

The Green Funds to motivate Green banking practices in India

¹S. UMAMAHESWARI, ²Dr.A.ELANGO VAN

¹Research Scholar, ²Former Professor and Head
Department of Commerce
Periyar University
Salem, Tamil Nadu, India

Abstract- Green Banking is a notion; it's comprised for all the banking operations in environmental, social and economic aspects. Green banking has the two major roles for green banking operations. The first one is internal aspects, it's covered for all the online operations which rely on online electronic transactions for processing and the second one is external aspects in close relationship to outside customers through lending operations. It is followed for environmental aspects from green lending principles, eco-friendly lending policies. The projects include the above criteria: less carbon emission projects, eco friendly Technological developments are the other green related projects. This paper works as the main objectives of the green banking conceptual framework of the study and the second one is to study the list green banking and green related Nodal agency and government support projects. My research starts to still now the collected various review of literature and the study needs of the changes two side the first one banking and the second one business people. To government boost in various activities that's lack of awareness to the people and banking the problems to ratify government introduces various schemes for green lending. The Indian government and Tamilnadu are aware of environmental damages the world level problems in currents. So the problem to ratify environmental related projects.

Key words: Green Banking, lack of Awareness, Green Lending Principles, Environment damages, Green Technology.

INTRODUCTION

The concept of green banking emerged in 2009 in Mt. Dora, Florida, United states. In India the first green bank is the State Bank of India(SBI), India's largest commercial bank which took initiative in setting high sustainability standards and completed the first step in "green banking" with shri O.P. Bhatt, chairman. Green banking plays an important role in our country. Adopting of greener banking practices will not only be useful for environment, but also benefit in greater operational efficiencies, a lower vulnerability to manual errors and fraud and cost reduction in banking activities. So there is need for banks to adopt green strategies into their operations, buildings, investments and financing strategies. Green banking can help a lot in attaining sustainable development. Green banking avoids as much paper work as possible and relies on online electronic transactions for processing. Green Banking has become relevant in each and every aspect of business. Green Banking covers two aspects. The first one is being judicious use of all resources, energy and reducing carbon footprints and second one is encouraging and financing only environment friendly investment. So Green Banking is not only about making sustainable use of resources but also about environment friendly dispensation of credit.

There is an ever increasing demand for energy in spite of the rising prices of oil & other fossil fuel depletion of fossil fuels. Energy demand, in particular electricity production has resulted in creation of fossil fuel based power plants that let out substantial green house gas carbon emission into the atmosphere causing climate change and global warming. The Government of Tamil Nadu is committed to mitigate the climate change effects by bringing out policies conducive to promote renewable energy generation in the State. The Government intends to make renewable energy a people's movement just like rain water harvesting. The state is blessed with various forms of renewable energy sources viz., Wind, Solar, Biomass, Biogas, Small Hydro, etc. Municipal and Industrial wastes could also be useful sources of energy while ensuring safe disposal. Renewable Energy (RE) sources provide a viable option for on grid electrification & wide industrial applications.

Green Banking

Green banking is a new financing trend where banks shift their investment strategies to focus on sustainable technologies and environmentally-friendly initiatives. These financial institutions are dedicated to sustainable banking initiatives that promote clean energy and combat climate change. It becomes widely popular among banks

following the Paris Climate Agreement and has since helped promote investments in renewable energy, reforestation projects, and carbon offsets. But green banks aren't just about making investments in climate resilience projects; banks can also become green at a more local level instituting eco-friendly lending policies. These mission-driven policies could be in the form of loans for electric vehicles and home solar electric systems or company-wide policies banning investments in harmful industries such as fossil fuels.

REVIEW OF LITERATURE

¹**Radha Bhola and Subhanjali Chopra 2022** green banking practices in India: need of the hour Green banking serves the commercial objective of the bank as well as social responsibility in most developed countries, however, in India, the concept is still emerging. In the age of global warming and climate change, practicing of green banking concept is inevitable for the potential customers.

