

Recent Initiatives of Indian Banking Sector to Protect and Restore Environment - A Brief Study

Mithun Das

Assistant Professor,
Department of Commerce,
Bagnan College,
Bagnan, Howrah.
mithundas.jg@gmail.com

Structured Abstract:

Purpose: The objective of this paper is to observe the recent initiatives of five leading Public and Private sector banks of India to protect and restore environment as per SEBI mandate.

Design / Methodology / Approach: Latest Annual Reports and Business Responsibility Reports of five Banks under study have been observed. Articles relating to Green Initiatives of the banks have also been studied to the possible extent.

Findings: The analysis reveals that different initiatives have been taken by the banks under study like paperless banking, mobile banking, solar ATM, lending projects on renewable energy, using energy saving equipment, etc. and these have definitely put impact on environment positively.

Research Limitations / Implications: Latest environment friendly initiatives of sample banks have been studied not past. Impacts of these initiatives have not been considered.

Practical Implications: SEBI has mandated inclusion of Business Responsibility Report in Annual Reports of the top 500 listed entities of stock exchanges. The banking institutes, being one of major economic agents, are taking various initiatives towards environment protection and restoration.

Originality / Value: This paper has focussed on the activities of banks under study to maintain a sustainable environment.

Keywords: Environmental Sustainability, SEBI, Business Responsibility Report, Banking Sector, Environmental Initiatives,

Paper Type: Research Paper.

Introduction

Industrialisation around the globe has triggered the pursuit of ever increasing needs and demands of the population and it has been symbolic of prosperity and development of an economy. But at the same time it has resulted in the exploitation of the natural resources which in turn has disturbed the ecological balance and adversely impacted on human and its surrounding environment. Hence adoption of responsible business practices by the business

entities in the interest of the social set up and the environment are as vital as their financial and operational performance.

One of the major economic agents influencing overall industrial activity and economic growth is the banking institutions. These institutions influence the economic growth and development both in terms of quality and quantity, thereby changing the nature of economic growth. So as a responsible financial organisation of the country with its crucial role in financing the economic and developmental activities of the country, banks have to play in addressing the environmental issues, both in terms of its obligations and opportunities by virtue as a responsible corporate citizen and as a financier. Banking institutions, like other corporate entities, are taking various initiatives to protect and restore environment.

Securities and Exchange Board of India (SEBI), vide circular no. CIR/CFD/CMD/10/2015, dated November 04, 2015 and vide Amendment dated December 22, 2015, has mandated inclusion of Business Responsibility Report (BRR) as part of the Annual Report for Top 500 listed entities based on market capitalization (calculated as on March 31 of every financial year) at Stock Exchanges of India. According to Annexure II of suggested format for Business Responsibility Report mandated by SEBI, there are Nine Principles to access compliance with environmental, social and governance norms and the listed entities are required to publish the performance in respect of these principles accordingly in their BRR. Principle 6 states that business should “respect, protect and make efforts to restore the environment”.

Review of Literature

Protect and make efforts to restore environment is one of the major social responsibility of the corporate entities as well as banking institutions. A number of studies have been made regarding green initiatives taken by banking institutes.

Chaurasia (2014) in his paper “Green Banking practices in Indian Banks” highlighted the benefits, confronting challenges, strategic aspects of green banking and also the status of Indian Banks regarding Green Banking adoption. He found that there has not been much initiative in this regard by the bank in India.

Sharma, Sarika and Gopal (2014) in their study “A Study on Customer Awareness on Green Banking initiatives in selected Public and Private sector banks with special reference to Mumbai” identified the opinion and awareness of bank employees and customers as regards

to green banking concept in Public and Private sector banks. They found that green initiatives like Communication through press, Bank environmental policy, Concession on energy savings, Solar ATMs, Green CDs is not familiar in green initiatives by the bank as per the respondents.

