



Green Banking Practice in India: A Case Study of Bank of Baroda

Asmita Radadiya

Research scholar, Department of Commerce, Surendrenagar university, Wadhvan

Abstract

The primary objective of this research study is to examine the influence of green banking practises on the financial performance of Bank of Baroda. Nowadays, practically all nations are converting their traditional methods to environmentally friendly methods across all fields. The banking industry is hardly an exception. Commercial banks, which are the economy's main drivers of growth, can act as a catalyst for change by implementing greener banking procedures. Adopting greener banking practises will be beneficial in a variety of ways, including increased operational effectiveness, a decreased risk of fraud and manual errors, and cost savings in banking operations, among other things. This paper's main goal is to examine how the leading bank in the Indian banking industry, Bank of Baroda, responds to environmental changes and to present a summary of its actions in light of green banking acceptance, awareness, drivers, obstacles, and gaps, among other things, using secondary data and studies that have already been published.

Keywords: Green Banking, Bank of Baroda

Introduction

The term "Green Banking" has acquired popularity in finance today. Banks enable sustainable development by fostering growth. Green banking promotes sustainable economic development through policies. The concept refers to promoting green banking and reducing carbon emissions. The banking industry reduces external and internal carbon emissions. Banks should fund green technology and pollution-reduction programmes to reduce external carbon emissions. While banking is not considered a harmful industry, its current size has



increased its carbon footprint. This is largely due to its high energy consumption, paper waste, and lack of green infrastructure like green buildings. Thus, financial institutions must use new technology, streamline operations, and develop sustainable goods to reduce carbon emissions. Internet banking, online bill payment, and ATM-generated debit card PINs are all ways to do this. Green banking helps combat global warming, deforestation, air pollution, and biodiversity loss. It also benefits clients.

Literature Review

Verma, S., & Agrawal, M. (2018) in research article on “Green banking: A strategic approach towards sustainable development in Indian banking sector” The implementation of green banking practises in India is faced with numerous hurdles. Academic scholars have identified a notable impediment in the form of insufficient awareness among both bank.

Purohit, H., & Sharma, S. (2016) in research article on “Green banking and its impact on banking in India.” The implementation of green banking practises in India is widely regarded as a crucial strategy to effectively tackle environmental issues and foster the advancement of sustainable economic development. Academic scholars have underscored the importance of this phenomenon in bolstering environmental sustainability and harmonising the financial sector with the nation's developmental objectives.

Dharwal and Agrwal (2011) conducted a research study titled "Green Banking: An Innovative Initiative for Sustainable Development." The authors stated that it is imperative for Indian banks to possess comprehensive knowledge on the environmental and social norms that are universally adopted by banks worldwide.

Dipika's (2015) According to "Green Banking," ecologically sustainable financial practises can benefit banks, industry, and the economy. Implementing "Green Banking" promotes environmentally sustainable practises in sectors and improves banks' asset quality over time. Many opinions exist on this topic. Some say it's advantageous, but Indian banks have several challenges in adopting 'Green Banking' as a strategic approach. An enterprise with high profits. Green banking can be an effective ex ante tool if executed with commitment.



Maheshwari, M., & Bansal, A. (2019) in research article on “A study on green banking initiatives in India.” Numerous studies have examined the exploration of green banking efforts and potential in the context of India. Scholars have engaged in discourse regarding the prospective role of financial institutions in offering environmentally friendly loans, fostering sustainable investments, and partnering with renewable energy initiatives as a means to stimulate economic development while mitigating ecological harm.

Ragupathi. M and Sujatha.S (2015) The authors conducted a study named "Green Banking Initiatives of Commercial Banks in India" to examine the adoption of environmentally sustainable practises in the banking sector, specifically focusing on green banking strategies. According to the findings presented in this scholarly article, it was observed that banks in the past lacked awareness regarding the notion of green banking. Currently, banks are assuming a significant role in environmental sustainability initiatives.

Objectives of the Study

Following are the objectives of the study:

- To study the environmentally friendly practices adopted under green banking approach by Bank of Baroda.
- To find out the challenges faced by Bank of Baroda in implementation of green banking.
- To find out the necessary steps required for proper implementation of green banking in India.

