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India's Green Banking Practices: Prospects and Difficulties

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ABSTRACT

India's growing environmental concerns and the need to support sustainable development have made green banking projects there more significant in recent years. The technique of integrating social and environmental factors into banking operations and products is known as "green banking." Green banking is defined as helping ecologically friendly investment practices and reducing the carbon mark released from banking activities. Green banking is primarily concerned with two long-term strategies. First, it stresses the need for all banks to embrace the green revolution in internal operations, which entails adopting appropriate practices for using renewable energy, digitizing, and taking other steps to lower the carbon footprint of the banking industry. Second, all banks ought to finance in an eco-friendly manner. The study will explore that Promoting funding for renewable energy is one of India's main green banking objectives. India has established aggressive goals to raise the part of renewable energy in its energy mixture. An effort is made to comprehend the idea of green banking as well as the problems and difficulties it presents in the Indian setting. Green is increasingly being used as a global emblem of environmental care. In the banking industry, green banking emphasizes improving customer behaviour, operational efficiency, and technology. This paper aims

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to understand India's green banking initiatives' prospects and challenges.

Keywords: Growing, Environmental, Sustainable Development, Green Banking, Ecologically, Ecofriendly, Revolution, Digitizing, Prospects, Challenges, India.

Introduction

This strategy, known as "Green Banking," seeks to rehabilitate the ecosystem and encourage eco-friendly business operations. Banks, businesses, and the economy all gain from green banking. In addition to encouraging greener companies, it also improves the future asset quality of banks. Promoting eco-friendly procedures and lowering the bank's carbon footprint are referred to as "green banking." The term "green banking" describes banking operations carried out in these sectors and in a way that contributes to the total decrease of both internal and external carbon emissions. It is a proactive approach to environmental preservation and energy conservation.¹ Green marketing and green banking are products of the idea of sustainable development, which aims to meet the requirements of the current generation without sacrificing those of future generations. Conventional banking is founded on the principles of security and profitability, with morality playing a relatively minor part. This is how green banking differs from conventional banking. A novel idea that takes socially and environmentally conscious investing into account is "green banking." Promoting eco-friendly procedures and lowering the carbon footprint of banking operations are known as "green banking." Green banking, to put it simply, is banking that helps the environment. Ethical banking is another name for green banking.²

In industrialized countries like the USA, the idea and practice of green banking are not as new as they are in India. A "green bank is like a normal bank, which considers all the social and environmental/ecological factors with an aim to protect the environment and conserve natural resources," according to the Indian Banks Association (IBA, 2014).³

¹ Rajesh, S. "Green Banking Practices in India: Opportunities and Challenges." *Asian Journal of Management and Commerce*, 2022, pp. 161-165.

² Sahoo, Dr. Bibhu Prasad, Amandeep Singh, and Neeraj Jain. "Green Banking in India: Problems and Prospects." *International Journal of Research - Granthaalayah*, vol. 4, no. 8, 2016, pp. 92-99.

³ Rajesh, S. "Green Banking Practices in India: Opportunities and Challenges." *Asian Journal of Management and Commerce*, 2022, pp. 161-165.

Green Bank

When we talk about a “green environment,” we mean that there are green trees and plants all around us (i.e., an eco-friendly setting). When we talk about the color factor, we’re talking about the area that is just touched and visible to our eyes, like powder or pictures. It entails encouraging environmentally responsible behavior and lowering your banking events’ carbon footprint. It can take many different forms, such as using online banking instead of branch banking, paying bills online rather than by mail, opening Certificate Deposit and Money Market accounts online, or locating a state-of-the-art local bank in your area that is making the biggest contribution to local green initiatives.⁴

The concept of green banking emerged in the year 2003 with a view to protect the environment & natural resources. However, in 2009 the State of Florida was the first to implement green banking. Being the biggest commercial bank in India, SBI (State Bank of India) took the initiative to establish greater sustainability standards and started the “green banking” movement. The first bank in Coimbatore to launch a wind farm project was SBI.⁵

There are two ways to accomplish green banking. The first is through internal green banking, and the second is through bankers’ adoption of green banking methods in their specialized fields. In-house green banking includes video conferencing in lieu of in-person meetings, rainwater collection, mobile banking, green housing, solar-powered ATMs, and online bank statements. The main practices that bankers have adopted in their business areas include bank investments in specific green projects, their voluntary activities, and financing of green projects such as solar/renewable energy plants, biogas plants, bio-fertilizer plants, projects with effluent treatment plants (ETPs), etc. Green banking effectively finances and uses natural, non-renewable, human, and renewable resources while taking proactive measures to combat climate change and safeguard the environment. The phrase “green banking” encompasses a wide range of bank policies and

⁴ Prashad, V., and Shubhra R. “Green Banking: Is the Concept Known by the Bank Customers?” *ResearchGate*, 2015, online web accessed on 21 dec 2024 https://www.researchgate.net/publication/377555210_Green_Banking_Is_the_Concept_known_by_the_Bank_Customers.