²**Ruchi Trehan 2015 Green Banking In India** Banking sector is one of the major sources of financing investment for commercial projects which is one of the most important economic activities for economic growth. Green Banking is a concept in which banks are making an effort to restore the natural environment and to make the industries go green. Green banking means promoting environmental friendly practices and reducing carbon footprint from banking activities.

³**M.Narayanan S Chandrasekaran 2022** A Study on Green Banking Initiatives – A Special Reference to Innovative Strategies of Indian Banking. The Indian banking sectors provide the green banking services and awareness of customers, how to measures in the innovative strategies with level of intensity of green banking initiatives. The objectives of this paper are exploring the green banking initiatives in Indian banking sector.

OBJECTIVES OF THE STUDY

1. Green banking related conceptual framework
2. To study the current status of green banking in India

GREEN BANKING PRODUCTS

[a] Green Loans:

Green loan means giving loans to a project or business that is considered environmentally sustainable.

[b] Green Mortgages:

Green Mortgages refer to the type of mortgage that provides you a money-saving discount or a bigger loan than normally permitted as a reward for making energy-efficient improvements or for buying a home that meets particular energy-efficiency standards.

[c] Green Credit Cards:

It should be in form of environmentally friendly rewards or using biodegradable credit card materials or promoting paperless banking, credit cards are going green.

[d] Green Saving Accounts:

In case of Green Saving Accounts, banks make donations on the basis of savings done by customers. They save more the environment benefits in form of contributions or donations done by banks through mobile banking and online banking: These new age banking forms include less paperwork, less mail, and less travel to branch offices by bank customers, all of which has a positive impact on the environment.

GREEN LOAN

A Green loan is a form of financing that enables borrowers to use the proceeds to exclusively fund projects that make a substantial contribution to an environmental objective. A green loan is similar to a green bond that raises capital for green eligible projects. However, a green loan is based on a loan that is typically smaller than a bond and done in a private operation. A green bond usually has a bigger volume, may have higher transaction costs and could be listed on an exchange or privately placed. Green loans and green bonds also follow different but consistent principles:

¹ **Radha Bhola and Subhanjali Chopra 2022** green banking practices in India: need of the hour, International Journal of multidisciplinary Educational Research, ISSN: 2277-7881, Volume: 11, Issue: 3(2)

² **Ruchi Trehan 2015** Green Banking In India Investment and Development, Journal of Poverty, Investment and Development, ISSN: 2422-846X, Vol.14

The Green Loan Principles and the Green Bond Principles (GBP) of the International Capital Market Association (ICMA) both instruments specify that 100% of the proceeds should be used only for green eligible activities.

GREEN LOANS IMPORTANT

In developing countries where currently account is for just \$1.6 billion of the estimated \$33 billion in outstanding green loans. But the market is growing rapidly, outpacing the growth of the green-bond market in the near term. Green loans contribute to aligning lending and environmental objectives. Green Loans help borrowers to communicate the greening of their operations and supply chain. Considering the higher transaction costs of bond issuance, the minimum bond size is to be traceable, and the fact that only bonds above a certain size is tracked by various indices, potential issuers in emerging markets with small green portfolios may feel inclined to receive a green loan instead of issuing a green bond.

To be called a green loan, a loan should be structured in alignment to the Green Loan Principles which provide an international standard based on the following four core components:

1. **Use of Proceeds:** Designated Green Projects should provide clear environmental benefits, which will be assessed, measured, and reported by the borrower.
2. **Process for Project Evaluation and Selection:** The borrower of a green loan should clearly communicate how it is organized to assess and select projects that will receive loan proceeds. In addition, the borrower explains how it will manage environmental and social risk of eligible projects.
3. **Management of Proceeds:** The proceeds of a green loan should be credited to a dedicated account or tracked by the borrower to maintain transparency and promote the integrity of the product.

