

GREEN BANKING IN INDIA: A REVIEW

Dr. Asha Shivaji Patil¹

¹Assistant Professor, Department of Economics, Loknete Vyankatrao Hiray Arts, Sci. & Comm. College, Panchavati, Nashik, India

Email: ashapatil793@gmail.com

ABSTRACT

In an environment-friendly society, the mantra "Go Green" has become relevant in every aspect of business. All business activities are undergoing a wave of change to focus not only on profit, but also on people and the planet. Because of environmental awareness and awareness, businesses can no longer run solely on profit. There is a shift towards a green economy and organizations must be environmentally sensitive in every area. One such area is green banking. Green banking means ensuring environmentally friendly practices in the banking sector, thereby reducing both internal and external carbon footprints. A broader view has green criteria as a lending principle. The banking sector is generally not considered a polluting industry. But it has an impact on the environment in terms of increasing energy consumption (lighting, air conditioning), paper consumption. This article attempts to review the literature on green banking and find the main problems in the implementation of this green phenomenon. The study highlights a lack of consumer awareness and education as the main obstacle. Public sector banks are more keen in adopting green practices as compared to private banks. SBI is taken as an example to show what all steps banks can take to face green challenges. The purpose of this post is to highlight the green banking practices adopted in India and their importance for environmental protection and sustainable ecological balance. The methodology used for this article is mainly a theoretical framework created based on various secondary sources such as published articles, websites, government reports, etc. This study could benefit policy makers and researchers in understanding various green

Keywords: Green Finance, Green Banking; Green Initiatives, Sustainable Development; Environmental Protection, Sustainable Ecological Balance, Carbon Footprints.

1. INTRODUCTION

Green banking refers to the promotion of environmentally friendly practices and the reduction of the bank's carbon footprint. It's similar to a traditional bank because it examines all social, environmental, and ecological concerns with the goal of protection and conservation of natural resources and the environment. The primary goal of this banking concept is to improve the conservation of the earth's environment, habitats, and resources. What is the best way to go about it. Sustainable development has emerged as a new paradigm of development in response to the current discourse of development that over-exploits natural environment for economic prosperity. The sustainable development can best be achieved by allowing markets to work within an appropriate framework of cost efficient regulations and economic instruments. One of the major economic agents influencing overall industrial activity and economic growth is the financial institutions such as banking sector. The banking sector influences the economic growth and development in terms of both quality and quantity, thereby changing the nature of economic growth. Banking sector is one of the major sources of financing investment for commercial projects which is one of the most important economic activities for economic growth. Therefore, banking sector can play a crucial role in promoting environmentally sustainable and socially responsible investment (SRI). Banks may not be the polluters themselves but they will probably have a banking relationship with some companies/investment projects that are polluters or could be in future. Banking sector is generally considered as environmental friendly in terms of emissions and pollutions

1. Encourage people to use online banking instead of branch banking.
2. Online bill payment.
3. Using online banking instead of huge multi-branch banks to open CDs and money market accounts.

Green bank is a governmental or quasi-public financial entity that works with the private market to promote the development of clean energy technology using innovative financing approaches and market development instruments. Internationally, there is a growing concern about the role of banking and institutional investors for environmentally responsible/socially responsible investment projects³. Banking and other financial institutions are more effective towards achieving this goal for the kind of intermediary role they play in any economy and for their potential reach to the number of investors. Environment is no longer the exclusive concern of the government and the direct polluters, but also the other partners and stakeholders in the business like financial institutions such as banking institutions can play a very important role in fostering linkage between economic development and environmental protection. To substantiate, quality of service, the implementation of environmental conservation measures, support to the deprived section of the

society, concern about the quality of life and nature are the basic principles that the financial institutions are relying on in their business strategy in recent years. Importance of Green Banking Until recently, environmental concerns were not considered relevant to the business operation of banks and financial institutions. Traditionally, banking sector's concern for environmentally degrading activities of clients is like interfering or meddling in their business affairs. However, now it is being perceived that dealing with environment brings risks to their business. Although the banking and financial institutions are not directly affected by the environmental degradation, there are indirect costs to banks. Due to strict environmental disciplines imposed by the competent authorities across the countries, the industries would have to follow certain standards to run their business. In the case of failure, it would lead to closure of the industry's leading to a likelihood of default to the bank. For example the enactment of Comprehensive Environmental Response, Compensation and Liability Act in 1980 (CERCLA) 4 The UNEP statement by Financial Institutions on the Environment and Sustainable development in 1992 showed that 80% of the signatories (200 financial institutions) made some kind of assessment of environmental risks of investment projects before financing. 5 in the US in late 1980s has resulted in huge loss to the banks in the US as banks held directly responsible for the environmental pollution of their clients and made to pay the remediation cost. This is the reason for which banks in the US are ahead of other countries in integrating environmental concerns into their business operations. In the recent years several other countries (more in Europe) are seen adopting policies that have made banks responsible for the misdeeds of their clients. Therefore, the financial institutions need to engage proactively with the stakeholders on environmental and social policy issues and evaluate the impacts of their client's investment. In turn, that would force the customers to take care of their management of environmental and social policy issues relating to investment. This should cover all project financing activities across all industries. The importance of Green Banking is immense for both the banks and economy by avoiding the following risks involved in banking sector.

