energy consumption and using energy efficient appliances. HDFC Bank also introduced server and desktop virtualization thereby reducing power consumption. Taking initiatives regarding nature's protection by banks shows an upward trend but still not enough in comparison to their foreigner companion. Indian banks want to get the green status. Nevertheless, saving paper or undertaking initiatives only in Win-Win situation does not get them Green Bank status. Banks must need to go beyond such areas by taking strong and realistic steps for the status. We must act now to reduce our carbon emissions, slow down the global warming. By adopting green governance in our life, we can be able to provide a safer, healthier world to our future generation.

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