

TURNING TOWARDS THE GREEN INNOVATIONS: A NEED OF THE HOUR IN INDIAN BANKING SECTOR

Dr Shikha Arora Bakshi

Asst Prof, St Xavier's College, Jaipur

Abstract

The "Go-Green" revolution has brought a momentum world over. Everybody is going green today – to become environmentally correct. Sustainable Banking, Ethical Banking, and Green Banking are the contemporary issues in the banking sector too. In order to analyze the Indian scenario the questions answered by this paper includes: Which are India's most eco-friendly banks? What kind of 'green' policies do they follow? And does eco-efficiency leave an impact on the customer? The result drawn is that the Indian banking sector is in its beginning phase and most of the banking companies are venturing into green practices because of available opportunities, social responsibility, government and RBI pressures, competitive advantages, the desire to become the "first mover" and cost reduction. Customers have an inclination towards eco-friendliness but are less aware of the role of banking in saving our planet.

Introduction

Environmentally sustainable industrial development is an essential precondition in today's globalized world. In the race of becoming a green economy countries are getting more concerned about environment, employing measures like 3Rs (Reduce, Recycle and Reuse) and getting more concerned about 3 Ps (People, Planet and Profit) for future sustainability and are finding ways to mitigate the global warming problems.

With the emergence of Kyoto protocol,¹ UNFCCC,² EU-ETS,³ other eco-concerned parties and advent of carbon trading, the business scenario all over the globe is warmed and warned at the same time. Organizations are investing their profits and learning carbon trading practices to turn greener and profitable at the same time.

Since the banking sector is one of the major stake holders and a great contributor to the growing business sector, it has turned its focus to sustainable finance, sustainable banking and green banking. According to IFC, sustainable finance is defined as the provision of financial capital and risk management products to projects and businesses that promote, or do not harm, economic prosperity, environment protection and social justice.⁴ Sustainable banking can be defined as a decision by banks to provide products and services only to customers who take into consideration the environmental and social impacts of their activities.⁵

Green banking refers to the initiative by banks to encourage environment-friendly investments. By adopting green HR practices and adopting green managerial framework during their day-to-day operations, banks

¹The Kyoto Protocol to the UNFCCC sets binding obligations on industrialized countries to reduce emissions of greenhouse gases.

²United Nations Framework Convention on Climate Change

³European Union Emissions Trading System

⁴Forum for the Future (2002), p. 3.

⁵Bouma, Jeucken, and Klinkers (2001, p. 101).

heavily contribute towards the carbon emission in terms of use of paper, electricity, stationary, lighting, air conditioning, electronic equipments, 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.

In view of this scenario, the paper is an attempt to check the level of green innovations taken by the Indian banking sector and concludes to suggest ways to improve the green framework in banking industry. The study also aims to check the awareness level of consumers, their concern towards environment and willingness to support the eco-friendly measures of banks.

Green Innovation in Banking as an Opportunity

As Green innovation is the recent buzzword ruling the corporate world, every sector is responding towards this move. The banks in India can enjoy the early mover advantage and build their competitive advantage by acting as an agent of change. The available opportunities for green banking in India are:

- Greater and higher long-term returns by financing more sustainable projects and businesses.
- Saving money in the long run, though initial cost is high.
- Keeping employees more satisfied and giving them a feeling of pride to be working for an environment-responsible company.
- Innovations in the product and services could support in sustained long-term growth along with profitability.
- Enhanced reputation and better brand value.
- To build global presence and better access to capital from international financial organizations
- Increased value to shareholders, etc.

Review of Literature

The Green Brands Survey (2011) is the study conducted by Cohn and Wolfe, Landor Associates and Penn, Schoen and Berland, with consultation from Esty Environmental Partners, which explores consumer attitudes and perceptions towards green issues. The study reveals that consumer interest in green products has expanded across categories. Consumers worldwide intend to purchase more environmental products in the auto, energy and technology sectors.

As per the research, India is the only country to choose deforestation and air pollution as the most important green issue. India is also the only country in which more consumers say it should be developing countries that should focus on green innovation versus developed countries. The 2011 ImagePower® Green Brands Survey reveals that an increasing number of consumers have a desire for going green and are willing to pay relatively more to buy a green product.

According to P. Vijaya Bhaskar, Chief General Manager RBI, there is a general lack of adequate awareness on the green issue in India. In this context, the need for sustainable developmental efforts by financial institutions in India assumes urgency and banks, in particular, can help contribute to this effort by playing a meaningful role.