2. OBJECTIVE OF THE PAPER

- Concept of Green Banking.**
- To study Green Banking and its associated advantages**
- To give suggestions of development of Green Banking in India.**

3. METHODOLOGY

For this research paper data has been collected from secondary sources it includes online websites, daily newspapers Wikipedia journals and articles online published also electronic media from relevant literature.

4. REVIEW OF LITERATURE

Sharma, Gopal et al. (2014) attempt to study the level of consumer awareness of Green Banking initiative in India with special reference to Mumbai. From the primary survey they conducted they find that surprisingly even those people who are using online facilities provided by their banks nearly three fourth of them are unaware of the term Green Banking. They find that among those who are aware of Green Banking term consider it mainly related to online bill payment and cash deposit system. Other Green Banking aspects like Green CDs, solar powered ATM, bonds for environment protection are among few of which consumers are not aware of. They also attempt to analyze the gender based difference in awareness of green initiatives by bank specially E-Statements, Net Banking and Green loans. Using Chi-Square test for hypothesis testing they arrive at a result that both males and females have the same level of awareness with respect to Green Banking. The researcher's state that the major obstacle in Green Banking is the technical issues involved followed by lack of education.

Sudhalakshmi and Chinnadorai (2014) present the status of Indian Banks in respect of Green Banking and state that though goes green mantra is essential for emerging economies like India but significant efforts have not been taken. Banks are required to include their green aspect in the lending principle. Every step taken today will mean a better global environment in future. So a policy measure to promote Green Banking is needed in India. Indian banks are running behind time in adoption of this green phenomenon. Serious steps are required to be taken in this regard.

Yadav and Pathak (2013) study the Green Banking approaches opted by private and public bank for environment sustainability. Using case study approach they find that Indian banks have understood the relevance of taking positive steps towards the environment. Moreover results of the study conducted reveals that public sector banks have taken more initiatives as compared private sector with exception of ICICI bank. In private sector only ICICI bank's approach is a sustainable approach. Advantages of Green Banking.



(Source: <https://www.pinterest.com/pin/835206693376654791/> l)

5. GREEN BANKING IN INDIA

In recent years, Indian banks have noticed the developing tendency and have significantly altered their operational tactics. The Indian banking industry has faced numerous problems, including changes in customer behavior, technology advancements, regulatory changes, and so on. It has gone through a series of challenges and has learned to adapt to changing circumstances. Going green is a new notion in India, and Indian banks have embraced it in a variety of ways. The following are the different banks in India that offer **green banking** services to their users.

- SBI has begun to implement a green banking policy. This is India's first green bank, specializing in going green and encouraging green energy projects.
- Punjab National Bank: They'd made a number of efforts to reduce emissions and energy use.
- Bank of Baroda: They had undertaken a number of green banking efforts, including the funding of a commercial project. BOB prefers green initiatives that are environmentally benign, such as windmills, biomass, and solar electricity, because they assist in collecting carbon credits.
- Canara Bank has incorporated eco-friendly measures like mobile banking, online banking, telebanking, and solar-powered biometric processes as part of its green banking effort.

Small Scale Sector in India and Green Banking: - Green Finance Ecosystem GFS refers to the All industries, no matter how big or little, release toxins into the environment that we live in. Large-scale enterprises have the financial means to establish waste treatment facilities or pollution control technology, despite the fact that they are more capable of causing environmental degradation. Furthermore, these big businesses work very hard to comply with emission regulations since they are constantly under the scrutiny of the government or the pollution control board. However, due to their limited financial resources, small-scale companies (SSIs) might not be able to install the equipment required to meet the emission criteria set by the relevant authorities. Additionally, due to their small-scale operations, the SSIs avoid being seen by the financial system that supports and enables investments in environmentally sustainable projects and activities. It includes a range of financial products, such as green bonds, green loans, green insurance, and green funds that are designed to promote environmentally friendly practices and projects. The green finance ecosystem aims to create a financial system that supports the transition to a **low-carbon, resource-efficient, and sustainable economy**, while also addressing the risks and opportunities associated with environmental issues such as **climate change**, pollution, and biodiversity loss.

