

Sustainability: A Positive Contribution by Indian Banking Sector



Commerce

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**Dr SANGAPPA S
RAMPURE**

HOD and Research Guide, Dept.of commerce, GFGC Shorapur,Dist: Yadgir

ABSTRACT

In current scenario, all over the world, there is an increasing awareness about Corporate Social Responsibility (CSR), Sustainable Development (SD) and Non-Financial Reporting (NFR). Consequently, there is an effort being made among all types of organizations to ensure that sustainable development is not lost sight of, in the pursuit of their respective goals - profit making, social service, philanthropy, etc. The contribution of financial institutions to sustainable development is paramount. The Reserve Bank of India feels that there is lack of awareness in India about this concept so in this context they felt the need for sustainable developmental and efforts by financial institutions in India assumes urgency and banks, in particular, can help contribute to this effort by playing an important role. RBI in its notification dated 20th November 2007 has advised banks to take up this issue in a serious manner in order to make an appropriate move towards helping the cause of Sustainable development. Banks are now-a-days doing their best in promoting sustainable development. They have taken up the challenge to be socially responsible by way of linking up with SHG's for the welfare of weaker sections, providing no frill accounts etc. This paper emphasizes the concept of sustainability in India and analyses the Sustainable development initiatives taken up by the Indian banking sector.

Introduction:

Sustainable development is about economic development while maintaining the quality of environmental and social systems. Considering the Environmental & Social issues into development is necessary because environmental resources give a basis for social and economic development. The principles of sustainable development are important in all industrial and commercial sectors, as all activities have the potential to influence social and environmental welfare quality. The financial sector is of particular importance, as this sector is able to affect many projects and the development trends that result from them.

Financial institutions have responsibilities not only towards their customers, shareholders and employees, but also to the wider communities and environment in which they operate. Acting sustainably means building business for the long term by living up to these responsibilities and valuing relationships with stakeholders.

Non Financial Reporting (NFR) has come into the spotlight. It can also be called as Sustainability Reporting (SR). It is a structured way of presenting information about ones performance. If the information is financial in nature, such as financial position, profits, cash flows of an enterprise then it constitutes financial reporting which is beneficial to a wide range of users like stakeholders, investors, regulators, etc. This then brings us to Non-Financial Reporting (NFR) or Sustainability Reporting (SR) which, as you are aware, is the practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable and inclusive development.

For institutions of Indian financial and banking sector, one of the primary drivers of their involvement in activities in social and environmental activities is to build reputation and branding. This is emphasized by the fact that these institutions have high visibility in every business sector and industry. Moreover, in emerging markets such as India, financing projects that focus on clean production, good corporate governance and sustainable energy are being increasingly identified as potential business opportunities for financial institutions. Many financial institutions have started actively publicizing their philanthropic activities under the corporate social responsibility banner. All these initiatives point to the sector's move towards their brand and reputation, to make a difference in the community in which they operate that reflect the socio-environmental aspects of their investments.

Some of the common characteristics to be sustainable are using natural gas for boiler fuel, recycling biodegradable waste, generating electricity from hydroelectric plants, using recycled

packaging materials, using biomass and solar radiation as sources of renewable energy, minimum use of plastic material and reducing toxic emissions. Apart from this, there are some simple ways to make an office environment-friendly and reduce energy consumption by introducing efficient practices and generating consciousness among the staff.

Objectives

1. To understand RBI Guidelines with reference to Sustainable Development
2. To know the Initiatives taken up by the selected Banks related to Sustainable Development.

Methodology

Type of Study: The study employs descriptive Study.

Sources of Data: The study is based on secondary data. This data has been collected from the books, journals, annual reports and relevant websites.

Population: The study population constitutes the whole Banking Industry.

Sample: Selected Banks that are operating India are selected from the population.

Sampling Method: Convince sampling method is employed.

TO UNDERSTAND RBI GUIDELINES WITH REFERENCE TO SUSTAINABLE DEVELOPMENT

Banks play an important role in promoting sustainable development by way of green banking. It is considered to be an important strategy to address sustainable development concerns and creating awareness among people about environmental responsibility. Paperless banking would save an estimated 16,500,000 trees per year and gain almost 2,145,000 tones of oxygen per year.

