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ijirset@gmail.com

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An Overview on the Role of Green Banking and Environment in the India Context

Dr.Anita Patil-Nikam, Dr.P.KMudhalkar, Prof.P.R.Rasal

Asst. Professor, Department of Computer Application, Bharati Vidyapeeth, YMIM Karad, Maharashtra, India

Associate Professor, Department of Management Head, Bharati Vidyapeeth, YMIM Karad, Maharashtra, India

Asst. Professor, Department of Computer Application, Bharati Vidyapeeth, YMIM Karad, Maharashtra, India

ABSTRACT: Environmental protection and awareness is at the top of world agenda, and is an important theme in the 21st century. Now there are many environmentally friendly products and techniques being introduced into banks. More and more financial institutes are coming to realize the importance of sustainability. Customers appreciate banks with a low-carbon approach to commerce. When you try to make goods, sustainability starts from that point. An environmental impact might negatively impact the quality of assets and the rate of return of banks in the long run. The banks must be environmentally active, and be require businesses to be pro-active for their environmental impact. This research looks at the significance of environmental issues and Green banking in India.

KEYWORDS: Green Banking, Environment

I. INTRODUCTION

Green banking is like a traditional bank that takes both mutual and eco-friendly variables into account; it is often referred to as a virtuous bank. With the aim of saving the earth, virtuous banks have begun. These banks are like a conventional bank that tries to protect the environment and is run by the same professionals as what outdated banks do. Green banking is like a regular bank that takes into accounting both collective and conservation/biological variables with a view to saving the environment and maintaining agreed wealth. It is often referred to as a sustainable bank or an ethical bank. They are managed by the same organizations, but with an agenda to take care of the atmosphere / ecosystems / capital of the Planet. The canons of sustainability, responsible lending, recycling and energy management cover green banking for banking practitioners. The banking of goods which are presumed to be more preferable to those is Green Banking. Green banking thus encompasses a broad variety of milestones, including alteration of artifacts, trading method improvements, ecological packaging, as well as advertising modification.

The "Green Banking" idea of holistic banking involves a wide variety of acts under which the invention, presentation, degradation and clearance of goods and services takes place in a manner that is less environmentally unfavorable. The banking sector is a major economic agent that, by altering the essence of economic activity, affects economic growth and development in terms of both efficiency and quantity. One of the main sources of construction finance for commercial ventures is the banking industry, which is one of the most significant business activities for economic development. Thus, the banking sector will play a key role in fostering spending that is economically friendly and socially conscious. In terms of carbon and waste, the banking industry is widely viewed as environmentally sustainable. The banking sector's internal environmental effects, such as the use of oil, paper and water, are relatively low and clean. Banks' environmental effect is not physically attributed to their banking operations, but rather to the activities of the client. Therefore, the environmental effects of the external operations of the bank are immense, though difficult to quantify. In comparison, environmental management is like risk management in the banking industry. As a higher performing loan portfolio results in higher profits, it raises the value of the company and decreases the loss ratio. Thus, one of the banking sector's obligations should be to promote economically friendly investments and wise lending. Lending by banks should be given preference to those sectors that have already been green and those that are making significant attempts to develop green. This form of financing may be referred to as "Green Banking," an attempt by banks to green the economies and to restore the natural world in the process. This idea of "Green Banking" would support banks, businesses and the environment on a collective basis. Not only will 'Green Banking' ensure the greening of economies, but it will also encourage the potential enhancement of banks' asset quality. Because of the sort of intermediary position they perform in any economy and their possible scope to the number of customers, banking and other financial institutions are more successful at achieving this purpose. The climate is no longer the primary concern of the state and direct polluters, but also of other corporate



partners and stakeholders. It would undoubtedly give the banking industry the much-needed incentive to extend the use of environmental knowledge in its credit extension and investment decisions. In this context, the paper aims to address the issues of banking sustainability and how banks, especially in the Indian context, may play a role in sustainable growth and development.

Green Banking means endorsing sensitive sustainability policies and eliminating the fossil trail from the banking operations. In certain practices, this comes in. Using internet banking instead of branch banking, paying bills online instead of giving them savings. Instead of big multibranch banks, open CDs and money market accounts at online banks or determine the local bank in your region that is taking the key steps to help local green initiatives. Green Banking aims to build market-based organizational and across-the-board options to solve a variety of environmental concerns. Around the same time, the Green Bank is the first bank of its kind to encourage time to recognize and gain breaks in this positive environmental and social obligation.