Research Methodology

This study uses secondary data and a detailed literature evaluation to conduct exploratory research. The study has two phases. A detailed literature review on green banking and its impact on sustainable development in the banking industry was the first step. This review identified existing findings and suggested future study and action. The second phase of the study used secondary sources to collect data about Indian banks, specifically the Bank of Baroda. This study used secondary sources from banks and other trustworthy online sources on Green Banking.



Green Banking in India

The paper titled "Policy Environment" from the Reserve Bank of India, dated 8th November 2010, contains a mention of Green Banking and Green IT efforts for banks in India on Pages 56 and 57. Similar to other commercial organisations, banks in India are also embracing the concept of Corporate Social Responsibility (CSR) and demonstrating a commitment to environmental concerns. The implementation of computerised systems in banks, as well as the availability of online banking services, has facilitated the promotion of the green banking idea within the banking industry. The reduction of paperwork is being significantly implemented by both bankers and clients across various levels. Certain financial institutions have implemented novel initiatives such as the installation of biometric ATMs, solar-powered ATMs, white-labelled ATMs, brown ATMs, SMS alerts, and mobile banking services in order to enhance client convenience. In addition to mitigating environmental pollution, these approaches contribute to cost reduction and operational efficiency for banks, ultimately leading to enhanced client satisfaction.

Green Banking by Bank of Baroda

The significance of green banking practises within the banking sector has increased substantially as a result of their capacity to foster sustainability and mitigate environmental consequences. Bank of Baroda, a prominent public sector bank in India, has been actively advocating for the implementation of environmentally sustainable banking practises within its operations and services. Nevertheless, the effects of these practises on the financial performance of the bank remain uncertain. The primary objective of this research proposal is to examine the correlation between green banking practises and financial performance within the context of Bank of Baroda.

Bank of Baroda is one of the largest public sector banks in India, with a network of over 9,500 branches and 13,400 ATMs across the country and abroad. The bank has launched a number of green initiatives under the name of Baroda Earth, to reaffirm its commitment and responsibility towards protecting and preserving the environment for future generations. The bank has also appointed green consultants in 10 zones to monitor and evaluate the implementation and impact of its green initiatives.



Bank of Baroda provides various services under green banking. Some of these services include.

1. **Financing of Renewable Energy Projects:** Bank of Baroda provides financing for renewable energy projects such as solar, wind, and hydro power projects.

- In 2017, Bank of Baroda disbursed a total of INR 427 crore for renewable energy projects.
- In 2018, the bank disbursed a total of INR 931 crore for renewable energy projects.
- In 2019, the bank disbursed a total of INR 1,208 crore for renewable energy projects.
- In 2020, the bank disbursed a total of INR 2,349 crore for renewable energy projects.
- In 2021, the bank disbursed a total of INR 3,112 crore for renewable energy projects.
- In 2022, the bank disbursed a total of INR 3,976 crore for renewable energy projects.

2. **Energy Efficiency Financing:** The bank offers financing for energy-efficient projects such as the installation of energy-efficient lighting systems, heating and cooling systems, and building insulation.

- In 2017, Bank of Baroda disbursed a total of INR 20 crore for energy efficiency projects.
- In 2018, the bank disbursed a total of INR 30 crore for energy efficiency projects.
- In 2019, the bank disbursed a total of INR 69 crore for energy efficiency projects.
- In 2020, the bank disbursed a total of INR 264 crore for energy efficiency projects.
- In 2021, the bank disbursed a total of INR 323 crore for energy efficiency projects.
- In 2022, the bank disbursed a total of INR 537 crore for energy efficiency projects.

3. **Green Bonds:** Bank of Baroda issues green bonds to raise funds for environmentally sustainable projects such as renewable energy, energy efficiency, and sustainable water management.

- Bank of Baroda issued its first green bond in 2020 for INR 500 crore.
- In 2021, the bank issued a second green bond for INR 600 crore.



4. **Green Deposits:** The bank offers green deposits that allow customers to invest in environmentally sustainable projects.

