

Research Article

Sustainable Banking in Indian Economy

Kailash Chandra

PhD. Scholar, JK Lakshmipat University, Mahapura, Rajasthan, India.

I N F O

E-mail Id:

kailashc18@gmail.com

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A B S T R A C T

The study aimed to investigate the extent to which the practice of sustainable banking was adopted by the banking sector in the Indian economy by reviewing some practical practices and initiatives in this context and the researcher followed the descriptive approach in his study. The study found an increase in the participation of the banking sector in financing sustainable economic sectors with impact The positive impact on society and the environment, the study also found that the practice of sustainable banking in the Indian economy is still modest and limited by Indian banks compared to their counterparts in developed countries, where the study recommended the necessity for banks to engage more in financing economic sectors with comprehensive sustainability that would maximize the benefits for the environment, society and the economy.

Keywords: Sustainability Banking, Sustainable Business Model, Economy

Introduction

Economic projects based on environmental and social foundations and standards are important for economic growth and constitute one of the frameworks for sustainability of development (Abdul-Amir, 2019) and sustainable financing has become a feature of international and local financial institutions and a condition of granting financing. it was The interest in the development side of economic projects in the past without focusing on the environmental aspect led to the waste of natural resources and the imbalance of the environmental balance and this negatively affected the ozone layer, which raised the concerns of international institutions and environmental protection organizations and this prompted them to put forward initiatives in redefining the project according to environmental and social standards and encouraging the banking sector In order to adapt its banking services and investment activities in accordance with the principles of sustainability, as the bank is the main financier for projects. The Indian economy is the fifth fastest economic growth in the world and this growth is often associated with carbon emissions that cause global warming, as Delhi,

Mumbai and Chennai are among the ten most polluted cities in the world as a result of a number of industries that cause carbon such as minerals, fertilizers, chemicals and pesticides Pests and textiles as the Indian banking sector contributes in financing these industries and thus cause in global warming and this reason has prompted Indian banks to take more stringent measures in granting credit facilities to projects with high carbon emissions and allocating a large proportion of financing towards projects that rely on renewable and clean energy and projects with environmentally friendly products (Kumar, 2020), therefore, the importance of research stems from the ability of Indian banks to adopt green finance in sustainable economic projects in the Indian economy.

Purpose of the Study

The research paper aimed to assess the current situation of the banking sector towards the adoption of sustainable banking in the Indian economy.

Database and Methodology

Based on the aim of the study, the researcher relied on secondary data which are obtained from reports of various

banks, seminars, workshops, reports of the International Finance Corporation and published research papers related to the subject of the study and websites.

The Concept of Sustainable Banking

The idea of sustainable banking is based on the need for banks to apply the principles set by the International Finance Corporation and the United Nations institutions for sustainable development in all their banking services and investment activities and for the bank to provide a wide range of socially responsible investment opportunities that will enhance the common prosperity of future generations and open and transparent consultation in sustainable development with all parties concerned with environmental protection and the implementation of these directives through governance, objectives and responsible banking culture (Al-Hariri, 2020). Green finance is a global call to action to eradicate poverty, protect the planet, ensure that all people enjoy peace and prosperity and employ daily banking activities in order to achieve this within the framework of serious and effective work in reaching the achievement of the third millennium development goals (Sharifi, Hussain, 2015).

International Initiatives towards Sustainable Banking

Several initiatives have been launched at the international level towards green lending and sustainable development in line with environmental and societal standards, including the United Nations Environment Program Finance Initiative (UNEP FI) as well as the Global Reporting Initiative (GRI), the London Principles and the Equator Principles Initiative (EPs) which are a general framework for credit risk management related to environmental and social risks in project financing transactions that have been voluntarily applied by financing institutions and on the basis of (IFC) performance standards regarding social and environmental sustainability and on health, environment and safety guidelines issued by the World Bank Group (Sahoo. Nayak, 2008) and that these principles The standards serve as a common basis and framework for implementation by the financial institutions operating in the field of finance when implementing their internal, social and environmental measures and the State Bank of India (SBI) is one of those joining this initiative and has established the Banking Services Department for Sustainable Investment and this section encourages investment in technology Clean energy, renewable energy and water management, particularly in the SME sector. Therefore, we find all these initiatives aim to increase awareness of social responsibility and sustainable development of companies, which puts the banking sector and financing institutions in the face of their responsibility towards the environment and society.

Sustainable Banking in Indian Economy

India is one of the fastest growing countries in terms of carbon emissions that cause global warming and consequently climate change. Delhi, Mumbai and Chennai are among the ten most polluted cities in the world, where there are some industries that emit toxic emissions and cause environmental pollution such as the industries of fertilizers, pesticides, chemicals, pharmaceuticals, as well as Mineral industries (Katyal.Nagpal, 2014). Many Indian banks have adopted tools and policies that help improve working conditions in the field of environmental protection and that project financing has become associated with the ability of projects to reduce emissions and they allocate part of their money to projects that support the preservation of Vegetation cover, forest protection and investment in technology that better help reduce emissions. Banks also practice green banking services in the scope of their work through more applications, as many banks have replaced the daily courier service in electronic checks and deliveries. Online banking system from using public and private transportation modes, thus reducing emissions and saving time and effort.