In reaction to the present sermon on growth that over-exploits the natural world for economic wealth, sustainable development has started as a new model of development. Sustainable growth can best be accomplished by enabling economies to function within the context of an applicable charter of cost-competent arrangements and economic instruments. Environmentalism is a broad ideology and social movement that raises issues about environmental maintenance and environmental change. The color 'green' is also portrayed by conservationism and environmental fears. A global concern that calls for a global solution is global warming, also known as the "Green House Effect".

Economic growth and progress was affected by the banking sector, both in terms of dominance and extent, leading to a shift in the form of economic growth. Therefore, the banking industry plays a vital role in promoting environmentally friendly and informally responsible investment. Banks may not be the polluters themselves, but they typically have a banking association with such polluting companies/investment ventures. At the international level, there have been efforts to implement sustainable growth policies from diverse quarters. Environmental criteria and policies for the assessment of investment projects have been promoted by multilateral organizations, international consortia, and multilateral financial and development institutions. It would undoubtedly give the banking industry the much-needed incentive to extend the use of environmental knowledge in its credit extension and investment decisions. The paper aims to understand the problems, challenges and sustainability of bank growth, which, particularly in the Indian context, can play a role in sustainable growth and development.

II. THE VALUE OF GREEN BANKING

Environmental conservation and understanding, as well as sustainable ecological initiatives, have arisen as crucial trends of our day, and a rising range of 'green' innovations are now making their way into the banking sector. Until recently, environmental issues have not been deemed important to banks and financial institutions' business activities. Traditionally, consumers' interest in the banking sector for environmentally degrading practices is like intervening or interfering in their corporate relations. It is now considered, however, that coping with the world poses risks to their company. Industries will have to meet those requirements in order to run their business due to the stringent environmental disciplines enforced by the professional authorities across the countries. In the event of bankruptcy, that will lead to the industry closing, leading to the bank's risk of default.

Through eliminating the following risks inherent in the banking industry, the value of Green Banking is enormous for both banks and the economy. The implementation of green banking policies would assist the bank in managing the uncertainties inherent in its activities. Green Baking seems to be an initiative and an environmental issue that really seems to be very important to the activities of banks. A bank testing the environmental worthiness of its customer may have been seen as prying into private sector. It's the understanding of how this brings risks to their business. There are ancillary costs to banks, banking and financial services are not unswervingly push by the environmental dilapidation. These banks have persistently been haunted by credit, legal and reputational threats until such steps are taken. Invasive or interfering in their corporate dealings is the issue of banking industries for environmentally mortifying practices of patrons. It is now considered, however, that allocating the world brings risks to their business. The diligences will have to follow such requirements to run their company due to the stringent environmental disciplines enforced by the proficient specialists across the countries. The explanation why banks in the US are ahead of other countries in balancing their market maneuvers with environmental issues. Several other countries (more so in Europe) have been seen in recent years implementing strategies that have made banks responsible for their clients' misdeeds. This, in essence, will push consumers to take care of eco-friendly and social policy questions related to spending on their board. Through



eliminating the following risks inherent in the banking industry, the value of green banking is enormous for both the stage and the bargain.

III. GREEN BANKING STRATEGIES

The following elements are included in Green Banking Strategies:

- (a) Environmental Risk Assessment
- (b) Recognition of opportunities for new financial goods geared towards the environment.
- (c) The importance of green banking for banks and the economy should be examined.
- (d) Research environmental risk management and find prospects for new financial products geared towards the environment.
- (e) To review the environmental and control legislation in India pertaining to green banking.
- (f) Develop the correct method of environmental protection for investment programs.
- (g) The production of financial products and services which promote business development with environmental benefits.

Banks must design appropriate environmental management plans to determine the risks inherent in investment programs in order to mitigate environmental risk. By incorporating differential interest rates and other methods, the risks may be internalized. In addition, the bank will withhold its own funding for high-risk ventures. The second aspect of green banking includes developing, with environmental advantages, financial goods and services that promote commercial growth. This includes investment in green energy ventures, restoration of habitats, energy management and cleaner production investments. Banking and financial institutions should also establish environmental risk and responsibility standards for the implementation and reporting of protection strategies for any initiative they fund or participate in. For the projects requiring funding, they may even have an environmental evaluation provision. Environmental considerations are woven into foreign trade policies and also serve as barriers to trade in environmentally related products (ESGs). Therefore, the introduction of environmentally friendly technology or manufacturing modes is no longer viewed as a financial liability, but instead offers new growth opportunities and greater benefit. Green Banking itself insinuates the promotion of eco-friendly banking rehearsals and the collapse of banking firms' carbon perceptions. It is a method of banking that ensures less extraction of natural assets and an efficient reduction of the paper/carbon impression surplus to add clarification to this phrase.

