



Hariyat Pariyojana Bank (Happy Bank): A Hypothetical Model Bank to Conserve Environment and Sustainable Development.

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ABSTRACT

The economic activity and development of any country is associated with the well-structured strong financial system which acts as a backbone for the economic growth which leads to economic development. Financial system plays a prominent role in the development activities of the country and one component of financial system that is banking system plays a crucial role which lends loans for all the economic and development activities. Today the need of the hour is sustainability, green economy, environment conservation and protection. To go for the green economy what is needed here is the investments on these activities like renewable energy, green technologies, green bonds.etc. which leads to sustainable development. But the point is who is going to make an investment on these activities, though commercial banks lends loans to these activities which is only small portion of their total lending's which is not creating revolution in the green economy, so what is needed is the exclusive bank which deals only with the green economic activities, that is whichever project which reduces the greenhouse gasses emission level that should be given loans and encourage their activities. Though it is difficult to establish green banks throughout the country, the alternative could be establishing one green bank for India called **Hariyat Pariyojana Bank** which functions like a refinancing agency which lend conditional loans to the banks and the banks has to lend loans only to the green projects. Survey method is used to determine the need of separate bank called green bank from the banker's perspective.

Keywords: *green bank, sustainability, environment conservation, green economy, government schemes.*

INTRODUCTION

“The OECD defines a Green Bank as a public, quasi-public or non-profit entity established specifically to facilitate private investment into domestic low-carbon, climate-resilient infrastructure.” Green banking means promoting environmental friendly practices and reducing carbon footprint from banking activities. It is like a normal bank, which considers all the social and environment/ ecological factors with an aim to protect the environment and conserve natural resources. Green banking optimizes costs, reduces the risk, enhance banks reputations and contributes to the common good of environmental sustainability. So, it serves both the commercial objectives of the banks as well as its social responsibility. Green banking benefits paperless processing solutions and other efficient and ecologically-friendly business practices can increase processing speed, reduce error and risk, save money and attract customers. They can be made available not only to banks but by to their customers, with clear and measurable benefits to the environment. Green banks can be public (capitalized from government funds), quasi-public (capitalized through a mix of public and private fund), or private. Green banks can use multiple funding sources including philanthropy, emissions trading mechanisms and carbon taxes, private capital, bond proceeds, and even crowdfunding.

State Bank of India has become the first bank in India to venture into generation of green power by installing windmills for captive use. As part of its green banking initiative, SBI has installed 10 windmills with an aggregate capacity of 15 MW in the state of Tamil Nadu, Maharashtra and Gujarat. In the United States, green banks have been created at the state and the local levels. The United Kingdom, Japan, New Zealand and Malaysia have all created national banks dedicated to leveraging private investment in clean energy technologies. Together, green banks around the world have driven approximately \$30 billion of clean energy investment. While the attention of the world is on a rapid and sustainable COVID-19 recovery, increasing climate change risks continue to loom large. Recovery will require investments that create and jobs and ensure not only immediate green recovery, but also long-term sustainable development. We need ready solutions that promote local development of climate-resilient infrastructure and use capital and innovation from the private sector to advance public objectives. We need green banks: an implementable, versatile answer for sustainable economic recovery. Many countries are on their way to making this solution a reality. Green banks are most often publicly owned, commercially operated, specialized financing institutions or facilities that act as focal points for scaling up domestic investment in climate-friendly, sustainable projects. The recently launched State of Green Banks 2020 report, the first comprehensive survey, aggregation and analysis of global green bank activity, found that a growing number of countries worldwide are exploring green banks. Twenty-seven green banks already exist in 12 countries and 25 more jurisdictions are actively exploring the model to implement nationally determined contributions, catalyze local green markets and create jobs. Existing green banks have shown an impressive track record to date, investing nearly \$25 billion of their own capital since their respective inceptions and supporting projects with a total value of \$70 billion as of mid-2020. More than \$45 billion of this from the private sector. Although existing green banks are

predominantly situated in high-income countries, the green bank model is by no means limited to developed nations. Emerging green banks are in 25 countries across income levels and geographies around the world.

