

Corporate Social Responsibility with particular reference to Green Banking in India

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ABSTRACT

Sustainable development has emerged as a new paradigm of development in response to the current discourse of development that over-exploits natural environment for economic prosperity. The sustainable development can best be achieved by allowing markets to work within an appropriate framework of cost efficient regulations and economic instruments. One of the major economic agents influencing overall industrial activity and economic growth is the financial institutions such as banking sector. The banking sector influences the economic growth and development in terms of both quality and quantity, there by changing the nature of economic growth. Therefore, banking sector can play a crucial role in promoting environmentally sustainable and socially responsible investment. Banks may not be the polluters themselves but they will probably have a banking relationship with some companies/investment projects that are polluters or could be in future.

Key words: *Corporate Social Responsibility, Sustainable Development, Economic Prosperity, Banking Sector and Green Banking.*

Introduction:

In recent years, scholars and managers have devoted greater attention to the strategic implications of corporate social responsibility (CSR). Consistent with McWilliams and Siegel (2001), we define CSR as situations where the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interests of the firm and that which is required by law. However, this is just one interpretation of CSR. Numerous definitions of CSR have been proposed and often no clear definition is given, making theoretical development and measurement difficult. CSR activities have been posited to include incorporating social characteristics or features into products and manufacturing processes, adopting progressive human resource management practices, achieving higher levels of environmental performance through recycling and pollution abatement, and advancing the goals of community organizations.

Banks and financial institutions are embracing environment protection with every passing day, in some cases with a missionary zeal to protect mother earth. This is done both as a part of their corporate social responsibility and as a drive towards socially and ethically responsible banking. They are gradually coming to realise that there is a need for a shift

from the 'profit, profit and profit' motive to 'planet, people and profit' orientation, for sustainable development in the long run. The objective of this paper is to study the Corporate Social Responsibility with particular reference to Green Banking in India.

Green Banking in India Concept:

Green banking involves promoting environmental and social responsibility. Green banking starts with the aim of protecting the environment where banks consider before financing a project whether it is environment friendly and has any implications for the future. A company will be awarded a loan only when all the environment safety standards are followed. India is growing at a very fast rate and this development is mainly supported by the industrial sector. However the country faces a major challenge in controlling the impact of its business on the environment. Despite framing several regulations, the government has not fully succeeded in controlling environmental damage.

India is also one of the fastest growing countries in terms of green house gas emissions. Delhi, Mumbai and Chennai are among the ten most polluted cities of the world. Some of the major industries in India that cause significant amount of pollution include:

1. Primary metallurgical industries
2. Paper and pulp
3. Pesticides/Insecticides
4. Fertilisers
5. Chemicals/Pharmaceuticals
6. Textiles, etc

For these industries, the banking sector is the major source of finance. Hence the role of banks in controlling environmental damage is extremely important. In this context proper scrutiny of investment projects from the environmental angle, before financing, is extremely important for banks. Governments across the globe are highly concerned about climate change problems.

Green banking can be efficiently implemented through the use of technology. A bank can make improvements in operations by replacing the daily courier service with scans and electronic delivery. Employees can be sent pay checks and reimbursement checks electronically to save paper. Implementation of the online banking system can also lead to an increase in customer convenience, reduction in costs incurred by the banks and an improvement in banking performance.

Initiatives:

For banks, only the colour of money was green – not any longer. Increasingly, banks are consciously lending to projects that are green, opening branches that are energy-efficient

and environment-friendly and using recycled paper for printing cheque books. Let us take a look at a few of the initiatives by banks in India in this regard.

- *Indusind Bank – Solar Powered ATMs:* Indusind Bank implemented Mumbai's first solar-powered ATM as part of its Green Office Project 'Hum aur Hariyali'. It also unveiled the 'Green Office Manual – A Guide to Sustainable Practices', prepared in association with the Centre for Environmental Research and Education (CERE). IndusInd's solar ATM replaces the use of conventional energy for eight hours per day with eco-friendly and renewable solar energy. The energy saved will be 1980 KWhrs every year and will be accompanied by a simultaneous reduction in CO₂ emissions of 1942 kgs. In areas with erratic power supply solar power will replace diesel generators and translate into savings to the extent of INR 40,200 every year.
- *SBI-Green Banking Policy:* The State Bank of India (SBI), as part of its green banking policy, has set up windmills to generate 15 MW of power in Tamil Nadu, Maharashtra and Gujarat for its own consumption. The SBI chairman inaugurated the windmills set up at Panapatti village in Tamil Nadu's Coimbatore district on April 23, 2010. The mill in Tamil Nadu would generate 4.5 MW of power, while the Maharashtra mill will have a capacity of 9 MW and Gujarat 1.5 MW. SBI was the first bank in the country to consider generating green power as a direct substitute to polluting thermal power and implement the renewable energy project for captive use.
- *SBI-Green Home Loans:* SBI has adopted a green banking policy with the objective of contributing towards the fight against climate change. One of the initiatives approved by the board for this purpose is to incentivise customers who opt for green projects, i.e. those projects which reduce carbon emissions and promote renewable energy. 'Green Housing' or 'Green Home' is a project identified for this purpose. The new loans offer several financial benefits by offering a 5 percent concession in margin, 0.25 percent concession in interest rate and waiver of processing fees.
- *Union Bank of India – Energy efficiency measures:* Union Bank has decided to undertake an electrical energy audit annually. In addition the bank has installed solar water heaters at various facilities maintained by them. The support service department of the bank has been identified to implement such as energy/emission reduction program.
- *ICICI Bank – Corporate Environmental stewardship initiatives:* The Corporate Environmental Stewardship Programme with the Bombay Natural History Society (BNHS) was pioneered by ICICI Bank to sensitise various corporate bodies, financial institutions/banks and government agencies involved in project planning about issues regarding biodiversity, wildlife habitats, various environmental laws and conventions.

