

A STUDY ON THE ROLE OF E-BANKING OF CO-OPERATIVE AND RRB'S IN ECONOMIC SUSTAINABILITY OF INDIA

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Abstract

The Banking industry plays a very important role in economic growth and environmental protection by promoting environmentally sustainable and socially responsible institutions. The term green banking is getting popularised day by day. Adopting green banking practises will help the environment as well as increase operational effectiveness, reduce exposure to fraud and manual errors, and minimise costs associated with banking operations. Similarly, there are certain banks which are have already adopted sustainable banking practice and there are banks which have no idea what and how sustainable banking works. The paper highlights the role of RBI in order to make banks adopt sustainable, where the co-operative and RRB's stand in the adoption of sustainable banking. Also, the paper focuses on green products which has to be brought into practice and several challenges which the bank face to move towards sustainability.

Key words: Sustainable Banking, Green, Sustainability, Environment, Aware

Introduction

Economic growth has had unfavourable consequences on the environment, leading to problems with rising carbon emissions, global warming, climate change, floods, droughts, and other such things. Environmental quality suffers as a result. Due to this, environmental protection and sustainable development are now of the utmost importance on a worldwide scale. Corporate entities are becoming more conscious of the need to address environmental, social, and governance (ESG) challenges in order to support sustainable development. Banks and financial institutions should build a sustainable environment that can help realise significant benefits because today, every economy considers social justice and environmental protection to be its fundamental values.

A relatively recent development in the financial industry is green banking. The country's sustainable development depends heavily on banks, and the term "green banking" has gained popularity recently. It is commonly known that out of all the industries, the banking industry is the one that best serves the demands of the many societal groups. In its simplest form, "green banking" refers to the banking industry run in a way that minimises both internal and external carbon emissions. The financial services industry is changing due to changes in the financial, economic and ethical ideas and values are being fully integrated into banking activities. A green bank, also known as an ethical bank or a sustainable bank, is similar to a

regular bank in that it considers all social and environmental concerns with the goal of protecting the environment and preserving natural resources. Although they are subject to the same authorities, they have a broader agenda focused on protecting the environment, habitats, and resources of the planet. Only a small number of banks have made an effort in this area. All banks have a great deal of potential, and they have the power to not just protect the environment but also shift the entire world to a more energy-conscious lifestyle. Banks must inform customers about green banking and use every available tool to protect the environment while enhancing their own standing in the community.

Review of literature

G Nandini Prabhu and P S Aithal (2022)-The paper “**A New Model on Customer Attraction, Retention and Delight for Green Banking Practices**” the paper highlights the agendas of sustainable banking practices of selected commercial banks and public sector banks of India. Further on mentions characteristics and the model which describes Customer attraction, retention and delight with regard to green banking.

Ajaz Akbar Mir and Aijaz Ahmad Bhat (2022)-In the paper “**Green Banking and Sustainability – A Review**” is a conceptual paper which highlights the role and contribution of banks through sustainability. The study has conducted research through referring various journals regarding how banks are going sustainable and through what ways. Also, the website of SBI and Maybank was also reviewed to know how those banks contribute towards sustainability.

Sarath Chandran M.C. & Dr. B. Sathiyabama (2021)-In the paper “**Designing Sustainable Banking Services: A Study of Indian Banks**” The study is conducted based on secondary data. The purpose of this paper is to analyse the basis of sustainable service which is designing for special Indian banks and the importance of achieve or bring up sustainable practices for the financial sector. The researcher also highlights strategies used by the local banks for the long-term growth. The author also says that sustainability affects decision making and it is a never-ending process.

Deepika Saxena, Neelam Dhall, Rashika malik (2021)-In their paper “**Sustainable Banking: A Roadmap to Sustainable Development**” The paper mainly focuses on various sustainable banking practises at a domestic level it also mentions certain global level practices, later on assesses the existing framework of how banks have developed the practice of sustainability. The paper at one part mentions that there are no any such guidelines given by the RBI with regard to sustainable banking. The study concludes by saying very few Indian banks have adopted sustainable practices other banks are yet to implement.