LITERATURE REVIEW

(Mehedi, 2017) the initiative of Dutch-Bangla bank ltd to promote the green banking in its banking operations in terms of building green infrastructure within its branches like fully solar powered branches, online banking, paperless banking. Ect is a way towards sustainable development and this is achieved through sustainable green banking activities and the special initiative like environmental impact of new project lending is assessed to determine the effect on the environment and society. (Cholasseri, 2016) Green banking is the new model which needs to publicize its benefits to the banking industry, customers and public. Banks are moving towards green activity by providing various green products and services like green deposits, green lending's towards solar and renewable energy projects, paperless services, ATM, online banking services but the customers are availing only few green services like online transactions, ATM's etc....and there are more green products and services are available and customers should be made aware to get this services. (Dipika1, 2015) banks are adopting various strategies for sustainable development and one of the strategy is green banking by providing various products and services which is green in nature that is which has less negative or no negative impact on the environment. The banks are assessing the social and environmental factors in their banking business activities. Some of the banks like SBI, CANARA Bank, PNB, ICICI banks have adopted few strategies for sustainable development like in terms of lending loans to green projects, paperless banking, online transaction, online account opening.etc. customers should be made aware of the e banking services and their importance and also banks should train their employees internally in terms of practicing green banking activity. (Virginia Zhelyazkova, 2015) proposing a new business model for green banking is a new initiative to boost banking activity which is eco-friendly. This model tries to give the way how the capital is raised and where to used that fund and also other factors like interest rate term, types of projects to be lent, size of the fund. Etc. (AHUJA, 2015) literature review on green banking has revealed few very important things like lack of customer awareness and education is a obstacle for the success of green banking and public sector banks initiative towards green banking is greater than private sector banks and state bank of India initiative is more commendable and they have taken several steps like green channel counter, csr policy...etc.

OBJECTIVE

- To develop a hypothetical green bank model for India.
- To determine the banker's perspective on green bank concept.
- To determine the relationship between the green bank and sustainable development.

PURPOSE

It is to understand the perspective of the private and public sector banks on green bank concept and try to develop the hypothetical model bank called green bank and how this leads to sustainability.

HYPOTHESIS

H₀: There is no significance relationship between response of private and public sector banks in establishing green bank.

H₁: There is a significance relationship between response of private and public sector banks in establishing green bank.

H₀: There is no significance relationship between the response of private and public sector banks for the question green finance leads to sustainability.

H₁: There is a significance relationship between the response of private and public sector banks for the question green finance leads to sustainability

RESEARCH METHODOLOGY

The methodology which is used for this article is the qualitative research using survey method to collect the primary data from the bank employees of the Nelamangala town, Bangalore rural district. Data is collected from the selected public and private sector banks with the population size of 29. Hypothesis is developed and to prove this hypothesis few statistical tools like averages and T-test is used.

DATA ANALYSIS

Chart-1 (Respondents of Private & Public sector banks)

PVT SECTOR BANK	Q1	Q2	PUBLIC SECTOR BANK	Q1	Q2
FB 1	4	4	SBI 1	1	4
AB 1	1	2	SBI 2	5	5
AB 2	5	4	SBI 3	5	4
AB 3	5	3	PNB 1	1	2
AB 4	5	3	PNB 2	2	3
AB 5	5	3	PNB 3	2	3
AB 6	5	4	UCO 1	5	4
KB 1	1	4	UCO 2	3	4
KB 2	4	5	UCO 3	4	4
KB 3	3	5	UCO 4	2	5
KB 4	4	4	UCO 5	2	1
KB 5	3	3	UCO 6	3	5
KB 6	4	4	UCO 7	1	5
KB 7	3	4	UBI 1	2	5

KB 8	3	4
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1-strongly disagreed. 2-disagreed. 3-neutral. 4-agreed. 5-strongly agreed.

FB- FEDERAL BANK. AB- AXIS BANK. SBI-state bank of India. PNB-Punjab national bank. UCO bank. UBI- UNION BANK. KB- KARNATAKA BANK

The above table represents the response of public sector and private sector bank employees of the Nelamangala taluk, Bengaluru rural district.

