

## **A study of Sustainable Banking in India**

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### **ABSTRACT**

“The notion of sustainable banking in India and its effects on the community and environment are examined in the study. The study used both primary and secondary data sources, such as bank executives' and workers' interviews, consumer surveys, financial report analysis, and business sustainability strategies. The study's findings demonstrate that sustainable banking practices are slowly gaining ground in India, where various banks have adopted policies and initiatives to promote sustainable growth. Among these are social impact investing, green finance, and financing for renewable energy sources.

### **KEYWORDS**

Community, Environment, Demonstrate, Green Finance, Renewable Energy Source, Stakeholder.

### **INTRODUCTION**

In recent years, India has paid a lot of attention to the idea of sustainable banking, with banks emphasizing social and environmental responsibilities. An essential step towards advancing sustainable development and tackling environmental and social challenges is the implementation of sustainable banking in India. Sustainable banking practices are those in which environmental, social, and governance (ESG) factors are taken into account during the decision-making process. This involves funding initiatives that advance

sustainable development, putting sustainability into practice throughout business operations, and employing ethical investment practices.

Given India's fast-expanding economy and the ensuing environmental and social issues, the country must adopt sustainable banking. Ambitious goals for sustainable development have been established by the Indian government, including raising awareness of renewable energy sources and lowering greenhouse gas emissions.

Additionally, investors, consumers, and other stakeholders are becoming more and more conscious of the significance of sustainable financing. Sustainable banking practises allow banks to stand out and attract socially conscious clients and investors.

The Reserve Bank of India (RBI) launched the Sustainable Finance Framework in 2015 as one of many attempts to advance sustainable banking in India. The framework offers rules for banks to follow when incorporating ESG factors into lending and investing choices. In conclusion, the adoption of sustainable banking in India is a significant step in the direction of fostering sustainable growth and resolving environmental and social issues. Sustainable banking practices can give banks a competitive edge and help India move towards a more sustainable future.

The 3 R's—reduce, reuse, and recycle—are being implemented to reduce the demand for fossil fuels because sustainable development and environmental preservation are now recognised on a global scale. Growth that is careless and unimaginative is threatening the environment, and the negative effects are seen in things like pollution, excessive greenhouse gas emissions, unpredictable weather, global warming, and climate change. While there is currently no agreement among the nations on how to divide the cost of ecological footprints, the majority of nations have been acting quickly to combat global warming and climate change. By investing in or financing the businesses of their clients, banks also directly and indirectly increase their ecological footprint. As a result, they must be crucial to minimizing or optimizing the carbon impact. It is said that what is not measured, is not managed. The concept of "green banking" is relatively new in the financial industry. It is a type of banking that takes into account the effects on society and the environment, and its major goal is to safeguard and preserve the environment.

**OBJECTIVES:-**

- (i)Evaluating the degree to which Indian banks are implementing sustainable banking practises, such as investing in renewable energy, lowering carbon emissions, and encouraging social responsibility.
- (ii)Assessing the effects of environmentally friendly banking practises, such as decreased carbon emissions, higher usage of renewable energy, and a smaller ecological footprint.
- (iii)Examining how sustainable banking practises, such as those that encourage micro businesses, financial inclusion, and sustainable development, affect society.

**LITERATURE REVIEW**

More authors are discussing green banking and emphasising the issues and difficulties the banking industry is running into when putting these plans into practice. Rajan (2010) focuses on the significance of minimal standards that businesses must adhere to in order to become environmentally friendly. All organisations will be forced to act in a socially responsible manner as a result of this. Similar to this, Mehta (2009) said that the importance of technology in addressing environmental issues has expanded as a result of variables including more educated and demanding customers, shorter product life cycles, and greater competition.

In addition to discussing the benefits of mobile banking, Parab (2010) also highlighted some of the difficulties that the industry faces in the current technological environment, such as educating users and managing e-waste. According to Prasad (2011), the three pillars of ecological security, livelihood security, and food security are crucial components of a development strategy that is both equitable and sustainable. He has claimed that advances in science and technology are consistent with the laws of nature. He emphasises the need of environmental protection spending in creating a thorough balance sheet of natural resources when discussing the idea of environmental accounting.

According to Bihari (2011), banks should use resources as efficiently as possible while also considering the environmental impact of their lending and investment decisions. Singh (2011) proposes the ideas of re-use, recycling, and waste minimization as solutions to deal with environmental concerns and assure sustainable growth while emphasising the importance of technology.