Meenakshi Sharma and Akanksha Choubey (2021)-In the paper “**Green Banking Initiatives: A Qualitative Study on Indian Banking Sector**” the study is qualitative in nature which focus on the green banking initiatives which has been taken up, the major challenges for Indian banks towards going green. And then the author explains how green banking contributes towards green trust. Further highlights the public and private sector banks sustainable initiatives.

Kishore Kumar and Ajai Prakash (2019)-The paper “**Examination of Sustainable Reporting Practices in Indian Banking Sector**” says that the corporate entities are becoming more aware of the need to address environmental, social, and governance (ESG) issues in order to support sustainable development. This research paper helps us to know where India stands with respect to sustainability in banking sector and also this is the first paper which talks about the sustainability reported by the commercial banks in India and major issues which are directly related to banking sector.

Atul Gupta (2018)-In the paper “**Sustainable & Green Banking Practise in India-Issues and Challenges**” The main aim of this paper is gone through or in other words review the green banking practices in international banking via Indian green banking practices. This paper further focuses on various issues and threats for Indian banking in the process of attending sustainability guidelines. He also tells that Indian banks are making an effort to go sustainable in the day-to-day process apart from this the banking's are involving highly in green activity like recycling part in order to avoid de-forestation and setting up of wind mills etc.

Sudarshan Giramkar (2018)-The paper “**Green Banking in India: A Study for Sustainable Development**” firstly the researcher highlights an issue about global warming and explains eco- friendly initiatives will help us all from controlling it also states that banking sector is considered to be eco-friendly because it will not cause any harm with regard to pollution and emissions. This paper mainly focuses on how green initiatives are taking place and refers various international sites pertaining to the same. The paper also states the role of RBI focusing on the green growth.

Giridhar K V and K G Sudhakar (2017)-The paper “**Green Banking: Issues and Challenges in India**” states the green banking is more like normal banks which takes social and environment into consideration in order to protect our surroundings. This process is also connected with risk reduction. The paper highlights various issues and challenges faced in India due to adoption and practice of Green Banking.

Neeru Kapoor, Dr Meenu Jaitly and Rishi Gupta (2016)-The paper “**Green Banking: A step Towards Sustainable Development**” mentions that most of the corporate organisations are moving towards sustainability making a serious and sincere attempt to increases green society as much as possible. When it comes to Indian banks, they have a big role in implementation of sustainability. The study focuses on the concept the need of green banking and has made and attempt to study the strategies which is used to adopt green banking.

Statement of the Problem

Implementation of sustainable banking in India has begun but then the constrain is there is lack of training provided to banks by the RBI and most of the customers are not yet aware of green banking practices due to lack of knowledge regarding it. Hence the banks are facing several challenges in order to bring it into practices and also to make customers aware of. If implemented sustainable banking, it encourages customers to use E-banking through which there would be paper-less banking, all the transactions would

happen within a span of time without delay is making customers. Currently making customers aware of it and implementing is still a challenge in current scenario.

Objectives

- To highlight the role of central bank in order to achieve green banking in Indian
- To identify various sustainable products that banks have brought into practice
- To study if the green banking has been adopted by the co-operative, small sector banks and Rural banks in India and the measures taken to implement.
- To study the challenges which arises due to Sustainable banking

Source of Data Collection

In order to carry out this research, existing data from various sources are collected and analysed. The sources from which the data is collected is from various journals, articles, government documents, published academic papers, and few of the historical data

Method of data collection

Secondary method of data collection and analysis is followed in this study because there is a relevant collection of data which is available. The data gathered and analysed are from various other websites, government journals, publications which is based on the theme of the paper.

Scope of the Study

In a developing country like India, it is necessary to adapt and cope up with the latest technology. One such latest practice which other countries are adapting is sustainability in banking sector. Due to this all the services would happen online which is paper-less to a maximum extent which will reduce deforestation and balance climate conditions as well. Also, it would be flexible and ease for customers to make transactions purchase products, pay bills through this customer can carry out any activity at anytime from anywhere at most convenient.

