

SWOC ANALYSIS OF GREEN BANKING IN INDIA

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ABSTRACT

Green Banking is a concept through which banks try to undertake activities and projects which are environment friendly. It includes IT and physical infrastructure which reduce the carbon footprints and ensure e-waste management, energy conservation, reduction of pollution and financing projects which might prove beneficial for the environment such as installation of solar systems, windmill projects, ways to reduce greenhouse gas emissions, biomass energy systems, green building projects, provision of green loans and so on. The concept of green banking has lots of advantages and strengths. However, it has a lot of weaknesses and challenges too. It goes without saying that Green Banking has a lot of scope and opportunities in India and needs to be promoted well so that it can succeed in the mission of protecting the environment which is its main intention. While doing the SWOC Analysis – a cost benefit analysis and SCBA (Social Benefit Cost Analysis) would also aid in providing suitable strengths, weaknesses and challenges – ways to overcome them, opportunities and scope and future potential of Green Banking in India. A survey of attitudes and perception towards Green Banking was also conducted to further support the SWOC Analysis of Green Banking in India. A study of Green Banking activities abroad also highlighted the SWOC of Green Banking. RBI Circulars of 2006 and 2013 and IDRBT Report 2013 have been helpful in understanding that Green Banking is still at a nascent stage in India. The sustainability reports of various banks have always provided the necessary information to aid to this SWOC Analysis.

Keywords : Green Banking, SWOC Analysis, environment friendly projects, green loans, SCBA

Introduction :

Green Banking is a concept which is a very recent one in India. It was introduced in the year 1980 but in India it is of a very recent origin. It is an emerging concept which allows the banks to improve upon environment friendly practices and provide support to projects which would promote the overall environmental health.

The following are some of the green banking projects and practices :

- **Adopting UNEP's Equator Principles :** This was established in the year 2003 and it provides a framework for E & S risk in Project Finance
- **Measuring greenhouse gas emissions/ Carbon footprints :** Measuring this helps banks know primarily how much carbon dioxide is released in the atmosphere by a particular human activity
- **Energy conservation :** Banks can conserve energy by reducing the amount of energy utilized unnecessarily; use of renewable sources of energy etc.
- **Waste Management :** Waste management and e-waste management ensure recycling and re-use of articles thus reducing waste
- **Digital Banking :** Digital banking like mobile, internet banking help in reducing the usage of paper and other stationery materials
- **Responsible Lending :** This means promoting environment friendly projects

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- **Installation of environment friendly infrastructure:** Solar ATMs have been installed by a few banks, concept of green building has been promoted.
- Promotion of **Green Investments, green bonds, green cards**, and so on.

Objectives of the Study :

- To find out the strengths and opportunities available from the green banking concept
- To find the weaknesses and challenges related to the green banking concept in India
- To gain knowledge about the factors which contribute towards the success of Green Banking in India
- To suggest innovative green banking practices in India.

Following are some of the Green Banking Practices, Projects and Initiatives taken by Banks in India:

- **SBI Bank :** SBI bank is a pioneer of sorts in terms of Green Banking in India. The bank has introduced Green Channel Counters(GCC) and no queue banking in over 5000 branches across India. It supported the construction of wind farms in India. It has made a commitment that new building will adopt green building standard including utilizing natural lighting and re-cycled water. It has introduced policies aimed at achieving carbon neutrality. It has adopted digital banking.
- **HDFC Bank :** The Bank's environmental policy articulates that the large loans disbursed by the Bank, will first be assessed for environmental and social risks. The projects should comply with the environmental norms of the land and, should have a plan for implementing and monitoring environmental initiatives. Vendors are required to abide by the clauses stated in the Infrastructure procurement work order laid down by the Bank's internal procurement committee. The Bank has been at the forefront in identifying, assessing and addressing environmental concerns and has been measuring its greenhouse gas (GHG) emissions since 2010. The Bank is firmly committed to the environment and the fight against climate change.

The Bank is committed to minimizing its carbon footprints. A Board-governed environmental policy serves as a framework to understand and manage the Banks environmental risks, impacts and opportunities. By implementing policy directives and adopting best global environment practices, the Bank hopes to achieve a 10% reduction in its Scope 1 and 2 emissions intensity by FY 2021-22. The Bank has aligned itself to the SDGs and works towards integrating them into its business strategy. In alignment with SDG 12, the Bank endeavours to improve energy efficiency and systematically manage energy use throughout its operations. The adoption of Energy Efficient Management Systems (EnMS) has led the Bank to achieve the same. The Bank has been able to reduce power consumption by about 12% across 600 branches, where this has been implemented. As on 31st March 2019, two of the Bank's buildings at Mumbai and Bhubaneswar are LEED certified.