Bahl, Sarita (2012) in her empirical study on “Green Banking – The new strategic imperative” tried to find out the most significant strategies while going ahead with green banking by using Garrett’s ranking technique. She found that Carbon footprint reduction by Green building has been given top priority in green banking strategies. Green banking financial products has also been given due weightage. However, paperless banking and using mass transportation system has been rated low as green banking strategies.

Goyal & Joshi (2011) in their study “A study of Social and Ethical issues in Banking Industry” highlighted social and ethical issues such as Social Banking, ethical Banking, Green Banking, Global Banking, Rural Banking and Agri Banking etc, which facilitate the achievement of sustainable development of banking and finance. They concluded that banks can act as a socially and ethically oriented organization by disbursement of loan only to those organizations which have environmental concerns.

Past researches indicate that measures taken by the banking industry of our country for reduction of pollution, environmental protection and sustainability are not enough. After mandating BRR by SEBI, banking institutions, like other corporate entities, are taking various initiatives to protect and restore environment. But the literatures reviewed did not highlight on the initiatives of the banks to protect and restore environment as per principle 6 of the Annexure II of Business Responsibility Report mandated by SEBI. This has motivated the author to carry out the present research work to review the environment friendly initiatives of Indian banks in respect of SEBI’s mandate.

Statement of the Problem

The problem to be studied can be stated as follows:

“Review of recent initiatives taken by Indian banking sector per principle 6 of the Annexure II of Business Responsibility Report mandated by SEBI to protect and restore environment”

Objective of the Study

The objective of the present study is to observe principle 6 of BRR mandated by SEBI, relating to “respect, protect and make efforts to restore the environment” and to examine the different initiatives taken by Public and Private Sector Banking Institutes of India in this respect.

Methodology

At present, top five public sector banks in terms of total assets in BSE and NSE are State Bank of India, Punjab National Bank, Bank of Baroda, Bank of India and Canara Bank. Again, top five private sector banks in terms of total assets in BSE and NSE are HDFC, ICICI, Axis Bank, Kotak Mahindra and Yes Bank (source: moneycontrol.com). The present study is done by taking latest information from the Annual Reports and other relevant reports uploaded in official websites regarding environmental initiatives taken by top three public sector banks and top two private sector banks following the guideline of SEBI. The sample 5 banks are selected purposively by the investigator. Information has also been procured from research papers uploaded in different e-journals. No primary data has been collected and used, no statistical analysis and hypothesis has been used in the present study.

Limitations

At present there are 27 public sector banks in India which include State Bank of India and its 5 associate banks and 21 nationalised banks including IDBI bank and Bharatiya Mahila Bank. Again there are 22 private sector banks are operating at present in India (source: www.eikipedia.org). The present study focuses on environmental initiatives of only top three public sectors and top two private sector banks. It indicates that the sample size is very small. Again, no observation is done on Regional Rural Banks, cooperative Banks and Foreign Banks operating in India which also play a pivotal role in Indian Banking sector. So the result derived in the study may not reflect the actual situation. The paper focuses only on current initiatives of the banks under study, but no observation is done on past initiatives of the same. Observation regarding impact of the different initiatives by the banks has also not been taken into consideration.

Principles relating to “Respect, Protect and Make Efforts to Restore the Environment”

This paper concentrates on Principle 6 of Business Responsibility Report, mandated by SEBI. Under this Principle, an entity, being listed under top 500 entities of a Stock Exchange, should-

- 1) Utilize natural and manmade resources in an optimal and responsible manner.
- 2) Take measures to check and prevent pollution.
- 3) Ensure that benefits arising out of access and commercialization of biological and other natural resources are shared equitably.
- 4) Adopt cleaner production methods for environmental improvement, promoting use of energy efficient and environment friendly technologies and use of renewable energy.
- 5) Develop Environment Management Systems (EMS) to control environmental damages and disasters.
- 6) Report their environmental performance to the stakeholders in a fair and transparent manner.
- 7) Proactively persuade and support its value chain to adopt this principle.
- 8) Environmental Initiatives by Banking Institutes:

