
Green Banking and Its Prospects in India

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ABSTRACT: *The advancement of the world economy has made Human life full of comforts and Luxury which has in turn alarmed enormous environmental damage. Today all the sectors in the world economy are facing huge challenge to cope with environmental problems and its impact in their day to day businesses. The importance of environment is felt by the Business firms as well as consumers and general public. This led the business organizations to modify their activities and strategies to ensure the protection of environment and natural resources. In this context banks have played a vital role in promoting environmental sustainability which led to the concept of Green Banking. Green Banking has a wider concept of application worldwide which is green energy financing besides the other methods of Green Banking like Go online, Use of Green Checking Accounts, Use of Green Credit Cards and saving of Paper. India can also get into providing assistance to eco-friendly projects which help in reducing the carbon emission. This article is focuses on Green Banking and its prospects in Indian context, Success of Green Banks at worldwide and the limitation faced in India, Awareness of people towards the eco-friendly projects that can be set up. The Success of Green Banks at worldwide and the limitation faced in India is collected through secondary source. Awareness of people towards the eco-friendly projects that can be set up, this information is gathered through Primary Source.*

Key words: *Green Banking, Green Banks, Prospects, Green bank Model, Financing Techniques.*

INTRODUCTION:

‘Green Banking and its prospects in India’ explores the areas of opportunity to set up Green Banks in India. The concept of Green Banking is much different in India than it is in the rest of the world. In India, the scope of green banking is limited to the usage of less paper and more online transactions in the banking sector. However, worldwide this term refers to banks set to provide assistance to eco-friendly projects which help in reducing the carbon emissions.

The study looks at the potential of setting up green banks in India, especially in areas where the population is much more informed and literate to understand the consequences of the growing pollution levels. It looks at the awareness of the people towards eco-friendly projects that can be set up at ground level

Green Banks have been a popular trend in the west. The same need to be started in India as well. We look into the problems our banks have been facing and why there is a need to set up a separate institution called ‘A Green Bank’.

This study explores on the meaning, Basic Green Bank Model, Features and Key principles of Green Bank, Financing techniques, current Green Banks in the world and the present concept of Green Banking in India, suggested projects under green banking.

REVIEW OF LITERATURE:

1. **Bibhu Prasad Sahoo et al (2016)** identifies there is significant difference in the usage of green products across age groups and the age the groups who are not keen is due to lack of information so there is a need to bring awareness among those age groups
2. **Ms. Neetu Sharma et al (2015)** studied the opinion and awareness of bank employees and customers as regards to green banking concept in public and private sector banks.

3. Vikas Nath et al (2014) noted the green rating standards given by RBI, the World Bank's environmental and social norms, the initiatives taken by public and private sector banks in India in the adoption of Green Banking practices and to enlist the significant strategies for adoption of Green Banking. There is still gap exists in the international concept green Banking and Indian concept of Green Banking. The present paper studies on the importance of green energy financing accessible and affordable for homeowners and peoples view if something such is initiated in India

OBJECTIVES:

1. The Study mainly focused on the prospects of setting up Green Banks in India in regards to green energy financing accessible and affordable for homeowners, businesses and institutions.
2. To study the awareness among the people regards to eco-friendly projects that can be adopted by Households, Business and institutions. The Success of Green Banks at worldwide and the limitation faced in India

RESEARCH METHODOLOGY:

The Study comprise of literature review from secondary data. The secondary data sources consists of various websites, blogs, articles etc which provided information about Green Banks, eco-friendly projects, problems with Indian Banking sector etc.. It also includes primary data from the businessmen residing in Hyderabad who can think about investing in eco-friendly projects.

A Green Bank is a public or quasi-public institution that leverages limited public resources to crowd-in greater private investment for commercially viable clean energy technology. Green Banks partner with private investors to increase total clean energy investment and drives demand for renewable and energy efficiency by attacking barriers that typically slow adoption of critical technologies that reduce carbon emissions and halt climate change.

Their goal is to accelerate clean energy market growth while making energy cheaper and cleaner for consumers, driving job creation, and preserving taxpayer money. These banks specifically focus on commercially viable technologies that are tested, have less associated "technology risk" and can reliably produce revenue for project owners. These banks facilitate private entry into the clean energy market.