Green innovation as a concept has gained momentum in India, but a great deal of research is required to implement such issues in the banking sector; therefore this subject is chosen to study further.

Objective of the Study

- To assess the level of green innovations taken by Indian Banking Sector.
- To analyze the awareness level of consumers, their concern towards environment and willingness to support eco-friendly measures of banking sector.
- To look forward to green innovations as an opportunity and to suggest ways for improving green framework of banking sector.

Methodology

The study is based on the data collected from multiple secondary and primary sources. The Primary survey was conducted on 100 respondents of Jaipur city from different backgrounds aged 25 and above. This age is chosen as respondents as this is the major customer group handling the banking transactions and is supposed to be aware and smart class customers.

The level of green initiatives and the green elements introduced and adopted by banking sector in the city is also examined by inclining the questionnaire in the direction of asking queries related to paperless banking, online banking, mobile banking, etc.

The level of green initiatives taken by banking sector is obtained through multiple secondary sources and direct interview response from selective bank employees of Axis, SBI, ICICI, and IndusInd Banks.

Main Text and Findings

Exploring the extensive literature the study revealed the status of green innovations in the global environment and in India. The Indian banks are advised to follow the footprints of foreign banks, which will not only help them to build global presence but also help Indian economy become a green economy.

Global Green Initiatives in Banking Sector

In the global scenario, there is growing pressure from society, government and customers for businesses to act in an environmentally responsible way. The attitudes and expectations of consumers are changing rapidly and businesses need to be able to adapt to green initiatives quickly. Those that fail to meet these expectations are causing damage to their brand, ability to win customers and attract and retain the best employees.

Two hundred financial institutions around the globe who are signatories to the United Nations Environment Programme Finance Initiative (UNEPFI) like ABN Amro, Deutsche, Standard Chartered, HSBC Bank etc. attend to the environment issues discussed under Kyoto Protocol. 'BankTrack' a global coalition of NGOs formed a network in 2002 to promote sustainable finance in the commercial sector.⁶

A few green banking strategies adopted world over are: (i) Carbon Credit Business (ii) Green Financial Products and Services (iii) Energy-Efficient Mortgages (iv) Green Credit Cards (v) Project Finance (vi) Carbon Footprint Reduction (vii) Green Buildings (viii) Paperless Banking (ix) Paperless Billing (x) Using Mass Transportation Systems (xi) Social Responsibility Services, etc.

⁶ www.banktrack.org

Working from home or working with flexible timing is another popular culture in foreign countries which reduces the fuel consumption, pollution, etc. A few researches also show that it makes employees around 20 percent more productive and efficient.

Present Scenario in India

Amul, Dabur, Infosys, Taj Hotels, Britannia, Suzlon, Hindustan Unilever, Wipro, Maruti, and Godrej Consumer Products are the top green Indian Brands.⁷ None of the financial organizations are lying in the top 10 list, which reflects that the financial sector has been late to respond to the green initiatives. Although the Indian banks have also started taking the green initiatives, they are far behind in the race.

So how can banking contribute to saving environment is an important question to be considered.

Many innovations unleashed by India's banking and financial sector in the last two decades in particular include – any time-anywhere banking through Core Banking, e-banking and a vast network of ATMs, a wide variety of financial products, new delivery models for retail loans, alliances for home loans, extended banking hours, carbon credit, credit, debit and smart cards, etc. They have contributed not only to the growth of banking sector but also to indirectly saving the environment by reducing the carbon footprint of the customers in the branches.

In the banking sector, new standards and codes of conduct promote corporate accountability, transparency, and consideration of impacts on environment and society. Banks are investing / spending huge funds for technology as well as training its staff in order to meet the changed work environment. But still in the Indian scenario there is no law and rule that can hold banks responsible for scrutinizing investment projects before financing and for the environmental damage created by its client.

On line banking is an example of an initiative of Green Banking. When a bank's customers go on-line, the environmental benefits work both ways. Besides several benefits of computerization like speed, accuracy, ambience, efficient handling of sizeable business, etc., there is a factor like paperless business resulting in waste management, eco-friendliness and pollution control. In addition to the providing of on-site and off-site ATMs, some banks have gone ahead with innovative ideas like installing bio-metric ATMs, solar based ATMs, white-labeled ATMs, brown ATMs, SMS alerts, Mobile Banking, etc. Besides reducing any environmental pollution, these initiatives are helping the banks in reducing their cost of operations and delays which results in increased customer satisfaction too.⁸

All the above developments have definitely helped the transformation of banks in India during the last two decades. There has been a remarkable improvement in the working of banks in terms of cutting costs, increasing productivity, improving the profitability, manage the changes in interest rates, handle the foreign exchange rate fluctuations, comply with the regulator's requirements and finally improve the customer service to their best satisfaction.