IV. GREEN BANKING IN INDIA

The Indian industry recognizes the importance of regulating their business' environmental effects, i.e. reducing their consumers' waste and emissions. While government sought to resolve the problem by framing environmental regulations and promoting business to adopt environmental technology and policies, by manufacturing eco-friendly goods, consumer knowledge and incapacity to derive competitive advantage. India is the sixth largest and second fastest developing nation in terms of greenhouse gas emissions in the world. Three among the ten most polluted cities in the world are Delhi, Mumbai and Chennai. Financial institutions' banking activities and acquisitions should take care of the environment. In this context, the position of the banking sector, which is the key source of funding for the banking sector, is of considerable significance.

A general scan of the literature available from various published sources in India indicates that very few comprehensive studies have been carried out in India in the field of banking, especially in the field of green banking. However, several studies, particularly in western developing countries, have been carried out abroad. But in the Indian sense, they are not very important. This section summarizes, in chronological order, the analytical research on Green Banking published in the country and abroad.

Studies by Rajput, et al. (2014) did not find any evidence for a negative link between green banking and bank profitability initiatives. Sudhalakshmi and Chinnadorai tested the execution of green banking policies inside Indian banks. (in 2014). This study finds that, as far as green banking is concerned, banks in India have not taken any cautionary

steps. These banking corporations must follow an operation that is financially and environmentally responsible. Some of the latest green banking projects being taken internationally and more specifically in Bangladesh have been addressed by Ahmed (2012). Proposals such as rewards to banks for active green banking programs have been made, including the creation of green index ratings and the recognition of green banking policies for corporate and non-corporate banking consumers, employees, workers' unions and regulatory bodies.

Researchers such as Jeucken and Bouma (1999) describe four levels or viewpoints of sustainability in banking. Next, in the defense of their interests, banks avoid regulatory intervention. In order to remove the limitation of actions, the second stage is preventive banking, in which banks must comply with regulations. Banking organizations would consider both internal and external alternatives and start-ups at this stage. The final step in making a win-win world is sustainable banking. Banks are paying heed to high capital yields. In their research, Getzner and Krauter (2004) assessed the investment skills of many individuals. Schooling, job requirements, environmental efficiency, and predicted outcome were the factors that writers took into account.

Choudhury et al. (2014) indicated that in this matter, the government should play an active role. The Central Bank and the Indian government have to navigate a successful green scheme. A report on green banking strategies was published by Nath, Nayak, and Goel that suggests the deployment of "paperless banking, online banking, and mobile banking" and "mass transit networks" to regulate "green cards made of recycled plastic" By looking at the ability of people to integrate SWOC into their working life and the time and cost savings SWOC can provide, they looked at selling SWOC. They have been described as the core asset (world finance conference). Like tiny community banks, online is a better alternative than big banks. Big banks are criticized for their climate-damaging investments.

Rajput et al. (2014) successfully facilitated banks to pursue sound financial management practices in their study. "The Bank has also been active in sustainability campaigns such as "Save the Tiger". The State Bank of India is a signatory investor to report its carbon footprints with the Climate Transparency Initiative (CDP). Economic factors, environmental factors, legal factors, policy direction, and loan demand are the key reasons for the adoption of Green Banking in Bangladesh. Verma (2012) explored the new trends and progress in green banking in India in his article. His study has shown, however, that only a few banks in India have paid attention to clean and green resources, and there is a lack of knowledge among employees and customers about eco-friendly banking. In defensive, protective and offensive action lessons, Papastergiou and Blanas (2011) revealed a strong percentage of Greek banks. The results of Ko et al. (2014) showed that there was a strong correlation between interest in the environment and internet use. According to the case report, the bank's customers and the other bank's use of internet banking. The study found that interpersonal contact has a tremendous impact on internet use. There are definitely questions in Singapore over the well-being of the environment.

Analysis in the field of green banking has concentrated mainly on the implementation and profitability success of green banking goods. Any reports have gone beyond conventional input and have recommended government and central bank policy decisions. However, very few studies have been conducted that link green banking product adoption with individual variables such as age, profession, gender or financial literacy, etc.