The criteria listed by Babu and Venkataramama (2011) for marketing eco-friendly goods and services include educating consumers through green advertising campaigns, enlisting their support through Bhanagade (2011) identified a few of the competitive problems facing the banking industry as.

Profitability, technology in banking, risk management, concerns with rural and social banking, human resource management, corporate governance, transparency and disclosures, etc. are some of the competitive challenges for banking that Bhagananda (2011) outlined. He suggests that the best course of action is to "think globally and act locally."

## **RESEARCH METHODOLOGY**

### **DATA COLLECTION**

To know about public preference on the sustainable banking in India. The study was done on the basis of Primary Data method and for collecting the data we have firstly prepared the questionnaire and then we collected all the responses.

### **PRIMARY DATA**

The gathering of data is an essential phase of any research effort, including a thesis. It entails obtaining data or proof from a range of sources, including primary and secondary sources, in order to respond to the research question or validate the hypothesis.

Although gathering original data can be time-consuming and expensive, it can also yield insightful information that cannot be found in secondary data sources. Utilizing the right techniques for data collection and analysis is crucial when gathering primary data to guarantee its validity and reliability.

### **PRIMARY SOURCE OF DATA**

Questionnaire technique

QUESTIONNAIRE: - Survey on random public

## **SAMPLING TECHNIQUE**

### **Simple Sampling**

The number of observations or people in a sample drawn from a broader population is referred to as the sample size. Estimating the sample size is a crucial stage in the research process since it helps identify how many participants are required to provide statistically meaningful results. The size of the sample that is necessary is determined by a number of elements, including the research design, the level of precision required, the population's variability, the significance level, and the power of the statistical test.

A higher sample size typically results in better statistical power, which increases the likelihood of detecting a significant effect. A bigger sample size does, however, also mean that data gathering and analysis will cost more money and take longer. The sample size can be calculated using a variety of statistical formulas and procedures, including the t-test, ANOVA, and chi-square test. Input parameters for these procedures include the effect magnitude, standard deviation, and degree of confidence.

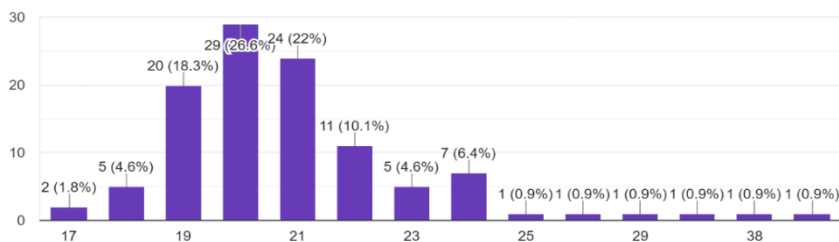
### **Sample Size**

I have collected the responses from 109 students, with random public and friends. Whole research and interpretation done is based on their responses only.

## **DATA ANALYSIS & INTERPRETATION**

### **What is your age:**

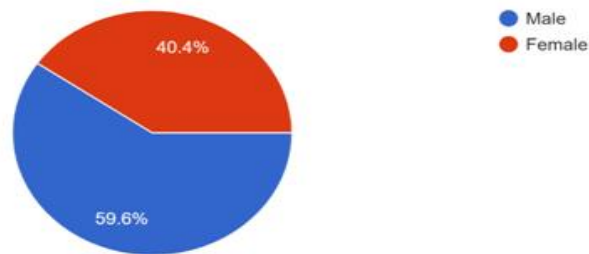
What is your age  
109 responses



We have got 109 responses from the literate people in which most of the Age group peoples who has replied are from 19-21 and after that the age group of 22-24 has responses the second highest with the aggregate percentage of 66.9% and 21.1% respectively.

### **What is your gender:**

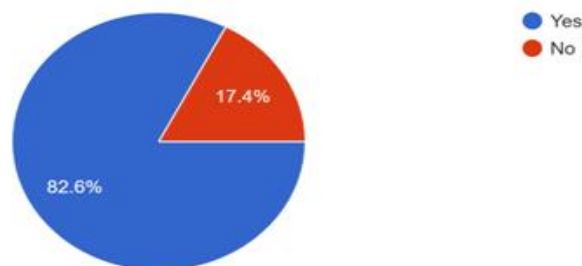
What is your gender  
109 responses



In overall we have got 109 responses from which we have got most of male responses but not with that much difference as we were expecting. From all responses the difference is just of 19.2% in which the male has responses 59.6% and the females with 40.4%.