Practical examples of some banks on Sustainable Banking Services in the Indian Economy

- The State Bank of India (SBI): most important banks in the field of sustainable banking implementation and one of the most serious and striving to implement green banking in its business and activities in this field, where banking operations can be carried out such as Internet banking, mobile banking, Green channel counters, kiosk banking, credit card, debit card, online bill payment services etc (Jayapal & Soudarya, 2017). In providing a large number of air fans and water filters to a large number of schools in India, as well as financing the Save the Girl Project, as well as promoting most of its use paper-based activities to services based on the use of software applications, as the bank had contributions in financing projects based on generating Renewable energy such as wind and air power and was an active participant in initiatives that contribute to the preservation of wildlife such as "Save the Tiger"(G. Jayabal.M. Soundarya, 2016)
- Punjab National Bank and its Green streak (PNB): The green initiatives undertaken by the bank include many areas, including promoting the idea of storing rainwater in basins in order to benefit from it in times of drought (Rajesh.Dileep, 2014), as well as replacing papers by e-mail in order to address the offices and the bank has also made many initiatives that help implement the principle of sustainable banking, including, Carrying out tree planting campaigns and Audit of electric bills as an initiative to rationalize energy use and In 2011,

the bank financed a renewable wind energy project, at a total cost of 186 crores

- Bank of Baroda: Bank of Baroda has taken advanced steps towards sustainable banking services, including financing while financing a commercial project, as it gives priority to environmentally friendly projects (Pandey, 2015). The bank has also adapted its lending policies in line with sustainable banking services. In order for the project to achieve financing, it must be obtained. A No-Objection Certificate (NOC) for the Pollution Control Board to obtain credit, as the bank refrains from financing industries with harmful emissions to the environment and the ozone layer, such as chlorofluorocarbons and solvents in cleaning products and the bank has expanded its ATM units to cover different areas as a measure to reduce Using gasoline and diesel transportation to reduce emissions
- Bank ICICI: The bank performs many green banking services as a procedure towards sustainable banking, including, It offers features of up to 50% on processing fees upon receiving the loan granted on customers' cars who buy cars with savings in gasoline and diesel consumption that reduce carbon emissions and the bank also grants a customer who buys a house according to environmental grounds on low processing fees upon receiving the loan granted by ICICI to purchase The home, as the bank looks forward to building real partnerships with local and international banks and financing institutions that encourage the sustainable banking initiative, also The bank uses electronic payment of bills and transfers of funds as well as account disclosure as a green service procedure with the aim of reducing the use of paper and limiting customers' use of transportation (Dipika, 2015)
- Yes Bank: It is considered the first Indian bank to sign a carbon disclosure project that had a special footprint in this field. It is also the first Indian bank from the private banking sector to sign the United Nations principles for the environment and sustainable development. The bank was encouraging its counterparts to respond to the changes taking place in the climate and called for adapting activities of Banking to suit the needs of the environment and society in accordance with the services of sustainable banking (Gupta, 2018)
- Small Industries Development Bank in India (SIDBI): is a financial institution working to provide loans to small enterprises and medium in India to achieve sustainability by integrating environmental and social aspects as well as the economic factor in its business, to access credit facilities through the bank its require obtain a no objection certificate(NOC) from the Pollution Control Board within the region in which the project owner intends to establish his project before

the start of implementation is a basic precondition before granting the loan (Rajput, 2013)

Conclusion

- There has been a remarkable development in recent years in the level of sustainable banking services in light of the efforts aimed at increasing the participation of the banking sector in financing economic sectors that have a positive impact on society and the environment
- The Indian banking sector has adopted the issuance of green bonds in order to mobilize savings for sustainable financing in the first green bond focusing on environmentally friendly residential buildings. Many traditional banks and non-banking financial institutions have also invested in green bonds as tools to reach capital markets and work to attract new investors to Local and international levels
- Initiatives aimed at adopting sustainable banking in the Indian economy are still modest and the allocation of capital flows towards economic sectors with environmental and social viability is still limited and shy compared to their counterparts in developed countries
- Lack of awareness among Indian banking circles of the importance of sustainable banking services and weak implementation of the principles set by the International Finance Corporation and other initiatives calling for sustainable banking in the process of financing environmentally and socially friendly projects and the absence of adopting the idea of establishing environmentally friendly and economically feasible projects among business owners

Recommendations

- The Indian banking sector needs to adapt its banking services and investment tools in line with the current stage developments towards more sustainable banking services that will maximize the benefits in terms of the environment, society and the economy
- The need for economic project owners to adopt the idea of sustainable development during planning to establish new projects or during the expansion phase of existing projects in line with the concept of sustainable banking that is based on financing projects that are less harmful to the environment and society.
- The increasing need to spread awareness in the banking and non-banking financial circles of the importance of sustainable banking based on entrepreneurship towards sustainable financing of economic sectors with environmentally friendly products and that the investment of the banking sector in new financial instruments such as the green arrow, green funds and green accounts is still modest
- The need to develop clear policies and procedures by the Reserve Bank of India towards sustainable

financing, involve stakeholders in developing these principles, provide rewards to banks that adopt sustainable banking services and impose fines on banks that do not adhere to the principles.

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