

Original Article

Green Banking- A Move Toward Sustainable Development

Harinderpal Singh

Assistant Prof. PG Dept. of Commerce and Business Management
Trai Shatabdi Guru Gobind Singh Khalsa College, Amritsar.

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Abstract

Importance of Sustainable development and preservation of environment purity are now recognized worldwide. In an era where environmental concerns are increasingly put impact on the actions, attitude, behavior of global policies and corporate strategies maker, the banking sector is no exception. Green banking, which integrates environmental considerations into banking practices, is a strategic concept that involves environmentally friendly banking operations. The objective is to save the community from the harmful impact of environment degradation and help in fight with climate issues by dropping the undesirable practices and replace them with environment friendly practices which contribute positively to keep sustainable environment.

The objective of green banking is to minimize the negative impacts of banking operations on the environment while contributing to the fight against climate change and resource degradation. By discouraging harmful practices and encouraging sustainable alternatives, it not only reduces carbon footprints but also supports national and global sustainability goals. This paper highlights the importance of green banking in addressing climate issues, its role in promoting long-term environmental sustainability, and its ability to create awareness among stakeholders. Furthermore, it evaluates the products, services, and strategies adopted by Indian banks, including green loans, eco-friendly mortgages, green cards, and reward systems for sustainable practices.

The study also identifies key challenges in the adoption of green banking, such as lack of awareness, inadequate financial resources, limited regulatory frameworks, and low market demand for green products. Despite these barriers, opportunities exist for banks to align with international standards, enhance customer trust, and contribute significantly to sustainable development. By adopting innovative green products, leveraging technology, and strengthening collaboration with stakeholders, green banking can evolve as a powerful instrument for environmental preservation and economic resilience.

Keywords: Sustainable, strategies, exception, undesirable, prioritize

Introduction

The harmful impact of natural calamity likes storms, floods, droughts, and excessive heat that many people have witnessed at mass level, force them to pay attention to this serious problem and find its possible solution. It is moral duty of Governments, business, and people, to play roles in combating global warming and building a sustainable environment. All institutions, regulatory bodies, governments of various countries are showing concern towards environment. Green Banking is a new phenomenon in the financial sector. It considers the environment impact in its practices in order to create to promote healthy and clean environment. It is like a traditional bank, but operates in different manner to focus upon following environment friendly practices in their operations. It is also called as sustainable bank. Its main agenda to take care of the Earth's, and natural resources. It is a comprehensive term that covers all such practices and operations which are acceptable at economic, environment, and social fronts. It uses the latest technology and physical facilities to operate efficiently and with low impact on the environment. In spite the growing acceptance of green banking, its implementation varies significantly between public and private banks. Private banks, in order to lead in market,

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Address for correspondence:

Harinderpal Singh, Assistant Prof. PG Dept. of Commerce and Business Management Trai Shatabdi Guru Gobind Singh Khalsa College, Amritsar.

Email: sharinder2112@gmail.com

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are showing a positive attitude but public banks are totally dependent on the support and mercy of government and other bodies to take step in this direction. This study focuses on the importance of green banking and challenges faced in adopting green banking practices to make a sustainable future.

Objectives Of the Study

The main objectives of the study are designed as follows

- To study the impact of green banking initiatives on sustainable progress.
- To highlight the products & strategies of green banking.
- To study the challenges in green banking transactions.
- To find out the possible solution of challenges faced by green banking.

Methodology Of The Study

As this research is a descriptive study, the data is collected by reviewing literature, books and various websites including those of Government, Banks, magazines, journals, other publications, etc.

Green Banking Products & Services

1. **Green cards:** - Instead of plastic cards, banks issue various cards made from biodegradable materials, or the promotion of paperless banking. To stop uses of more paper, banks promote cashless transactions. Sometimes special discounts and offers are offered to customers if they performed transactions through card like cash back offer etc.
2. **Green car loans:** - To motivate the public to use Electric vehicle, which produces low pollution, some banks offer loan at very low rate of interest as compare to others vehicle loan.
3. **Green Infrastructure loan:** - Environment conservation is prime duty of every citizen if they want to build sustainable future. Today banks are also offering loan at concessional rate of interest to those infrastructure projects like buildings, roads, bridges, malls which helps in less energy consumption, and put less hardship on natural resources.
4. **Green Mortgages:** - These types of loan is basically attract to those people who are seriously concerned with environment and want to use energy efficient appliances (Home and Kitchen) and want to construct their eco- friendly home and also want to adopt safe environment practices in their business operation.
5. **Green Reward System:** - In this system rewards are offered to customer when they adopt green practices in their banking transactions like generating e-statement instead of paper statement, online bill payments, use of credit and debit cards instead of cash payment in order to promote a sense

of awareness among public to go for eco- friendly practices.

Green Banking Strategies

To create sustainable banking Indian banks launched some of the following strategies.

