

A REVIEW OF GREEN BANKING PRACTICES OF THE STATE BANK OF INDIA

Ms. DENNA NEBU¹
&
Dr. DIANA ANN ISSAC²

¹M. Com Finance student ,Dept. of Commerce, Mar Athanasius College

²Assistant Professor and Head, Dept. of Commerce, Mar Athanasius College

Correspondence address :dennanebu@gmail.com/diana.issac@gmail.com

Abstract

Green banking refers to an online banking system that helps in reduction of external carbon emission and internal carbon foot print. Green banking helps to achieve sustainable economic development and also creates awareness among people regarding global warming. The study focuses on identifying the green banking initiatives taken by the largest public sector bank SBI. The study also covers the perception or attitude of employees towards green banking. It was found that SBI bank offers different green products and services to customers and also they have effectively implementing green banking practices. The benefits and impact of green banking measures on SBI bank is also studied.

Keywords: Green Banking, SBI, green products, global warming, carbon foot print

Introduction

A banking company provides services of accepting deposits and lending loans. Every banking transactions requires filing of forms which leads to time consuming process as well as result in environmental destruction in the form of deforestation. And there is a lot of wastage of paper in the form of deposit and withdrawal slips. There is a need for paradigm shift. In order to resolve these problems green banking is introduced. Green banking helps in sustainable economic growth. It considers all social and environmental factors with a view to protect and preserve environment. The main aim of green banking is to reduce carbon emission from banking activities. For effective implementation of green initiative banks are using electronic payment system. Banks used to provide many green banking products like ATM card, debit card, credit card, green loan etc. This will help to reduce paper work so that pollution and global warming

can be controlled to a great extent. SBI one of the largest commercial bank in India launched their green banking initiatives on state bank day i.e.01-07-2010 and they are the first bank who took green banking initiative in a large scale.They are now one of the leading banks in India for green initiatives. Green banking is also called sustainable banking.

Importance of the study

This study tries to describe the steps taken by SBI to promote green banking initiative and also an enquiry into the attitude of employees towards green banking initiatives. It is expected that this study of green banking will highlight the relevance of green banking towards the goal of attaining sustainable development in the long run. The study also intends to create awareness among people about the global warming and its impacts.

Scope of the study

This study aims to find out specifically the initiatives towards green banking practiced in the State Bank of India. The responses of employees towards such initiatives are also included in the study. The scope of study is limited to employees of SBI in Kothamangalambranch. 35 employees are selected for the study. The study aims to provide vivid picture about green banking initiatives by SBI.

Objectives

1. To identify the steps taken by SBI to promote green banking.
2. To ascertain the perception of bank employees towards green banking.

Research Methodology

Both primary and secondary data are used for the purpose of study. Primary data is collected through a structured questionnaire and secondary data are collected from internet, text books and other publications. Sample size is limited to 35 and the employees who are presently working in SBI, Kothamangalam taluk is taken as the sample of the study. They are selected on the basis of simple random sampling. Percentage analysis is used for analyzing and interpreting the data collected through primary sources. Pie diagram, bar diagram, tables etc... are used to graphically represented the data.

Review of literature

Singhal, Singhal & Arya (June 2014) entitled ‘Green Banking: An Overview’ studied, how bank can go green. According to study banking industries and financial institution plays a very important role in the growth of a green planet. Green banking saves the energy and environment both. Nowadays many banks are offering green product like ATM, Green credit cards, green CDs, electronic fund transfer, use solar and wind energy etc. but it is still not enough. The banking sector needs to make more efforts towards going green.

Dr. Suresh Vadde (2008) conducted a study titled as “Green banking in India for sustainable development “.They found that in a rapidly changing market economy, where globalization of market has intensified the competition, where the industries and firms are vulnerable to stringent public policies, severe law suits or consumer boycotts, green banking is one sure path to consider. The banks and financial industries need to think about green banking economically and as how to recover their return from investment.

Dharinip (2010) made a study on “sustaining eco-friendly through Green banking”. The study that there has not been much concrete initiative in going green taken by the banks and other financial institutions in India although they play n active role in India’s emerging economy.