The Green Loan Principles build on and refer to Green Bond Principles, with a view to promoting consistency across financial markets. These Principles address how to implement use-of-proceeds-based finance through bonds and loans. In 2018, IFC adopted these principles to help clients in order to attract additional financing for making a substantial contribution to environmental objectives. This contribution is assessed through an independent second party opinion that examines the proposed use of proceeds and compares them with eligible activities listed by the GLP and complementary scientific information. Through green loans, IFC works with clients to develop a Green Finance Framework, which articulates how the client's governance and management systems are used to track, manage, and report on the use of proceeds so they are allocated only to eligible green projects. This framework is reviewed by a second opinion provider which provides an independent confirmation that the loan is aligned to the Green Loan Principles.

Advantages of Green Banking

Several major financial institutions have begun adopting green banking principles, as more and more customers call for greater environmental responsibility among banks. Green banking increases a bank's competitive advantage, as it encourages the bank to invest in sustainable, low carbon industries that provide long-term profits and attract eco-conscious investors, such as renewable such as renewable energies.

Ethical Green banking, in general, eliminates as much paper as possible and instead relies on online/electronic transactions to complete transactions, resulting in green bank cards and green mortgages.

- Less paperwork implies fewer trees will be taken down.
- Increasing business people's knowledge of environmentalism so that they can engage in environmentally beneficial business practices.
- Environmental norms for lending are adopted and implemented by green (ethical) banks, which benefit future generations.
- When you are given a mortgage, the interest rate is lower than it would be with a traditional bank since ethical banks place a higher value on environmentally favorable variables such as ecological gains.
- Green banks place a higher value on environmentally friendly variables such as ecological gains, resulting in lower lending interest rates.
- All new clients who open "green accounts" will receive cash back.

Green Banking in India

In recent years, Indian banks have noticed the developing tendency and have significantly altered their operational tactics. The Indian banking industry has faced numerous problems, including changes in customer behavior, technology advancements, regulatory changes, and so on. It has gone through a series of challenges and has learned to adapt to the changing circumstances. Going green is a new notion in India, and Indian banks have embraced it in a variety of ways. The following are the different banks in India that offer green banking services to their users.

Types of Bank	Green Projects
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State Bank of India	<ul style="list-style-type: none"> This has begun to implement a green banking policy. This is India's first green bank, specializing in going green and encouraging green energy projects.
Punjab National Bank	<ul style="list-style-type: none"> They have made a number of efforts to reduce emissions and energy use.
Bank of Baroda	<ul style="list-style-type: none"> They have undertaken a number of green banking efforts, including the funding of a commercial project. BOB prefers green initiatives that are environmentally benign, such as windmills, biomass, and solar electricity, because they assist in collecting carbon credits.
Canara Bank	<ul style="list-style-type: none"> It has incorporated eco-friendly measures like mobile banking, online banking, telebanking, and solar-powered biometric processes as part of its green banking effort.

Source: Author construction

GREEN LOAN IMPACT

Under the Green Loan Principles, information on the use of a green loan's proceeds is reported annually to the institutions participating in the loan. The GLP also recommends an external review process. However, self-certification by a borrower or investor with the technical expertise to confirm alignment of the green loan with the key features of the GLP is deemed sufficient. In practice, Loan Agreements for an IFC green loan include client's obligations to report annually on the allocation of the use of proceeds and select impact indicators. IFC requires a second opinion confirming alignment with the GLP. This requirement is waived in cases where 100% of the proceeds are used to finance third party certified green buildings or renewable energy projects.

Establishment of TEDA

The Government of Tamil Nadu has realized the importance and need for renewable energy, and set up a separate Agency, as registered society, called the Tamil Nadu Energy Development Agency (TEDA) as early as 1985, as per G.O.Ms.No.163, P. & D. (EC) Department, dated 29.11.1984 with the following specific objectives:-

1. To promote the use of new and renewable sources of energy (NRSE) and to implement projects therefore.
2. To promote energy conservation activities.
3. To encourage research and development on renewable sources of energy.

