

## Original Article

# Green Banking and Protecting Environment and Promoting Green Initiatives

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### Abstract

Green banking is an approach through which banks adopt environmentally responsible practices in their operations, products, and services. The idea is to reduce the negative impact of banking activities on the environment while ensuring economic and social sustainability. Measures such as reducing paper use, promoting online and mobile transactions, designing energy-efficient infrastructure, and supporting renewable energy initiatives are key elements of this concept. In India, green banking is emerging as an important part of the financial sector's contribution to sustainable development. Although the shift towards green practices faces challenges like higher initial costs, limited awareness, and regulatory gaps, the advantages are significant. These include long-term cost reduction, improved efficiency, stronger reputation, customer convenience, and a positive role in environmental conservation. This paper examines the concept of green banking in the Indian context, with a focus on its benefits, challenges, and scope for future development.

**Keywords:** green banking, development, environment, challenges.

### Introduction

Green banking refers to the integration of sustainable practices into the banking sector with the aim of reducing environmental impact while supporting economic growth and social responsibility. Unlike traditional banking, which focuses mainly on financial services, green banking emphasizes environmentally friendly policies and operations. It encourages the use of paperless transactions, mobile and internet banking, and digital recordkeeping to reduce resource consumption. At the same time, it promotes eco-friendly infrastructure such as energy-efficient buildings and green data centers, and in some cases, banks even invest in renewable energy for their own operations. In the Indian context, the idea of green banking has gained attention as both customers and regulators demand greater commitment to sustainability. Initiatives like digital banking, green loans, and reduced carbon-emission financing are being adopted by leading financial institutions. However, despite its potential, the movement faces challenges such as high implementation costs, limited awareness among stakeholders, and the need for supportive regulatory frameworks. As banking plays a central role in economic development, adopting green practices can help the sector contribute meaningfully to environmental conservation and long-term sustainable growth. This paper explores the concept of green banking, highlighting its importance, benefits, challenges, and future prospects in India.

- To use online banking instead of branch banking.
- For Online bill payment.
- Using online banking instead of huge multi-branch banks to open CDs and money market accounts.

According to RBI (IRDBT, 2014), green banking is to make internal bank processes, physical infrastructure and IT infrastructure as effective and efficient as possible, with zero or minimal impact on the environment.

### Objectives of the study

1. To know the history of green banking.

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2. To know the benefits of green banking
3. To know the green banking strategies.
4. To know the green banking challenge.
5. To know the opportunities of green banking.

### History Of Green Banking In India

The idea of green banking emerged from the broader concept of sustainable development, which was popularized by the Brundtland Commission Report in 1987. As environmental concerns began to influence global economic policies, financial institutions also recognized their role in promoting sustainability. The banking sector realized that, apart from financing economic growth, it could also act as a driver of environmental protection by supporting eco-friendly projects and adopting green practices in its own operations.

The term “green banking” gained momentum in the early 2000s when international banks in Europe and the United States started introducing policies for financing renewable energy, reducing carbon footprints, and managing environmental risks in lending decisions. Institutions like the International Finance Corporation (IFC) and the United Nations Environment Programme Finance Initiative (UNEP-FI) further promoted sustainable banking practices worldwide.

In India, the concept of green banking started gaining visibility after the Reserve Bank of India (RBI) and Indian Banks’ Association (IBA) issued guidelines encouraging banks to adopt sustainable practices. From the mid-2000s onward, leading banks such as State Bank of India (SBI), ICICI Bank, and Yes Bank initiated projects focusing on paperless transactions, energy-efficient infrastructure, and financing renewable energy ventures. Over time, green banking in India has evolved from being a voluntary initiative to a growing necessity as environmental concerns, customer expectations, and global sustainability commitments have increased.

### Benefits Of Green Banking

Green banking offers a wide range of benefits that extend to banks, customers, the economy, and the environment. Some of the major advantages are:

1. **Environmental Protection**  
By reducing paperwork, encouraging digital transactions, and supporting eco-friendly projects, banks help lower carbon emissions and conserve natural resources.
2. **Cost Savings**  
Electronic transactions and paperless banking reduce administrative and operational expenses. Energy-efficient buildings and IT systems also lower long-term utility and maintenance costs.

3. **Customer Convenience**  
Services such as mobile banking, internet banking, and ATMs allow customers to access banking facilities anytime and anywhere, making transactions faster and more efficient.
4. **Improved Brand Image**  
Banks that adopt sustainable practices enhance their reputation as socially responsible institutions. This strengthens customer loyalty and attracts environmentally conscious investors.
5. **Regulatory Compliance**  
With growing emphasis on sustainability from regulators and international bodies, adopting green practices helps banks meet compliance requirements and avoid future risks.
6. **Support for Sustainable Development**  
By financing renewable energy projects, green buildings, and environmentally responsible businesses, banks contribute directly to national and global sustainability goals.
7. **Long-Term Profitability**  
Though initial investments may be high, the cost savings, risk reduction, and improved customer base generated by green banking contributes to long-term financial stability.