- **Axis Bank :** The Bank has in place a 'Sustainable Lending Policy & Procedures' to include environment and social risk considerations into its corporate lending decisions. The Bank's CSR focus, as communicated in its CSR Policy, also includes environmental sustainability, wherein the Bank, directly or through its implementation partners, works on various positive impact initiatives. The Bank has a strong lending portfolio in positive impact sectors including renewable energy, waste management and mass rapid transportation. In addition, the Bank's 'Sustainable Lending Policy and Procedures' integrates environmental and social risk assessment into credit risk framework for qualifying projects. Within the Bank, its efforts focus on energy efficiency, use of renewable energy, green procurement (for example, wheat-straw based paper), and waste reduction and management. The Bank ensures all its waste –primarily paper and e-waste, are disposed responsibly across all its locations. At the location where the Bank has

diesel generators as back-ups, it has strict processes in place ensuring emissions and noise levels are within permissible limits, and any waste is disposed through third party government authorized vendors. Axis Bank issued its inaugural Green Bond of USD 500 mn (ISIN XS1410341389) in June 2016. The issue was over subscribed and many core 'green' only investors have subscribed to the bonds, some of whom were first-time subscribers to Indian issuance. As per the Green Bond Framework, the proceeds from the issue shall be used to finance, and/or refinance, projects spanning renewable energy, energy efficient buildings and low carbon transport sectors in accordance with the relevant Climate Bonds Initiative (CBI) standards.

- **ICICI Bank** : For promoting environmental sustainability, they promote the use of "Green" banking products/channels amongst their customers. They also incorporate various energy and paper conservation measures while undertaking their day to day business activities. The Bank has funded an array of eco-friendly projects across the country to help restore ecological balance. From tree plantation drives to the solar electrification of villages, Public Health Centres and the Bank's branches across India; the bank leaves no stone unturned in trying to build a sustainable future for our planet. ICICI Bank has also been encouraging its employees to contribute to its green initiatives for a wider reach and a much larger impact. This has significantly improved access to health care services for the rural and tribal populations of the district. ICICI Bank led a tree plantation drive in Chhattisgarh and Maharashtra with support from the government and the local NGOs. The drive was aimed at benefitting the local tribal communities. With a grant assistance of Rs. 7 million for planting 170,000 trees; ICICI Bank endeavoured to enhance the green cover in these states. These trees are also expected to provide additional sources of livelihood to the locals of the region.

The Bank undertook a tree plantation drive around the Base Hospital in Delhi which not only helped in improving the aesthetics of the hospital, but also helped in uplifting the mood of the patients and the staff. To ensure uninterrupted banking transactions at the Gramin branches, ICICI Bank has installed solar power facilities at 522 Gramin branches across 7 states of India. This initiative has also contributed to significant reduction of carbon footprints.

- **Bank of Baroda** : The Bank has undertaken number of Initiatives of Green Banking. Some of examples are as follows:
 - Hybrid inverter along with Solar Panel was installed at Rajesultanpur branch, Gorakhpur Region (Pilot project). The branch is functioning entirely on Solar Power now.
 - Bank is availing Open Access Power (Solar/Wind energy) in BCC/BST building.
 - The bank is getting conventional lights replaced with LED through (Energy Efficiency Services Limited (EESL), (a Joint Venture of four Public Sector Undertakings (PSUs) of Ministry of Power (MoP), Government of India) in the bank branches/offices-PAN India
 - The Bank has replaced the light fittings of Baroda Sun Tower building with LED lighting to save electrical energy, enhance brightness which is part of Green Initiatives.
 - Detailed analysis is carried out on lighting expenses pattern of the branches/offices-PAN India
 - Replacement of old Acs, fans etc. with energy efficient appliances.
 - DG set monitoring – Pilot project in PEN branch, Mumbai Zone for monitoring the accrual consumption of Diesel in DG set.
 - Bank is also using green rated products in all furnishing, construction and other related activities.
 - For BCC&BST building, wet garbage processing units which also produce bio gas which will be used for cooking.

SWOC Analysis of Green Banking in India

SWOC Analysis involves an indepth study of the strengths, weaknesses, opportunities and challenges of an organization/unit etc. For a proper SWOC Analysis, SCBA Analysis, Cost Benefit Analysis , Sustainability Reports of banks and other documents and materials available of the banks were studied. A pilot study of 35 individuals also provided details about the attitudes and perceptions of customers' towards Green Banking in India.

