

Green Deposits in India Conceptual Study

(With special reference to SBI Green Rupee Term Deposit (SGRTS))

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Abstract:

Climate change has become a very immediate issue that the world is required to address and it is no more an issue which is confined to particular geographical area and it has become a global issue which is having impact on almost on everything. The Present study has attempted to know about the concept of green finance and particularly Green deposits and study is confined to the Green deposits that are offered by SBI. This term deposit is launched based on the RBI guidelines. An attempt was made to know about the detail of the scheme and also assess the benefits and limitations of the SGRTD and make necessary suggestions.

Keywords: Climate change, Geographical, Green Deposits, Global Issue.

Introduction:

Climate change has taken a shape of a global issue influencing the political and economic circles around the world. Every section of the society has taken up the issue very seriously that includes Governments, Businesses, individuals and international institutions have already taken the action in response to the increasing climate change. The serious challenge before the world is how to reduce the carbon levels and emission of greenhouse gases and promote more environmentally sustainable practices to curb the impact of climate change.

In order to move to more sustainable practices it requires a huge amount of capital investment to fund the environmentally sustainable projects that help in adapting to the effect of climate change. These projects can be supported in the form of green finance.

Objectives of the study:

- 1) To know the concept of Green finance and Green deposits.
- 2) To Analyze About the Scheme of SBI Green Rupee Term Deposit
- 3) To conclude the benefits and Limitations of the SGRTD.

Research Methodology:

The study was conducted by referring to the various secondary data sources like Research articles, Newspaper bulletins and Reserve bank of India Notification on the Framework of Green deposits in India. Notification No. RBI/2023-24/14.DOR.SFG.REC.10/30.01.021/2023-24. Dated 11-4-2023. In order to explore more in to the depth of the green deposits Specifically State bank of India was selected and the Scheme of SGRTD was taken as a sample for Evaluating the Policy of Green Deposits.

Literature Review:

Jeffrey D. Saches et al(2019) Analyzed and said that in order to achieve sustainable development goals, Green finance needs to be accelerated which would cover green investment, Financial technologies, Green banking and green projects etc. He also concluded that investment in energy efficiency and renewable has been decreasing which would threaten the expansion of green energy.

Abhishek Rajan, Sourabh gosh and Siddharth Nath (2021) In their study about the green finance has stressed up

on the integrated policy Approach towards green finance and said that green finance is emerging as a priority both in India and globally as well and also mentioned that the public awareness has been increasing in India and also coordination between various parties paved the way towards a greener and sustainable long-term growth.

Akhil Pasupuleti and Lakshmana Rao Ayyagari (2022) In their study has mainly put forward recommendations for further strengthening of the policies that are framed through extensive data analysis they have provided insights to researchers, practitioners and policy makers on status of green finance in polluting companies they have also mentioned about the green innovations, green credit and environmental protection.

Chi Zhang, Xinwei Cheng and Yanyan Ma(2022) The study has focused up on the pilot zones for the green finance reforms and Innovations and also on the acquisition of Green invention patents & Green utility patents. They have also provided the theoretical support and empirical evidences evaluating the policy effects of the pilot zones and provide references for the Formulation of Green Policies.

Green finance:

Green finance includes the various kinds of financial instruments, products and services that help in combating climate change and promote investment in projects relating to renewable energy, clean transport and sustainable agriculture. The concept of green finance has gained the lights of the mainstream phenomenon in recent years as governments, individuals, organizations, corporations and international institutions like UNEP(United nations Environmental Programme), and UNDP(United Nations Development Programme) has recognized that there is a urgent need Address the issue of climate change and reduce the greenhouse gas emission by cutting down the consumption of fossil fuels like coal, diesel, petrol, natural gas for both industrial and domestic consumption by shifting to the alternate plans. Green finance diverts the funds in to environmentally sustainable projects and has the potential to create a resilient future by reducing the carbon footprint.