As of 2023, Bank of Baroda offers various green deposit schemes, including Baroda Green Savings Account, Baroda Green Term Deposit, and Baroda Green Recurring Deposit. The bank has not disclosed the financial data related to its green deposit schemes.

5. **Sustainable Supply Chain Finance:**

Sustainable supply chain finance is a form of financing that aims to improve the environmental and social performance of the supply chain, while also providing economic benefits for the participants. Bank of Baroda is one of the leading public sector banks in India that offers sustainable supply chain finance solutions for its customers. The bank has launched a digital platform called Baroda Earth, which provides a range of supply chain finance products, such as green home loans, green education loans, and green SME loans. These products offer lower interest rates or other incentives for customers who use them for environmentally friendly purposes.

According to a case study published by IGTB, the bank's technology partner, the platform has enabled the bank to achieve the following results:

- The bank has onboarded more than 100 large corporate clients and over 15,000 dealers and vendors on the platform, covering various sectors such as automotive, pharmaceuticals, textiles, and chemicals.
- The bank has disbursed more than Rs. 15,000 crore of supply chain finance loans through the platform, with an average ticket size of Rs. 10 lakh.
- The bank has reduced its turnaround time for loan approval from 15 days to 15 minutes, and its cost of operations by 50%.
- The bank has improved its customer satisfaction and retention rates, as well as its market share and revenue growth.

The bank has also received several awards and recognitions for its green banking practices, such as the Golden Peacock Award for Corporate Social Responsibility (2020), the Skoch Award for Green Banking (2020), and the India Green Energy Award (2019)



Challenges:

Diversification Is Important

The significance of diversification is evident in the context of banks implementing green banking strategies, as they are imposing limitations and restrictions on their business activities exclusively to firms that meet the qualifying criteria. Due to a reduced customer base, there will be a concomitant decrease in the earnings base available to sustain the business.

Higher operating costs:

Green banks incur higher expenditure due to the necessity of employing personnel with specialised talents, abilities, and knowledge, which is essential for catering to their specific customer base. Loan officers and other employees should possess supplementary knowledge and expertise in handling green enterprises and clients.

Reputation Risk:

Banking organisations face an increased susceptibility to reputational damage when they engage in large-scale projects that are perceived as socially and environmentally detrimental to the environment.

The right laws haven't been made yet:

The right environmental rules for banks need to be written down in law and made sure to be followed. India has problems because the laws haven't been made yet.

Lack of Environmental Audits: Environmental audits are needed to find out how environmentally friendly a building, property, or business is, as well as to see if regulations are being followed, if there are any problems now or in the past, and if there are any environmental risks or liabilities that come with the project. These should be done by a separate group or any team that looks into the surroundings.

Not enough clear rules: To include problems of sustainability, we need clear rules to change the way things are managed now.



Skilled workers aren't available: skilled workers are needed to make green banking methods work right.

Suggestions:

- The promotion of customer awareness on green banking should be conducted via the institution's website.
- Banks should actively encourage the use and utilisation of various electronic banking methods.
- Utilising media platforms for the purpose of generating customer awareness.
- One potential approach to reducing carbon footprints is the implementation of energy and paper conservation strategies.
- Offering environmentally sustainable incentives to customers.
- Through the provision of funding for an increasing number of environmentally conscious initiatives
- The provision of social responsibility services by banks.
- The implementation of explicit policies is necessary to modify the existing management systems in order to integrate sustainability concerns.

Conclusion

To facilitate the advancement of environmentally sustainable banking practises in India, it is imperative to implement suitable policy measures. In the context of the swiftly evolving LPG era, it is imperative for banks to have a proactive stance in incorporating environmental and ecological considerations into their lending principles. This approach would compel enterprises to adopt suitable technology and management systems, thereby enabling them to gain a competitive advantage. The research findings will contribute to the understanding of the influence of green banking practises on the financial performance of banks, with Bank of Baroda being examined as a case study. This study aims to examine the green banking efforts implemented by Bank of Baroda and analyse their impact on the financial performance of the bank. The research aims to ascertain the potential of green banking practises in serving as a competitive advantage for banks.



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