### **Do you know about Sustainable Banking?**

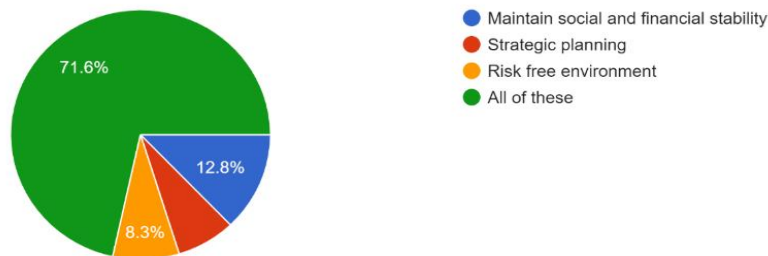
Do you know about sustainable banking ?  
109 responses



From 109 responses 17.4% peoples are the one who are not aware of Sustainable Banking and only 82.6% peoples know about this. This was totally unexpected that the ration of people who are not aware of Sustainable banking will cross 5%.

### Sustainable Banking main Objectives are?

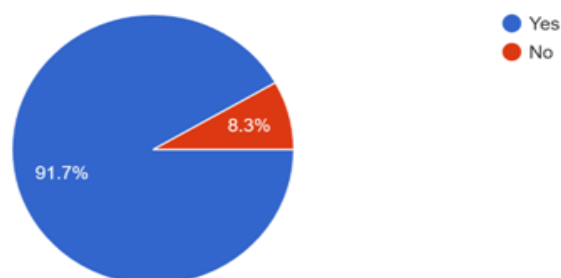
Sustainable banking main objectives are  
109 responses



As you all can see that the responses clearly show that the main objective of Sustainable banking is all of the options i.e., Maintain Social and Financial Stability, Strategic Planning & Risk free Environment. But according to me the 3<sup>rd</sup> option should be the correct one that is Risk free Environment and only 8.3% peoples opted for 3<sup>rd</sup> option.

### Do you think Sustainable banking is important for banking industry in India?

Do you think sustainable banking is important for banking industry in india ?  
109 responses



From 109 responses 8.3% people have opted for the 2<sup>nd</sup> option that is “No” as if their will not be sustainable banking then there is the loss of their only. It was really unexpected that we will get the 2<sup>nd</sup> option also, but we can’t say them wrong also as may be they have their different point of view on which they said “No”.

### **CONCLUSION AND SUGGESTION**

In India, sustainable banking is crucial to the expansion and development of the economy. There is always potential for improvement, despite the fact that the Indian banking industry has recently made great strides in supporting sustainability.

Green finance promotion is one of the main ways sustainable banking may be enhanced. The financing of green initiatives like renewable energy, energy efficiency, and sustainable agriculture can be greatly aided by Indian banks. Banks may aid in lowering the nation's carbon footprint and fostering sustainable economic growth by offering loans, investments, and other financial services to green projects.

By fostering financial inclusion, sustainable banking may also be improved. India has made great progress in recent years towards encouraging financial inclusion, but there is still much work to be done. Through the provision of financial services to underprivileged populations and the promotion of financial literacy and awareness, sustainable banking may play a significant role in advancing financial inclusion.

In India, where there are many environmental and social issues, sustainable banking is becoming more and more significant. Banks must implement sustainable banking practises in order to encourage sustainable development and guarantee long-term financial stability. Observations and recommendations for sustainable banking in India are provided below:

When making loan decisions, banks should use environmental, social, and governance (ESG) standards. They ought to support environmentally friendly initiatives and businesses that benefit society.



**LIMITATIONS OF THE STUDY:****1. Lack of standardisation**

In India, banks do not all follow the same sustainability reporting and practises, which can make it challenging to compare and analyse data.

**2. Limited data availability:**

Researchers may find it difficult to conduct in-depth studies and reach reliable results due to the limited data on sustainable banking practises that is available.

**3. Lack of effective regulation:**

Despite the Reserve Bank of India issuing guidelines and instructions for sustainable banking, there is still no suitable regulatory structure or enforcement procedures to guarantee adherence to sustainable banking practises.

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7. Bhide and Shrivastava (2021) discovered that green bonds are becoming a more widely used financing option in India for renewable energy and sustainable infrastructure projects.
8. Sharma and Rastogi (2019) looked at the possibility of using green loans to finance sustainable agricultural practises in another study.
9. Chakraborty and Gupta (2020) examined the environmental management procedures.
10. Gupta and Gupta (2020), for instance, which looked at the CSR practises of Indian banks.
11. Jain and Singh (2019) that examined the corporate governance practises of Indian banks.
- 12.** Mehta (2009) said few words on technology in addressing environmental issues.