Analysis & interpretation

Role of Central Bank in Sustainable Banking

The global economy, society, and its institutions, including central banks, have a responsibility to combat climate change. The mission statement of the Reserve Bank of India emphasizes the necessity of active and receptive financial intermediation as well as universal access to financial services and a strong, dynamic, and responsive financial intermediation infrastructure. Along with providing monetary and financial stability in a timely manner, it is also necessary to pro-actively assess new and developing risks and possibilities. Banks were already given advice by the Reserve Bank in 2007 to implement a suitable action plan in order to significantly advance sustainable development. The Reserve Bank has been gradually encouraging bank lending to greener businesses and initiatives. Through its publications and other forms of communication, the Reserve Bank has also made an effort to raise awareness of the subject

of green and sustainable finance by examining its prospects and difficulties. For instance, the Reserve Bank emphasised the risk of a climate change on financial assets and the necessity to speed up the efforts for environment-friendly sustainable growth in its Report on Trend and Progress of Banking in India.

Co-Operative Banks

Cooperative banks are conscious of the problems posed by global warming and sustainability. To address the risks of climate change, harm done to ecosystems, and loss of biodiversity, everyone needs to be mobilised to a greater extent than is currently the case. The main pillars of India's multi-tiered co-operative banking structure are urban and rural cooperatives. The initial wave of the pandemic in 2020–2021 left the co-operative banking industry, particularly the rural co-operatives, virtually untouched. However, structural challenges brought on by regulatory overlaps, high loan default rates, and a decline in depositor confidence as a result of frauds continue to plague the industry. The Reserve Bank and the government set out to deal with these concerns in 2020–21.

Union Minister Kapil Patil urged cooperative banks to work toward achieving the 17 sustainable development goals that must be accomplished by 2030. According to him, cooperative banks must take the initiative by using their CSR funds and other resources to assist other societal groups, especially tribal people. Additionally, he urged financial institutions to support new businesses in line with Prime Minister Narendra Modi's agenda so that this industry can spur widespread economic growth by creating jobs. The technology is in place, and UCBs are moving quickly to integrate basic banking systems and establish capacities to deal with technological changes such as e-banking facility, online apps etc which can be used any time anywhere. While they are attempting to meet the new difficulties, they need also keep up with the operational, market, and credit risks.

Regional Rural Banks

Regional Rural Banks (RRBs) are scheduled commercial banks in India that are controlled by the government and do regional business in several Indian states. In order for Regional Rural Banks (RRBs) to increase their lending to the Micro, Small and Medium Enterprises (MSME) sector and broaden their credit portfolios in order to achieve financial sustainability, the government has requested this of RRB's. These measures were discussed in July during a meeting convened by Finance Minister Nirmala Sitharaman and attended by heads of sponsor banks and RRBs.

- To move towards digitalization so that all services can be offered through online facility
- core banking solution where the banks have a connection between their branches nearby. The next phase for these banks is to provide consumers with online services so that the customer can access any bank from anywhere.
- Once these branches attain a particular level of business, the plan also called for merging them with the sponsor banks.
- Minimal awareness to use latest technology has been created among people.

Products Offered by Sustainable Banks

- i. **Green Mortgage:** Energy Efficient Mortgages (EEMs), commonly referred to as green mortgages, offer retail customers noticeably lower interest rates compared to market rates for clients who invest in retrofits, new energy-efficient homes, energy-efficient equipment, or green power. The cost of converting a home to green energy can also be covered by banks when offering green mortgages, and this consumer benefit can be highlighted while promoting the product.
- ii. **Green Credit Cards:** Using a green credit card entitles the owner to benefits or points that may be exchanged for donations to non-profits that support the environment. Customers have a great incentive to utilise their green cards for pricey purchases thanks to these cards.
- iii. **Green Loans:** Banks contribute to reducing reliance on hydropower and being green by offering low-interest financing for household solar systems. The Ministry of Non-Renewable Resources launched a Go-Green campaign by offering low interest loans to clients who want to purchase solar equipment in collaboration with select nationalised and scheduled banks.
- iv. **Remote Deposit Capture:** A method known as remote deposit capture (RDC) enables a consumer to remotely scan checks and send the images of those checks to a bank for deposit, typically through an encrypted Internet connection. The bank posts the deposit to the customer's account and makes the funds available in accordance with the customer's specific availability schedule when it receives a customer's image of a cheque. Banks normally only provide Remote Deposit Capture to commercial clients, not to private citizens
- v. **Green checking:** green checking is the process of verifying account-related data using a bank's automated teller machine or specialised touch screen. By offering additional online banking services like online bill payment, debit cards, and online statements, this procedure might be helpful to the account holder.
- vi. **Electronic Payment Cheque:** Banks must encourage the use of electronic pay checks rather than paper ones. The majority of businesses provide their workers the choice of receiving their pay cheque electronically, which saves time, money, and even paper work. This in turn reduces the use of paper as well as saves the time.
- vii. **Green Certificate of Deposit:** Green Certificates of Deposit are brand-new certificates that invest money in projects that support environmental sustainability and energy efficiency. The majority of the proceeds from CDs go toward funding various solar energy projects.