IV. ENVIRONMENTAL REGULATIONS IN INDIA

1. The regulations on command and control are ex ante regulations meant to prevent environmentally destructive programs. This legislation is enforced by setting strict requirements for industry emissions, scrutinizing proposals and granting/denying permits by the authority concerned, such as the Ministry of the Environment and the Forest.

2. The laws of responsibility are ex post in essence and are imposed by enforcement bodies by the application of fines, the suspension of defaulting businesses, etc.

If the regulatory system for environmental emission regulations is established in India, the polluting factories must either shut down or invest in order to comply with the standard. In this phase, these sectors would lose their foreign market competition, which will have a direct effect on the Indian economy and the banking sector. As far as Green Banking in India is concerned, relative to global developments, banking and financial institutions are falling behind the timetable. With the exception of Yes Bank, the British business newspaper and Financial Times, which jointly recommended following banks for Sustainable Banking Awards in 2006 for leadership and excellence in incorporating socioeconomic, environmental and corporate governance priorities into their operations, did not find a single nationalized Indian bank or large private bank in the list.



In India, banks must be more vigilant about the environmental aspects of their consumers and goods because;

- a) The prospect of exports and the product industry will be subject to stringent environmental restrictions and the market for eco-friendly goods will be better.
- b) Increased demand for facilities for emission control would enable banks to offer further financial assistance.
- c) The Reserve Bank of India (RBI) can comply with the banks' environmental guidelines.
- d) Banks could be included in the future in recent government decisions to use economic tools for environmental control.

V. CONCLUSIONS

In India, there has not been much of a major drive to make the financial sector more eco friendly. As time goes by, we realize that India is to remain as well as aware of environmental conditions; representing an array of environmentally conservation policies. Green finance, no matter what the costs, and no matter how badly it affects the climate, opens up fresh markets in addition to mitigating risks. (Using a statement the reader already saw earlier in first sentence) It is a necessity to encourage the greening of factories and banks, not just because we need nature to be protected, but also because it will render all assets more competitive. If global warming shifts in the future, banking industry's survival would be inversely proportional. For Indians, the banks must come on board with a sustainable and green banking model, therefore without further ado, the Indian banks should do so. While modern green innovations are being found in several parts of the world, they are not yet able to be introduced to a large extent in India. Under the Environmental Law "Green Banking" in India, Companies are supposed to have a set-up that causes a financial burden on themselves, but the current set-up is not readily able to be changed fast enough as it would impose a strain on the industries themselves. For businesses to be allowed to continue polluting they will need to work at a lower degree of current or to make the expenditure to raise the electricity generation and become a green bank. In the meantime, these industries would eventually be unable to cope with the international firms in their foreign market, which will sharply impact the Indian economy and the banking industry. Many banks are also trying to play their role in environmental development by introducing ATMs that are fuelled with solar energy, by setting up internet and mobile banking services, etc. India is one of the world's most exposed areas to the impact of climate change. As of late the Green banking steps that India has taken play a significant role in economic transition and in the mitigation of global warming. Overall, Green Banking may be a really beneficial way for individuals to become more aware of the world, with every businessman, customer or bank employee who participates in doing so contributing a great deal to make this planet a better and healthier place to work.

India is fast going to be experiencing severe pollution problems. In recent years India has seen growth in the economy, rapid population growth, and the expansion of banks. This has placed a tremendous strain on the atmosphere, the infrastructure, and the natural resources of the country. Environmental pollution is one of the most grim issues confronting mortality and other facets of life on our earth today, and it is the perfect time to incorporate Green Banking in India to get a better advantage in the banks for the organization's sustainability. In India, green banking does not make dramatic changes in the sector, but has the potential to save the environment in the process. Compared to the physical aspects of corporate governance, the sentience of individual clients is not equal to for the CEO, what are the doles of green. Instead of paying for the usage of conventional banking service, clients are willing to pay a marginally higher price to provide a cleaner and greener climate. A public awareness campaign should warn customers, employees and all banking personnel that environmental implications should be included in the design of the facilities. As a whole the world is transforming into a green climate, especially in developing countries such as India. Eventually the idea of "Green Banking" would go out, but something would increasingly come in that would create a beneficial scenario. Along with the Climate, it helps the land to be more stable and wealthy. Also, with greater productivity, the banks will become more productive.



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