Green Banking Sponsored

Several banks are sponsored green funds for green loans principles such as:

1. World Bank
2. International Monetary Fund, IMF
3. Organization for Economic Co-operation and Development, OECD
4. Indian Renewable Energy Development Agency (IREDA),
5. Tata Cleantech Capital Limited (TCCL),
6. Green Climate Fund (GCF),
7. Tamil Nadu to set up Green Climate Fund; to support mega green projects

World Bank

The World Bank has estimated that \$4 trillion, 40 times the current amount promised is required annually in developing and emerging economies for climate change mitigation and adaptation. Global finance needs to drastically enhance investments in clean technologies and move money away from fossil fuels. Finance will be one of the four major topics that will be discussed at the United Nations Conference of Parties (COP). At COP 26, countries are expected to enhance their climate targets into greater alignment with what the world needs to keep warming to below 1.5 C. In the wake of the global corona virus pandemic, mobilizing climate finance for developing countries, such as India is more important than ever. India has been vocal about developed countries stepping up, and making good on their promise to mobilize at least \$100 billion annually in climate finance.

Institutions that can mobilize public capital and catalyze private investments are critical. Climate finance and ESG investors need a trusted green intermediary that understands investor requirements; regional legal and political environment and is aligned with governmental policy. Green banks are effective intermediaries for climate finance

Green Banks and Green Windows are proven institutional mechanisms that use public capital to attract private investments while scaling financing solutions.

Indian Renewable Energy Development Agency (IREDA).

The India has two dedicated clean energy finance institutions — the Indian Renewable Energy Development Agency (IREDA) and Tata Cleantech Capital Limited (TCCL). IREDA is a public clean energy finance institution. It has announced plans to set up India's first Green Window to grow under-served market segments with the cumulative potential is to raise over Rs 210 billion. In clean energy investment IREDA Green Window is expected to be developed on the green bank model. TCCL is the world's first private sector Green Bank. It is a member of the global Green Bank Network and the first private sector entity to partner Green Climate Fund (GCF) to mainstream rooftop solar financing in India. In the past six years, TCCL has funded over 250 projects averting over 16 MT of carbon emissions annually. TCCL has successfully raised green concessional international debt capital from Asian Infrastructure Investment Bank (AIIB), Entrepreneurial Development Bank (FMO), CDC, UK and Japan International cooperation agency (JICA) for financing renewable energy, electric mobility and efficiency financing. Additionally, IREDA and TCCL play an important role in advising policymakers.

TAMIL NADU STATE ACTION PLAN ON CLIMATE CHANGE (TNSAPCC)

The Tamil Nadu State Action Plan on Climate Change (TNSAPCC) was endorsed by Ministry of Environment, Forests and Climate Change (MoEF &CC), Government of India (GoI) on 31.03.2015. TNSAPCC has identified the following seven vulnerable sectors listed below,

- Sustainable Agriculture
- Water Resources
- Forest and Biodiversity
- Coastal Area Management
- Sustainable Habitat
- Energy Efficiency, Renewable Energy and Solar Mission
- Knowledge Management

The MoEF&CC, GoI has requested to revise the Tamil Nadu State Action Plan on Climate Change with technical support from German Corporation for International Cooperation (GIZ) and accordingly action has been taken to revise the TNSAPCC with the objectives to re-examine the State specific, impact, risk and vulnerability, to take stock of the implementation of the SAPCC, to re-examine various actions (adaptations and mitigation) in the light of climate goals set in India's NDC and to prepare new short range(2023) and long range plans up to 2030.

Prime Minister Narendra Modi has proposed a five-fold strategy for India to play its part in helping the world get closer to the 1.5 degrees Celsius target in Glasgow at the 26th conference of Parties (CoP26) in November last year. He has euphemistically termed the proposed schemes as Panchamrita which means five ambrosia. The Panchamrita targets adding 500 GW of non-fossil-based energy capacity and meeting 50% of its energy requirements through non-renewable sources.

Tamil Nadu to set up Green Climate Fund; to support mega green projects

The Government of Tamil Nadu has issued orders for the setting up of Tamil Nadu Green Climate Fund worth Rs 1000 Crore with a greenhouse option of other Rs 1000 Crores. The fund will be allowed for a period of 10 years, subject to extension of another 2 years.

An important step towards environment conservation, the TN Green Climate Fund will support mega projects in renewable energy sector, electric/ hybrid, waste management technologies, sustainable agriculture, emission control technology among several others.