1. **Paperless Banking:** Carbon footprint is a measure of the Green House Gases (GHG). After the reforms in banking sectors in India almost every bank use the computer and other IT related technology to conduct its operation, so there is a wide scope for banks to reduce the use of paper in transaction and perform all functions through technology driven devices. Today most of customers are performed their banking operations via websites, mobiles, and banks apps which bring down the consumption of paper.
2. **Green Banking Financial Products:** Indian bank launch "Green Fund" for climate conscious customers if they want to buy electric vehicles, energy efficient appliances, build a green building, install a solar energy system, and want to develop a green infrastructure project etc.
3. **Corporate Social Responsibility:** As part of bank CRS, Indian banks can participation various social responsibility activities such as tree plantation drive, parks and roads maintenance, pollution checkup camps, distribution of CFL lights, cleanliness drive, donate money for environment causes, install solar panel system in parks and on road sides and promote awareness among general public etc.
5. **Green Building:** Most of Indian banking are operate in residential area throughout the country. So these banks should develop green buildings for their office and employee accommodations that uses less energy, water and natural resources, produce less waste and create healthy environment for the people living in surrounding area. These measures can cut down their operating cost up to large extent.
6. **Mass Transportation System:** To avoid the use of individual vehicles by each employees bank use mass transport system to transport them in group who work in same office, same building or in same area that leads less consumption of fuel.

Initiative Taken By Indian Banks

Indian banks are lacking behind as compared to the foreign countries and from many developing countries banks, in matter of green initiatives. In recent times some banks started taken steps for sustaining their reputation in public

- **State bank of India-** SBI launch various green initiatives like **Green Channel Counter**, **Carbon Credit Plus**, **Clean Development Mechanism Projects** and **Green Pin** by which pin code is generated through the Bank ATM

without going to bank and without any correspondence by bank. SBI is the first bank in India to generate green power by installing windmills, beside this banking industry has installed 10 windmill with an aggregate capacity of 15 MW in the states of Tamil Nadu, Maharashtra and Gujarat. Banks are also planned to install an additional 20 MW capacity of windmills in Gujarat soon and touch 100 MW power generation through windmills in next five years.

- **Punjab National Bank (PNB)** – Punjab National Bank (PNB), nation's leading Public Sector Bank, launches an environmental initiative "PNB Palaash", an eight-month period campaign to embrace sustainability, which shall lead to cost savings and operational efficiencies through measures such as energy and resource conservation, paper reduction, waste management and streamlined digital processes. Under this initiative, one lakh plus employees of PNB will plant minimum two saplings each. Some of the campaign themes under this project include Digi Branches, Green Data Center, Electrical Vehicle Finance, Green Project Finance, Recycling Camps, Tree Plantation Drive, Paper Conservation Drive by printing on both sides of paper, Energy Conservation Olympics, Paper Conservation drive etc.
- **Bank of Baroda** The Bank has established a dedicated 'ESG Cell' as well as 'Climate Risk and Sustainability Cell' under Risk Management Department to drive Sustainability Interventions of the Bank as well as address challenges and opportunities of Climate Risks. The organization had made notable changes in their lending policy, i.e. it is compulsory for industries to obtain 'No Objection Certificate' from the Pollution Control Board. The bank is also promoting measures for pollution control and environmental conservation. Under the "Sustainability Development Partner" agreement, Bank of Baroda will support the PMC's (Prayagraj Municipal Corporation) semi-solid waste management initiatives. The partnership will see the deployment of state-of-the-art machines at a semi-solid waste management site at Baswar Plant that will collect and treat semi-solid waste material generated from various sources using specialised treatment methods to minimize the environmental impact. The treated waste will be used in composting, which helps in preventing soil erosion, promoting healthier plant growth, conservation of water, reducing

waste, improving soil health, wetland reclamation and combating climate change.

- **Canara Bank** – With a belief that sustainability aspects must be embedded into overall business strategies and operations to create long-term sustainable value chain, Canara Bank has identified Environmental, Social and Governance issues as pivotal and is committed to implement ESG strategy thereby creating a positive impact on Society and Environment. Enhancing customer experience by proactively engaging and educating them about the digital channels and the societal & environmental impact of their action either directly or indirectly through manufacturing, marketing channels & supply chain.
- **HDFC Bank** – As part of this initiative, the Bank is looking at reducing its emissions, energy, and water consumption. The Bank will continue to incorporate and scale up the use of renewable energy in its operations. As part of its ESG strategy, the Bank will also focus on offering loans for green products like electric vehicles at lower interest rates and incorporating ESG scores in its credit decisions. By recycling E-waste produced by the bank through authorized recyclers, HDFC Bank has recycled 212 MT of E-waste this year. Employees at HDFC Bank have taken the initiative to plant more than 17.69 Lakh+ trees so far. Among the several other initiatives undertaken by HDFC Banks are the installation of 41,810+ solar lights to improve the use of solar energy, 11,670+ biomass stoves to produce renewable sources of heat, and 10,500+ water conservation structures to conserve water for future generations. (Annual Report, 2021-22)

