A study on opportunities for green banks in India

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***Abstract*: The research paper briefly provides a review of opportunities for green banks in India. Green finance is a very crucial investment in India. This paper sought to establish the investment made through green bank especially in India. India is a developing country, so investment ingreen finance is difficult task. In India opportunities are more in green financial system. Here, Green Bank of India has encouraged the government, will enable to access public funds directly, in the form of deposits and consequently lower its leading rates. The government has planned more projects on 'making India' to enable renewable energy and climate resilience projects in India. Private sectors also should concentrate to collaborate more on Green financial projects.**

***Keywords*: Green Bank, India, Green finance, Projects, Financial system**

Introduction:

Banks today promote eco-friendly financial services by widely adopting the concept of green banking. This is generally done to minimize the impact of environmental degradation in their business activities. Besides its usefulness for environment, green banking also acts as a competitive edge for banks by offering customers with new channels of financial services delivery. However, service experiences and quality of service delivery often defines customers' perceptions towards the adoption of such services.

A green bank is a financial institution, typically public or quasi-public, that uses innovative financing techniques and market development tools in partnership with the private sector to accelerate deployment of clean energy technologies. Green banks use public funds to leverage private investment in clean energy technologies that, despite being commercially viable, have struggled to establish a widespread presence in consumer markets. Green banks seek to reduce energy costs for ratepayers, stimulate private sector investment and economic activity, and expedite the transition to a low-carbon economy.

Green banks are usually nonprofit or public-private institutions. The first to use the term "green bank" in the United States is the Connecticut Green Bank, which began in 2011, aiming to serve low-income communities.Other U.S. green banks have since opened in California, Hawaii, Maryland, Michigan, New York and Rhode Island. The United Kingdom, Australia and Japan have likewise established green banks.

Green banks focus on commercially viable technologies, as opposed to early-stage innovative technologies, because they have been tested, have less associated "technology risk" and can reliably produce revenue for project owners. Green banks are public-purpose entities with some manner of a relationship with government, and are usually capitalized by public dollars. Just like a commercial bank, green banks lend capital and own debt, so it is important they have their own balance sheet. Green banks also focus on using their capital to facilitate private entry into the clean energy market specifically by using limited public dollars to leverage private investment in clean energy.

Green Finance:

Green finance refers to any financial instrument or investment – including equity, debt, grant, purchase & sale or risk management tool issued under contract to a firm, facility, person, project or agency, public or private, in exchange for the delivery of positive environmental externalities.

Green finance instruments:

Green financial instruments are designed to either increase an eligible project's revenue generation potential, or enhance its capital structure by providing access to efficient sources of debt and equity.

Climate finance makes available instruments to assist with project financing, such as development grants, loans or debt facilities, interest rate subsidies or concessional equity. Different opportunities exist depending on the project type, scale and location, as well as the co-benefits, often referred to as sustainable development benefits, deliverable.

Risk-Sharing Instruments:

There are instances where specific risks might otherwise present a barrier to the viability of a project or investment. In such cases, where sustainable development and environmental co-benefits are significant, the project may qualify for risk-sharing instruments, including insurance, guarantees and price floor support structures.

Investments and loans that specifically fund enterprises that protect the environment and conserve natural resources are green financing tools.

Renewable energy and energy-efficiency projects that reduce harmful greenhouse gas pollution are examples of ventures that may attract green funding. Similarly, waste-management programs that capture and use landfill gas can qualify for green financing.

Green finance also makes it easier for consumers to adopt clean-energy technologies. Homeowners may receive loans to install rooftop solar panels are possibly installed by businesses whose startup funding came from green banks.

Literature review:

1) According to Keerthi B.S'A group of pioneering cities have demonstrated that energy efficiency conserves natural resources, strengthens resilience to meteorological disruptions, and leads to substantial savings in fossil fuel. The promise of green building programs while others have justified increased funding for climate solutions in the hopes that its market will generate "green jobs" Co-operations across the governments at various levels are most important. The national government can support the cities by increasing the funding which suites the energy saving and also locally administrated. The different mandates, expertise, and the multijurisdictional fluidity of most environmental problems, collaboration amongst neighboring municipalities, regions, and the national government, is of paramount importance'.

2. Strong policy settings and incentive structures must be adopted to enable renewable energy investment to scale up to needed levels in India. Innovative financial mechanisms and institutions – such as green banks and green bonds – have proved successful on the state level and internationally. These financing tools and institutions can help propel India's solar and wind energy markets and support critical energy-saving efficiency and climate resilience projects.

