

GREEN BANKING INITIATIVE AND THEIR IMPACT ON SUSTAINABLE ECONOMIC DEVELOPMENT

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ABSTRACT

Green Banking has emerged as an important strategy for promoting environmental sustainability and responsible financial practice in banking sector. Green Banking is also aligned with the sustainable development Goal 13 on climate change. It refers to banking activities that encourage environmentally friendly investments and encourage sustainable development goals. The purpose of this study is to analyze the role of Green Banking to promote sustainable economic development. The Study explores various green banking initiatives undertaken by different banks. Using Secondary data data from research articles, reports and banking publications, the study examines the relationship between green banking practice of difference banks and impact of green banking initiatives on economic development. The findings suggest that green banking initiatives contribute significantly to environmental protection, efficient resource utilization and long term economic stability.

The study conclude that green banking is becoming an tool for achieving India's long term sustainability and economics development goals.

Keywords :- Green banking, Sustainable Development, Green finance, Environmental sustainability, Banking sector.

INTRODUCTION :-

Environmental degradation, climate changes and resource depletion have become major global challenges. For this, financial institutions are increasingly adopting sustainable practices to mitigate environmental impacts and support green economic development. Green Banking, which integrates the environmental, factors with the banking management and operations. It can be generally regarded as a symbol of environmental awareness.

Green Banking was first introduced in the state of Florida in 2009. It entails the operational improvements, technological advancements and change in consumer behaviour. It generally promotes the eco-friendly practices and reducing the carbon footprints of banking operations. Banks operate through their customer's activities to takes with environmental issues instead with physically involvement. Their main goal is to protect and conserve the natural resources and the environment from deleterious consequences of global warming and climate change.

To promote sustainable economic development in India ; Green Banking initiatives are introduced by banks and their regulators. Green finance is one of the most significant support for environmentally friendly projects. Which includes the waste management and recycling project, electric vehicles and renewable energy projects. Moreover, Green bonds issued to raise funds sustainable projects and to ensure the clean transportation. Apart from this, green

loans like solar home loans, sustainable agricultural financing and loan for electric vehicles are also offered by banks.

Although, numerous studies have examined green banking practices, but limited research explored their direct impact on the sustainable economic development.

LITERATURE REVIEW :-

Green Banking has emerged as significant area of research, particularly in its relationship with economic growth and sustainability in emerging markets.

Understanding Green Finance :-

Climate change is one of the greatest global Challenges ; Many Countries and regions have adopted numerous policies to address the climate change and reduce its harmful consequences. Green finance is a novel approach that establish to anitigate and being Viable solutions to these problems and to combat with exciting capital constraints to create a new policy paradigme in emerging market as well. One of most crucial development in green finance is to raise green bonds, can be considered as financial instruments used to fund the projects. The world bank and other multilateral financial institutions have raised billions of Dollors in green bonds to support sustainable transportation, renewable energy and climate resilience project (world bank 2020).

Evolution of concept of Banking :-

Green banking has evolved only as a response to growing environmental concerns. It originates with the wider discourse on sustainable finance, which ensures the integration of environmental and social. Consideration into financial decision making process (Jeuken, 2001). it's primary goal is to ensure that banking activities contribute to environment sustainability while maintaining financial stability.

Global perspective of Green Banking :-

The concept initiated primarily in developed countries, often refers to strategic integration of environmental sustainable into financial sector's core operations, risk management. In late 20th century, it was designed to shift banking purpose from profit to sustainable development and low carbon economies. Triodos Bank (Netherlands, 1980) was the Pioneer introducing the "Green Funds" in 1994 environmental conservation Banking similarly, the launch of equator principles (EPs) in 2003 adopted by global banks like City group and Royal Bank of Scotland to manage social and environmental risk.

Indian perspective of Green Banking :-

Green banking become increasingly important in India, driver by government efforts to promote sustainable development. The reserve Bank of India has played a dominant role in green banking practices by using the guidelines for banks to follow. (RBI, 2012). Afterwards, several banks launched green banking initiatives, predominately by the State Bank of India by launching the green Banking policy to promote sustainable development and environment degradation.