Chart-2

QUESTIONARY	Pvt banks (AVG)	Public banks (AVG)	T-TEST
1	3.6666666	2.71428	0.081598
2	3.7333333	3.857142	0.748849

FIG-1

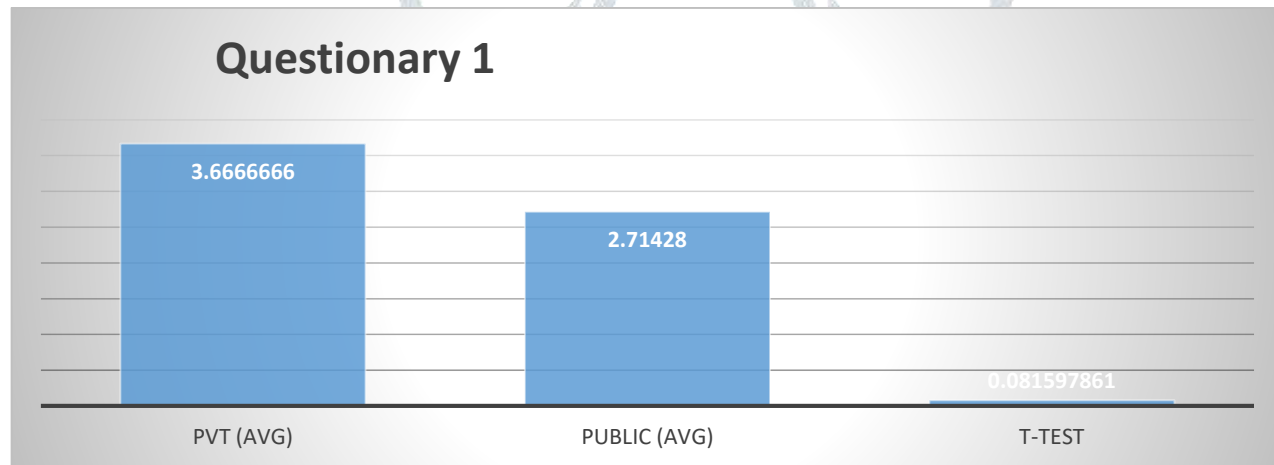
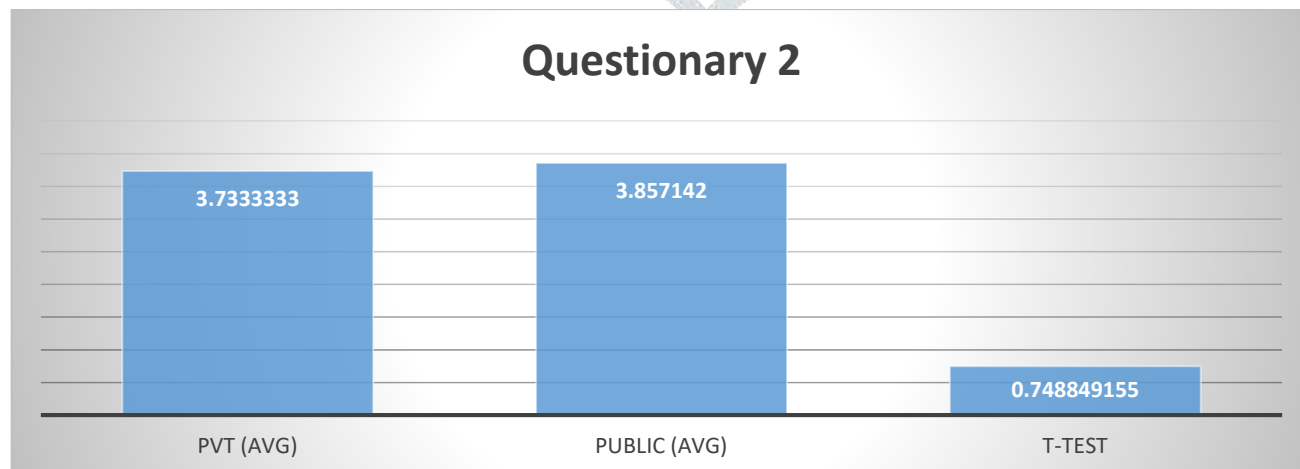


FIG-2



SOURCE: PRIMARY

The above table and graph represents the averages of responses of the total respondents of private and public sector banks on the questions like Q1(There should be a separate bank called green bank to lend the green projects) and Q2(Green finance toward green project leads to sustainability) in Nelamangala taluk and the response varies between public sector banks and private sector banks.

For the questioner-1 the average is 3.6666 for private banks and 2.71428 for public sector banks which has a value more than 2 and less than 3 and for the questioner-2 the average is 3.733333 for private sector banks and 3.857142 for public sector banks which has an average value more than 3 and less than 4.