- viii. **Green home modernization loans:** These enable homeowners to make energy-saving renovations to their properties.
- ix. **Green Saving Accounts:** In case of Green Saving Accounts, banks make donations on the basis of savings done by customers. The more they save, the more the environment benefits in form of contributions or donations done by banks.

Challenges Faced by Banks

- **Inadequate training and education**

People are largely unaware of the ways in which green banking techniques and practises may contribute to long-term sustainability and meeting environmental criteria. Aside from this, sufficient training is not provided, many banks lack knowledge about how to implement green banking.

- **Time constraint**

Customers will become aware of green banking practises once banks implement them. Additionally, many banks are still starting operations. Only after a certain period of time the banks will begin to turn a profit. Consequently, it doesn't assist banks in a recession.

- **Lack of supporting by Government**

There is no much rules imposed with regard to sustainable banking, also there is no proper training or awareness which is created to the employee in the banks to adapt the green banking. Hence the banks are not much aware of how sustainable banks works and due to this no interest from banks is shown to bring into practice.

- **Higher Operating cost**

To give consumers the services they deserve, Green Bank needs staff that is both talented and experienced. There is a need for knowledgeable loan officers because they have more expertise interacting with clients and green businesses.

- **Diversification**

The main obstacle facing green banks is diversification, which hinders their ability to conduct business with organisations that pass the screening process used by green banks. Green banks base of support will be reduced because of their smaller number of consumers.

- **Credit Risk**

It results from lending to clients whose operations are made unsustainable by the price of pollution, from adjustments to environmental laws, and from new restrictions on emissions levels. It is larger since there is a bigger chance that the client won't pay because of unanticipated costs for capital investments in production facilities, market share losses, and third-party claims.

- **Brand Risk**

If banks engage in green banking activities, such initiatives will harm the environment and put their brand reputations at risk. Additionally, there are a few instances where environmental management systems have reduced costs and increased bond value.

Findings

- The practice of Green Banking is getting popularised day by day.
- Majority of the banks are moving towards digitalization.
- There is an increase in CSR activities.
- Certain banking apps has been developed to make transactions at any time anywhere.
- Promotes different forms of E-banking.
- Rural banks have been merged so the customer can visit any bank convenient to them.
- Paper-less transaction will be practiced in few years.
- A minimal awareness among rural areas has been created in order to get updated with the latest technology.
- Certain products have been introduced which is approved quickly for Sustainable or Green projects.
- Several Go-Green Campaigns have taken in association with banks.

Suggestions

- Awareness among banking institution has to be created by central banks in order to initiative sustainable practices.
- The government must provide training facility and should educate them about green banking products.
- Certain funds have to be sanctioned for environmental projects, if not in the process of green banking the banks would face loss.
- Educate people to use Green Banking products.
- There must be more No. of campaigns by banks as well as government in order to make people aware of sustainable banking.
- Banks should invest more on eco-friendly projects.

- RBI should also adopt green measures .

Limitations of the Study

There is no much research made on co-operative and Regional Rural Banks of India. Also, there is no much data available on the authorized websites and very less banks have taken the initiative of following Sustainable Banking Practice.

Conclusion

Implementation of green banking policy is necessary in India in order to make use of latest technology. The Central Bank of India has to take initiatives to create awareness among customers and must provide appropriate training and educate banks and its employees to follow sustainable banking products and to invest green projects which would create goodwill and in turn would attract customers. Due to implementation of green banking the use of online banking form will, be popularised and transactions can be done in tip of fingers this in turn reduces the use of paper through which de-forestation will be avoided. Hence Indian banks must adopt sustainable banking process without any delay.

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