Initiatives taken by some leading public and Private sector Banking Institutes for fulfilment of the Principle relating to 'respect, protect and make efforts to restore environment' are discussed below:

State Bank of India (SBI)

SBI is the largest commercial bank of India in terms of deposits, advances, branches and employees. The Bank has a comprehensive Corporate Social Responsibility (CSR) Policy. The Bank has spent Rs 143.92 Crore on CSR activities in the Financial Year 2015- 16 which is 1.10% of Profit After Tax and these CSR activities have touched the lives of millions of the poor and needy people across the country.

The SBI has taken different measures to reduce environment pollutions. Some of the initiatives include installation of solar ATMs and introduction of Green Channel Banking i.e. paperless banking at different branches. Over 59,000 SBI Group ATMs and Cash Deposit Machines (CDMs) have reduced consumption of paper. Tree plantation projects have been taken across all circles of the country and rain water harvesting projects are being implemented in different buildings of the bank across the country. A recycling plant housed

at the basement of SBI Bhavan converts waste generated in the building into compost. The compost is then used at the headquarters and the residential quarters of the Bank.

During the financial year 2015-16, some measures have been taken towards better environment. These are as follows:

- The Bank has spent Rs 4.78 Crore for acquiring, commissioning and maintaining of a number of solar power plants, solar lamp, solar water heater, and solar street lamps.
- It has also provided an animal ambulance and set up an operation theatre for injured animals. Windmill capacity aggregating 15 MW for captive use of clean power has been installed by the Bank's branches/offices in Maharashtra, Gujarat and Tamil Nadu.
- To reduce the overall energy consumption, several in-house energy efficiency initiatives have been undertaken like switchover to LED lights, installation of star rated ACs, and solar powered water heating.
- The Bank has endorsed the International Financial Institution's Statement on Energy Efficiency Finance which was presented at the climate change conference in Paris, in November – December 2015 by the European Bank for Reconstruction & Development.

In recognition of the leading role in renewable energy financing, the Bank has received the Outstanding Performance Award – 2015 from the Government of India.

Punjab National Bank (PNB)

PNB is the second largest commercial bank of India in terms of Total Assets. During the Financial Year 2015-16, the bank has spent Rs 6.77 Crore on CSR activities like medical camps, tree plantation, blood donation camps and distribution of artificial limbs. Some green initiatives taken by the bank are as follows:

- Bank is encouraging for plantation of trees at available spaces in different offices and branches.
- Bank is using the concept of e-documents. Bank has undertaken various technological initiatives to promote paperless banking. Most of the transactions are carried out online through Core Banking Solution, Internet Banking, Tele-Banking, Mobile

Banking, ATMs and Solar Powered Biometric. The Bank has also established e-lobbies for paperless transactions. Consumption of paper has been reduced by using recycled papers and by printing on both side of the paper.

- Energy efficient machines and environment friendly lighting arrangements are used in different premises. Solar ATMs have been installed in rural areas. Bank has gone for installation of Solar UPS at selected ATM sites in states of Bihar and U.P, where there is power problem and downtime due to high power-cuts.
- Business travels are replaced to the extent possible by video and telephone conferencing, instant exchange of e-mails and sending large documents electronically.
- The Bank has adopted policy of not extending any finance to environmentally hazardous industries. During credit appraisal, preference is given to the environment friendly green projects such as Wind Mills and Solar Power Projects.
- The Bank undertakes the Van Mahotsav, tree plantation camps, plantation along road sides and greening of traffic circles in different cities and maintenance of parks in residential areas. Bank is also promoting “Swachh Bharat” Campaign.