And also T-test is conducted to test the hypothesis and the results are 0.081597861 for questioner 1 and 0.748849155 for questioner 2. My null hypothesis is **H₀**: There is no significance relationship between response of private and public sector banks in establishing green bank. And alternative hypothesis is **H₁**: There is a significance relationship between response of private and public sector banks in establishing green bank. Since we got the value 0.08159 which is less than 0.5 the null hypothesis is rejected and alternative hypothesis is accepted. For the second null hypothesis that is **H₀**: There is no significance relationship between the response of private and public sector banks for the question green finance leads to sustainability. And the alternative hypothesis is **H₁**: There is a significance relationship between the response of private and public sector banks for the question green finance leads to sustainability.

Since the value we got for the second hypothesis is 0.748849 which is more than 0.5 the null hypothesis is accepted and the alternative hypothesis is rejected.

Private sector banks are in the view that since current banks are the commercial banks and they should not be burdened with the imposition of green finance activities in terms of lending by the RBI or any other authorities and they opine that starting a green bank would be a better way to deal with the green lending activities than imposing the same on the existed banks which they are mainly into the commercial lending activity. And at the same time public sector banks are of the opinion that there should not be a separate bank called green bank and this as to be assigned to the existing banks, so in terms of view both differs. But for the questionnaire weather green lending leads to sustainability both agrees for it and by this we can assume that there is an awareness of green lending and what it can do to be sustainable. Though banks differ in their views on establishing green bank for green activity both accepts the significance of green finance to mitigate carbon dioxide and environmental degradation which is going to affect all the way including the banking activities. Below picture represents the green bank model.