About the fund

The Tamil Nadu Green Climate Company (TNGCC) has been set up with the aim of implementing three missions of the state government – TN Climate Change Mission, Green Tamil Nadu Mission, and the Tamil Nadu Wetlands Mission. As per the Order released, the Government will set up the TN Green Climate Fund to fund climate change initiatives, mitigation and greening projects. The fund will mobilize necessary resources from various sources including development finance institutions and international climate funds.

Green Climate Fund

Climate change is one of the biggest challenges being faced today affecting people and nature across the globe, with developing countries being mostly impacted. Green Climate Fund is aimed at supporting the efforts towards climate change.

Green Climate Fund refers to a fund established within the framework of the United Nations Framework Convention on Climate Change (UNFCCC) as an operating entity of the Financial Mechanism to assist developing countries in adaptation and mitigation practices to counter climate change.

The decision to set up the Green Climate fund (GCF) was taken at COP 16 in Cancun on December 2010 and the GCF was operational in COP 17 in Durban in 2011. The GCF is headquartered in Songdo, Incheon City, and Republic of Korea.

Addressing important issues

Green Climate Fund is an important solution for sustainable development. It aims to promote a paradigm shift towards low emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions. The purpose is to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change.

The Fund plays a key role in channelizing new, additional, adequate and predictable financial resources to developing countries and catalyzes climate finance, both public and private at the international and national levels. It is an instrument of fighting climate change. For instance, the Green Climate Fund has approved US\$43 million for UNDP-supported project to boost climate resilience for millions living in India's coastal communities.

UNDP India & GCF Collaboration

The Government of India in 2018 took an important step toward its goals for low-carbon, climate-resilient development with the approval of a US\$43 million grant from the Green Climate Fund, supporting climate resilience of millions of people living in the coastal states of Andhra Pradesh, Maharashtra and Odisha.

Supported by United Nations Development Programme (UNDP), it is an essential step for India to achieve its green goals including the 2030 Agenda for Sustainable Development. The Government of India is also financing an additional US\$ 86.8 million toward the new project to mainstream and accelerate the impacts of the Green Climate Fund grant.

The six-year project works with communities in restoring ecosystems and promoting climate-resilient livelihood options, such as the sustainable farming of mud crabs.

Loss and Damage Fund

For the first time COP27 summit, held at Sharm el-Sheikh, Egypt, included compensation against loss and damage due to climate change on in its final agenda. The fund would assist poor countries hit by a warming planet. As a historic move, it is one of the most significant progresses governments have made since the UN climate talks began 30 years ago.

The idea behind the fund- developed countries have benefited immensely from the successive phases of industrial developments taking place for over 200 years, they should pay generously to the poor and developing countries. Developed nations have contributed the most, (nearly 92 per cent) to greenhouse emissions blamed for the climate crisis and are therefore liable to help countries vulnerable to climate-induced changes. Initiatives like the Loss and Damage Fund and Green Climate Fund are created with motives to financially strengthen the fight against climate change and address the issues sustainably.

CONCLUSION

The Banking industry plays an important role in economic growth and environmental protection by promoting environmentally sustainable and socially responsible institutions. The banking of this kind can be termed as Green Banking. Change is the need of the hour for survival in all spheres. Banks can provide important leadership for the required economic innovation that will provide new opportunities for financing and investment policies. It is concluded that there is positive impact towards green banking in India.

The term green banking refers to bank initiatives that support environmentally sustainable investing. Green banking is an innovative and forward-thinking approach to long-term sustainability. It is critical for banks to be proactive in order to increase the economy's rate of growth. Because environmental conditions are always changing, banks confront severe competition in the worldwide market. Banks can reclaim the return of investment and make polluting enterprises more environmentally friendly by including environmental issues into their lending activities. Green banks are growing rapidly as viable alternatives to regular banks, particularly as customers start questioning the long-term durability of fossil fuels as a source of energy. The ongoing stigmatization of fossil energy may result in a decreased inflow of capital to fossil fuel companies, eventually leading to the industry's extinction and increased adoption of green power solutions.

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