Bank of Baroda

At present Bank of Baroda is the third largest Public Sector Bank of India in terms of Total Assets (source: moneycontrol.com). The bank has taken some positive steps to reduce the direct impact of its operations on the environment. From paper saving initiative to energy conservation in offices and branches, the Bank is also working to reduce its operational footprints on the environment. Some of the measures introduced by the bank are as follows:

- Bank does not extend finance to industries which affects environment / produce ozone depleting substances.
- Bank has committed to finance Rs 12,500 Crore during 2015 – 2019 in solar, wind and other renewable energy projects.
- Bank is imposing condition to use fly ash brick, harvest rain water for construction, harness solar energy to meet energy requirements.
- Initiatives taken to reduce paper consumption by sending notes and sanctions etc through IP system, sending emails to Zones and Regions etc, promoting use of Debit cards in SB accounts, POS machines, M-Passbooks and increasing share of e-

transactions; by adopting e-tendering, e-auction and reverse auction and paying vendors through e-payment mode, etc.

- Bank's upcoming Office and Residential building at different centres are designed by considering the Green Building Concept.
- LED lights are used in bank branches to save electrical energy and enhance brightness.

The Bank did not receive any show cause/legal notice by either the State or Central Pollution Control Board during the reporting period 2015-16.

HDFC Bank

At present HDFC bank is the largest Private Sector Bank of India in terms of Total Assets (source: moneycontrol.com). It follows Corporate Social Responsibility by developing a business model which not only creates economic values but also contributes to a healthy ecosystem and strong communities. It regards climate change mitigation and environmental conservation as essential elements of a sustainable business. HDFC Bank constantly strives to reduce their impact on the environment and mitigate climatic risk through environment friendly initiative. Some of the initiatives taken by them are as follows:

- The bank has concentrated on electronic media for communication, taken initiative to encourage retail customers for subscription of e-statements and opened multiple alternative service points for paperless transactions.
- The bank has initiated for energy saving and for that it has installed energy efficient chillers, star-rated and energy-efficient ACs and Diesel Gensets.
- LED Lights have been installed in offices replacing old and inefficient lightings for energy savings and switching off the branch signage after 11.00 pm.
- The bank is now using video conferencing and video chatting to cut down on travel, automated shut down of server and desktop to reduce power consumption, restricting usage of printers in offices to reduce use and abuse of paper.
- The bank has taken initiative to install ATMs with solar powered/ Lithium UPS in remote areas where power fluctuation is a very common matter.
- Initiatives taken by bank for recycling of paper, plastic and waste water at different locations.

ICICI Bank

At present ICICI bank is the second largest Private Sector Bank of India in terms of Total Assets (source: moneycontrol.com). In the Financial Year 2015-16, it has spent Rs 1.72 billion towards CSR activities which is approximately 1.6% of its average net profits of the last three financial years ending on March 31, 2015.

ICICI Bank has been striving towards imbibing green sustainable products, processes, policies and practices. 'Go Green' is an organisation-wide initiative that promotes cost efficient environment-friendly automated channels. Some of the environment friendly initiatives taken by the bank are as follows:

- The branches are equipped with energy efficient air conditioners, LED lights, motion detector sensors, energy efficient equipment, chillers and pumps.
- About 410 of the Bank's rural branches are powered through rooftop solar panels.
- Alternate banking channels like internet banking, mobile and phone banking, insta-banking, ATMs, etc are emphasized to reduce paper consumption.
- The Bank has endeavoured to reach out to the customers and seek their collaboration in the 'Go Green' movement, encouraging online bill payment, online funds transfer and subscribing to e-statements to migrate customers to 'paperless' and 'commute-free' modes of conducting banking transactions.
- The Bank also adopted corporate objectives for environment conservation activities in conformity with the ISO-14001 standard "International Organization for Standardization" for environmental management systems.
- The Bank has received different awards and recognitions for its green initiatives and energy conservation efforts.
- The Bank complies with applicable environmental regulations in respect of its premises and operations. The Bank also requires the borrowers of project loans to comply with the various national environmental standards.
- The Bank assists projects that promote bio-diversity and environmental sustainability and projects that reduce greenhouse gas emissions and participates in several initiatives in the area of environment sustainability. The Bank complies with applicable environmental regulations in respect of its premises and operations.