### Green Banking Strategies

To make banking operations more sustainable, financial institutions can adopt a variety of green banking strategies. These strategies focus on reducing environmental impact, improving efficiency, and promoting eco-friendly investments. Some of the major strategies include:

1. **Paperless Banking**  
Encouraging online banking, mobile banking, and e-statements instead of traditional paper records helps reduce deforestation and waste while cutting operational costs.
2. **Energy-Efficient Infrastructure**  
Banks can design or retrofit buildings to be energy efficient, use solar panels or other renewable sources for power, and adopt energy-saving devices in branches and data centers.
3. **Green Products and Services**  
Offering financial products such as green loans, eco-credit cards, and lower-interest financing for renewable energy or environmentally friendly projects motivates customers to adopt sustainable practices.
4. **Carbon Footprint Reduction**  
Shifting to digital transactions, reducing travel through video conferencing, and optimizing branch operations can significantly lower emissions.

5. **Sustainable Lending Practices**  
Banks can assess environmental and social risks before granting loans, ensuring that financing goes to businesses and industries with responsible environmental practices.
6. **Green Investment Initiatives**  
investing in renewable energy, sustainable agriculture, waste management, and eco-friendly technologies contributes to long-term sustainable development.
7. **Awareness and Education**  
Conducting campaigns, training programs, and customer awareness drives encourages both employees and clients to adopt green practices in banking and daily life.
8. **CSR and Community Engagement**  
Through corporate social responsibility (CSR), banks can support tree plantation drives, water conservation projects, and local environmental initiatives, strengthening their role as responsible institutions.

#### Green Banking Challenges

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#### Opportunities Of Green Banking In India

Green Banking is now a focus area for Indian banks

Banks are increasingly realizing that protecting environment and promoting green initiatives are crucial as lending or accepting deposits:

- **WORLD BANK** The World Bank has recently announced a \$1.5 billion funding for India in its efforts to develop energy from low carbon sources. The 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. With India being the fastest-growing large economy in the world, and the economy expected to continue to expand at a rapid pace, the World Bank feels that decoupling economic growth from emissions growth will require scaling up renewable energy, especially in hard-to-abate industrial sectors. This effort would need a faster development of climate finance to boost the mobilization of finance for low-carbon investments.
- **GREEN, KEY TO BANKING** many environmental experts are of the view that since economic growth is majorly influenced by the banking industry; green banking is crucial factors that can help banks gain a competitive edge. Green banking is defined as a proactive technique of conserving energy and protecting the environment. Its primary aim is to protect the environment for future generations, minimize paperwork and concentrate on electronic transactions, which not only contribute to sustainability, but they also give convenience to both clients and banks. Green banking is essentially the promotion of environmentally friendly practices and the reduction of the banking

sector's carbon footprint. The main target is the improvement in the conservation of the earth's environment, habitats and resources. Green banking constitutes initiatives by the concerned banks that support environmentally sustainable investing. Green banking is growing rapidly as a viable alternative to regular banking, particularly when the long-term availability of fossil fuels as a source of energy is doubtful. Indian banks have increasingly adopted this concept and have significantly altered their operational processes to support it. Though a new and less explored area, many banks have taken it up in a variety of ways.

- **SBI – A 10-YEAR STORY** For example, the State Bank of India has adopted green banking as a policy and is the first green bank in the country, by going green and encouraging green energy projects. Likewise, Punjab National Bank has several initiatives to reduce emissions and energy use, Bank of Baroda has undertaken many green banking efforts, including the funding of commercial projects like windmills, biomass projects and generation of solar electricity. In fact, the State Bank of India had enunciated its Green Banking Policy some 10 years ago and some of the initiatives taken up by the bank are:
  - ✓ funding for installation of windmills for captive power consumption, a first in the Indian banking industry;
  - ✓ concessional interest rates for renewable energy projects;
  - ✓ separate incremental exposure limit for the renewable energy sector;
  - ✓ agreements with Multilateral/Bilateral Agencies for lines of credit for launching rooftop solar and other projects in the renewable energy space, and
  - ✓ A commitment to the Government of India to finance viable renewable energy projects worth Rs816 billion over 2015-2020.

The bank has developed and implemented a labeling mechanism in its CBS/ Loan Life Cycle Management System (LLMS) and MIS for projects/accounts undertaken as green projects.

The bank has also issued \$250 million worth senior unsecured green floating rate notes through private placement at its London branch in January 2024. The issue is part of the bank's \$10 billion medium-term note program. The proceeds of the issue will be allocated towards eligible green projects in accordance with the bank's ESG financing framework.