One of the key initiatives of RBI is sustainability reporting and financial inclusion. Sustainability has been an integral part of inclusive growth agenda. Banks are advised to have an objective of financial inclusion. All the banks have been advised to prepare a board approved financial inclusion plan, which will give sustainability a greater depth and penetration.

There are several guidelines from the Reserve Bank on e-banking and banks are also putting sincere efforts towards adopting paperless banking. Green Banking encourages environment friendly investments and gives lending priority to those industries which have already turned green or are trying to go green and, thereby, help to restore the natural environment.

- RBI has advised banks to take the appropriate plan of action towards helping the cause of sustainable development and to take the references of The International Finance Corporation (IFC) Principles on project finance (the Equator Principles) and carbon trading. Further, it advised the banks/Financial Institutions to keep themselves involved in the developments on a regular basis in the light of such developments.

The Equator Principles state that the banks will only provide loans directly to projects under the following circumstances:

- The risk of the project is categorized in accordance with internal guidelines based upon the environmental and social screening criteria of the International Finance Corporation (IFC).
- For all medium or high risk projects, sponsors complete an Environmental Assessment, the preparation of which must meet certain requirements and satisfactorily address key environmental and social issues.
- The Environmental Assessment report addresses baseline environmental and social conditions, requirements under host country laws and regulations, applicable international treaties and agreements, sustainable development and use of renewable natural resources, protection of human health, cultural properties, and biodiversity, including endangered species and sensitive ecosystems, use of dangerous substances, major hazards, occupational health and safety, fire prevention and life safety, socio-economic impacts, land acquisition and land use, involuntary resettlement, impacts on indigenous peoples and communities, cumulative impacts of existing projects, the proposed project, and anticipated future projects, participation of affected parties in the design, review and implementation of the project, consideration of feasible environmentally and socially preferable alternatives, efficient production, delivery and use of energy, pollution prevention and waste minimization, pollution controls (liquid effluents and air emissions) and solid and chemical waste management.
- For risky projects, the borrower consults with stakeholders (NGO's and project affected groups) and provides them with information on the risks of the project.

The Principles apply to projects over 10 million US dollars. In early 2006, the financial institutions behind the Principles launched stakeholder consultations and negotiations aimed at revising the principles.

- The aim of financial institution should be the environmental protection and social justice rather than only economic performance. In order to achieve this aim the institutions should commit themselves to the followings principles:

• Commitment to Sustainability

Banks must expand their missions from ones that prioritize profit maximization to a vision of social and environmental sustainability.

• Commitment to 'Do No Harm'

Banks should commit to do no harm by preventing and minimizing the environmentally and/or socially detrimental impacts of their portfolios and their operations.

• Commitment to Responsibility

Banks should bear full responsibility for the environmental and social impacts of their transactions.

• Commitment to Accountability

Banks must be accountable to their stakeholders, particularly those that are affected by the activities and side effects of companies they finance.

• Commitment to Transparency

Banks must be transparent to stakeholders, not only through robust, regular and standardized disclosure, but also through being responsive to stakeholder needs for specialized information

on banks' policies, procedures and transactions.

TO KNOW THE INITIATIVES TAKEN UP BY THE SELECTED BANKS RELATED TO SUSTAINABLE DEVELOPMENT.

- **The initiatives of the J & K BANK are as follows:**

Solar Powered Branches & ATMs

Currently, the bank is having solar powered Branches & ATMs at 23 places across various parts of the country including Leh, Kargil, Tangmarg, Moradabad & Aligarh.

Finance for Solar Water Heaters/Solar Lights

Bank offers the Ministry of New and Renewable Energy (MNRE) subsidy linked scheme for Solar Off-grid (Photo-voltaic) and decentralized applications to promote commercial marketing of solar energy systems and devices by extending financial incentives in the form of capital and interest subsidy on loans availed from financial institutions by the target clientele. The scheme provides for routing the capital subsidy and the interest subsidy on bank loans availed of by the clients from the banking system for solar energy conversion/ user systems and devices under this scheme through National Bank for Agriculture and Rural Development (NABARD). The JKBank Solar Lighting & Photo Voltaic Finance scheme has been providing finance to eligible borrowers for purchase of any of the approved photovoltaic systems from MNRE approved suppliers.