Major Findings

Environmental sustainability has become a major concern for both the public and private sector banking institutes in India. The Indian banks have adopted various measures for environmental protection. Adopting the environment friendly practices the banking sector not only benefiting the natural environment but also providing the benefit to the organization. Some of the measures taken by the banks are:

- a) Measures taken to avoid as much paper work as possible and to rely on online/ electronic transactions for processing. A considerable portion of the transactions are carried out online through Core Banking Solution, Internet Banking, Tele-Banking, Mobile Banking, ATMs and Solar Powered Biometric.
- b) Initiatives of banks for less paperwork lead to less cutting of trees and make environment greener. Adoption and implementation of environmental standards for lending, which is a proactive idea that would enable eco-friendly business practices.
- c) Commitments made to invest in environment friendly projects like solar, wind and other renewable energy projects.
- d) Energy efficient machines and environment friendly lighting arrangements are used in different premises to reduce consumption of energy to the extent possible.
- e) Solar ATMs have been installed in rural areas where there is power problem and downtime due to high power-cuts.
- f) Upcoming Offices and Residential buildings of different banks at different centres are designed by considering the Green Building Concept.
- g) Creating awareness to business people about environmental and social responsibility, enabling them to do an environmental friendly business practice.

If the findings of the current study are compared with the findings of researchers in the literatures reviewed, the following points will come out:

- a) Chaurasia, in his paper “Green Banking practices in Indian Banks” found that Indian banks are running behind as far as green banking is concerned. But the present study clearly depicts that different initiatives are taken by both public and private sector banks for environmental sustainability.

- b) “A study on customer’s awareness on Green Banking Initiatives in Selected Public and Private Sector Banks with Special reference to Mumbai” by N. Sharma, K. Sarika and R. Gopal revealed that the majority of the respondents were not aware of the term ‘Green Banking’, though they were using different Green Banking products like ATM, online banking etc. The present study shows that both the private and public sector banks are serious enough to aware their consumers about green banking. At present, a considerable portion of the transactions are made electronically, resulting much less use of paper.
- c) Sartia Bahl in her paper entitled “Green Banking – The New Strategic Imperative” opined that carbon footprint reduction by green building has been given top most priority in green banking strategies. Therefore Indian Banking industry, using more than one lakh premises for their offices throughout the country, should develop green building as they consume less energy, water and natural resources and creates less waste. The present paper reveals that all banks under study have taken initiatives for developing green building and they are already using energy saving equipment and technologies. Moreover they are concentrating on paperless transactions to reduce carbon footprint.
- d) Dr. K. A. Goyal and V. Joshi in their paper entitled “A study of Social and Ethical issues in Banking Industry” opined that the banks should approve loan after consideration of environmental factors. The present study reveals that the banks under study have taken policy to approve loans after consideration of environmental factors. They encourage solar, wind and other renewable energy projects and put restrictions to extend finance to industries which affects environment / produce ozone depleting substances.

The above discussion clearly indicates that the banks under study are much aware on environmental sustainability and are in the proper track as the researchers have advised in the literatures reviewed.

Conclusion

By the time the banking sector in India has changed the way it used to operate in the past. Now it emphasises in adopting and implementing different initiatives to make our planet a better place to live in. Today, Indian banks are making efforts to ‘Go Green’ by offering

various green products & services to their customers and taking initiatives in their day to day business operations for the environmental concerns. These include- Online banking , mobile banking, ATMs, Electronic fund transfers, Green mortgages , Green credit card , use of solar and wind energy, recycling of paper, Green buildings etc.

