

# Role of public sector banks in Environmental protection

Samel Shirish chandrakant and Bandarkar Yashwant Shankar

Konkan Unnati Mitra Mandal's, Vasant Rao Naik College of Arts, Commerce & Science, At/Post & Tal- Mhasala  
Dist- Raigad Pin- 402105

Email: [samelshirish@yahoo.in](mailto:samelshirish@yahoo.in) & [yashwantbandarkar59@gmail.com](mailto:yashwantbandarkar59@gmail.com) | Phone No- 8411919984 & 9421167207

## Manuscript Details

Available online on <http://www.irjse.in>  
ISSN: 2322-0015

Editor: Dr. Arvind Chavhan

## Cite this article as:

Samel Shirish chandrakant and Bandarkar  
Yashwant Shankar. Role of public sector banks in  
Environmental protection, *Int. Res. Journal of  
Science & Engineering*, January 2018, Special Issue  
A3 : 173-178.

© The Author(s). 2018 Open Access

This article is distributed under the terms  
of the Creative Commons Attribution

4.0 International License

(<http://creativecommons.org/licenses/by/4.0/>),  
which permits unrestricted use, distribution, and  
reproduction in any medium, provided you give  
appropriate credit to the original author(s) and  
the source, provide a link to the Creative  
Commons license, and indicate if changes were  
made.

## ABSTRACT

The present era of Economic Development and Globalization has added a lot of comfort and luxury to human life. But on the other hand it has resulted in the exploitation of the natural environment which in turn has disturbed the ecological balance. The disturbance in ecological balance has adversely impacted the human and its surrounding environment. Many research studies have pointed out that increase in carbon emissions and reckless development without paying attention to environment can be a reason of occurrence of natural disasters. All over the world institutions are concerned about the overall impact of depletion of environment. Understanding the importance of the existence of human health & well being governments as well as the organizations started taking various initiatives for the concern of environmental protection and sustainability. Banks and financial institutions are also playing a major role in optimizing or reducing carbon footprints. Green Banking is also a part of India's mission of "Go Green" and plays an active role to take environmental and ecological aspects as part of their lending principle. Green banking is comparatively a new development in the financial world. Green banking means promoting environmental friendly practices and reducing carbon footprint from banking activities. It is a form of banking taking into account the social and environmental impacts and its main motive is to protect and preserve environment. This paper is focus on how Public Sector banks in India are initiating themselves in Environmental protection.

**Keywords** Environmental Sustainability; Green Banking; exploitation; Environmental protection.

## INTRODUCTION

Banks are the most important institutions that help business activities. And it play major role in the development of country's economy. According to section 5(1) (b) of Banking Regulation Act, 1949; banking as; "Accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdraw able by cheque, draft, order or otherwise." As of 31 March 2017 the Indian banking system consists of 27 public sector banks,<sup>26</sup> Private sector banks,<sup>46</sup> Foreign Banks,<sup>56</sup> Regional Rural Banks, 1,574 urban Co operative banks and 93,913 rural Co operative banks. The public sector banks contribute maximum to 70 % of total credit and deposits businesses in India. The banking sector has contributed 7.7 percent of total GDP of the country in the financial year 2016- 2017. The banking sector in India is growing very rapidly, it assets had reached up to Rs US \$ 1,518 billion in year 2017 as compared to Rs 7.5 trillion in the year 1998. As the banks are among one of the major sources of financing instrument for commercial projects so they can play a major role in promoting environmental sustainability by funding the socially and environmentally responsible investment projects.

### Objective of the Study:

1. To understand the role of Banking sector in sustainable development of country
2. To discuss the various strategies used by different banks in Environmental protection
3. To highlight the initiatives taken by Indian banks to make them environment friendly.

## METHODOLOGY

The study mainly includes literature review from secondary data. The Secondary data sources include articles, research papers, annual reports of the respective banks and other relative information published on the banks and company's official websites. The study also includes the primary data collection through personal visit to bank and in- depth interview of the branch managers and staff.

