

# Sustainable Banking Practices

The human saga unfolds from primal origins, traversing ancient civilizations, unfurling its intellectual brilliance that sparks one revolution after another.

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Witness the extraordinary journey: from the rustic charm of bullock carts to speedy motor vehicles, from stone-sparked fire stoves to the precision of gas stoves, and the shift from natural habitats to the gigantic cemented structures—a true renaissance in every sense.

Amidst the industrial whirlwind, we have unconsciously expelled more Green House Gases (GHGs) into the atmosphere, exploiting nature under the guise of technological progress, casting a shadow of global warming and erratic climate patterns. Now, in an ironical twist of fate, we find ourselves harking back to primitive wisdom, attempting to scrub the accumulated GHGs from our skies. A reverse metamorphosis unfolds with demands to transition from concrete jungles to eco-friendly havens, from gas stoves to bio gas alternatives, and the wheel turning full circle from motor vehicles to the humble bicycle. History echoes its lessons – a cycle of evolution, a constant dance of progression and regression. The time is now for a global commitment to safeguard our sacred and the only home, planet earth.

Since the Paris Agreement, countries have committed to keep the Earth's warming below 1.5 degrees Celsius from how it was before all our big factories started humming (pre industrialisation levels). By the second half of this century, we were talking about doing more, in that, not just a reduction in carbon budget but a need to pull out more GHG from the air than we are putting in. It is akin to a big clean-up mission where humans have become GHG detectives, trying to balance the scales for a cooler planet.

Achieving the mission of limiting global warming necessitates a comprehensive approach. There is now an awakening that this is not only the responsibility of the various sovereigns but one that is shared by all. All hands are needed on the deck and the corporate world is increasingly asked to Integrate Environmental, Social, and Governance (ESG) principles in their operations and business practices, extending these standards to their value chain partners. This, in turn, also places a significant responsibility on financial institutions since funding to these companies are largely through Banks/FIs. There is a clarion call on the Banks/FIs to encourage their clients to adopt a more ethical and responsible stance. This holistic integration of ESG principles and the adoption of sustainable finance underscore a collective commitment towards addressing climate change and fostering a more environmentally conscious global economy. To that effect, the banks have welcomed India's commitment to Panchamrit for climate action and also adopt the mantra of LIFE- Lifestyle for Environment to combat climate change

### **SUSTAINABLE FINANCE – THE ULTIMATE APPROACH**

The recent RBI report for FY 2022-23, aligning with India's green transition targets, urges the financial sector, including small finance banks and NBFCs, to facilitate a sustainable economy at an affordable transition cost. With India aiming for net zero by 2070, there's a push for green financing, estimated at 2.5% of GDP annually till 2030. This emphasizes the crucial role of green finance in sustainable development, supporting projects like renewable energy, energy-efficient buildings, and green transportation. Financial institutions are now called to develop green products and services, recognizing their stake in reducing carbon emissions. They are also being asked to adopt various exclusion policies and gradually reduce financing to carbon intensive sectors.

Likewise, priority sector lending compels banks to deliver ethical and sustainable services to sectors like agriculture, MSMEs, education, housing, and community development – integral for meeting the country's basic needs. This aligns seamlessly with UN-SDGs such as quality education, decent work and economic growth, and sustainable communities, reflecting a shared commitment to global development goals.

The trend has been quite promising! In the 2022 survey covering 34 major scheduled banks in India, an impressive 94% of these banks were found to offer loans for green products, including rooftop solar, electric vehicles (EVs), and EV charging infrastructure. This indicates a substantial alignment of the banking sector with sustainable and environmentally friendly initiatives, contributing to the promotion of green technologies.

### **BANKS' GOING GREEN**

Besides offering green products, numerous banks are now opting for energy-efficient alternatives such as LED bulbs, five-star-rated appliances, solar alternatives, cloud-based IT infrastructure etc. Furthermore, adoption of digital solutions has streamlined services, enabling customers to perform tasks with a simple click – from deposits to loans and repayments. Not only does this aide in enhancing customer convenience, but it also significantly reduces paper consumption and associated emissions.

### **CONCLUSION**

The journey is long and arduous. We are all in this together. While the focus on green finance is positive and increasing, there is now an urgent need in accelerating the progress requiring a combination of

policy interventions, increased investments in research and development, and robust support from government and regulatory bodies. This collaborative effort is essential to drive meaningful and swift advancements in sustainable practices within the financial sector.

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