

## Adoption of Green Banking in RRB's: With Reference To Kaveri Grameen Bank

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### ABSTRACT

Exchange is the need for survival in all spheres. So, even Environmental protection, awareness and sustainable, ecological measures have emerged as significant themes of our age and an increasing number of “green” technologies are also finding their way into the banking branch. It is the need for the hour and Banks being the backbone of the economy and of prime importance can help in providing with the ideas and vision for financing portfolio projects that create a strong and successful low carbon economy. Day-to-day Green Banking is relatively finding a new revolution in the financial world. It is a form of banking considering the social and environmental consequences and its main motive is to protect and preserve environment. The performance of Regional Rural Banks has also been mapped to study the level of their participation in green banking. In Karnataka, Kaveri Grameen Bank is looking towards infancy stages of adopting green banking products and service. This paper discusses the initiatives taken by the RRB-Kaveri Grameen bank in adopting green banking practices in their internal processes educating customers on technology-based transactions saving energy and stretching its hand to protect environment.

“The supreme reality of our time is... the vulnerability of our planet.” - John F. Kennedy

### INTRODUCTION:



The most complicated issue that the world is facing today is climate-change. There has been continuous venture across the world to measure and mitigate the risk of climate change caused by human activities. Due to ecological effects and awareness businesses can no longer run after profits only. But an increasing number of financial institutes are deliberately turning to the sustainability theme and, as studies demonstrate, not without good reason. There is a move towards green economy and in every sphere, organizations must be eco-friendly. The banking sector is major economic agent which influences the economic growth and development in terms of both quality and quantity, there by changing the nature of economic growth and socially responsible investment. Green banking is an umbrella term which refers to those practices and guidelines that make banks environmentally, economically and socially responsible. It means that banking business should be conducted in such areas and in such a manner which would help in overall minimization of exterior carbon-emission and internal carbon footprint. Various banks in India also started green banking practices such as online banking, mobile banking, green channel counters, e-statement, green loans, solar ATMs, etc. The issues of climate crisis should not be only restricted to a debate but must be dealt with going green. Thus, green banking sector is one of the ways of go green. There is a need to involve key stakeholders and creating awareness about environment-friendly banking.

### **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. Green banking is a banking that benefits the environment. The green banking is also known as moral banking. The bank can minimize the use of paperwork by promoting paperless banking through net banking.

Green banking refers to the practices and policies adopted by financial institutions to promote environmental sustainability. It involves offering financial products and services that are designed to encourage eco-friendly behaviors, such as investing in green projects, reducing the carbon footprint of the bank itself, and supporting businesses and individuals who aim to reduce their environmental impact.

Some key features of green banking include:



**Sustainable Investments:** Green banks may offer loans or investments in renewable energy projects, energy-efficient technologies, and sustainable infrastructure.

**Paperless Banking:** To reduce deforestation, banks encourage digital banking over paper-based transactions. They also promote the use of electronic statements instead of physical ones.

**Environmentally Responsible Operations:** Many green banks reduce their own environmental impact by implementing energy-efficient practices in their branches, using renewable energy sources, and minimizing waste.

**Green Products:** This could include "green bonds," which are used to fund eco-friendly projects, or eco-conscious credit cards that donate a portion of fees to environmental causes.

**Support for Eco-conscious Businesses:** Some banks offer incentives like lower interest rates for businesses that are working on sustainability, such as those focused on reducing waste or improving energy efficiency.

**Carbon Footprint Offset:** Some green banks offer services or products that help customers offset their carbon emissions, like planting trees to counterbalance their environmental impact.

## DEFINITIONS:

1. *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”.
2. *Jha & Bhome* defines, “Green banking as means of promoting environmentally friendly practices and reducing carbon footprint by banking activities. So, it can be concluded that Green Banking approach involves using environmentally friendly practices at every level from adapting environment friendly practices within the banking organizations and considering the environmental aspect of the projects while funding and investing in commercial projects”.
3. According to RBI (IDRBT, 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”.

## **ABOUT RRB**

Regional Rural Banks (RRBs) were established in 1975 under the provisions of the Ordinance promulgated on the 26th of September 1975 and followed by Regional Rural Banks Act, 1976 with a view to developing the rural economy and to creating a supplementary channel to the 'Cooperative Credit Structure' with a view to enlarging institutional credit for the rural and agriculture sector. The Government of India, the concerned State Government and the bank, which had sponsored the RRB contributed to the share capital of RRBs in the proportion of 50%, 15% and 35%, respectively.