ESSENTIAL FEATURES OF A GREEN BANK

1. Focus on commercially viable technologies, as opposed to early-stage innovative technologies, because they have been tested, have less associated "technology risk" and can reliably produce revenue for project owners.
2. Focus on leveraging private entry into the clean energy market.
3. Use of limited public money to leverage private investment.
4. Healthy relationship with the government.

KEY PRINCIPLES

-) Stimulate demand for proven clean energy technologies by covering 100% of the upfront costs with a mixture of public and private financing.
-) Recycle public capital so as to expand private green investment.
-) Reduce inefficiencies in market supply and demand.
-) Cleaner, Cheaper, More Reliable Energy!

FINANCING TECHNIQUES

The following are the three fundamental techniques of financing models used by the green banks:

1. **Credit Enhancement:** A credit enhancement is a tool offered by a green bank with the goal of increasing private lending activity and/or improving the terms of private financing. Green banks accomplish this through multiple means, but loan loss reserves and loan guarantees are most common. This technique is suitable for a market where private investors are interested to enter the market, however are hesitant to do so due to the perceived risks.
2. **Co-Investment:** It involves direct green bank investment in clean energy projects alongside a private investor. Unlike credit enhancements, where public money is not actually invested in the project technology, co-investment can take multiple forms and structure of actual project investment. A green bank may provide senior debt, subordinated debt or equity in a project, which is then paired with multiple potential forms of private investment.
3. **Securitization:** In the event no private lender is willing to underwrite loans, even with a credit enhancement, it may be suitable for a Green Bank to underwrite 100% of a loan itself. This situation may arise if the technology is itself perceived as too risky or new, if the market segment is viewed as having more credit or if the investments themselves are not cost-effective to underwrite.

LOW ENERGY COSTS

Green Bank financing helps deploy clean energy solutions that can lower energy bills for consumers and businesses with no upfront cost. By installing energy efficiency technologies, borrowers use less energy overall. And as the cost of renewable energy technology like solar PV continues to fall, “going solar” is now cheaper than grid electricity in many markets. The cost of financing is a significant driver of the price of renewable electricity, so by providing low-cost financing Green Banks can help lower the clean electricity prices for consumers. Through Green Bank financing, customers can save money on their electricity bills every month with no upfront cost.

GREEN BANKING IN INDIA

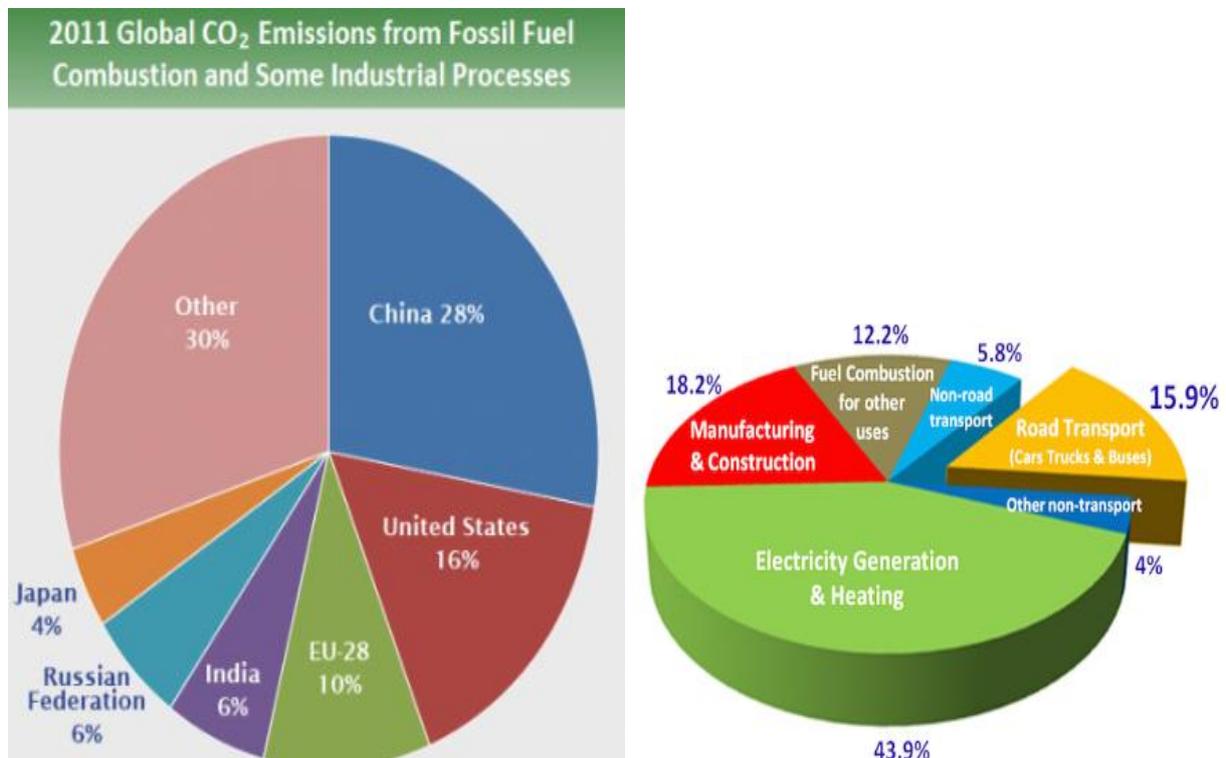
The concept of green banking is very different in India than it is in the rest of the world. In India, green banking is more commonly referred to as usage of less paper and use the of electronic media for banking transaction.

