

A conceptual paper analyzing the need for a specialized development financial institution for fostering Green Projects in India.

Bonny John

Assistant Professor

T. John Institute of Management and Science, Bengaluru, India.

Abstract: This study aims to investigate the contributions of banks and non bank financial institutions through green financing in the overall economy of India. This paper also tries to bring out challenges and prospects of banks and financial institutions in green financing. The study has been conducted based on secondary data consisting of previous literature reviews, published reports of different banks and financial institutions. This study shows that though the trends of green financing are growing, it's not up to the mark. This study provides a valuable insight to the banks as well as policymakers to review the policies and guidelines related to green financing by creating a national level agency for promoting these activities for a better tomorrow.

Index Terms - Sustainable Development, Development Financial Institution, Green Projects, Green Loans.

I. INTRODUCTION

The increased awareness and concerns of the society on environmental issues is forcing the organizations to take care of the environmental impact of their business decisions in addition to profit making. The "Go Green" mantra is getting popular in most of the business organizations. The banking sector in our country had positively responded to this philosophy by making changes in their business practices.

Banking industry is generally considered as a non polluting industry. There are two ways banks can help the society in this area. First way is to adopt a green philosophy in their business operations by moving to a paperless banking system, using energy efficient machines etc. The second and most important way is to extend their financial support to Green Projects at concessional rates which are very difficult in present scenario as the commercial banks are struggling to manage their burden of growing Non Performing Assets.

The best solution to this problem is to create a specialized development financial institution for fostering Green Projects in India.

The role of development financial organization is very significant in our economic growth. Unlike commercial banks whose main objective is on making profit, the development financial institution is mainly interested in developing a sector by extending financial and technical support.

II. REVIEW OF LITERATURE

Wakeford et al. (2017) surveyed based on nine half-structured interviews conducted by researchers investigating nexus investigations in the country's green innovation and industrialization, and a survey of 117 companies, this article examines Ethiopia's cement, skin and textile sectors, invented system, green With a view to understanding their effectiveness toward supporting industrialization. The results showed lower rates of products and process innovation among companies in Ethiopia. The main obstacles to innovation are the high cost of technology, insufficient money and limited information. Competitive growth is the main driving force of the new innovation of the strong, the reduction in environmental impact and the reduction of environmental regulations, among the least important motivations, and encourages the development of interaction between the strong government and other actors. Studies have shown that coordination among leading actors, financial support for organizations and environmental regulation.

Wang and Zhi (2016) discovered the elasticity of green money for renewable energy and find some insufficiency. They pay attention to the development of the market and policy formulation. Expressing internal conflicts between green finance and environmental conservation, they are spontaneously proposed for better achieving environmental balance.

Koscielniak and Gorka (2016) showed that Public and private partnership processes (PPP) scale and nature in the development of the Silesia region PPP solutions as a framework determinant of sustainable development based on the decision on the above subjects. The study presented the PPP project implemented in the study areas for sustainable urban transportation.

Sharma (2013) explored for existing literature about green banking. Secondly, the products, process and technology that the top leading public sector banks and public sector undertakings promote, help reduce the amount of carbon foot print in the environment.

III. OBJECTIVES OF THE STUDY

1. To evaluate the need for a specialized development financial institution for fostering Green Projects in India.
2. To investigate the financing facilities that is existing in India for Green Projects.
3. To investigate the financing facilities that can be used to fund Green Projects in India

IV. RESEARCH METHODOLOGY

The present study is based on secondary data which is collected from annual reports, websites of commercial banks, RBI and ADB. The news articles published in newspapers and magazines and research articles published in the relevant field are also used.

v. INITIATIVES FOR GREEN PROJECTS UNDERTAKEN IN INDIA

In India various organizations are working for the promotion of Green Projects. The main focus of all these organization is the development of renewable energy projects as India is an energy deficit country. The renewable energy projects require huge inital funding.

Considering the importance of this sector RBI has categorized the renewable energy sector as a priority sector lending group in April 2015 so that commercial banks can extend financial support. But as this sector is coming under the broad category of Priority Sector and due to the upper ceiling of loans the initiative is not enough to support the growing needs of India.

Another initiative is National Clean Energy and Environment Fund (NCEEF).The fund was created to support entrepreneurial ventures and research in the clean energy technologies by mobilizing funds through a cess on coal as Clean Environment Cess in 2011-12.But there have been concerns with the allocation of resources for different projects as well as operationalization of the fund.

Indian Renewable Energy Development Agency Limited (IREDA) is active in financing renewable energy projects by offering loans at reduced interest rate. IREDA often sources funds from international agencies and banks to provide such loans for renewable energy projects. But there have been regulatory concerns with the financing of projects in terms of delay in sanctioning of loans. The IREDA has potential to become a Green Bank but the banking regulations in India do not permit such class of institutions. IREDA is using innovative financial products like Green Masala Bonds to raise funds globally.

Several commercial banks have taken initiatives to promote green projects like solar powered ATMs, Green Banking, Green Loans etc. to show their support.

VI. ANALYSIS AND CONCLUSION

The environmental degradation and climate change of our world require immediate attention of everyone. Unless we take scientific steps to promote green projects our future generations will have to pay heavy price for that. The green projects cannot be compared with other kinds of business projects. The need of a development financial institution consisting of experts is required to foster the growth of Green Projects. The proposed institution should try to attract investments from domestic and international markets by the use of innovative products like Masala Bonds, Green Bonds etc. apart from the government and RBI support. The government should promote this idea and consider about offering tax exemption to these investments for promoting the Green Projects.

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