Suresh Chandra Bihari (2011) in his study on Green banking explained that green banking involves promoting environmental and social responsibility. It starts with the aim of protecting the environment where banks consider before financing a project whether it is environment friendly and has many implications for the future. A company will be awarded a loan only when all the environmental safety standards are followed. Green banking can be efficiently implemented through the use of technology, he asserted

Sahitya & Lalwani (2014) made an attempt to understand how green banking and attain the goal of sustainable banking. The study also appreciated the attempts towards greening the banking industry made by the top public and private sector bank in India. The study has revealed that both public and private sector banks are actively involved in the mission of going towards paperless banking, as a giant step towards green banking.

Ragupathi. M and Sujatha .S (2015) [10] in their paper entitled Green Banking Initiatives of Commercial Banks in India, described the different ways to go green. They commented that banks are now leading the way to environmental sustainability through their green banking philosophy. According to them, Green banking is not only about greening the industries but also is focussed on improving the assets quality of the bank in future.

Jasdeep Kaur (2014) in the study on "Green banking in India" pointed out that with increasing concern about global warming and conserving environment, Indian banks are becoming more responsive towards the green aspirations of their customers. New initiatives like green products and new environment friendly policies are being adopted.

Role of green banking in sustainable economic growth

Green banking can help a lot in attaining sustainable economic growth by creating awareness and by imparting education. Awareness can be given through proper communication. The whole communication system in a bank can be divided into i.e. internal and external sub system. Internal sub-systems are meant to create awareness on the issue. It could be in the form of weekly green news on internet, high level meetings, bank's newsletter, publications etc. and the target groups are managers and other personnel. As far as external sub systems are concerned, effective means which can be followed are websites, capacity building, road shows, events meetings, bench marking, media etc.

Banks like any other business directly interact with the environment as consumers of natural resources. During their day to day business banks heavily contribute towards the carbon emission in terms of use of paper, electricity, stationary, lighting, air-conditioning, electronic equipment etc. even though this is moderate compared to other carbon sensitive industries like steel, oil and gas etc. In the case of banks, the direct interface with the environment has considerably increased due to rapid growth of the banking industry. Banks affect the environment indirectly by financing intermediaries that have an external impact on the environment. They are the major source of long term funding to various industries such as cement, fertilizers, nuclear power, steel, oil and gas, paper etc. which pollute the environment heavily. Being a major source of fund provider, banks can play a crucial role in ensuring environmentally sustainable and socially responsible investments in the economy. Banks should

try and reduce the increase in carbon footprint caused by them either directly and indirectly and should play a vital role in ensuring sustainable and environment friendly development. In addition, if the lending decisions of the banks are not done prudently as per the environmental criteria, then it may lead to credit risk, legal risk and reputational risk.

An overview of the Green Banking initiatives of SBI

State Bank of India is undisputedly India's largest bank with a network of over 25000 branches located even in the remotest parts of India. Truly it is regarded as the banker to every Indian. State Bank of India (SBI) offers a wide range of green banking products and services to corporate and retail customers as part of their commitment towards greening the banking industry.

Wind power generation

As part of the green banking initiative, SBI became the first bank in the country to venture into the generation of green power by installing 10 windmills with an aggregate capacity of 15 MW in the states of Tamil Nadu, Maharashtra and Gujarat in as early as 2010.

Online banking

OnlineSBI is the Internet banking portal for State Bank of India. The portal provides anywhere, anytime, online access to accounts for both retail and corporate customers' of SBI. The application is developed using the latest cutting edge technology and enables customers to:

- Issue Demand Drafts online
- Transfer funds to own and third party accounts
- Credit beneficiary accounts using the VISA Money Transfer, RTGS/NEFT feature
- Generate account statements
- Setup Standing Instructions
- Configure profile settings
- Use eTax for online tax payment
- Use ePay for automatic bill payments
- Interface with merchants for railway and airline reservations
- Avail DEMAT and IPO services

Mobile banking

There are a variety of mobile banking apps provided by SBI. They are SBI Anywhere Personal App, SBI YONO App, BHIM SBI Pay App, SBI Buddy, and BHIM Aadhaar SBI App. All of them have specific functionalities, but generally all of them facilitate one or the other of the following:

- Mini-statements and checking of account history
- Alerts on account activity or passing of set thresholds
- Monitoring of term deposits
- Access to loan statements
- Access to card statements
- Mutual funds/equity statements
- Insurance policy management
- Pension plan management

Payments and transfers:

- Domestic and international fund transfers
- Micro-payment handling
- Mobile recharging
- Commercial payment processing
- Bill payment processing

Investments:

- Portfolio management services
- Real –time stock quotes
- Personalized alerts and notifications on security price

Support:

- Status of requests for credit, including mortgage approval, and insurance coverage
- Cheque book and card requests
- Exchange of data message and e-mail, including complaint submission and tracking

Green Car Loan

SBI launched the country's first 'Green Car Loan' (Electric Vehicle) in April 22 2019, on the occasion of the World Earth Day to encourage customers to buy electric vehicles. The new scheme offered loan at 20 basis points lesser than the interest rate on the existing car loan schemes.