## ENVIRONMENTAL SUSTAINABILITY

Environmental Sustainability is 'the ability to maintain the things that are valued in the natural and biological environments. Environmental sustainability could be defined as 'a condition of balance, resilience, and interconnectedness that allows human society to satisfy its needs while neither exceeding the capacity of its supporting ecosystems to continue to regenerate the services necessary to meet those needs nor by our actions diminishing biological diversity'. Environmental system seeks to sustain the global life support system indefinitely. In then developing countries the problems related to the environment have become very critical and their dependence on natural resources for the growth and development underline the need of implement policy and plans for sustainable resource use. Due to increasing effect of industrialization, urbanization, increasing population density and poor environment management system in India the environmental problems have become alarming issues. So the time demands the need of using the natural resources in a sustainable way; i.e. meeting the needs in such way that it not only meet the needs of present but also for the future generation

## GREEN BANKING

The concept of Green Banking is attached to Triodos bank (established in 1980) from Dutch origin which started the environmental sustainability in the banking sector from the very first day. In the year 1990 the bank launches 'Green fund' for funding environment friendly projects and all other projects follow later. Taking example from this bank the banks all over the world start taking green initiatives in the banking sector. Institute for Development and Research in Banking Technology defines Green Banking as '*Green Banking* is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environmental, and social dimensions. It aims to make banking processes and the use of IT and physical infrastructure as efficient and effective as possible, with zero or minimal impact on the environment'. The India Banks Association defines it as "Green bank function like a normal bank along with considering the social and environmental

factors for the protection of natural resources". According to RBI (IDRBI, 2013) "Green banking is to make internal bank processes, physical infrastructure and Information Technology effective towards environment by reducing its negative impact on the environment to the minimum level". Green Banking concept can be defined in a number of ways in a broader perspective; it is the environment friendly banking practices that promote their customers to reduce the carbon footprint through their banking activities. In December 2007, the Reserve Bank of India (RBI) issued a circular (RBI 2007-2008/216) highlighting the importance for banks to act responsibly and contribute to sustainable development and emphasizing the need for Indian banks to establish institutional mechanisms to enshrine sustainability.

### State Bank of India (SBI)

SBI is the India's oldest and largest banking institution in almost every parameter such as net profit, revenue, assets and market capitalization. The bank was established in 1806 as Bank of Calcutta and became as the State Bank of India in the year 1955 during the nationalization of Imperial Banks in India. The bank offers various ranges of activities such as investment banking, consumer banking, commercial banking, assets management, pension, insurance, mortgages and credit card, through it of branches in country and overseas. As of 31 March 2017, it had assets of 27,05,966 corer and 24,017 branches 25.85 lakh customers and 2,09,567 employees are working in its branches. It is involved in community services activity since 1973 and throughout the country the bank participates and sponsors various social cause and welfare activities

- a. SBI launched the concept of SBI Digital Village to convert certain identified village into a cashless eco system 21 villages were launched on 1<sup>st</sup> July 2016.
- b. SBI launched SBI Mingle the social media banking platform for facebook and twitter users ,the bank customers can do a host of banking services like checking account balance & requesting mini statements on their face book and twitter accounts.

