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**GREEN BANKING – DEFINITION, SCOPE AND PROPOSED  
BUSINESS MODEL**

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**Abstract:** *In this article, we tried to reveal the policy of commercial banks and how significant these are for the future generation. The banking sector plays an important role in economic growth and environmental protection through the development of environmentally sustainable and socially responsible institutions. This type of bank can be called a "Green bank". Change is the need for a clock to survive in all areas. Banks can provide significant leadership for the necessary economic innovations that provide new opportunities for financing and investment policies. Green banking refers to promoting environmental practices and reducing carbon footprint from banking activities.*

**Key words:** *B Corporation Certification, Green banking financial products, sustainable development, Green Banking, commercial banks.*

**INTRODUCTION:**

Green banking is a new financing trend where banks shift their investment strategies to focus on sustainable technologies and environmentally-friendly initiatives. These financial institutions are dedicated to sustainable banking initiatives that promote clean energy and combat climate change.

It became widely popular among banks following the Paris Climate Agreement and has since helped promote investments in renewable energy, reforestation projects, and carbon offsets.

But green banks aren't just about making investments in climate resilience projects; banks can also become green at a more local level by instituting eco-friendly lending policies. These mission-driven policies could be in the form of

loans for electric vehicles and home solar electric systems or company-wide policies banning investments in harmful industries such as fossil fuels[1].

### **B Corporation Certification**

Almost every socially responsible and sustainable bank on the planet is B Corp certified. Such banks meet the highest public transparency and social and environmental performance standards. A B Corp certified bank takes a leading role in driving social change in the communities they serve, while also investing in businesses working to build a more inclusive and sustainable economy.

When you open a bank account with a B Corp certified bank, you're likely to receive financial services and products that are transparent and fair.

It's becoming clear that sustainable investment strategies are important to curbing climate change.

According to the Intergovernmental Panel on Climate Change (IPCC), our planet will warm by about 3 to 5 degrees Celsius by 2100 if businesses continue to operate as usual. If left unmitigated, extreme weather events could cause hundreds of billions of dollars in damage and lead to the loss of many human lives<sup>1</sup>

Within this context, businesses have to do their part to reduce greenhouse gas emissions through their activities.

This is most true for the world's 60 largest private banks, which, according to a report by Banktrack, funneled a shocking \$3.8 trillion into coal, oil, and natural gas projects between 2016 and 2020. The expansion of the fossil fuel industry risks jeopardizing the achievement of the Paris Climate Agreement goals.

Thankfully, the adoption of Green Banking principles by several major banks in recent years shows promise that a renewable energy-based economy may develop soon. As the benefits of climate resiliency and clean energy become visible, more and more banks may become inclined to address climate challenges rather than maximizing profit[3,8].

### **Divestment from Fossil Fuels**

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<sup>1</sup> Credit Risk Management, GARP Series, 2011.

Many large banks invest in fossil fuels to increase their profits. They provide funding for oil and gas companies to build new pipelines, purchase equipment, and conduct more explorations to expand their businesses.

Environmental activists and researchers believe that the money for these funds comes from their customers' bank deposits, which are redeployed as loans to fossil fuel corporations.

Eco-friendly financial institutions such as Aspiration refrain from making the same fossil fuel investments as large banks because of the damage it does to the planet. Instead, they proactively fund climate positive projects such as reforestation initiatives to protect the climate[5].

### **CONCLUSION:**

Ultimately, the best way to bank responsibly is to leave unscrupulous big banks for more ethical alternatives. Socially responsible eco banks are much more likely than their traditional counterparts to be transparent about their investments and lending policies. Most of them will have commitments to not invest in fossil fuels, weapons manufacturers, and private prisons. With a green bank account, you'll have access to environmentally-friendly products that help you grow your wealth and reduce your climate footprint.

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