⁵ Sharma, M., and A. Choubey. “Green Banking Initiatives: A Qualitative Study on Indian Banking Sector.” *Volume 24*, 2022, pp. 293–319.

activities that make them socially, ecologically, and commercially sustainable.⁶

Literature Review

By integrating social, environmental, and ecological considerations into conventional banking procedures, this idea encourages eco-friendly operations and lowers the bank's carbon footprint.

Dr. Bibhu Prasad Sahoo, Mr. Amandeep Singh, and Mr. Neeraj Jain, "Green Banking In India: Problems And Prospects" International Journal of Research—Granthaalayah, Vol. 4, No. 8 (2016): 92-99 this article explained demonstrate the notable disparity in the use of green banking products between age groups, with younger people showing a greater inclination towards green banking goods than middle-aged and older individuals. Therefore, there is a need to raise awareness among middle-aged and older adults.

Grzegorz. P & Joanna WP (2016) "The Role of Green Banking in A Sustainable Industrial Network" Bezpieczny Bank, 4 (65), 75-95 Analyzing the function of green finance in setting up a sustainable industrial network is the goal of this article. The paper's primary conducted that green banks encourage other industrial actors to invest resources and engage in activities that support the implementation of network methods for sustainable development. In order to achieve ecological development in a cohesive industrial ecosystem, the paper's primary contribution is the suggestion to incorporate network analysis into the intricate structure of the interactions and relationships between the green banking system and the industrial system. Using the industrial network technique, the green banking network concept is set up to specifically address social and environmental challenges.

Murugan, S (2021) "Impact of Green Banking in India: Opportunities and Challenges" this article is describing that Banks use the phrase "green banking" to increase their environmental responsibility. Creating inclusive banking practices that would guarantee sustainable economic growth is known as "green banking." Reducing internal and external carbon footprints by using eco-friendly financial procedures is known as "green banking." It results in changes in client behavior, operational enhancements, and technical advancements in the banking industry.

⁶ Asha, N. "A Review of Green Banking Initiatives in Select Banks of India." *Journal of Emerging Technologies and Innovative Research (JETIR)*, vol. 10, no. 4, 2023.

Tara, Kanak & Singh Saumya “Green Banking: An Approach Towards Environmental Management” *Prabandhan: Indian Journal of Management*, vol 7(11) According to their research, the deteriorating state of the ecosystem has prompted society to assume responsibility for protecting the world. In order to achieve sustainable development, corporations have therefore refocused their attention from the single bottom line, or profit, to the more comprehensive “triple bottom line” strategy, which aims to achieve economic, social, and environmental performance all at once.

Rahman M, Rahman Tanchangya, & Esquivias M (2023) “Green banking initiatives and sustainability: A comparative analysis between Bangladesh and India” *Elsevier*, research in globalization, their study related with green bank kinds of comparative study which explained in this paper that in order to investigate how green finance might contribute to the attainment of the Sustainable Development Goals (SDGs), namely SDG 7 for cheap and clean energy and SDG 13 for climate action, the study examines green banking practices, efforts, and prospects in Bangladesh and India.

Dipika, (2018), “Green Banking in India: A Study of Various Strategies Adopt by Banks for Sustainable Development, Ganga Institute of Technology and Management, *IJERT* this article explained that loss of green space is something we much miss in the current globalized environment as we move through the twenty-first century. Businesses and businesses have been altering their operations in an effort to maximize greenery as a result of everyone in modern society growing increasingly aware and worried about the environment. The report also discusses current initiatives for sustainable development that Indian banks have made, as well as the difficulties these institutions have had putting them into practice.

Sharma S, Gupta C, Malhotra RK & Upreti H. (2024) “Sustainable Banking Practices: Impact, challenges and opportunities” *EDP Sciences*. This paper focus on the role that different sustainable banking practices such as responsible banking, green financing, and sustainable lending play in promoting both financial stability and sustainable development will also be investigated.