- **GO GREEN WITH PRIDE**

Private sector HDFC Bank has a different strategy for promoting green banking. Its punch line is 'Go Green with Pride: Your 'Green Banking Score' is Worth Celebrating!' The Green Banking Score reflects eco-friendly banking habits, calculated from a customer's digital and paperless transactions. It says by going digital, one makes faster transactions and reduce one's carbon footprint. The Green Banking Score tracks a customer's eco-friendly banking activities and generates a unique, personalized score just for him or her. At present, there are 4 categories – Eco-Explorer (which is a score of 1-250) where a person has just begun the green banking journey, Earth-Hero (a score of 251-500) where a person has boldly stepped towards environmental responsibility, Eco-Warrior (a score of 501-750) where a person is championing environmental protection with sustainable banking practices and Green Guru (a score of 750 plus) where a person is setting the standard with sustainable banking practices.

- **DIGITAL IS KEY**

The bank encourages its customers to incorporate its digital products into the daily banking routine and thereby improve the Green Banking Score. Its digital banking products include PayZapp Wallet for shopping and sending money with a click at any time, Digital Rupee, which is an app for using the digital tokens instead of cash, Online Payments and Online Money Transfers.

- **IN LINE WITH GLOBAL AIMS**

Another leading Indian public sector bank, Union Bank of India, has declared that it is committed to addressing climate change and accelerating the transition to a low-carbon economy. Its vision is to align with the target of achieving net-zero emissions by 2070 and make its financing portfolio in line with the goals of the Paris Climate Agreement. It supports development of green technologies, offers sustainable finance solutions and strives to meet the evolving needs of its customers who undertake green initiatives.

The bank's board directly supervises social and environmental matters, including climate change and guides on a strategy in tackling climate change and helping to accelerate the transition to a low-carbon economy. Among the bank's declared activities are:

- ✓ supporting a sustainable transition by helping the customers and communities prepare for climate-related risks and opportunities;



- ✓ managing climate-related risks facing the bank, including those related to physical and transition risks;
  - ✓ Reducing its environmental footprint through renewable energy, energy efficiency and other operational improvements across the enterprise.
- The bank has treated climate risk as the principal risk under its Enterprise Risk Management Framework since 2022 and is committed to build a sustainable and climate risk-resilient organization. The bank also considers that development and use of digital banking channels are key to achieve its targets in the green banking initiative.

- **ENVIRONMENT CONSERVATION**

Another leading private bank, ICICI Bank, considers environment conservation initiatives as the main strategy in reducing carbon footprint. It has adopted a 3R (Reduce, Reuse, Recycle) approach, which it claims is an integrated ecological and environmental strategy for ensuring a more sustainable future. Its thrust on achieving its targets is on focus on design of workplaces, effective operations & maintenance practices, enhancing renewable energy usage, managing and conserving waste and minimizing and disposing waste.

Punjab National Bank, another leading public bank in the country, has in July 2023 launched an environmental initiative called 'PNB Palaash', which is an eight-month period campaign to embrace sustainability. The initiative was expected to lead to cost savings and operational efficiencies through measures such as energy and resource conservation, paper reduction, waste management and streamlined digital processes.

Under the initiative, the 100,000 plus employees of the bank were to plant minimum 2 saplings each. The campaign themes included Digi Branches, Green Data Center, Electrical Vehicle Finance, Green Project Finance, Recycling Camps, Tree Plantation Drive, Paper Conservation Drive, Energy Conservation Olympics, Paper Conservation drive etc.

- **GREEN DEPOSITS** Private bank Axis Bank has very recently come out with a unique green initiative – the Green Deposit. The bank says it is designed for people who want their money to support environmental and sustainable projects. The bank will use the money specifically for funding efforts like renewable energy, clean transport, pollution control, green construction and efficient water management systems. The Green Deposits are meant for any customer looking to make a contribution to sustainable development through green efforts. The bank is offering attractive interest rates for these depositors.

As the world becomes increasingly conscious about ecological and climate-related threats, banks too are readying to play their roles. In a short time from now, they may consider promoting environment-friendly practices and efforts in reducing carbon footprint as key processes like lending or accepting deposits. They are also getting to realize that greening of industries will also lead to improved asset quality. Besides attracting capital investment, banks promoting green initiatives have realized that waste management and pollution control have their own benefits.

### Conclusion

Green banking has gained attention as both customers and regulators demand greater commitment to sustainability. Initiatives like digital banking, green loans, and reduced carbon-emission financing are being adopted by leading financial institutions. However, despite its potential, the movement faces challenges such as high implementation costs, limited awareness among stakeholders, and the need for supportive regulatory frameworks. A central role in economic development, adopting green practices can help the sector contribute meaningfully to environmental conservation and long-term sustainable growth. This paper explores the concept of green banking, highlighting its importance, benefits, challenges, and future prospects in India.

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