- c. On the occasion of State Bank Day, the bank had launched 'Green Channel Counter' (GCC) facility on 1st July 2010 at 57 select branches spread across the country and the same was expanded to more than 14,981 branches in 2017. 8.00 lakh transaction are being routed through GCC per day. This is a pioneering concept which is eco-friendly and convenient. This approach helps to make paper less banking up to some extent
- d. SBI became the first bank in the country to venture into generation of green power by installing windmills for captive use in 2010. ) Collaboration with Suzlon Energy Ltd. to use wind power at the place of thermal power in its business operations and currently using wind power in its most of offices located in Gujarat, Tamil Nadu and Maharashtra .
- e. SBI offers an interest discount of 10 basis points on all environment friendly projects.
- f. More over SBI is the largest deployer of solar ATMs in this country.
- g. SBI initiated the carbon disclosure projected in the financial sector in India, for the sake of environmental concern and safety by becoming a signatory to the Carbon Disclosure Project of World Wide Fund (WWF).
- h. The Bank has put in place SMART i.e. Specific, Measurable, Achievable, Realistic and Time bound Green Banking Goals.
- i. Initiated the carbon disclosure projected in the financial sector in India, for the sake of environmental concern and safety
- j. SBI and Export- Import Bank of India (EXIM Bank) both jointly provide a long term loan to a Spain based companies Grupo T- Solar Global SA and Astonfield Renewable Resources for building solar plant in India. Most of the financial institutions avoid giving long term loans to such projects because of their uncertainty and chnological changes.
- k. Green home loan scheme which supports environment friendly housing projects and offer subsidy and interest rates reduction.

### Punjab National Bank(PNB)

PNB is among one of the India's oldest bank and was established on 19 May, 1894. Presently it's the second

largest public sector bank by assets in India. As of 31 March 2017, it had assets of 667390 corer and 6937 branches 80 million customers and 70,801 employees are working in its branches. It offers a wide variety of financial services there for customers like consumer banking, corporate banking, equity, mortgage, credit card, finance & insurance banking, wealth management etc. Aside from financial activities the bank is also involved in various social initiatives such as farmer empowerment, environment friendly initiatives, education & health initiatives for the financially disadvantaged category.

- a. A separate green audit sheet is being employed by the bank to access the impact of various green banking initiatives implemented in the bank.
- b. The bank has sanctioned nine commercial projects of wind energy comes with total sum of Rs. 1850.81 million to push and develop the renewable supply of energy.
- c. The bank introduced Green Banking by completing transformation into Core Banking Solutions (CBS) Banking.
- d. Bank has started using energy efficient appliances & conducting the electricity auditing of their offices.
- e. The bank has conjointly placed guideline for supply of term loan to business units and commercial projects that are producing renewable energy.
- f. The bank introduced e-solutions by paperless dealings in complaint & vigilance procedures by a speedier communication system through e-network which drastically cuts down cost & time.
- g. The bank has introduced "Green practices" to conserve resources "Green audit" of all functional units to sensitize the staff towards sustainable practices.
- h. Bank has gone for installation of Solar UPS at selected ATM sites like in states of U.P and Bihar.

### **Bank of Baroda (BOB)**

BOB is an Indian state owned (public sector) bank established in the year 1908 in the princely state of Baroda. It provides various ranges of banking products and financial services through its branches such as corporate banking, investment banking, retail

banking, asset management etc. to the consumers. In year 2017 the bank was ranked 1145 on Forbes Global 2000 list. As of 31 March 2017, it had assets of 694,875.42 corer and 5538 branches and 52420 employees are working in its branches The bank also has its international presence with 100 branches in 24 countries outside India with its presence in major financial center such as New York, Dubai, and Hong Kong, Singapore etc. The bank has taken various corporate social responsibility initiatives upheld inclusive growth high on its agenda.

- a. Internet banking, mobile banking was added as alternate delivery channel to reduce the use of paper in banking procedure.
- b. As a part of green banking initiatives various changes were made such as backup consolidation, server and desktop virtualization.
- c. While financing the commercial projects the banks give a due weight age to green projects such as windmills and solar power projects which helps in earning the carbon credit.
- d. The bank insisted to implement water treatment plant and obtain NOC from central/ state government pollution control board while lending the loan to manufacturing units which emit toxic polluting substance.
- e. Promotion of measure of pollution control and efforts for environmental protection & conservation and cleaning of environment.