Dr. Sahoo1 BP, Singh A (2016) “Adoption of Green Banking in India: Challenges and Prospects” *International Journal of Science and Research*, vol. 8(5) This essay makes an effort to examine how consumers of all ages and educational backgrounds adopt green

banking products. Their study has indicated that younger people are more likely than middle-aged and older people to use green banking products, but there is no discernible difference in the average amount of time spent using green banking products by clients with varying levels of education.

Tamboli AS, Huaq M, Jojare & Ohol A “Consumer Preference for Eco-Friendly Products in Relation to Sustainability Awareness” *Journal Of Advanced Zoology 44(S6):87-93* according to the author this study is to determine how consumers' tastes are influenced by their environmental concerns and the necessity to make sustainable purchases. Data from clients will be gathered through a nationwide poll. The purpose of the poll is to determine how much consumers value environmentally friendly products, how worried they are about environmental issues, and what their buying habits are. Regression analysed that used in the study to determine the connection between green product preference and sustainability consciousness. This study explained contribute to the expanding corpus of research on consumer behavior and sustainability.

DR. G. Prakash Raj & Dr.A.Pappu Rajan (2017) “A Study On The Customer Awareness On Green Banking Initiatives” The author has attempted to investigate the green banking activities implemented by the State Bank of India, the country's largest public sector bank, as well as the understanding and attitudes of its clientele regarding these programs. SBI was chosen for this study since it was the first public sector bank to offer green banking products. According to the survey, 67% of participants knew what green banking was. The actions made by banks were a significant factor in raising awareness of green banking. The majority of respondents believe that introducing green banking will contribute to lowering global warming, energy conservation, deforestation, and carbon footprints. Among SBI consumers, there was no discernible correlation between gender and degree of knowledge regarding green banking.

Objectives

The Adoption of Green Banking has many Dynamic

- To identify green banking practice in India prospect and challenges
- To study the Bank's activities are turned into green banking considering in-house and external environmental sustainability.

Hypotheses

- Banking products and services greener by following simple practices and making them environmentally friendly.
- Green Banking can be implemented by a proper use of technology.
- Consumers are more interested in environment friendly goods and services.
- Green banking emphasizes improving customer behaviour, operational efficiency, and technology.

Research Methodology

The research methodology for this paper involves a comprehensive review of secondary sources. Data will be collected and analyzed to assess the opportunities and challenges associated with green banking practices in India, drawing insights from existing literature and case studies of sustainable banking initiatives. Published research papers, published articles, papers created by bank employees, and other relevant periodicals and publications are also included in the study's data. Publicly available information, including financial institution websites, yearly reports on green financial institution practices, and press releases, was used to compile a variety of facts about green banking activities implemented by both public and private banks.

Discussions

Green Banking in India

For the past ten and a half years, India has experienced rapid growth, with the industrial sector being the most significant contributor to this development. India's environmental regulations fall into two main categories: liability legislation and command and control regulations. In India, banking and financial institutions are lagging behind international trends when it comes to green banking. For the record, none of our financial institutions, including banks, have embraced the Equator Principles.⁷

The World Bank has recently announced a \$1.5 billion funding for India in its efforts to develop energy from low carbon sources. The

⁷ Sahoo, Pravakar, and Bibhu Prasad Nayak. "Green Banking in India." *Indian Economic Journal (IEJ)*, 2008, pp. 1-23.

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World Bank expects India to promote the development of a vibrant market for green hydrogen, continue to scale up renewable energy and stimulate finance for low-carbon energy investments.⁸

India is on a higher growth arch for almost two decades and the industrial sector plays the most important role in India's success story. However, Indian industry faces the many challenges in controlling pollution and emission of their clients. The following are the major issues relating to green banking in India. As the nation's first green bank, State Bank of India, for instance, has made green banking a policy and is promoting green energy initiatives. Bank of Baroda has undertaken a number of green banking initiatives, including as funding commercial projects like windmills, biomass projects, and solar power generation, in a similar vein to Punjab National Bank's numerous efforts to lower emissions and energy consumption.⁹

Through the installation of windmills for internal usage, SBI has become the nation's first bank to enter the green energy generation market. It intends to reach 100 MW of wind-generated power in five years and shortly erect another 20 MW of windmills in Gujarat. Installing windmills is done for more than just financial or commercial reasons; it is done specifically to lessen reliance on dirty thermal power. at 2010, SBI replaced the conventional paper-based banking system with the Green Channel Counter (GCC) service at its branches (SBI, 2014).¹⁰

According to its Corporate Social Responsibility Report 2010-11, Punjab National Bank (PNB) has implemented a number of measures to lower emissions and energy usage (PNB, 2011). In an effort to conserve energy, PNB is performing electrical audits of offices and keeping a separate audit sheet to evaluate the results of its green activities. ICICI Bank, Ltd. The Go Green project, which ICICI Bank has embraced, encompasses initiatives like green offerings and

⁸ Banking Frontiers. "Green Banking Is Now a Focus Area for Indian Banks." *Banking Frontiers*. Accessed 12 dec2024 <https://bankingfrontiers.com/green-banking-is-now-a-focus-area-for-indian-banks/>.

