International Journal for Multidisciplinary Research (IJFMR)

E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

Green Banking and Environmental Sustainability (With Special Reference to Indian Overseas Bank)

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Abstract:

Green banking helps to environmentally friendly banking practices. It involves banks adopting sustainable initiatives to reduce their environmental impact, promote eco-friendly projects, and encourage customers to support green products and services. Adoption of green banking helped both customers and environment. Using green banking initiatives, customers can perform their banking activities at their comfortable time and place. It also helps to control the wasting of resources of the bank. This research paper focused on the impact of green banking as well as green banking initiatives of IOB.

Keywords: Green Banking, Environmental Sustainability.

Introduction:

The banking sector plays an important role in the economic growth and development of any country. It affects the country’s economy by providing infrastructure, credit and investment. Green banking is an innovative approach in the financial sector that focuses on promoting environmentally sustainable practices. It involves banks and financial institutions integrating eco-friendly initiatives into their operations and services to support environmental conservation and reduce the carbon footprint. This includes financing green projects like renewable energy, energy-efficient buildings, and sustainable agriculture, as well as adopting digital banking to reduce paper use.

The main goal of green banking is to encourage sustainable development by providing financial products that support environmentally responsible activities. By doing so, green banking helps customers contribute to a healthier planet while also benefiting from incentives like lower loan rates for green projects. It reflects a growing global awareness of the importance of protecting the environment and addresses challenges such as climate change and resource depletion.

Objectives of the Study:

1. To understand the concept of green banking.
2. To identify the impact of green banking practices in India.
3. To identify the various initiatives taken by Indian Overseas Bank.

Research Methodology:
This study is descriptive in nature and is based on secondary data which is collected from various reports, journals and website of IOB. This study is trying to add to the existing literature on green banking.

Concept of Green Banking
Green banking is an evolving concept where financial institutions integrate environmental and social considerations into their operations, services, and financing activities. It aims to promote sustainable development by supporting eco-friendly projects, reducing the carbon footprint of banking operations, and encouraging responsible investment practices.
1. Environmental Sustainability: Banks adopt practices that minimize energy consumption, reduce waste, and utilize renewable energy sources in their operations. This includes digitizing services to reduce paper usage and implementing energy-efficient technologies.
2. Social Responsibility: Financial institutions consider the social impact of their activities, promoting financial inclusion, supporting community development, and respecting human rights.
3. Responsible Investment: Banks encourage and facilitate investments in sustainable projects and businesses that have a positive environmental and social impact.
4. Green Financing: Providing loans and investments for renewable energy projects, energy-efficient infrastructure, and sustainable agriculture.
5. Green Products and Services: Offering green bonds, eco-friendly savings accounts, and green credit cards that fund environmentally beneficial initiatives.
6. Operational Sustainability: Implementing energy-efficient practices within bank branches, reducing paper usage, and promoting digital banking solutions.
7. Risk Management: Integrating environmental risks into credit assessments and investment decisions to ensure long-term sustainability.

Green banking practices in India have significantly influenced various facets of the banking sector, encompassing financial performance, customer satisfaction, and sustainable development.

Impact of Green Banking on the Environment
Green banking plays a crucial role in promoting environmental sustainability by influencing how financial resources are allocated and how banking operations are conducted. Its impact on the environment includes:
1. Reduction in Carbon Footprint: Green banking encourages digital transactions (online banking, e-statements), significantly reducing paper usage and waste.Banks adopt energy-efficient technologies and sustainable practices in their operations, lowering greenhouse gas emissions.
2. Financing Sustainable Projects: Provides funding for renewable energy projects like solar, wind, and hydro power, helping reduce reliance on fossil fuels. Supports eco-friendly infrastructure development (green buildings, energy-efficient transportation) that minimizes environmental degradation.
3. Promoting Environmental Awareness: By offering green financial products (green loans, green bonds), banks raise awareness among customers and businesses about sustainable choices.
4. Mitigating Environmental Risks: Banks integrate environmental risk assessments in lending and investment decisions, avoiding funding projects harmful to ecosystems or contributing to pollution.

5. Supporting Climate Change Goals: Green banking aligns with national and global climate goals by mobilizing investments in low-carbon and climate-resilient technologies.

Statement of the Problem:

Banks affect the environment directly and indirectly. It affects the environment indirectly by financing industries that pollute the environment. It also affects the environment directly though not as much as industry and transport. Banks contribute towards the carbon emission by using lighting, air conditioning, paper, and other electronic equipments in their day-to-day operations. Thus it is imperative to study the need for sustainable and environment friendly practices for banking. Only few banks in India have taken initiatives towards green banking. Majority of Indian banks are far behind in the adoption of green banking practices. It is necessary to adopt green banking as a business model so as to achieve the objective of sustainable banking. Banks should make aware their customers about green banking and should adopt all those green strategies to protect environment and to build eco- friendly image.

Green Banking Initiatives by Indian Overseas Bank

1. Partnership with Indian Green Building Council (IGBC)

In March 2025, IOB signed a Memorandum of Understanding (MoU) with the Confederation of Indian Industry - Indian Green Building Council (CII-IGBC). This collaboration aims to provide accessible and affordable financing solutions for developers and homebuyers involved in IGBC-rated green buildings. Under this partnership, IOB offers preferential financing options to developers constructing IGBC-certified green buildings and tailored financial support to homebuyers purchasing residential units in these projects. This initiative encourages the adoption of sustainable construction practices and contributes to environmental conservation.

2. Co-Financing Renewable Energy Projects with IREDA

IOB has partnered with the Indian Renewable Energy Development Agency (IREDA) to co-finance renewable energy projects across India. This collaboration focuses on co-lending and loan syndication for various renewable energy initiatives, including solar and wind energy projects. The partnership aims to streamline loan processes and provide robust financial support to renewable energy ventures, thereby promoting clean energy and reducing the carbon footprint.

3. Green Loan Scheme for Eco-Friendly Projects

IOB offers a green loan initiative that promotes eco-friendly projects such as solar installations and sustainable agriculture. The scheme provides loans at competitive interest rates, aiming to achieve a portfolio of INR 500 crores in green financing. This initiative encourages individuals and businesses to invest in sustainable practices, contributing to environmental conservation and resource efficiency.

4. Commitment to Carbon Accounting

In February 2025, IOB became a signatory of the Partnership for Carbon Accounting Financials (PCAF). This commitment reflects the bank's dedication to integrating climate-conscious policies into its financial practices. By adopting standardized methods for assessing greenhouse gas emissions associated with its lending and investment activities, IOB aims to enhance transparency and make informed decisions to reduce its environmental impact.

Conclusion

Green banking represents a vital step towards sustainable development by integrating environmental responsibility into financial services. Through innovative products, eco-friendly financing, and operational sustainability, banks play a key role in reducing environmental impact and promoting green growth. Indian Overseas Bank's proactive initiatives, including partnerships for green building financing, renewable energy projects, and carbon accounting commitments, highlight how financial institutions can lead the way in supporting a greener economy. Embracing green banking not only benefits the environment but also fosters customer trust, operational efficiency, and long-term economic resilience.

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