### **Canara Bank**

Canara Bank is an Indian public sector bank and was established as Canara Hindu Permanent Fund in 1906 and further renamed as Canara Bank in 1910 As of 31 March 2017, it had assets of 552,960.78 corer and 6639 branches and 59413 employees are working in its branches The bank has a widespread network of 3564 branches and 4000 ATMs spread across the country. The bank also has abroad offices in Dubai, Hong Kong, London, Moscow and Doha. The bank was ranked 816 by Forbes Global 2000 list. Various financial services such as asset management, commercial banking, investment banking, consumer banking, credit card and mortgages are being provided by the bank. It also sponsors two regional rural banks in Kerala and Karnataka. In the year 2003

the bank partnered with UNEP for solar project under development project initiatives. Along with this bank is also involved in activities such as rural development and environment friendly initiatives.

- a. The bank has implemented various green banking initiatives such as internet banking, tele-banking & mobile banking. Solar power biometric ATMs has been implemented in a few rural areas.
- b. Now the bank is not extending the finance to the new units which are involved in producing and consuming Ozone depleting substances. The bank has also stopped extending the finance small/medium scale unit engaged in the manufacturing of Aerosols by using CFC.
- c. The bank insisted to manufacturing units which emit toxic polluting substance to implement water treatment plant and obtain NOC from central/ state government pollution control board while lending the loan.
- d. The banking is providing loans for implementing solar lighting system, till the date the bank has financed 50,000 such unit lending 5-8 lac Rs to each unit

### Bank of India (BOI)

BOI is commercial bank, founded in 1906, it has been government owned since nationalization in 1969 BOI As of 31 March 2017, it had assets of 609,913.93corer and 5,100 branches and 45,613 employees are working in its branches

- a. Provision of Internet banking, mobile banking, phone banking and electronic cards was added as alternate delivery channel to reduce the use of paper in banking procedure.
- b. Reduction in paper usage by issuing e-transaction advices to corporate customers and encouraging electronic statements among retail customers.
- c. Various green initiatives such as distribution of tree saplings and creating awareness among society have been undertaken by the bank.
- d. The bank has undertaken initiatives to popularize use of solar street lights and rain water harvesting in rural areas.

- e. Bank has establishment of a 2 KV Solar Plant under Lok Birdhari Prkalp -project of The Maharogi Seva Samiti, a non-profit organization to take care of healthcare needs of tribal people.

## CONCLUSION

Indian economy is an emerging economy and there is a huge potential of growth of Indian banks by adoption of innovative approach in their strategy making process. The banking sector is getting modernized and new facilities such as net banking, mobile banking are being prioritized at the place of traditional approaches. These new approaches adopted by the banks are beneficial to customers as well as banks themselves. Now the banks understood the importance and necessity of environment along with the economic progress of a nation. Learning from their western counterparts the banks in India are also adopting various environmental practices and initiatives in their day to day business operations for the environmental concern and playing an important role in maintaining the ecological balance. There is a need of an approach towards paradigm shift by setting up of the business model which would consider all the three aspect of triple bottom line approach i.e. the people, the planet and the profit. Indian banking sector is still at the initial stage to adoption of innovative approach in their strategy making process .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. 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.

**Conflicts of interest:** The authors stated that no conflicts of interest.

## REFERENCES

1. Mishra DK, Green Strategies: Response of Indian Banks to Climate Change.
2. Todaro, Michael P and Stephen C Smith. Economic Development, 8e. Delhi: *Pearson Education*, 2003.
3. Misra SK and Puri. Growth and Development. Mumbai, *Himalaya Publishers*, 2005.
4. Bank of Baroda Annual report 2016-17,
5. SBI Annual report 2016-17,
6. BOI Annual report 2016-17,
7. Canara Bank Annual report 2016-17,
8. PNB Annual report 2016-17,
9. “The Indian Banker”, monthly journal published by Indian Banks Association edition February 2016.

---

© 2018 | Published by IRJSE