



The Role of Green Banking in Sustainable Economic Development

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Abstract:

This study tries to explain the concept of green Banking concept in sustainable development and protection of environment. Banking sector plays a critical role in economic development. Green Banking is away to sustainable economic growth. A new evolving mantra in banking sector is going green. Green refers to the ethical, social and environmental dimension, which is related to banking activities that focus on socio- economic and environmental factors with a purpose to protect the environment and conserve natural resources. This study aims to analyse the impact of green banking in sustainable economic development and green banking changing the banking viewpoint in the current times and just how it may be made better, also identify the challenges and barriers faced by the banking sector while adopting and promoting the green banking concept in practices.

Keywords: *Green Banking, Sustainable Economic Development.*

Introduction:

Green Banking and sustainable development are the trending and booming concept that have been changing the viewpoint of the banking sector across world. With the use of digital and mobile banking paired with economic and environmental concerns, Indian Bank sector have also been catching on it to become a cost-effectively sustainable banking.

Green banking concept refers to the environment friendly practices by banks pointed at supportive sustainable growth. Green Banking innovation on supporting environmentally friendly initiatives, development sustainable practices, and minimizing carbon emission. Banking

innovations has included paperless transactions, e-passbooks, e-verification, cashless transaction and digital receipts facilitated by secured and reliable mobile banking applications backed by technological advancement of Fin Tech made sure that customers have easy access to banking services.

Green banking actions have enhanced the users' practice such that in today's world people are preferring and desiring the modern banking practices over the traditional banking system processes. Modern banking practices has been proved to be easy, quick and secure process. Thus, Green Banking in banking sectors showed to be beneficial for the environment, and also very

popular and profitable in the Indian banking sector. To ensure sustainable development, banks have implemented various measures to address the ecological and cost concerns linked to traditional banking practices.

Objective:

1. To understand the concept of Green Banking and sustainable Economic Development.
2. To Analyse the impact of green banking in sustainable Economic development.
3. To identify the challenges and barriers faced by banks in adopting and promoting green banking practices.

Research Methodology:

The study of the above-mentioned objective is based on the secondary data. The secondary data required for the study obtained from the reports of various banks, various articles published for the information and other relative information published on the Banks website and other Internet websites.

Green Banking and Sustainable Economic Development:

Green Banking concept evolved as a response to the increasing environmental concerns caused by industrial and economic activities. This concept emerged in the late 20th century when financial institutions began integrating sustainability into their business models (Jeucken, 2001). The main goal of green banking is to support the environment while ensuring the stability of the financial system.

Green banking means using eco-friendly banking methods that support sustainability in financial decisions. Green banking involves adopting environmentally conscious banking practices that integrate sustainability into financial decision-making. It includes funding projects that help fight climate change, supporting renewable energy, and making banking operations more energy-efficient (Richardson, 2005). Green banking supports sustainable finance by funding projects that have lasting benefits for the environment. The requirement for green banking emerges from the critical need to combat climate change and curb environmental degradation. Green banking is needed to help fight climate change and protect the environment.

India has adopted green banking through both government rules and voluntary efforts by banks. The Reserve Bank of India (RBI) has set guidelines that encourage banks to include sustainability in their lending practices (RBI, 2021) The State Bank of India (SBI) and several other financial institutions have introduced green financing products such as green bonds and sustainable investment funds (SBI, 2020). Many Indian Banks have also turned to digital banking to cut down on paper use and reduce energy-intensive operation. (Shrivastava & Yadav, 2020).

Online System for the Payment: Paying bills through online mode is one of the significant lifestyle changes has been done in day-to-day work such as television, Electricity bill and telephone payment, payment for utility, Credit card payment, mortgages could be made through electronically which might reduce the paper work as well as it saves the time.

Banking Activities through Net Banking: Banking Customers who use online banking are majorly completed their activities or transaction without entering into bank physically. For Net Banking, customer must have their unique Internet Banking ID and Secure Password which is issued by the respective banks for fulfilment of their activities.

Open & Operating Online Saving Accounts: One of the easiest ways to practice green banking and support environmental sustainability is by opening and operating an online saving account and using mobile banking services. Banks can set up direct deposit for your pay cheques, electronic statement, and making the online payment etc., and its make effective examples of eco-friendly banking. This will reduce the amount of paper work. Additionally, online as well as Mobile banking offer convenient tools for handling your finances efficiently.