Various types of tools or instruments of green finance:

- 1) **Green bonds:** Green bonds are the debt securities that are issued in order to raise the funds for the environmentally sustainable projects. Green bonds are the systematized in such a way that the funds are used for the green projects that are related to the renewable energy, energy efficiency and sustainable agriculture.
- 2) **Green Banks:** Green bank are very much similar to the traditional banks they channelizes the private investments in the Renewable energy and other environmentally friendly projects. The numbers of green banks are increasing substantially in recent times.
- 3) **Green Loans:** Green loans are a kind of lending products that are offered at the low interest rates , longer duration and favorable terms for funding the projects like solar panels, electric automobiles and energy efficient projects.
- 4) **Carbon Pricing:** carbon pricing is a kind of policy tool that puts pricing on the carbon emission by manufacturing units in order to encourage them in reducing the carbon emission. it can be done levying the taxes and cap on the trading system and creating the market for carbon credits.
- 5) **Green Insurance:** green insurance is a kind of insurance product that is designed to support the individuals and organizations that are dealing in managing the environmental risks that include the damage cover renewable energy projects, Eco friendly houses and sustainable businesses.
- 6) **Green credit cards:** green credit cards are those credit cards that are associated with the eco-friendly initiatives they plant a tree for every transaction of the customer and also gives cash backs on sustainable spending and ensure that customers make environmental friendly choices.
- 7) **Green deposits:** Green deposits are kind of fixed deposits that has fixed interest rates and have a fixed are that fulfills the object of the sustainable projects.

Green finance in India:

The concept of green finance took pace in India since 2007.for the first time the RBI has issued a notification on “corporate social responsibility, sustainable development and non-financial reporting-role of banks” in December 2007. India also developed the National Action plan on climate change (NAPCC) in 2008. India being a signatory of

Paris agreement 2015 committed to reduce the greenhouse gas emission and increase the installed electric power capacity of non-fossil fuels. In 2017 SEBI has issued the guidelines for green bonds. Green bonds are issued by some of the corporations like Indian Renewable Energy Development Agency (2017, 2019), Rural electrification corporation limited (2017), and Adani Energy Development Ltd. (2019). The government of India also provides a subsidy of about 30% on the installation of solar rooftops and up to 70% in some special category states. India has done substantial work in order to deal with climate change and also committed to doing so in the future and also on par with the leading economies of the world in dealing with the issue.

Green Deposit:

In today's Global financial scenario still the traditional fixed deposits is a most preferred choice if the depositor is seeking the safest investment. However there is a significant shift towards sustainable future i.e green deposits. Green deposits are not just financial instruments but they are a unique blend of ethical investment and financial security. Green deposits operate on the principles of fixed deposits depositor place their funds for a fixed period of time where the interest is accumulated with the principal. The funds that are received through the green deposit scheme are channelized in to the environmental friendly projects like renewable energy, waste management and recycling, pollution reduction which are aimed at reduction of carbon foot print.

How do the green deposits work?

Green deposits are a very simple and easy mechanism like traditional fixed deposits. Investor will deposit there fund with the bank for a fixed tenure. The difference is that these funds obtained through the bank are exclusively for eco-friendly projects. Green deposits ensure a meaningful investment that makes an impact on the global climate crisis.

Framework for Acceptance of Green deposits issued by Reserve bank of India:

Under the issued notification covers all the scheduled commercial banks including the small finance banks (Excluding the RRB's, Local bank, Payments banks), it is also applicable for NBFC's, HFS's. The notification is applicable for all those Regulated Entities (RE's) which are already started offering the green deposits and as well as which are about to offer. The main purpose of issuing the frame work is to encourage all the above mentioned RE's to offer green deposits to encourage funding to the Green activities/projects and also to protect the interest of the depositors. The banking acts like RBI Act 1934, banking regulation Act 1934, National Housing bank act 1987 are equally applicable to the Green deposits issued by the Regulated entities¹.

Denomination, Tenure and interest rates:

Green deposits are issued in both cumulative and non-cumulative basis and are subjected to withdrawal or Renewal at the option of the depositor at the end of the tenure. These are issued in the denominations of Indian rupees only, the size, tenure, interest rates and term and conditions are applicable as per the master direction issued by RBI as amended time to time to the green deposits.

Financing Framework:

- 1) The Registered entity (REs) shall place a board-approved framework and all the aspects relating to the green deposits issued by them on the official website.
- 2) They should follow a strict process in project identification and validate the information provided by the borrower.
- 3) The allocations that are made out of the green deposits are subjected to third party verification/Assurance.

Allocation of proceeds obtained through Green deposits.

The proceeds that are obtained through the green deposits should be allocated only to the below-mentioned projects that encourage energy efficiency in resource allocations, reduce carbon emissions and greenhouse gases and promote climate change resilience and improve natural ecosystems and biodiversity.

- Renewable energy
- Energy efficiency
- Clean transport
- Climate change adaptation
- Sustainable water and waste management
- Pollution prevention and control
- Green buildings

- Sustainable management of living natural resources and land use
- Terrestrial and aquatic Bio-diversity conservation.