Green Remit Card

SBI Green Remit Card is a simple Magstripe based card without PIN, to facilitate Non-Home Cash Deposit Transactions to be routed through Green Channel Counter (GCC)/ Cash Deposit Machine (CDM). Card can be used for deposit of Cash in Rupees to the designated beneficiary's SBI account. The card was introduced to give thrust to the paper less banking initiatives promoted by SBI.

Green Channel

It is the paperless banking system introduced by SBI on 01/07/2010 which was the State Bank Day at their counters in all branches of the country. Here, customers of the bank can transact without using any pay in-slip, withdrawal forms, cheque books or remittance forms. This initiative saves paper, and contributes to 'green banking'.

Green Bonds

State Bank of India very recently in March 2020 raised USD 100 million through green bonds in the international bond market. The largest lender in the country, SBI, had already two climate bond initiative certified green bonds issuances, aggregating USD 700 million. The bank has adopted the green bond framework with an objective to create a positive impact on the environment and yet another milestone in their journey towards sustainable banking.

Analysis and Interpretations

52% of the respondents are males and 48% are females. They were asked about the perceptions on green banking and the results are summarized below.

Table: 1 Employees' perceptions on reasons for adopting green banking service by SBI

Factors	No of respondents	percentage
Goodwill	5	20
Government pressure	2	8
Competition	3	12
Social responsibility of the bank	10	40
For saving environment	5	20
Total	25	100

Source: Primary data

From the table it is clear that 40% of the employees consider social responsibility as the main reason for adopting green banking service, 20% considers goodwill and environmental saving as a factor, 12% considers competition and only 8% considers government pressure as the reason for adopting green banking service.

Table: 2 Popularity of green banking product and services of SBI

Product	No of respondents	Percentage
Green loan	8	14
Online banking	12	21
Debit card	11	19
Mobile banking	12	21
Credit card	9	16
ATM booths	5	9
Total	57	100

Source: Primary data

From the Table 2 it is clear that the green banking product and services offered to customers by SBI are mainly through online banking and mobile banking (21%), 19% accounts to debit card, credit card (16%), green loan (14%) and ATM booths (9%).

Major findings

The major finding is that employees are of the view that social responsibility and goodwill are the main reasons motivating SBI IN adopting green banking. The main strategies used by the bank for customer awareness on green banking mainly include mails and messages, print media and social media. SBI uses personnel selling and celebrity endorsements to convince their clients to opt green banking. Green banking product and services offered to customers' accounts online and mobile banking, credit card and debit card. Under green banking initiatives the project funded by SBI includes effluent treatment plant, solar energy plant and plant of biogas.

Employees are of the opinion that the risks associated with green banking are reputation risk, legal risk and risk of being sued by public. The main purpose of green banking channel introduced by SBI is to reduce paper work, quick services to customers, contribute to green banking initiatives. The respondents are of the opinion that green banking leads to paper less banking.

Conclusion

The banking and financial sector should be made to work for sustainable development. As far as green banking is concerned, India's banks are running behind time and it is the need of the hour to think it seriously for the e sustainable growth of the nation. This concept "green banking" will be mutually beneficial to the banks, industries and the economy. SBI has actively undertaken a series of green banking practices. Primarily, banks are creating awareness about environmental issues through green banking among staff, customer and mass people. Bank's green banking activities have shifted from encouraging and implementing of electronic banking to recycles of the wastes, water treatment plant, and rain water harvesting etc. in more effective manner.

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Declaration of conflict of interests: Authors declare that there is no conflict of interest

Author biography

Principal Author: **Ms. Denna Nebu** is a Post Graduate student in Mar Athanasius College (Autonomous), Kothamangalam, Kerala.

Co- Author: **Dr. Diana Ann Issac**, is the Head of the Department of Commerce, Mar Athanasius College (Autonomous), Kothamangalam