The area of operation of RRBs is limited to the area as notified by Government of India covering one or more districts in the State. RRBs also perform a variety of different functions. RRBs perform various functions in following heads

1. Providing banking facilities for rural and semi-urban areas. Carrying out government operations like disbursement of wages of MGNREGA workers, distribution of pensions etc.
2. Providing Para-Banking facilities like locker facilities, debit and credit cards.

All RRBs were originally conceived as low cost institutions having a rural ethos, local feel and pro poor focus. However, within a very short time, most banks were making losses. The original assumptions as to the low-cost nature of these institutions were belied. This may be again amalgamated in near future. At present there are 56 RRBs in India. In Karnataka, presently 3 RRB bank. Namely., Kaveri Grameena Bank, Karnataka Vikas Grameena Bank and Pragathi Krishna Gramin Bank, all banks of these were fully computerised and automation. RRBs are key financing institutions at the rural level which shoulders responsibility of meeting credit needs of different types of agriculture credit in rural areas.

## **KAVERI GRAMEENA BANK**

It is a Regional Rural Bank established under Regional Rural Banks“ Act 1976, is a Scheduled Bank jointly owned by Government of India, State Bank of Mysore and Government of Karnataka (share capital contributed in the ratio of 50 :35:15 respectively), permitted to carry all kinds of banking business. The Bank operates in 10 Districts of South Karnataka, having its Head Office at Mysore City



with eight Regional Offices at Mysore, Mandya, Bangalore, Tumkur, Hassan, ChamaraJanagar, Madikeri and Chikmangalur with 8 IT officers

The Bank came into existence on 1 November 2012 (Sponsored by State Bank of Mysore) by Amalgamation of Cauvery Kalpatharu Grameena Bank, Chikmagalur Kodagu Grameena Bank and Vishvesvaraya Grameena Bank, Sponsored by State Bank of Mysore, Corporation Bank and Vijaya Bank respectively. The Kaveri Grameena Bank has extended internet and mobile banking services to its customers in due course. This was announced by bank chairman D. Somasekhara during the inauguration of the 100<sup>th</sup> branch. Presently 500 branches operating all over Karnataka, near 15,000 crores of business with operations of deposits, loans and advances. Nearly 1800 employees were working in KGB branches.

### **KGB – Green Banking products and Services:**

- All the branches of our Bank are computerized, and working on common platforms, i.e, CORE BANKING SOLUTIONS, implemented by M/S C-Edge Technologies Ltd., Mumbai, a joint venture Company of TCS and SBI.
- The Bank is having NEFT, RTGS facility for smooth transfer of money.
- The Bank has rolled out IMPS P2P, P2A facility.
- The Bank also has Internet Banking facility, and a Mobile Banking facility.
- RuPay –ATM-Debit card is in place to facilitate our customers for cash withdrawals as and when they require.
- KCC RuPay cards have been issued to all our Kisan Credit Card account holders.
- Cheque truncated clearing system is in place in the Bank.

### **OBJECTIVES**

- To understand adoption of green banking.
- To enumerate effective methods for green banking.
- To view the status of green banking in RRBs.



- To educate the green banking service of Kaveri Grameen Bank.

## RESEARCH METHODOLOGY

To attain goals, the blend of deductive and inductive research approach is selected, whereas qualitative research method is utilized. The research is based on only publicly available information which has been considered. The data on various facts related to the RRBs, Kaveri Grameen Bank and Rural India have been presented with the help of literature review. The data is collected using different method to fulfil the issues related to research topic from the employees of KGB, published articles, journals, reports, websites, blogs and academic literatures.