However, this ideology is now evolving due to rapid globalization. Being one of the largest service sectors, banks play a very vital role in the economy. They are one of the major economic agents influencing all industrial activity and economic growth. Though not directly related to emission of waste and pollution, banks are the fundamental sources from where the industries are funded. In a globalized economy, the industries and firms are vulnerable to stringent environmental policies, severe law suits or consumer boycotts. Since banking sector is one of the major stakeholders in the industrial sector, it can find itself facing the credit and liability risks. The banks are now expected to go green and play a pro-active role to take environmental and ecological aspects as part of their lending principles.

However, the problem arises when it comes to whom to lend and what to promote. In India, the banks usually focus on saving and fixed deposits and term lending in areas of housing, vehicle etc. They are not much inclined towards the field of financing expressly eco-friendly projects which can be set up at ground level by the people. Hence, there is not proper awareness on these projects in India, and the banking sector is not well informed.

Therefore, a need for setting up green banks arises. These banks would not have to indulge in the daily customer transactions which the other banks have to do. They can focus only on providing assistance and guidance for eco-friendly commercially viable projects and providing for loans and support.

World's contributors and sources of Carbon dioxide emission



Source: International Energy Agency

FINDINGS & SUGGESTIONS:

1. Among the respondents, about more than half the population did not know about the concept of green banking. So, banks can start few awareness activities where the majority of people can be educated on this concept.
2. India contributes 6% of total carbon dioxide emission in the world and globally the major source of carbon emission is through electricity generation and heating. There is a need green energy financing accessible and affordable for homeowners, businesses and institutions
3. About 86% of the population sample agrees to set up Solar panels if the financing is accessible and affordable
4. Among the total Population 60% is ready accept bio gas plants in their cities provided if they take up any measures to prevent bad odor of biogas
5. Around 55% of the population is ready to invest in projects which help in producing energy in clean manner protecting the environment
6. Solar energy was the most commonly known source of energy. Also, 75% of the respondents were willing to set up solar panels at their places to harness the solar energy and use it in their day to day life.
7. It is observed that the banks in India are overburdened with work relating to daily banking transactions and it is not feasible for them to propagate the concept of green banking. This new concept needs specialized knowledge and separate time and work, which cannot foster in the current banking situations
8. Indian population is aware of the growing pollution levels and the educated mass, especially, knows that this number is ever increasing and steps need to be taken to protect their younger generations from havoc.

CONCLUSION:

The concept of Green Banking is very new to India. Being a developing country still it could start the Green banking concept in India by making usage of less paper and more online transactions in the banking sector. The concept of green bank is new to India which prevalent Globally, India can extent its green Banking activity towards setting up green banks which finance the Green energy. This concept of green bank is also new in India. Banks need to bring awareness regarding the Green Banking and Green Banks.

Government and Banks can play vital role in implementing and educating on the projects that they already have in place or in the pipeline to curb the damage to environment so that even general public would also become a part of this clean activities. Government and banks need to adopt the international Concept of Green Banking and bring awareness among them.

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