Key state holders in promoting Green Banking:-

Primarily, the Government and regulatory body RBI issued guidelines for green banking. The Government launched "National action plan on climate change" and "Green Climate Fund" to support Green banking (MOEFCC, 2018) in addition, several banks play critical role by launching green banking initiative, including Green banking policy (SBI, 2018). Apart from this, civil society organization also raise awareness about the importance of green banking and adopting environmentally friendly practices the international organizations United Nations Environment Programme (UNEP) and World Bank provide technical assistance and support to Green banking.

Objective of the study:-

The main objective of the study are:-

1. To understand the concept and importance of green banking.
2. To examine the major green banking initiative adopted by banks.
3. To analyse the comparative analysis of green banking in developed v/s developing countries.
4. To analyse the impact of green banking practices on sustainable economic development.

Green Banking initiatives by Indian Banks:-

Indian banks are advancing green banking through regulations of Reserve Bank of India. As RBI Mandates green deposits, ESG lending and operational sustainability.

PUBLIC SECTOR BANKS:-

State Bank of India:-

SBI has undertaken the lead in advancing green banking and sustainable finance. SBI has adopted a multifaceted approach that includes project financing aligned with environmental objectives and green products. Currently, SBI is dedicated to ESG and climate financial unit, Rs. 19000 crore green advances by 2024 and importantly, targets 7.5% loan book green by 2030. SBI launched the 'Green Club' program to promote eco friendly procedures in 12,42 Workplaces. Additionally, SBI announced in February 2025 aims to attain net-zero emissions by 2055.

Bank of India:-

Currently, Bank of India launched Green deposit scheme under brand name Harit Jama Yojana unique financial product designed to support sustainable projects and contribute to environmental preservation.

Punjab National Bank:

PNB promotes green banking through PNB Palaash", a initiative focused sustainability, paperless transactions and eco-friendly practices like solar powered ATMS.

PRIVATE SECTOR BANKS :-

ICICI Bank :-

ICICI bank has built sustainability units business as well as its operations. It has supported over 50 wildlife sanctuaries and forest across 19 States. Moreover, they are expanding green landing book for climate. Many of ICICI offices and data centres have achieved Indian green building council (IGBC) ratings.

HDFC Bank:

HDFC Bank is actively driving green banking to achieve carbon neutrality by 2031. It focuses on reducing emissions, financing green projects, and promoting digital banking. HDFC Bank issued a green finance bond, raising USD 300 million to fund green initiatives. The bank offers loans for green products. It incorporates the (ESG) Environmental, Social and Governance scores into its credit decisions and utilizes a sustainable environmental management system (SEMS) to evaluate large loan proposals.

YES Bank :-

YES Bank drives green banking through sustainable financing, focusing on renewable energy, electric mobility, and energy efficiency. It became India's first green bond issuer and aims to achieve net-zero operational emission targets by 2030. Moreover, YES Bank is a member of the Carbon Pricing Leadership Coalition (CPLC) and aligns its portfolio with the goals of the Paris Climate Agreement.

Sustainable economic development of green banking in India:

Green banking in India significantly advances sustainable economic development by channeling finance into renewables, efficiency projects and climate resilience. RBI frameworks have driven measurable environmental gains and economic multipliers through green deposits and ESG lending.

Key Contributions:

RBI mandated green deposit funds for renewables, clean transport, sustainable agriculture and aligning these goals with SDG 7 (Clean Energy) and SDG 13 (Climate Action). Apart from this, green banking channels funds to green infrastructure, fostering job creation in renewables and tech innovation. Studies indicate 68% of economic growth variance via sustainable investments and risk mitigation.

Impact area	Outcomes	Evidence
GDP Growth	Renewable job creation, infra boost.	68% variance via green finance.
Emission Reduction	Verified CO2 cuts per green loan.	SBI Solar ATM, green bonds.
Financial Resilience	Stress tested ESG. portfolios	RBI guidelines support.

CONCLUSION :

Green banking contributes significantly to sustainable economic development in India by financing renewable energy, supporting sustainable infrastructure, supporting sustainable infrastructure, encouraging responsible corporate practices and promoting green technology innovation with regulatory support from institutions. Such as Reserve Bank of India and policy initiatives from Government of India green banking in becoming an important tool for achieving India's long term sustainability and economic development goals.

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