3. In response to the global initiative to save environment, many emerging economies today promote environmental-friendly practices by implementing various forms of green banking services. Green banking involves the environmental and social responsibility of banks in terms of the contribution they make towards ensuring sustainability of the environment and ecological system, through their in-house operations and the wide range of financial products and services that they offer (Nisha, 2016).

Research methodology

Title of the study

"A study on opportunities for green banks in India"

Research methodology

The study is purely based on secondary source of data collection. The details are collected from the websites books and journals.

Objectives of the study

i. To study the opportunities for green banks in India.
ii. To study the concept of Green finance.
iii. To find the suggestions for the sources of collecting the investment for Green finance.

Limitations of the study

i. This research is purely based on secondary data where I have collected from the websites books and journals.
ii. This research limited to Green finance in India.
iii. This research limited on Green finance instruments to Indian economy.

Green Banks in India:

The Reserve Bank of India is working on a framework for standardizing green bond issuances and financing issues, to align India with other nations that already have such rules, according to sources.

The Indian Banks Association (IBA) planned to provide their inputs to the central bank to develop the framework. RBI has started the process and no concrete step has been taken.Some domestic institutions like the National Bank for Agriculture and Rural Development, Small Industries Development Bank of India (SIDBI), Exim Bank, YES Bank, Axis Bank have their own exacting standards for green financing. The Reserve Bank asked IBA representatives to collate these standards and pass it on to the central bank.

Government-owned Indian Renewable Energy Development Agency, the country's only non-banking finance company dedicated to clean energy funding, has begun work towards converting itself into a commercial bank perhaps called ' Green Bank of India'.

India's goal to ramp up its solar and wind energy capacity could get a major boost through two fast-growing financing innovations - green banks and green bonds. The analysis was released by the Indian Renewable Energy Development Agency (IREDA) in partnership with the Council on Energy, Environment and Water (CEEW) and the Natural Resources Defense Council (NRDC).

Noting that the availability of finance has not kept pace with the commitments made by developers, the analysis said that establishing a green bank and accessing green bonds could help overcome this key market barrier. So, Green banks are public entities created to work with the private sector to increase investment in clean energy and bring clean energy financing into the mainstream. This is a new tool have been successful in the United Kingdom, Australia, Japan, Malaysia and several states in the US.

India's goal to dramatically ramp up solar and wind energy capacity could get a major boost through two fast-growing financing innovations - green banks and green bonds.India needs as much as Rs 17.5 trillion or approximately USD 264 billion in financing to reach its target of producing 160 gig watts of power from solar and wind energy by 2022.

The clean energy target is the centerpiece of India's climate pledge announced in the international Paris climate agreement recently signed by more than 170 countries at the United Nations.

Government is committed to achieving the renewable energy targets and added that more can be done with longer-term and low-cost international financing. Attractive low-cost finance for clean energy projects is crucial for tapping into India's vast clean energy potential and for transforming India into a low-carbon economy.

India was the fourth largest issuer of green bonds in the world, raising debt worth USD 1.1 billion, ahead of several major economies such as China, Japan, Norway and the UK. India is also ready to be home to a green bank, which could offer solutions to overcome local financing barriers to clean energy.Greening India's Financial Market, How Green Bonds Can Drive Clean Energy Deployment' explores how green bonds work and how they are being used to finance projects such as renewable energy deployment or climate adaptation initiatives.

Just three years ago, green bonds financed about USD 11 billion projects worldwide while this year the financing could rise to USD 100 billion. India, meanwhile, has used green bonds to finance only about USD 1.85 billion in clean energy projects. Greening India's Financial Market: Investigating Opportunities for a Green Bank in India' sketches how India might establish itself as a country on the forefront of innovation as part of the International Green Bank Network. Smart financing instruments like green banks and green bonds can accelerate the necessary shift to investment in clean energy projects.

Benefits of Green Banks in India:

1. Better financing for new projects like lower cost energy and lower subsidy cost.

2. Green Banks facilitate the scaling up of distributed clean energy resources.

3. Attract the private partnership in green investments.

4. Green bank's risk mitigation tools keep lending costs.

5. Reduce perceived financial risk in India.

6. Attract the international investment to India.

Conclusion:

Green banks are the key factor in greening India's financial market. Green banks are very supportive to clean environment projects like clean energy projects etc. In India green banks transact with the help of green bond to invest in green financial market. So, Government has to come up with rules and regulation for green Banks in India. Some private industries also take care about the green banks.

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