Paperless Banking: Most banks are transitioning to Core Banking Solutions and ATM platforms while also expanding their range of online financial products and services. As a result of this lots of banking activities are become paperless.

Green Deposits: Most companies now offer employees the opting to receive their pay electronically. This not only provides faster access to funds but also avoid the need to visit a bank and reduces paper usage and minimizes the administrative paperwork.

Green Finance: Banks has developed innovative and environmentally focused products or provides low interest green loan to supports sustainable development. It also known as green credit which refers to fund

provided for projects that contribute positively to nature and the environment.

Green Building and Corporate Social Responsibility: Bank, with their residential dwellings, branches and ATMs, can contribute to environmental conservation by developing green building that promote energy efficiency and sustainability. As part of their green banking initiative.

Impact of Green Banking in Sustainable Economic Development:

- Green banking channels funds into environmentally friendly projects, including renewable energy, waste management, afforestation, and clean technology. Green banking directs financial resources toward projects that are eco-friendly. By funding these projects, banks not only support environmental sustainability but also create new opportunities for green jobs and industries, which contribute to economic growth.
- By evaluating the environmental impact of projects before funding them, green banking helps minimize environmental damage and reduces the risk of future costs related with environmental degradation. This risk management reinforces the resilience of the economy against climate-related shocks.
- Banks themselves accept energy-efficient actions, digital banking, and paperless systems. This minimizes operational costs and energy consumption, setting a model for sustainable practices in other sectors of the economy.
- Green financing products include green bonds, sustainable investment funds,

and climate risk loans inspire industries to convert in environmentally friendly technologies. This stimulates a market aimed at sustainable products and services, enhancing long-term economic competitiveness.

- By following national and global sustainability goals, like India's renewable energy targets and the UN SDGs, green banking helps make economic growth inclusive, eco-friendly, and lasting.

Challenges and Barriers:

- **High Primary Costs:** Transforming from Traditional banking practice into green banking often needs significant funds in digital infrastructure, energy-efficient systems and eco-friendly activities and facilities. Small Banks are facing these major issues for adopting the green banking due to lack of Funds and upfront costs.
- **Absence of Awareness and expertise:** Some banks and their customers are not aware about the green banking practices and their benefits. Also, there is shortage of skilled professionals with expertise in particular knowledge in sustainable finance and environmental risk assessment.
- **Insufficient funds for Green Investment Opportunities:** The availability of funds for green projects can be limited, especially in developing economies. Banks may find it challenging to identify the finance projects that may help in both way that is environmentally sustainable and financially profitable.
- **Regulatory and Policy Restraints:** Although central banks like the RBI provide guidelines, varying or uncertain regulations can slow the adoption of green banking practices. Some banks might hesitate to adopt new practices without clear incentives or policy support.
- **Risk perception:** Green Projects, especially those in renewable energy or evolving technologies are often perceived as high risk due to indeterminate returns or long payback periods. This can make banks disinclined to finance such initiatives.
- **Technical Barriers:** Applying digital banking, paperless transactions and energy well-organized operations requires modern technology and IT infrastructure. Bank with outdated system may face technical problems or high upgrade costs.
- **Customer Acceptance:** There are probabilities of some customers may be resistant to acceptance of digital banking or green financial products over preferring traditional banking methods. Educating customers and encouraging participation is a significant challenge.
- **Monitoring and reporting challenges:** keeping track the environmental impact of loans and investments needs strong monitoring and reporting systems. Many banks do not have the proper tools or processes to measure how sustainable their financed projects are.

Conclusion:

Green banking not only reduces the environmental footprint of financial

activities but also fosters sustainable economic development by supporting green investments, promoting energy efficiency, encouraging sustainable entrepreneurship, and aligning economic growth with environmental stewardship. In essence, it bridges the gap between financial profitability and ecological responsibility, ensuring that economic progress does not come at the cost of environmental degradation. While green banking offers significant benefits for sustainable economic development, banks must overcome financial, technical, regulatory, and awareness-related challenges. Addressing these barriers requires collaboration among financial institutions, regulators, technology providers, and customers to create a supportive ecosystem for sustainable finance.

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