

To cite this article: Sudarsana Dutta (2025). GREEN BANKING PRACTICES AND THEIR EFFECTIVENESS IN SUSTAINABLE FINANCE, International Journal of Research in Commerce and Management Studies (IJRCMS) 7 (4): 208-211 Article No. 449 Sub Id 820

GREEN BANKING PRACTICES AND THEIR EFFECTIVENESS IN SUSTAINABLE FINANCE

Sudarsana Dutta

M.Com, Gauhati University
Email: dsudarsana64@gmail.com

DOI: <https://doi.org/10.38193/IJRCMS.2025.7414>

ABSTRACT

Green banking is an emerging concept that integrates environmental sustainability into financial services. It involves the adoption of eco-friendly practices, policies, and strategies by financial institutions to promote sustainability and mitigate environmental risks. This research paper explores the concept of green banking, its key practices, and its effectiveness in achieving sustainable finance. The study also examines the challenges and future prospects of green banking in the global financial system.

KEYWORDS: Green Banking, Sustainable Finance, Environmental Sustainability, Financial Institutions, Climate Change, Renewable Energy

INTRODUCTION

The banking sector plays a crucial role in economic development, but it also has an impact on the environment through its operations and financial decisions. Green banking is a proactive approach that financial institutions adopt to support sustainable economic growth while minimizing environmental degradation. This paper aims to analyze various green banking practices and their role in sustainable finance.

2. LITERATURE REVIEW

Green banking has been extensively studied in recent years due to increasing concerns about climate change and environmental sustainability. Researchers have highlighted the role of banks in financing green projects, promoting renewable energy, and encouraging responsible investment. Several case studies from different countries demonstrate how green banking contributes to a sustainable financial system. According to Jeucken (2001), sustainable banking involves more than just green lending; it encompasses a strategic reorientation of the banking sector toward sustainability.

3. METHODOLOGY

This paper follows a qualitative research methodology based on secondary data. The analysis is drawn from academic journals, policy papers, RBI reports, and publications by international organizations such as the World Bank and UNEP. Comparative case studies of green banking practices in India and globally have been included to support the analysis. The effectiveness of green banking is assessed through parameters such as carbon footprint reduction, green lending volume, and policy integration.

4. GREEN BANKING PRACTICES

Green banking involves several key practices, including:

- Paperless Banking: Adoption of digital transactions and e-statements to reduce paper consumption and promote eco-efficiency.
- Green Loans and Investments: Providing financial support for environmentally friendly projects such as renewable energy, energy efficiency, green infrastructure, and sustainable agriculture.
- Carbon Footprint Reduction: Implementing measures to reduce the carbon emissions of bank operations, such as using energy-efficient buildings and renewable energy sources.
- Green Bonds: Issuance of bonds dedicated to financing green projects, which attract environmentally conscious investors.
- Sustainable Risk Assessment: Integrating environmental, social, and governance (ESG) criteria into credit risk assessment and investment decisions.

Case Example: State Bank of India (SBI) SBI has introduced several green initiatives, including the adoption of solar ATMs and financing renewable energy projects. In 2021, it issued green bonds worth \$100 million to finance solar and wind energy ventures.

5. Effectiveness of Green Banking in Sustainable Finance

Green banking practices contribute significantly to sustainable finance by:

- Encouraging investments in eco-friendly projects
- Reducing operational costs through energy efficiency
- Enhancing brand reputation and customer trust
- Promoting financial inclusion through green microfinance initiatives
- Supporting government policies on environmental conservation

Studies indicate that banks practicing sustainability have shown better resilience and long-term returns. Green banking also aids in aligning financial flows with the goals of the Paris Agreement on climate change.

6. POLICY AND REGULATORY FRAMEWORK

The Reserve Bank of India (RBI) has encouraged banks to adopt green practices and integrate sustainability into their operations. In 2017, the RBI published a report on "Sustainable Finance in India" highlighting the importance of green lending and disclosure norms. The Indian government has also promoted green finance through policies like the National Electric Mobility Mission and International Solar Alliance.

Globally, initiatives such as the Equator Principles and the UNEP Finance Initiative provide guidelines for sustainable banking practices.

7. Challenges in Implementing Green Banking

Despite its benefits, green banking faces several challenges, including:

- Lack of awareness and technical expertise among bank staff and customers
- High initial costs of green investments, which may deter banks from funding such projects
- Limited regulatory mandates and incentives to encourage banks to adopt green practices
- Inadequate data and metrics for assessing environmental risks and performance
- Resistance to change within traditional banking structures

8. Future Prospects of Green Banking

The future of green banking looks promising with advancements in financial technology (FinTech), regulatory frameworks, and increased environmental consciousness among stakeholders. The integration of artificial intelligence (AI) and blockchain technology can enhance transparency and traceability in green finance. Collaboration between financial institutions, governments, and international bodies will be critical in scaling up green finance.

Emerging trends include the development of sustainable finance taxonomies, green fintech startups, and ESG-driven investment strategies. As the world moves toward a low-carbon economy, green banking will become an essential part of mainstream finance.

9. CONCLUSION

Green banking is a crucial component of sustainable finance that aligns economic growth with environmental responsibility. Financial institutions must adopt green banking practices to mitigate environmental risks and promote long-term sustainability. Although challenges exist, continued



innovation, policy support, and stakeholder collaboration can enhance the effectiveness of green banking in achieving a sustainable financial system.

REFERENCES

- Bihari, S. C. (2011). Green banking – Towards socially responsible banking in India. *International Journal of Business Insights & Transformation*, 4(1), 82-87.
- Bose, S. (2010). Green banking in India. *The IUP Journal of Bank Management*, 9(3), 40-50.
- Gupta, P., & Agarwal, P. (2013). Green banking and sustainable development in India. *Asian Journal of Multidimensional Research*, 2(4), 90-101.
- Jeucken, M. (2001). *Sustainable finance and banking: The financial sector and the future of the planet*. Earthscan Publications.
- Rajput, N., Arora, S., & Khanna, A. (2013). Indian banking sector towards a sustainable growth: A paradigm shift. *International Journal of Academic Research in Business and Social Sciences*, 3(1), 290-304.
- Reserve Bank of India. (2017). *Report on sustainable finance in India*. RBI Publications.
- UNEP Finance Initiative. (2016). *Greening the banking system*. United Nations Environment Programme.
- World Bank. (2020). *Sustainable finance and the role of banking sector*. The World Bank Group.