¹ The framework is issued by the RBI through a notification date 11-4-2023, Notification No. RBI/2023-24/14.DOR.SFG.REC.10/30.01.021/2023-24.

SBI Green Rupee Term Deposits:

Based on the guidelines issued by the RBI regarding the mobilizing of funds for financing the green activities or projects through the green deposits. The State Bank of India (SBI) has launched new Deposits to mobilize funds for financing the environmental sustainable projects/Activities.

Key Features:

Eligibility: Resident Individuals, Non Individuals, NRI customers.

Tenure: 1111 Days, 1777 Days, 2222 Days. Minimum Deposit: INR1000, Maximum: No Limit.

Rate of Interest:

	Retail		Bulk	
Tenure	General public	Sr. Citizens	General Public	Sr. Citizens
1111 Days	6.65%	7.15%	6.15%	6.65%
1777 Days	6.65%	7.15%	6.15%	6.65%
2222 Days	6.40%	7.15%	5.90%	6.40%

Pre-Mature withdrawal & Loan facility: As per the normal guidelines

Availability: Green deposits available through bank branch & will also be available through the YONO App soon...

KYC: KYC guidelines are applicable as per standard instructions.

Maturity Instruction: Applicable as per standard term deposits/special term deposits. TDS: As

per the Income tax act.

Conversion: Conversion of the green bonds in to term deposits and vice versa is not possible.

Benefits of the Green Deposits (SGRTD):

- 1) **Increasing Role:** Investing in the Green deposits will help the investors directly to contribute for the environmental sustainable projects & will lead to positive environmental impact and further leading to increase in the role of the investor role in the contribution to impact of climate change.
- 2) **Competitive returns:** There has been a misconception that investing in the green deposits leads to compromising of the return on investment. But green deposits are equally profitable when compared to other deposit schemes.
- 3) **Sense of Achievement:** It is an intangible sense knowing that the investment that is made by the investor in a good cause aligns with a sense of ethical responsibility and satisfaction.
- 4) **Diversification of Investment:** for those investors who are looking for a more diversification in their investment portfolio green deposits provide a perfect choice coupled with a sense of social responsibility.
- 5) **Increases the responsibility of the corporate:** An increase of the popularity of green deposits will drive the big corporate to adopt sustainable practices in the business world and also increases there Responsibility in dealing with the impact of climate change.

¹ <https://sbi.co.in/web/personal-banking/investments-deposits/deposits/sbi-green-rupee-term-deposit>.
Last Updated On: Thursday, 18-01-2024

Limitations of Green deposits (SGRTD):

Since it has been quite a short time from the launch of the green deposit schemes by various banks in India it is not yet popular among the masses of the population. When the interest rates of the SBI Green Rupee Term Deposit are compared with other fixed deposits and term deposits offered by SBI are almost similar and in fact the more sometimes hence they might not attract those investors who seek high return of investment. Moral satisfaction is the only component that should pull the investor to invest in the green bond and this factor alone might not win the race for the green bonds. Another drawback is that the investor cannot convert these bonds into term deposits or any other deposit.

Concluding Remarks:

The study has explored in to the Green finance and more precisely in to the Green Deposits and more specifically in to the SBI Green rupee term deposits (SGRTD). The mentioned term deposit has been launched based up on the guidelines issued by the RBI in order to channelize the investments in to the Environmental sustainable projects/Activities. The frame work issued by the RBI also considers SDG's that are set by the Government of India and United nations. The Frame work issued by the RBI has very specifically mentioned about the projects to which the proceeds of the Green deposit should be allocated and also particular mentioned about the Third part verification/Assurance and also about the Disclosures of Assessment of impact that have been attained/ contribution made by the project to deal with the impact of climate change. Now coming to the SGRTD it was launched very recently by the SBI in order to collect the funds from the depositors and channelize them in to sustainable projects. When the study when in to the details of the scheme it has been observed that interest rate that offered in the scheme is quite similar to the other deposit schemes by the same bank and also the only motivating factor that is driving is the moral satisfaction that investors feels is he is contributing for the sustainable environment and also the scheme did reach out to the masses since it is very recently launched and it is too early reach to the conclude that the concept of green deposit is a success or failure. It is also advisable that more rigorously the concept has to be taken in to the public and also sense of responsibility should be developed in the mindset of the people and ensure that they know impact of climate and how they can help in addressing the issue.

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