SCBA Analysis: The following is the SCBA Analysis of Green Banking in India :

Social costs incurred due to Green Banking :

- Initial costs of green projects

- Time and efforts on development of green projects
- Cost of Training for projects
- Lack of support from staff

Social Benefits availed due to Green Banking:

- Good image of the Bank
- Reduction in carbon footprints
- Energy Conservation
- Renewable energy sources
- Rural Electrification through solar systems
- Efficient waste and e-waste management
- Water Conservation

Cost Benefit Analysis

Following is the cost benefit analysis of some of the Green Banking practices, initiatives and projects :

Practices/Initiatives/Projects	Costs	Benefits	Net Benefits
<ul style="list-style-type: none"> • Solar ATMs 	<ul style="list-style-type: none"> • Installation Cost Rs.3.5 lakhs • Maintenance Cost – Almost Zero (No AC required) 	<ul style="list-style-type: none"> • Life span 30 years • ATM Charges per customer 	<ul style="list-style-type: none"> • Saves 90% of annual costs of conventional ATMs approx. RS.1,44,000 per annum (2012 figures)
<ul style="list-style-type: none"> • Renewable Energy projects/Windmill Projects 	<ul style="list-style-type: none"> • Installation cost around 1 crore for a 250kw wind turbine(70% financing by Banks) • Annual Operation, Maintenance and Insurance Cost Rs.40,000 – Rs.50,000 • 9% interest on loans 	<ul style="list-style-type: none"> • 80% of the project cost is a tax benefit for the renewable energy in the first year • 5-6 lakh units of renewable energy can be generated during the first year • Life span 20 years • Break Even at 5-6 years (Payback period) 	<ul style="list-style-type: none"> • Provided proper maintenance and all is done, risk being considered, the benefits seem to outweigh the risk ie the net benefits are higher than the costs

<ul style="list-style-type: none"> • Green Bonds 	<ul style="list-style-type: none"> • Issuance Costs 	<ul style="list-style-type: none"> • Domestic as well as foreign capital for about 68 per cent of the funds are set aside for renewable energy projects, followed by the low carbon transport sector and low carbon buildings accounting for 21 per cent and 10 per cent, respectively 	<ul style="list-style-type: none"> • Tangible environmental benefits
<ul style="list-style-type: none"> • Energy conservation initiatives 	<ul style="list-style-type: none"> • Initial Replacement Costs • Maintenance Costs 	<ul style="list-style-type: none"> • Low Cost of Maintenance • Reduction in Costs of generating energy 	<ul style="list-style-type: none"> • Many banks have reported cost reduction and energy saving
<ul style="list-style-type: none"> • Paperless Banking 	<ul style="list-style-type: none"> • Initial Capital Cost for new technology • Maintenance, Insurance and Operating Costs per annum • Risk of breach of security 	<ul style="list-style-type: none"> • Reduction in Costs and staff efforts 	<ul style="list-style-type: none"> • Benefits are many

Pilot Study : Data Analysis :

- A study of around 35 respondents highlighted the fact that Green Banking is mainly assumed to be e-bank statements and paperless banking.
- Majority of the respondents felt that Green Banking is going to emerge as an important concept in future and that the RBI should come up with a proper framework for Green Banking.
- People aren't aware about any framework or policies or circulars of Green Banking by the RBI.
- Green Banking can be profitable and commercially viable according to the customers.
- Customers (Respondents) are ready to be actively support the green banking initiatives by the banks
- Suggestions were given mostly relating to adoption of Paperless Banking, Energy Conservation – reduction in usage of ACs in banks, use of less paper and stationery in bank, quotes about green banking to promote green banking and promotion through social media, promotion of mobile banking for senior citizens.

SWOC Analysis of Green Banking in India

<p>Strengths</p> <ul style="list-style-type: none"> • Good image among public • Social Benefits • Innovative financial products and services – Eg. Green Bonds – funds to be used only by specific eco - friendly industries • Projects to protect the environment • Solar ATMs having relatively high benefits • Renewable energy projects beneficial to the environment 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Social Costs • Reluctance of staff to work for new initiatives • Lack of awareness amongst the bank customers about the banks’ green banking initiatives • Promoted more as a CSR activity • Greenwashing
<p>Opportunities</p> <ul style="list-style-type: none"> • Green Financing opportunities are ample • Promotional activities and public involvement to make Green Banking Concept a success amongst general public • Broadening of Scope of Green Banking beyond CSR • Rural Electrification Projects and Projects to improve the infrastructure and other facilities in rural areas of our country in an environment friendly manner 	<p>Challenges</p> <ul style="list-style-type: none"> • No proper RBI framework related to green banking only guidelines and circulars • Risk of viability of the project • Acceptance and involvement of the general public

Conclusion :

Green Banking is an emerging concept in India and needs to be promoted well so that people don't just associate it with paperless or digital banking but as an environment friendly concept and a move towards ethical banking.

Green Banking has a lot of strengths, weaknesses, opportunities and challenges in India. In India, the concept of Green Banking has to be promoted in a big way to ensure that the general public also participates in its contribution towards environmental friendly practices. The success of Green banking depends on proactive public and society members.

Green Banking Projects need to be taken up more and Green Banking Initiatives should be not to be seen as a mere CSR activity by the banks. The scope of Green

Banking needs to be broadened to include urban and rural areas and our whole country for a safe future.

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