


Chapter 10

The Central Bank of India as an Example of the Green Revolution in the Banking Sector

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ABSTRACT

The purpose of this chapter is to illustrate the State Bank of India's (the nation's central bank) involvement in advancing green banking practices in day-to-day operations. India has been dealing with severe environmental problems despite having lower per capita CO2 emissions than the rest of the world. The State Bank of India (SBP) released the green banking guidelines (GBG) in 2017 in response to the worsening environmental conditions. The guidelines aim to change the economy of the nation and recognize the financial sector's contribution to the transition to a low-carbon and climate-resilient economy. It aids in raising awareness among investors and the banking sector about the need to create sustainable green development investments, operations, infrastructure, and goods. The State Bank of India's comprehensive evaluation of the GBG is to examine and evaluate the GBG and pinpoint the main obstacles facing its stakeholders, including commercial banks and other financial organizations. The central bank's

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activities suggest that the GBG policy is a paradigm change for the banking sector and will likely have a significant effect on the economy. Furthermore, the rules delineate the roles, oversight, and structure for implementing the GBG and provide three primary topics for consideration. These include personal impact minimization, green business assistance, and environmental risk management. The central bank's involvement in putting the GBG into practice for all commercial banks is also covered in this chapter. Through GBG, the central bank of India mandates commercial banks, requiring the board of the banks to approve environmental exposure limits for various industries and sectors. This is projected to result in varying levels of green practices across various projects. The GBG may need the hiring of a sizable workforce, which would raise banks' estimated service costs. All projects and the sectors/industries they belong to need to have clear requirements and hazards related to the environment. In order to efficiently oversee and carry out the GBG, the SBP has taken a number of actions. For example, it plans to engage with international organizations to create a standard framework for consistent environmental risk management in the banking sector. Comparably, the banks have made certain moves, such as setting up green banking offices, hiring the necessary personnel, creating a checklist for identifying environmental risks, offering advice services for the development of green businesses, etc. A few of them are also the ones that started the social and environmental management system.

1. INTRODUCTION

This chapter concludes by outlining the significant change in banking practices that the GBG may bring about, which would improve India's economy's sustainability. Additionally, it will assist in reaching the 2020 Renewable Energy Policy objective. Globalization has made it possible to increase economic output and enhance international manufacturing methods. Additionally, it increased environmental dangers and pollutants worldwide. India's contribution to global greenhouse gas emissions (GHG) (Roy, A. et al 2023) is very small, but it is growing rather quickly, according to a new research. Only the energy industry contributes 46% of all greenhouse gas emissions at the sector level although 45 percent comes from agriculture and cattle (Sanchez-Triana et al. 2014). According to the 2020 Climate Transparency Report, severe weather events cause around USD 3.79 billion in damages and 499 deaths yearly on average. India is anticipated to see more variable monsoon seasons, floods from the retreating Himalayan glaciers, lower agricultural (Khanh, P. T. et al 2023) yields, heat waves, and less electricity during droughts as a result of global warming. Between 1990 and 2017, India's emissions (excluding land use) grew by 140%.

Indiai citizens' quality of life has been adversely affected by environmental deterioration in general in addition to the country's CO₂ emissions. Over the last ten years, the nation has also seen many earthquakes and floods. Every year, air pollution causes around 114,000 deaths in India, accounting for 9 percent of all fatalities (World Bank, 2019).

The Indiai government (GOP) has implemented a number of measures to lessen the adverse effects on the nation's ecology. India has pledged to establish an ambitious cumulative conditional objective of reducing its estimated emissions by 50% by 2030, of which 15% would come from domestic resources and 35% would depend on the availability of foreign assistance. The GOP has prioritized limiting the amount of coal-based power (Sinha, M. et al. 2021) generated and has established the Renewable Energy (RE) Policy in 2021, which lays out goals for 2030. The GOP wants to generate 60% of its power from renewable energy sources. Additionally, the strategy specifies that 30 percent of all cars will be electric.

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