But still there is a long way to go. Indian banking sector is still at the initial stage of green banking initiatives. These initiatives do not spread evenly in all parts of the country. All banking institutes need to come forward and take every possible action to protect and restore environment. Most of the banks are adopting and focusing only on those green initiatives which provides win-win situation for the bank, help in cost savings and improve operational efficiency. This mind set needs to be changed.

So the time demands a little focus on the initiatives such as creating awareness among society, and helping smaller firms to change their process so they can be more environmentally friendly in nature and that will also widespread the concept of environmental sustainability.

References

- Bahl, Sarita. (2012). Green banking – the new strategic imperative. *Asian Journal of Research in Business Economics & Management*, 2(2), 176-185. Retrieved from <https://www.indiansmechamber.com/>.
- Chaurasia, Ashis Kumar. (2014). Green banking practices in Indian banks. *Journal of Management and Social Science*, 1(1), 41-54. Retrieved from <http://nebula.wsimg.com/8aa3f107a92884afbb8dbd33db68943b?AccessKeyId=CFD051B4DFC24E7B4E5D&disposition=0&alloworigin=1>.
- Goyal, K. A., & Joshi, V. (2011). A study of social & ethical issues in banking industry. *International Journal of Economics & Research*, 2(5), 49-57. Retrieved from <http://www.ijeronline.com/>.
- Jha, N., & Bhome, S. (2013). A study of green banking trends in India. *Abhinav International Monthly Refereed Journal of Research In Management & Technology*, 2, 127-132. Retrieved from <http://www.abhinavjournal.com/images/Management & Technology/May 13/15.pdf>.
- Sharma, Neetu., Sarika, K., & Gopal, R. (2014). A study on customer's awareness on green banking initiatives in selected public and private sector banks with special reference

- to Mumbai. *IOSR Journal of Economics and Finance (IOSR-JEF)*, 28-35. Retrieved from <http://www.iosrjournals.org/iosr-jef/papers/icsc/volume-2/14.pdf>.
- Singhal, Komal., Singhal, Krishna., & Arya, Monika. (2014). Green banking: An overview. *Asian Journal of Multidisciplinary Studies*, 2(6), 196-200. Retrieved from <http://ajms.co.in/sites/ajms2015/index.php/ajms/article/download/401/361>.
- Yadav., & Pathak. (2013). Environmental sustainability through green banking: A study on private and public sector banks in India. *OIDA International Journal of Sustainable Development*, 6(8), 37-48. Retrieved from <http://www.ssrn.com/link/OIDA-Intl-Journal-Sustainable-Dev.html>.
- Annual Business Responsibility Report, 2015-16, HDFC Bank. Retrieved from http://www.hdfcbank.com/aboutus/cg/annual_reports.htm.
- Annual Report, 2015-16, Punjab National Bank. Retrieved from <https://www.pnbindia.in/annual-reports.html>.
- Business Responsibility Report, 2015-16, Bank of Baroda. Retrieved from <http://www.bankofbaroda.co.in/>.
- Business Responsibility Report, 2015-16, ICICI Bank. Retrieved from <https://www.icicibank.com/managed-assets/docs/investor/annual-reports/2016/icici-bank-ltd-business-responsibility-report.pdf>.
- SEBI circular on BRR (13/8/2012). Retrieved from <http://www.sebi.gov.in/sebiweb/home/list/1/7/0/0/circulars>.
- SEBI circular on Format for BRR (4/11/2015). Retrieved from <http://www.sebi.gov.in/sebiweb/home/list/1/7/0/0/circulars>.
- Sustainability Report, 2016, State Bank of India. Retrieved from <https://www.sbi.co.in/portal/web/corporate-governance/sr2016>.
- <http://www.moneycontrol.com/stocks/marketinfo/totassets/bse/index.html>.
- <http://www.moneycontrol.com/stocks/marketinfo/totassets/nse/index.html>.
- https://en.wikipedia.org/wiki/List_of_banks_in_India.