Hariyat Pariyojana Bank (Happy Bank) Model

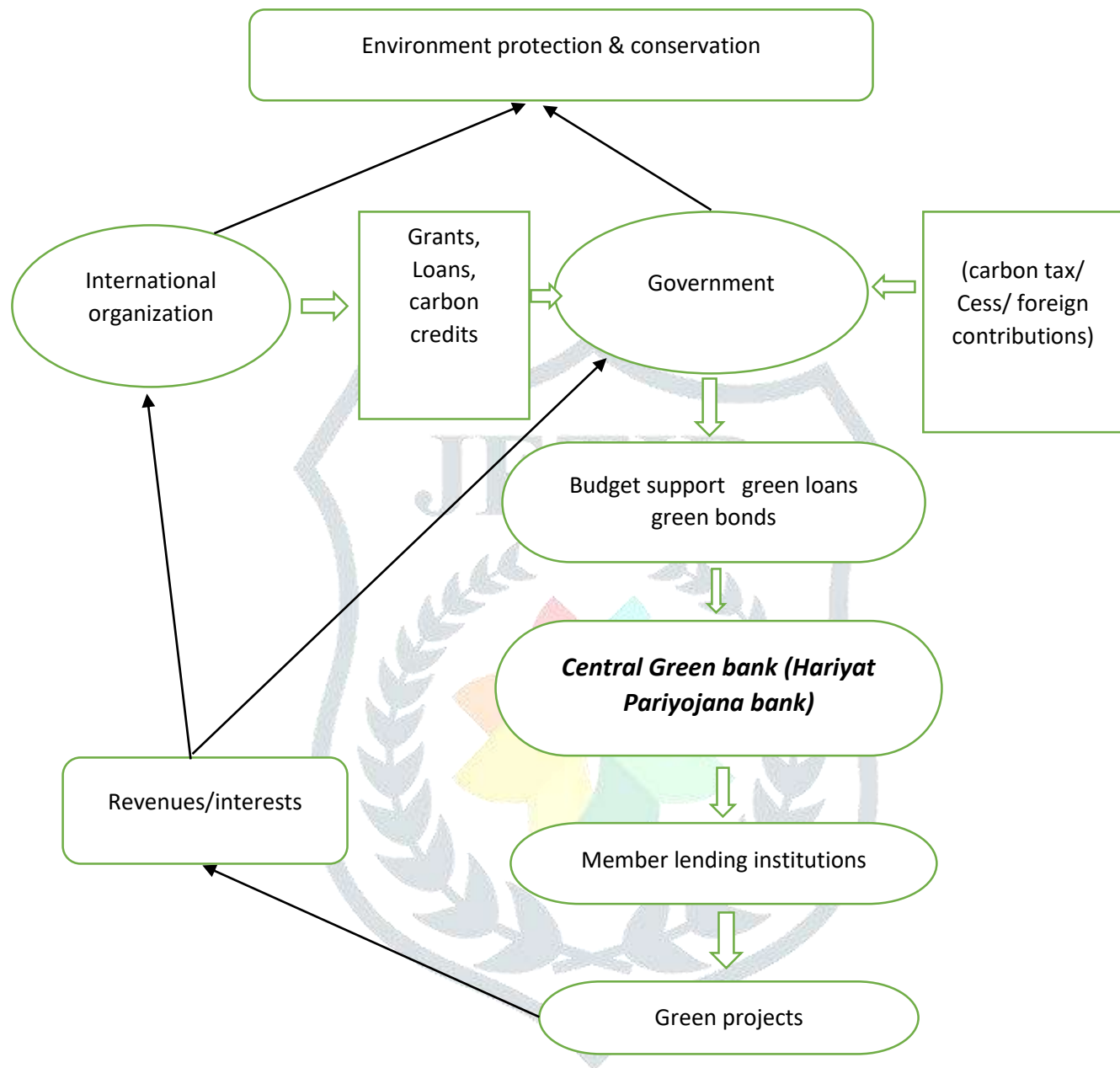


Fig: Proposed Green Bank Model

The above mentioned figure represents the hypothetical green bank model called Hariyat Pariyojana Bank which is a need of the hour. Though banks do not directly contribute to the degradation or destruction of the environment but contributes indirectly by lending loans to the projects which is polluting the environment by emitting more amount of carbon dioxide which is affecting the sustainable development. This green bank model tries to give answer to the following questions:

- How can green bank raise funds.?
- What role does green bank can play.?

- How can green bank channelize the funds.?
- For what kind of projects green bank can lend.?
- The role of government towards green bank.?

Hariyat Pariyojana Bank is a model bank which can raise fund through various means like issuing green bonds, taking green deposits, through government in the form of grants, loans, carbon tax and fines and eco Cess collected by the government and from international institutions which lends soft loan, grants, carbon credit to the countries which are emitting more amount of carbon dioxide and destroying the environment. International institutions like green climate fund, world wide fund for nature, word bank, united nation development program, united nation environment program.etc.... since Indian government is bound to achieve the nationally determined contribution target, the model green bank would be a ideal place to achieve the target.

Once after it is clear from where would the fund flow to the green bank the next important question to be answered is what role does the green bank play. the green bank must act as a central green bank that is, it should act as a refinancing agency to lend green loans to its member lending institutions (MLI's). the member lending institutions are PSB's, private banks, small finance banks, regional rural banks, credit cooperative societies.

The member lending institutions which avails this fund from the Hariyat Pariyojana Bank has to lend loans only to the green projects or the projects prescribed by the green bank and at no instance this fund should be used for some other purpose. The size of the amount, interest rate is also determined by the green bank.

The interest or the revenue which is earned out of the green projects by the banks will be paid back to the Hariyat Pariyojana Bank (Green Bank) and green bank will pay back the loans which it had taken from the government and international institutions (money received in the form of loans by the green bank has to be paid back to the creditors in the form of interest and principle amount).

In this mechanism, even the angel investors, venture capitalist and other types of investors can also take place.

KEY FINDINGS

- From the survey it is found that majority views the green bank should be there to lend green project activities.
- Through the study it is found that there is a positive relationship between green lending practices of banks and sustainable development.
- Employees of the banks of nelamangala town, Bangalore rural opines that establishing green bank is not enough and what is needed is the customers and employee's awareness of green finance and green bank.

SUGGESTIONS

- Awareness programs should be conducted to bankers, customers and public about the green finance.
- Setting up of green bank should be the priority of the government considering the sensitivity of the issue
- More number of green projects will result in reduced amount of greenhouse gases.
- Green audit should be conducted on the banks to determine the banks approach or concern towards environmental issues

LIMITATION

- study is conducted only in one town, so there is a scope to extend the studies further taking much bigger sample size, different region or states
- only banker's response is taken for my study, if needed the banks customer's response can be taken to further the study.
- No foreign banks are covered in my study
- RRB, Cooperative Banks and Small Finance Banks are not covered in my study.

CONCLUSION

Though banks differ in their view they accept the facts that green lending leads to sustainability and to be sustainable there needs a separate body to take care of it and what could be the best way is to have a separate bank called green bank and can be named as happy bank or Hariyat Pariyojana Bank which functions like a refinancing agency for banks where loans are meant only for green activities.

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