

## **GREEN BANKING POLICY – AS A WINDOW TO ACHIEVE CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT**

Global warming, also called as “Green House Effect” is a global issue that calls for a global response. The warming effect of certain man-made gas emissions such as carbon-di-oxide, methane, nitrous oxide and hydro-fluro carbon is found responsible for distortion in climate changes. The rapid change in climate will probably be too great to allow many eco systems to suitably adapt, since the changes have direct impact on bio diversity, agriculture, forestry, dry land, water resources and human health. However, there is general lack of adequate awareness on the above issues and hence there is urgent need to promote certain urgent measures for sustainable development and corporate social responsibility.

2. (a) By sustainable development, it means a pattern of social and structured economic transformations (i.e. development) which optimizes the economic and social benefits available at present, without jeopardizing the likely potential for similar benefits in the future. The primary goal of sustainable development is to achieve a reasonable and equitable distribution level of economic well being that can be perpetuated continually for the future human generations.

(b) Corporate Social Responsibility (CSR) is a concept, accepted the world over, whereby the corporates integrate social and environmental concerns in their business operations and in the interactions with their stake-holders on a voluntary basis. The three keys to an effective CSR are commitment, clarity and congruence with corporate values. Clarity is all important because each corporate entity has to frame its CSR initiatives based on the environment of the activities being carried out. Congruence is about ensuring the corporate’s attitude to its responsibilities towards society is consistent with its own values and culture.

3. As a responsible public sector financial organization of the country with its crucial role in financing the economic and developmental activities of the country, our bank has strategic position to play in addressing the above issues, both in terms of its obligation and opportunities by virtue as a responsible corporate citizen and as a financier.

Against this background and with a view to have a focused attention on sustainable development, we have already taken the following initiatives for the year 2008-09.

### **A. Agriculture as thrust area**

Global agriculture markets in the last two years have begun to undergo structural changes like

- i) Expanding food consumption demand in Asia due to rising incomes
- ii) Weather aberrations pest and diseases that continue to affect food production
- iii) Emergence of bio-fuels (Bio- ethanol and bio-diesel) that use traditional crops (Sugarcane, Maize, Soyabean etc.) for fuel purposes.

In order to have adequate food security, the need to increase the agricultural production is of paramount importance to our country. Emphasis is to be given for the growth of crop loans and investment credits. Crop loans mainly cover raising of all sorts of food grain crops, Horticulture and edible oil crops whereas investment credit targets land development, watershed development, minor irrigation, financing for construction of farm ponds, farm mechanization, construction of godown, /cold storages.

In order to fulfill our corporate responsibility it is proposed to adopt the following steps under agriculture segment.

### **More out lay in agriculture finance.**

We have budgeted a growth of Rs175 Crores under crop loans (20 % increase from the March level of Rs.882 Crores) Rs.925 Crores under investment credit (47 % increase from the March level Rs.1972 Crores).

### **Encouraging usage of organic fertilizers**

With the intensive use of chemical fertilizers, contamination and over exploitation of ground water resources, it is reported the organic matter in the soil got reduced from the normal level 0.5 % to .2 %. We propose to utilize the services of Farmers Club (now about 55 in number and SHGS (now about 5000 in number) to make farmers aware of the need to use organic fertilizers produced by vermin-compost, bio-fertilizer Etc., and to reduce the dependence on inorganic fertilizers and pesticides. In order to encourage the organic fertilizers we propose to reduce the margin from the present 15% to 5 %.

### **Judicious usage of water**

Usage of sprinkler irrigation and drip irrigation not only helps to improve the yield per acre but also to bring more acreage under cultivation. During the current year it is proposed to earmark Rs.200Crores under minor irrigation schemes where financing for installation of drip/sprinkler irrigation system.

### **Encouraging the financing of Bio-fuel plants**

Raising of Jatropha, the source for Bio-fuel has been taken up by us in Tamilnadu and the scheme will be extended to other places, wherever it is feasible.

All the above proposed measures will be implemented through our branches who are handling agriculture advances and specifically in 25 agriculture intensive branches by enlisting the help of SHGs / NGOs / Farmers club.

- B. (i) Under SME sector, there is already a scheme to finance LPG kits for auto-rickshaws at concessionary rate of interest and reduced margin. This will definitely reduce the carbon emission from the auto-engines. More publicity will be given through the branches.
- (ii) Rain water harvesting is yet another important activity for sustainable development. The entire cost for the construction of rain water harvest system subject to a maximum limit of Rs.25,000/- can now be financed by the Bank as additional package included in Housing Loans and no margin is insisted for this portion.
- (iii) One significant impact that we can make is through internalizing, to the extent feasible, environmental and social aspects into our lending assessment/ pricing. An incentive by way of small interest concession, liberalized margin norms, can be offered to any project coming into the ambit of sustainable development / business. Alternate energy projects such as wind, hydel, solar etc., energy efficient projects, waste management projects, green housing, bio fuels projects and some of the identified activities are eligible for the above.

**C. Reducing our own carbon foot print**

There are few in-house avenues in our Bank, where we can directly contribute to controlling climate change and as an initial step we intend to start a campaign to replace all fused GSL bulbs into CFL bulbs, in all owned premises – offices and residential. We will also make a feasibility study to make rain water harvesting mandatory in all the Bank's owned premises and at MIPSSED, the rural training institute for the public, opened at Tumkur.

**D. Financing of Carbon credit as a means for Clean Development Mechanism (CDS)**

The Kyoto Protocol 2005 has the principal motive to put in place a system to reduce Green house gas emissions by the 36 industrialized and developed countries and this has relevance to India in its clean Development mechanism. It provides all developing countries to implement projects that reduce emissions and sell the resulting Certified Emission Reductions (CER) to buyers in the industrialized countries.

Branches have already been sensitized on the concept of Clean Development Mechanism and Financing of carbon credits. The trading volumes of carbon credits is reported to have reached the level of 60 million tons in the year 2008 and with the launching of carbon trading by MCX (Multi Commodity Exchange) on 22.01.2008, our branches can have access to the now emerging business product, not only as an opportunity to generate profits, but also as a tool in the contribution to the Clean Development Mechanism (CDM)

The list of few companies, who have obtained Host Country approval for implementing projects under CDM have also been sent to the branches for their information.