As part of the programme, BNHS has institutionalised a "Green Governance Award" to recognise the efforts of companies and other organisations that promote biodiversity

conservation of habitats, flora and fauna. The bank's support for clean technology is further detailed below:

- a. Clean coal technologies
 - b. Zero emission vehicles
 - c. Finance for innovative products
- ◆ *IDBI Bank*: IDBI Bank is a member of the council of National Action Plan on Climate Change (NAPCC). The bank is also a signatory investor of the Carbon Disclosure Project (CDP), which aims to create a relationship between shareholders and corporations regarding implications on shareholder value and commercial operations presented by climate change.
- ◆ *Yes Bank*: Through its retail branches, Yes Bank is incorporating community development initiatives such as clean and green drives, energy efficiency practices, workplace health and safety and the development of local disaster management plans through its Yes Community initiatives. Yes

Community engages with local communities surrounding their bank branches in India through micro events under the aegis of 'Planet Earth' on the sub-themes of:

- a. Pollution prevention
- b. Recycling and minimising waste
- c. Conserving energy
- d. Conserving water
- e. Improving sanitation and cleanliness

Role of RBI:

To highlight the CSR of banks, the RBI circulated a notice on December 20, 2007 to all scheduled commercial banks titled 'Corporate Social Responsibility, Sustainable Development and Non Financial Reporting – Role of Banks'. Major issues touched upon in the notice were:

1. Corporate responsibility
2. Sustainable development
3. Non-financial reporting

RBI also followed many international initiatives to throw light on the importance of the matter to other commercial banks:

- a. United Nations Environment Program Finance Initiative
- b. Global Reporting Initiative

- c. International Finance Corporation
- d. The Equator Principles
- e. Declaration of Financial Institutions

It also reported certain important and urgent issues:

1. Global warming and the extent of the problem
2. Stern Review – The economics of climate change
3. The Happy Planet Index
4. The Kyoto Protocol

As per the guidelines issued by RBI many member commercial banks started new programs to contribute to the society. As important players in the Indian economy, banks realised that their role extends beyond traditional banking activities which are commercial in nature to being more social. They also needed to examine the effects of their lending and investment decisions.

Suggestions that can be adopted by Banks to Encourage Green Banking:

1. Construct a website and spread the news.
2. Educate through the Bank's Intranet and Public website.
3. Participate in Events.
4. Set up outlets to promote green business.
5. Communicate through the Press.
6. Disseminate info through the Press.
7. Social Responsibility services done by banks.
8. Carbon footprint reduction by mass transportation.
9. Impact education through E-learning programmes.
10. Making it a part of annual environment report.

Conclusion:

As per a study by PwC, Indian Banks' Association (IBA) and The Climate Group, 'Seven out of the eight banks in the survey believe commercial lending banks in India can play a leadership role in the business community in addressing the challenges of climate change. They are starting to invest in low-carbon technologies and developing new products and services that will address the risks and opportunities of climate change'.

Banks are belonging to recognise that they have a social responsibility to fulfil as distinct from merely accepting deposits for the purpose of lending or investment. As per the

relatively indirect nature of their environmental and social impacts, banks need to examine the effects of their lending and investment decisions.

Sustainable finance promotion is the call of the hour. Socially Responsible Investment (SRI) is an investment strategy which identifies investment targets that not only provide financial growth but also takes explicit account of ESG issues in the investment process. Sound financing of a sustainable economy can be promoted by the banks themselves. CSR supporting measures should be dealt with strictly and implemented. Until and unless environmental authorities are more serious and stricter about this, FIs will face many problems. There can be general social and economic benefits that would accrue to society, if businesses recognised broader social goals in their decisions.

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