⁹ Banking Frontiers. "Green Banking Is Now a Focus Area for Indian Banks." *Banking Frontiers*. Accessed 12 dec2024 <https://bankingfrontiers.com/green-banking-is-now-a-focus-area-for-indian-banks/>.

¹⁰ "Green Banking in India: A Study of Various Strategies Adopted by Banks for Sustainable Development." *International Journal of Engineering Research & Technology (IJERT)*, 2022, <https://www.ijert.org/green-banking-in-india-a-study-of-various-strategies-adopt-by-banks-for-sustainable-development>.

products, green client involvement, and green communication. ICICI Bank (2014) states: The bank offers green services and products such (i) Instabanking, which enables users to conduct banking at any time and from any location via internet, mobile, and IVR banking, among other platforms.¹¹

The government has been attempting to address this problem for many years by enacting environmental legislation and pushing the banking sector to adopt eco-friendly practices and technologies, but these measures alone will not be sufficient. Both the application of environmental technology and public awareness of them have a very dismal track record. In order to initiate a number of paperless banking operations, including cash deposits, cash withdrawals, and fund transfers up to Rs 40,000 in branches, State Bank of India has introduced Green Channel Counters.¹²

Reputation danger: Banks run the danger of losing their good name if they participate in environmentally damaging ventures. In several instances, environmental management systems have raised bond values or reduced costs. The issue with diversification is that green banks only do business with companies that pass their screening procedure. They will have a modest basis to support themselves with a small number of clients. Start-up Face: A large number of banks operating in the green space are still in the early stages of development. A bank typically takes three to four years to begin turning a profit. Therefore, in times of recession, it does not benefit banks. Credit Risk: Lending to customers whose companies are impacted by pollution expenses, modifications to environmental regulations, and new emission standards creates credit risk. High Operating Cost: To properly serve their clients, green banks need skilled and seasoned employees. It is necessary to have experienced loan officers because they have more knowledge of working with green clients and enterprises.¹³

¹¹ Green Banking in India: A Study of Various Strategies Adopted by Banks for Sustainable Development." *International Journal of Engineering Research & Technology (IJERT)*, 2022, <https://www.ijert.org/green-banking-in-india-a-study-of-various-strategies-adopt-by-banks-for-sustainable-development>.

¹² Giridhar, Dr. K. V., and K. G. Sudhakar. "Green Banking: Issues and Challenges in India." *International Journal of Latest Technology in Engineering, Management & Applied Science (IJLTEMAS)*, vol. VI, issue VI, 2017

¹³ Reddy, Dr. A. P., M. B. S. Sravanthi, and S. R. Bhanu. 2017. "Green Banking: Challenges & Opportunities." *Banking Finance*, June 24. Accessed 19dec2024. <https://www.bankingfinance.in/green-banking-challenges-opportunities.html>.

Findings

In India, the idea of green banking is relatively new, but several institutions, notably State Bank of India (SBI), have jumped on the bandwagon. However, the industry as a whole is adopting green banking a little slowly. Although it needs appropriate technology uptake and public awareness, green banking in India has a lot of promise. Implementing green banking presents a number of difficulties, including high operating expenses, credit risk, and the efficient application of environmental legislation. Paperless banking and sustainable energy initiatives are only two examples of the notable advancements brought about by government and bank efforts. In India, green banking has a bright future, particularly when it comes to funding eco-friendly initiatives and renewable energy. Adopting sustainable practices by banks will help achieve environmental goals in addition to improving financial stability.

Conclusion

Indian banks lag well behind their counterparts in Western nations when it comes to green banking. According to the results and recommendations, green banking practices will serve as a spur for banks and other financial organizations to further acknowledge their energy-saving initiatives and, as a result, contribute as best they can to the continuous international endeavours to guarantee sustainable development. In conclusion, banks must establish their short- and long-term green goals, create their green strategy, and carry out their greening initiatives gradually in light of the opportunities, choices, and technologies at their disposal. The idea of “green banking” will benefit the economy, businesses, and banks alike. Indian banks can spearhead the shift to a greener future and make a substantial contribution to both national and international sustainability goals by using creative practices and sound strategy.

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