'Study on Cost & Risk Factor in Green Banking-SBI'.

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ABSTRACT

Banking isn't an industry readily associated with pollution. So is 'going green' really an issue where banks can make an impact? What will be its cost factor? In fact, banks can have a positive impact on the environment, although there are obstacles to achieving this goal. It seems that bank products do not directly affect the environment and banks are not massive burners of fossil fuels. But banking has been a paper-heavy industry. The banking industry is in a challenging, and conflicting situation.

This study gives a clear note on how banking sector can reduce its operating cost by implementing green banking techniques in day-to-day transaction activities. This study will also help the banking sector to offer customized solutions for their customers. The upfront development & implementing costs can be a costly affair in terms of time and money for a situation intensified by an ongoing financial crisis. Finally, it reduces the risk and cost of investment and enables the benefit from inherent efficiencies and cost savings, and to pass the benefits along to their customers and clients.

KEYWORDS: - GREEN BANKING, ENVIRONMENT, COST FACTOR, RISK FACTOR, COST SAVINGS.

Meaning: -

Green banking means promoting environmentally friendly practices and reducing the carbon footprint from banking activities. It is like a normal bank, which reflects all the social and environmental/ecological factors with a purpose to protect the environment and conserve natural resources. It is also known as an ethical bank or a sustainable bank. They are regulated by the same authorities but with an additional agenda toward taking care of the Earth's environment/ habitats/resources.

Definition: -

According to RBI (IDRBT, 2013), green banking is to frame internal bank processes, physical infrastructure, and Information Technology effective towards the environment by eliminating its negative impact on the environment to the minimum level. Institute for Development and Research in Banking Technology describes Green Banking as ethical Banking, it is known to practices and guidelines that make banks sustainable in economic, environmental, and social scopes. It helps to make banking processes and the use of IT and physical infrastructure as efficient and effective as likely, with zero or minimal impact on the environment".

OBJECTIVES: -

1. To know about the impact of operating cost for transactions
2. To study on cost cutting strategies.
3. To analyze the risk factor.

State Bank of India (SBI) is the oldest commercial bank in the Indian subcontinent, escalation the nation's economy and serving the aspirations of its immense population. It is India's largest commercial bank in provisions of assets, deposits, profits, branches, number of customers and employees, enjoying the long-term faith of millions crossways the social field Headquartered at Mumbai, SBI provides a wide range of products and services to personal, commercial enterprise, large corporate, public body etc.

SBI has been a front runner in Green Banking in India. Introduction of Green Channel Counter (paperless transaction), Self Service Kiosk, Green Remit Card, prepaid cards like Smart Payout card, Ez Pay Card, Vishwa Yatra Card are the Bank's green initiatives in the past few years. Paperless Banking is promoted and implemented across the country.

The Bank has adopted energy efficient measures and is the largest deplorer of solar ATMs in India. It has installed wind power projects in three states for its own energy needs.

The impact of operating cost or transaction cost.

Operating Cost analysis

National Electronic Fund Transfer (NEFT):

NEFT is a payment system facilitates funds transfers from one bank account to another. One cans way in this service either by using Internet banking or by visit the bank branch. Once you open the transfer, the money reaches the beneficiary account within hours. There is no limit whether minimum or maximum amount you can transfer, however customer preferred like but the individual banks may put limitations on the per transaction amount.

NEFT:

Amount	Internet banking charges	Transaction charges at bank branch
Up to Rs 10,000	Rs 2 plus GST	Rs 5 plus GST
Above Rs 10,000 and up to Rs 1 lakh	Rs 2 plus GST	Rs 5 plus GST
Above Rs 1 lakh to Rs 2 lakh	Rs 3 plus GST	Rs 15 plus GST
More than Rs 2 lakh	Rs 5 plus GST	Rs 25 plus GST

Real Time Gross Settlement (RTGS):

This is a facility used for transfer high value amounts. In RTGS, the least amount that can be transferred is Rs 2 lakh. You can only transfer funds using RTGS on working day between Monday and Saturday with the help of internet banking.

Amount	**Internet banking charges**	**Transaction charges at bank branch**
From Rs 2 lakh and up to Rs 5 lakh	Rs 5 plus GST	Rs 25 plus GST
Above Rs 5 lakh	Rs 10 plus GST	Rs 50 plus GST

Immediate Payment Service (IMPS):

This facility given by the banks for their customer to transfer funds on a 24x7 basis and 365 days of the year. The maximum amount can be transferred is Rs 2 lakh. It is available only for Internet banking customers.

Charges of SBI are as follows:

Amount	**Charges**
Up to Rs 1000	No Charges
Above Rs 1,000 and up to Rs 10,000	Rs 1 plus GST
Above Rs 10,000 and up to Rs 1 lakh	Rs 2 plus GST
Above Rs 1 lakh and up to Rs 2 lakh	Rs 3 plus GST