Some Examples

The specific green initiatives taken by banks in India are – IndusInd Bank introducing solar-powered ATMs, SBI adopting green banking policy and offering green home loans, Union Bank of India's energy efficiency measures, IDBI Bank's membership in National Action Plan on Climate Change, ICICI Bank's Corporate

⁷ Source : <http://www.cohnwolfe.com/en/ideas-insights/white-papers/green-brands-survey-2011>

⁸ Devaprakash R. (2008)

Environmental Stewardship Initiatives and also Clean Technology Initiatives, YES Bank's community development initiatives, ABN Amro Bank's (now Royal Bank of Scotland) launching of Indian Sustainable Development Fund and also the role played by RBI in its CSR initiatives.

The study shows

Consumer survey results

Today the customer has concern for eco-friendliness while making any purchase decision and therefore is creating pressure on companies to take such initiatives. As evident from figure 1, 67% customers, i.e. 12% (Always), 17% (Often), and 38% (sometimes), give a notice on the word "Eco" or "Green" while purchasing and 33% customers, i.e. 22% Rarely and 11% Never give focus on eco-friendly products.

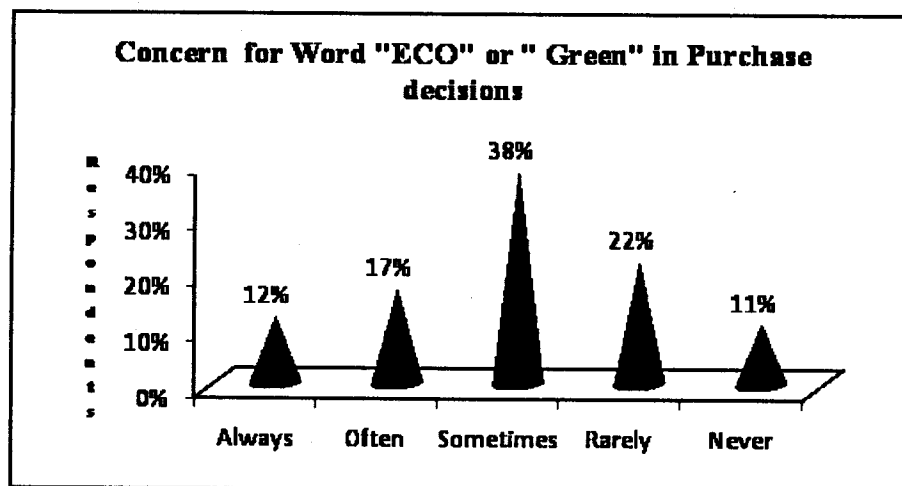


Figure 1: Concern for "Eco" or "Green" in Purchase Decisions

The perception of respondents revealed that the major reasons responsible for increasing problem of global warming are deforestation, increasing pollution, industrial waste, and they revealed that it is less affected by the reasons like disposal of garbage, ultra-violet radiations from electronic gadgets or day-to-day working as compared to the above reasons. Thus consumers believe that as banks are not into production of goods, they hardly contribute to rising environment problems. The customer is totally unaware about how banking sector can make any contribution to saving our planet.

The majority of bank customers demand better products and services, accessibility, trust, confidence, customer care, and they give less importance to branding, advertising and green orientation, etc., while making choice among the multiple banking organizations.

Online banking, Mobile banking or anywhere-anytime banking has been a highly profitable channel for the banking sector due to convenience, flexibility, speed, low transaction fees, user friendliness and technical orientation. Though among the respondents 58% to 72% customers, i.e. 18% (Always), 18% (Often), 22% (Sometimes), 14% (Rarely), somehow support e-banking and mobile banking but the reasons for support are not in favor of green banking initiatives like saving petrol or paperless transactions, but are the same as mentioned above (Figure 2 and 3).