Need: The financial sector can play a pivotal role in mobilizing resources and their allocation thereof in green activities/projects. Green finance is also progressively gaining traction in India. The GFS can augment the **flow of credit to green activities and projects while also protecting the interest of depositors** and addressing green washing

concerns. It can promote sustainable development and create a positive impact on the environment in India. **Indian Scenario:** India has commenced its journey for carbon neutrality and put forward a 'Green Deal' to be achieved by 2070. The Green Deal has classified green finance as an enabler to accelerate decarbonization. It emphasizes on the need for an increased flow of capital from the **national government and private entities to establish green infrastructure**. In 2016, the RBI had released a report in collaboration with UNEP (United Nations Environment Programme) and India on the lines of sustainable financial systems.

The report explores various facets of financial systems in India and its role in accelerating green finance. Carbon trading has been introduced in the policy framework of the country through the 'Perform Achieve and Trade' scheme.

Advantages Green Banking in India

Ethical (or "green") banking generally aims to reduce the amount of paper used in transactions and instead uses online or electronic means; this leads to the creation of green bank cards and green mortgages.

- Less paperwork suggests that fewer trees will be felled.
- Raising environmental awareness among businesspeople to enable them to adopt eco-friendly business practices.
- Green (ethical) banks embrace and apply environmental lending standards that are good for future generations.
- If you are approved for a mortgage, you will pay less interest than you would at a typical bank since ethical banks give more weight to factors that are good for the environment, such ecological gains.
- Green banks offer lower lending interest rates because they place a higher weight on ecologically beneficial factors including ecological advantages.

Suggestions for Development of Green Banking in India

Expanding Scope of Collaboration: Multi-stakeholder partnerships should be promoted to include major actors in financial markets, banks, investors, micro-credit entities, insurance companies along with the public sector.

Holistic Framework: Green financing could be promoted through:

Changes in countries' regulatory frameworks.

Harmonizing public financial incentives.

Increases in green financing from different sectors.

Alignment of public sector financing decision-making with the environmental dimension of the **Sustainable Development Goals**,

Increases in investment in clean and green technologies.

Financing for sustainable natural resource-based green economies and climate smart **blue economy**.

Increase use of **green bonds**.

Encouraging Foreign Capital: The Government has permitted Foreign Direct Investment (FDI) up to 100% under the automatic route in the renewable energy sector.

Encouraging Renewable energy: The Government has waived inter-state Transmission System (ISTS) charges for inter-State sale of solar and wind power for projects.

Making provisions for Renewable Purchase Obligation (RPO) and setting up Renewable Energy parks.

Announcement of the National Hydrogen Mission.

India's Nationally Determined Contribution: Under the Paris Agreement which was adopted by signatory countries in 2015, India had submitted Nationally Determined Contribution (NDC) with quantified targets.

To reduce the emissions intensity of its Gross Domestic Product (GDP) by 33-35% till 2030 from the levels in 2005,

To achieve about 40% cumulative electric power installed capacity from non-fossil fuel-based energy resources by 2030.

6. CONCLUSION

The term "green banking" refers to bank initiatives that support environmentally sustainable investing. Green banking is an innovative and forward-thinking approach to long-term sustainability. It is critical for banks to be proactive in order to increase the economy's rate of growth. Because environmental conditions are always changing, banks confront severe competition in the worldwide market. Banks can reclaim the return of investment and make polluting enterprises more environmentally friendly by including environmental issues into their lending activities. Green banks are growing rapidly as viable alternatives to regular banks, particularly as customers start questioning the long-term durability of fossil fuels as a source of energy. The ongoing stigmatization of fossil energy may result in a decreased inflow of capital to fossil fuel companies, eventually leading to the industry's extinction and increased adoption of in a rapidly changing market economy where globalization of markets has intensified the competition, the industries and firms are vulnerable

to stringent public policies, severe law suits or consumer boycotts. This would affect the banks and financial institutions to recover their return from investment. Thus, the banks should play a pro-active role to take environmental and ecological aspects as part of their lending principle which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems. Green power solutions. Green Banking if implemented sincerely will act as an effective *ex ante* deterrent for the polluting industries that give a pass by to the other institutional regulatory mechanisms. There has not been much initiative in this regard by the banks and other financial institutions in India though they play an active role in India's emerging economy. The banking and financial sector should be made to work for sustainable development. As far as green banking in concerned, India's banks and financial institutions are running behind time. None of our banks or financial institutions have adopted equator principle even for the sake of records. None of them are signatory to the UNEP Financial Initiative statement. It is time now that India takes some major steps to gradually adhere to the equator principles-guidelines that use environment-sensitive parameters, apart from financial, to fund projects.

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