Challenges Confronted In Implementations Of Green Banking In India

While green banking provides seamless opportunities for sustainable development and environmental conservation, its adoption in India faces several significant challenges. Following are some of the key challenges confronted by Indian bank:

a) Lack of Awareness: A major hurdle in adoption of green banking in India is the less awareness of green banking among public. They are unaware of the negative environmental impact of their banking operations and does not consider sustainability of environment when selecting financial products and services. They think it is government responsibility to take care of environment and not theirs.

b) Non availability of Standardized Frameworks: Another challenge is the lack of standardized

frameworks and criteria for green banking practices in India. Reserve Bank of India (RBI) have introduced initiatives to promote green banking, but these are not in mandatory in all so banks not bother about it. Without standardized models and guidelines, banks feel confused that how to implement and integrate green banking strategies with their normal banking operations.

c) **Inadequacy of Finance:** Lack of Financial resources put obstacles in way of green banking in India. Green banking adoption requires huge investment in various area like human skill development, technology, infrastructure, and so on. But many and small size banks and institutions, find inadequate finance for this cause after fulfilling others obligations and seek others banks and Government hand for financial support.

d) **Market Demand:** Another limiting factor is demand for sustainable financial products in outside market. In spite of growing concern in environmental sustainability, public rely upon traditional banking products and offerings as compared to innovative green products. This discrimination made hard for banks to justify and get sufficient return on their investment in green banking initiatives.

e) **Technological and Infrastructure Barriers:** In many Indian banks have lack of technical infrastructure to support sustainable banking operations because most of them are using old technology. High class technology required to implement the green banking practices to support demanding customers needs.

f) **Lack of Skill :** Skilled manpower is essential to support and handle the technical complexities in order to smooth flow of green banking services, but Indian bank are also lacking on this front. Its become bank duty to train, educate and develop skills in their employees but due to lack of financial resources banks are not taking any step in this direction. So lack of skilled employees create hurdle in promotion of green practices.

g) **Stakeholder Involvement and support:** To make green banking popular in India full heart support of various stakeholders is necessary. In order to combat the challenges and creating productive environment banks need to integrate with government authorities, trade and business associations, regulatory bodies. But due to differentiation in nature, priorities, objectives, interest collaboration become impossible up to some extent

h) **Amalgamation with traditional Systems:** Its become very complicated and challenging for bank to amalgamate green baking practices with traditional banking structure because of lots of adjustment that are required to perform in various

fronts such as technology, finance, infrastructure, human resources.

Suggestion To Overcomes The Challenges

Create Awareness - In order to implement the concept of green banking in true spirits, its required the support of customers also. so it's become duty of banks to Make customers more and more aware about green banking through their website, publications & other media.

Make Standardized Frameworks: In the absence of standardized guidelines and criteria, all bank tries to adopt different practices as per their own convenience which are not producing fruitful result, so standardized framework should be framed by RBI with the consultation of Government and make it mandatory for all banks to adopt the same.

Provision of Finance & resources: Adoption of green banking initiatives requires huge financial investment in technology, human skills and infrastructure upgradation. All this can be done only if requisite amount of Financial and other resources are available with banks. So RBI should and Govt. should extend these resources to banks.

Training and development of relevant skills: Lack of requisite skills create hurdles in implementation of green banking because it requires lot of changes at organizational, structural, technical level. So banks should impart training and other skills to their employees to enhance their motivation, performance etc.

Provide Innovative Green banking products: Indian banks need to deploy more resources and time develop innovative green banking financial products which can satisfied market expectation and contribute in preserving natural resources by eliminating harmful environment effects. As per changed scenario customers needs are also changed. Now they prefer innovative product and services as compare to traditional bank offering due to more awareness and consciousness towards environment.

Conclusion

Due to implementations of various legislations as well as concern about environmental conservation and sustainability, Indian banks are focusing to their customers' expectations. Even after adoption of green banking strategies in banking operation a long path needs to be cover by Indian banks. Green banking practices should be considered need of hours of present era rather than a desirability. Rank of Indian banks is very behind in contrast to developed countries banks. In order to enter in global markets, it is essentials to recognize and understand their obligations towards society and environment. It opens the door of new

opportunities and avenues for banking sector and helps in minimizing risk and cost control. Its also helps banks in discharge their corporate social responsibility. Lots of efforts and hard work is required on the part of Indian bank to make green banking concept as a profitable and attractive, but if implemented sincerely will helps in reduction of environment degradation up to some extent. Therefore, for sustainable development, Indian banks should adopt green banking as early as possible.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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