Green Banking in India

Pravakar Sahoo
Bibhu Prasad Nayak
Green Banking in India

Pravakar Sahoo
Bibhu Prasad Nayak

Abstract:-

Sustainable development can best be achieved by allowing markets to work within an appropriate framework of cost efficient regulations and economic instruments. One of the major economic agents influencing overall industrial activity and economic growth is the financial institutions such as banking sector. In a globalised economy, the industries and firms are vulnerable to stringent environmental policies, severe law suits or consumer boycotts. Since banking sector is one of the major stake holders in the Industrial sector, it can find itself faced with credit risk and liability risks. Further, environmental impact might affect the quality of assets and also rate of return of banks in the long-run. Thus the banks should go green and play a pro-active role to take environmental and ecological aspects as part of their lending principle, which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems. This paper explores the importance of Green Banking, sites international experiences and highlights important lessons for sustainable banking and development in India. However, we find that there has not been much initiative in this regard by the banks and other financial institutions in India though they play an active role in India’s emerging economy. Therefore, we suggest possible policy measures and initiative to promote green banking in India.

For full paper please write to author at pravakar@iegindia.org.