OTHER SERVICE CHARGES OF SBI

SL.No.	**CHARGE HEAD**	**STANDARD CHARGES**
1.	A/c Opening	Nil
2.	Annual Maintenance Charges	Rs. 400/- (Rs 350/- for customers receiving statements by e-mail)
3.	Agreement Stamp Paper	Rs. 100/- (for Agreement between DP and BO) or Rs. 200/- (if POA for eZ-instructions is also signed)
4.	Buy - Market and Off-Market	Nill
5.	Sell - Market and Off-Market (% of transaction value of each ISIN)	
	For trade done on www.sbicapsec.com	Nil
	For instruction submitted	0.03% (Min. Rs. 10/-) (For Institutional Demat A/c

	through Internet (eZ-instructions)	Max. Rs 1000/-)
	For instruction submitted through Branches	0.03% (Min. Rs. 30/-) (For Institutional Demat A/c Max. Rs 1000/-)
6.	Rejection/fails	Rs. 10 /-
7.	Extra charges for processing of instructions submitted on the execution date late (accepted at Client's risk)	
	For instruction submitted through Internet (eZ-instructions)	Nil
	For instruction submitted through Branches	Rs. 10/- per ISIN
8.	Dematerialization	
	For each request form	Rs. 35/-
	Extra for each certificate	Rs. 2/-
9.	Dematerialization (For each request form)	Rs. 25/-
10.	Closure of Account	Nil
11.	Pledge Creation/Closure/Confirmation/ Invocation (% of value for each ISIN in each request)	
	If SBI is the counter party	0.02% (Min. Rs. 15/-)
	If SBI is not the counter party	0.04% (Min. Rs. 30/-)
12.	Additional Account Statements	
	By Courier	Rs. 30/-
	By e-mail	Nil
13.	Other Charges	NSDL charges recoverable extra at actual as applicable from time to time Service tax required to be paid on the entire fee charged to the customer Mailing and courier charges for handling shares in connection with dematerialization and for mailing physical statements to clients are to be recovered on actual basis There will be a charge of Rs. 100/- for unsuccessful attempt to recover payment through direct debit or ECS. The depository services are liable for discontinuation if SBI is unable to recover charges from the customer for any reason whatsoever. In such cases there will be a charge of Rs. 250/- for resumption of services and the services will be resumed after a minimum of three working days from the date of receipt of request at Centralized Processing Cell, Mumbai If the Demat Account is closed during the year, pro-rata refund of Annual Service Charge will be made after deduction of the service charge for each completed quarter and part thereof.

This cost analysis shows there is a significant difference in counter & through online transitions cost. When compared doing online transaction that is greenhouse transactions is more flexible &

the cost also is less when compared with the counter transactions. It helps the customer to reduce the time & cost.

COST CUTTING STRATEGIES

Step 1: Root out built-in waste

The bank's branch operations, and compared them to our proprietary templates, we identified numerous areas for improvement:

- Low-value activities were everywhere.
- Data entry was redundant, manual, and error-prone.
- Free-form comment fields made it unfeasible to identify (or address) common errors.
- Low-value customer needs were being over-serviced.

Step 2: Centralize processing

Banking sector has too many common back-office activities were actually being performed in the branches. As you can probably imagine, this decentralization created lots of problems:

- Branch work increased.
- Staffing levels inflated.
- Extra back-office work was required to correct all the inconsistencies generated by the branches.

When the issue becomes more critical various aspects should taken into consideration

- New and clearly-defined role enhanced support operations both in the branches and the back office.
- The customer experience improved.
- More than 30 percent of processing capacity can be recovered.

That's a cost cutting strategy that pays off.

Step 3: Make processes consistent

The bank is standardizing its payment processes by these ways:-

- Account transfers
- Verifications
- Standing orders
- Over-the-counter payments
- Loan and credit-card payments

If your bank has been through the M&A mill, you almost certainly have similar opportunities to trim down operating expenses in your bank.

Step 4: Improve performance management

Management operating reports (MORs) were deficient business metrics. They didn't make available enough solid data to monitor individual and team-level performance. These empowered them to (finally) establish, achieve, and keep up targets for productivity and service.

ANALYSIS OF RISK FACTORS.

Green banking is very vital in mitigating the following risks involving the banking sector:

i) Credit Risk: Due to climate modify and global warming, there have been direct as well as indirect costs to banks. It has been pragmatic that due to global warming, there have been tremendous weather conditions which influence the economic assets financed by the banks, thus foremost to high frequency of credit default. Credit risk can also take place indirectly when banks pilot to companies whose businesses are adversely pretentious due to changes in environmental regulation.

ii) Legal risk: Banks, like other business entities, face legal risk if they do not fulfill with t environmental regulation. They may also appearance risk of direct lender liability for cleanup costs or claim for damages in case they really take possession of pollution causing assets.
iii) Reputation Risk: Due to escalating environmental awareness, banks are more prone to reputation risk, if their direct or indirect events are viewed as socially and environmentally detrimental. Reputation risks come out from the financing of environmentally objectionable projects.

CHALLENGES AND PROBLEMS

Green banks while adopt green banking face following aspects:

I. DIVERSIFICATION PROBLEMS: Green banks confine their business transactions to those business entities that are eligible screening method done by green banks. With partial number of customers, they will have a smaller base to support them.
II. STARTUP FACE: Many banks which uses green strategies are incredibly and are in startup visage, generally it takes 3 to 4 years for a bank to start making money thus it does not lend a hand for banks during recession.
III. HIGHER OPERATING COST: Green banks require talented, qualified staff to provide proper services to customers. Experienced loan officers are needed with additional expertise in dealing with green businesses and customers.
IV. REPUTATIONAL RISK: If banks are implicated in those projects which are damaging the environment they are lying on your front to loss of their reputations. There are also few cases where environmental management system has resulted in cost saving, in adding bond value.
V. CREDIT RISK: Credit risks arise due to lending to those customers whose businesses are exaggerated by the cost of pollution, changes in environmental regulations and new necessities on emissions levels. It is higher due to probability of customer failure to pay as a result of uncalculated expenses for capital investment in production facilities, loss of market shares and third party claim.

CONCLUSIONS: -

Green banking activities are convenient& are gaining traction and although the cost may not seem like too much. It also helps in reducing the risk, time & cost factor. Paperless processing solutions and other efficient and ecologically-friendly business practices can increase processing speed, reduce error and risk, save money and attract customers. They can be made available not only to banks but by banks to their customers, with clear and measurable benefits to the environment.

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