No paper Circulars allowed for internal communication

All circulars, i.e. internal communications from controlling offices to branches and between offices are in soft form and no usage of paper is allowed in such communication

Dedicated intranet site for E-newsletter rather than a paper newsletter

The internal magazine of the bank comes only in soft form and paper based form of the same has completely been stopped in accordance with the bank's policy of reducing avoidable usage of paper.

Energy Efficient Operations

The high energy consuming CRT monitors of computer systems have been replaced by energy efficient TFT ones for reductions of energy consumption. Additionally all the Computer Systems used by the bank are energy star compliant in accordance to European Standards. Similarly, all new generator sets installed by the bank have necessarily to be zero emission ones.

- **The initiatives of the ICICI Bank are as follows:**

Vehicle Finance- As an initiative towards more environment friendly way of life, Auto loans offers 50% waiver on processing fee on car models which uses alternate mode of energy. The models identified for the purpose are, Maruti's LPG version of Maruti 800, Omni and Versa, Hyundai's Santro Eco, Civic Hybrid of Honda, Reva electric cars, Tata Indica CNG and Mahindra Logan CNG versions.

Home Finance- ICICI Home Finance offers reduced processing fees to customers who purchase homes in 'Leadership in Energy and Environmental Design' (LEED) certified buildings.

ICICI Bank has conducted Green themed events with its customers during Diwali to build awareness about the environment amongst employees and customers alike. During this event Money Plants were presented to the customers as token of prosperity and also as a token of collective responsibility in building a greener society.

ICICI Bank has extensively capitalized on the existing internal media- statements, inserts, Credit Card Charge slips- to reach out to the customers and seek their collaboration in the 'Go Green' movement. The communication on Online Bill pay, Online Funds Transfer and Subscribing to e-statements are aimed at migrating customers to 'paperless' and 'commute-free' mode of conducting some of their banking transactions.

- SBI has become the first bank in the country to venture into generation of green power by installing windmills for cap-

tive use in the states of Tamil Nadu, Maharashtra and Gujarat.

- SBI has a green channel counter and the bank encourages paperless banking. There is no use of pay in slips, withdrawal forms, cheque leaves, remittance forms and the transactions are done through SBI ATM cum debit card. They have also won the 'best customer initiative' award for the green channel counter at the IBA Banking Technology Awards.
- SBM's initiatives include use of energy efficient photocopier, energy efficient computers and CFL bulbs; need based printing to save paper, auto cut off for air conditioners, ban on plastic bags in the office building, curbed usage of lights during the day, eco-friendly corporate gifting policy, rainwater harvesting system, solar power generation systems, solar powered ATM's, support for social forestry programmes, waste reduction and recycling, etc.
- Canara Bank has been the initiator of paperless banking and is the highest financier for solar energy related projects. The bank is also known to be conducting carbon financing in Delhi and Mumbai.
- Vijaya Bank is replacing desktops and donating it to schools as part of its corporate social responsibility. They are doing waste recycling, document management system and 58 branches of the bank are working on solar projects.

- Axis bank has launched a 'Plant a Sapling' initiative under its Green Banking program. In this initiative, the bank has planted over 1 lakh saplings on August 1st & 2nd this year in over 1,000 locations across the country.
- Union Bank of India has been conducting energy audits annually and measures implemented to bring down the energy consumptions. It has installed of solar water heaters in the banks building.

IDBI Bank has an exclusive group for working on climate change and more specifically carbon credits advisory to the clients to deal with clean development mechanism (CDM), carbon credits of Kyoto protocol and voluntary emission reduction (VERs) authority.

Conclusion:

RBI has been encouraging banks to adopt greater environmental and social disclosures apart from financial. Banks need to integrate the concepts of inclusive growth and their risk management processes for assessing performance. It is about taking into account the social and environmental impacts and its main motive is to protect and preserve environment. Besides economic performance the society should reward and judge Financial institutions by their social and environmental performance.

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