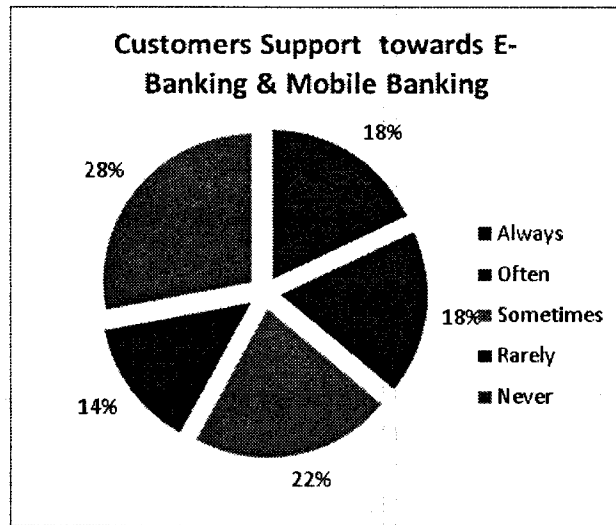


Figure 2: Customers support towards E-banking and Mobile Banking

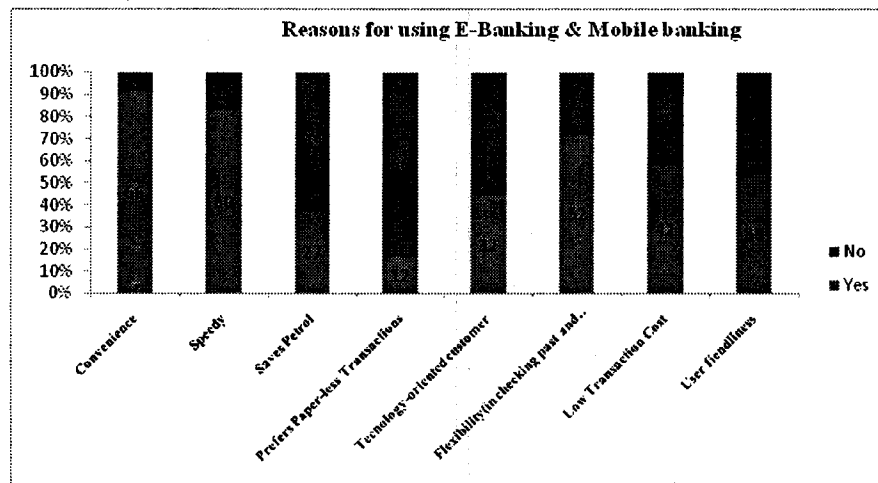


Figure 3: Reasons for using E-Banking and Mobile Banking

Thus banking sector for sustainability has to work first in the direction of creating awareness and then introduce its major initiatives and attract awakened group as target customers.

Future of Green Banking in India

The vision statement of RBI for 2012-2015 is totally oriented towards promoting a cashless paperless society, i.e. a society with green initiatives. It also emphasized the use of electronic payment products and services which can be accessed anywhere and anytime by all at affordable prices.

So apart from the RBI efforts and introduction of multiple green innovations, Green Banking could also be initiated by managing day-to-day working through:

- Improving energy efficiency by making maximum use of power-saving gadgets.
- Adopting flexible work timings, work from home concept and adopting smart phone technology. This

will reduce congestion on the roads and in effect reduce pollution.

- Try to reduce travel and especially air travel, this will encourage reducing high altitude carbon emission.
- E-learning and e-training, this will reduce the need of paper and in turn the requirement for employees or trainees or trainers to travel to or from the training centers.
- Making maximum use of stationary, and printing on both sides of the paper and recycling will help in waste management.
- On-line marketing, especially on social networking sites, provides maximum coverage and minimum environment impact.
- Encouraging and motivating employees for saving energy by switching off computers, laptops, copiers, lights air conditioners etc. while not in use.

Conclusion

Green Banking is a revolution in the area of traditional banking practices. The number of Indian banks is setting the trend with green initiatives and sustainability measures in their day-to-day operations. In India, particularly in Jaipur city, people have concern for eco-friendliness, but are less aware about banking initiatives in this direction. Customers are making use of green innovations but for the reason of convenience and speed and not for the sake of saving the planet.

Most of the banking companies are venturing into green practices because of available opportunities, social responsibility, government and RBI pressures, competitive advantages, the desire to become the "first mover" and cost reduction.

Green innovations, though it is the need of the hour in banking sector, is still in its infancy and a lot of research is to be done in this direction to fully explore the area. More than mere exploration the need is to act – and act now.

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