## STEPS IN GREEN BANKING: ADOPTED AND FOLLOWING BY KGB:

From the empirical study, it is found that following are some of the steps that can be taken for going green in banking:

- 1. Go Online:** - Online banking is the developing concept in young and corporate India. Online banking helps in additional conservation of energy and natural resources. It creates savings from less paper, less energy, and less expenditure of natural resources from banking activities. Customers can save money by avoiding late payments of fees and save time by avoiding standing in queues and paying the bill from home online.
- 2. Use Green Checking Accounts:** - Customers can check their accounts on ATM or special touch screens in the banks. This can be called green checking of accounts. Using a green checking account helps the environment by utilizing more online banking services including online bill payment, debit cards, and online statements. Banks should promote green checking by giving some incentives to customers by giving higher rates of interest, waivers or discounts on fees etc.
- 3. Use Green Loans for Home Improvements:** - The Ministry of Non-renewable Resource in association with some nationalized and scheduled banks undertook an initiative to go green by paying low interest loans to the customers who would like to buy solar equipments.
- 4. Power Savings Equipment's:** - Banks can directly contribute to controlling climate change and as an initial step they intend to start a campaign to replace all fused GSL & LED bulbs, in all owned premises offices and residential. About to initiating „Green Office Project“.



**5. Use Green Credit Cards:** - Some of the banks introduced Green Credit Card. The benefit of using a green credit card is that banks will donate funds to an environmentally friendly non-profit organization from every rupee you spend on your credit card to a worthwhile cause of environment protection.

**6. Save Paper:-** Bank should purchase recycled paper products with the highest post-consumer waste content possible. This includes monthly statements, brochures, ATM receipts, annual reports, newsletters, copy paper, envelopes etc.

**7. Use of Solar and Wind Energy:** - Using solar and wind energy is one of the noble causes of going green.

**8. Mobile Banking:** - Mobile banking is tricky. On the one hand, it is great to have the ability to check balances, transfer funds or pay bills from customer's phone. On the other hand, it saves time and energy of the customers. It also helps in reducing use of energy and paper of the bank.

#### **FINDINGS: GREEN BANKING AT KAVERI GRAMEEN BANK:**

KGB had spelt out several initiatives within the bank.

- Online banking supports customer time and interest, which causes reducing paper and effort of staff in the bank.
- Mobile banking.
- Doorstep Bank: Provide swiping machine to deposit and withdrew up to 2000 based on Aadhar linked account through ATM/Debit card at service area.
- By investing in efficient lighting systems, energy savers and wastewater management. Mooting a project within the bank to determine its carbon footprint.
- Offer concessional rate of finance for projects that are green, or for implementing clean technologies in building concepts.
- Carbon Credit Plus is a product for financing carbon credit receivables. Transaction through the ATM-Cum Debit card.
- CSR Philosophy:



- The Bank is a corporate citizen, with resources at its command and benefits which it derives from operating in society in general. It therefore owes a solemn duty to the less fortunate and underprivileged members of the same society.
- Staff members are encouraged to make their contribution by understanding the aspirations of the public around them and by endeavoring to evolve measures to remove indisputable social and developmental lacunae.
- About to introduce Green Channel Counter.

This was an innovative step taken by the Bank towards changing the traditional way of paper-based banking in a limited way, to card-based Green Banking“ focusing on reduction in paper usage as well as saving transaction time. This is a pioneering concept which would save both paper and time resources.

#### Literature Highlights:

- Green banking enhances risk management, especially environmental risk.
- Digitalization is central to green banking adoption.
- Green banking is aligned with corporate social responsibility (CSR) and sustainability goals.
- Financial institutions play a crucial role in climate change mitigation by financing green projects.

Empirical studies on customer perceptions or environmental product offerings in Kaveri Grameen Bank are sparse — indicating a research gap.

## CONCLUSION

Banks are responsible corporate citizens. Banks believe that every small 'GREEN' step taken today would go a long way in building a greener future and that each one of them can work towards a better global environment. 'Go Green' is an organization wide initiative to lead banks, their processes and their customers to cost efficient automated channels. This will help in reducing carbon footprint as well as in building awareness and consciousness about environment, nation and society. Here Commercial bank initiated towards green banking in India, but nowadays RRBs also taken forward steps to reduce carbon footprint and sustain environment. In Karnataka, all regional rural banks were giving much contribution towards green banking. As of now Kaveri Grameen Bank has achieved much with a



shorter period towards development and sustain green banking products and services to protect environment and support customers. There is a huge opportunity in clean, renewable energy technologies, emissions reduction and reduced-carbon transportation which can be slowly and steadily achieved if we get cooperation from all sectors of the economy and banking being an integral part of our economy must lead from the front. Currently, in India, the concept of green banking is catching up, and banks are actively looking for ways to portray themselves as a Green Bank.

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