

Driving Sustainable Development: A State Bank of India Centred Case Study Focusing on its Initiatives and Impact

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Abstract

Sustainable Development Goals (SDGs) represent a vision for the future to address present-day challenges. With the global population growing exponentially, there is an increasing need to meet the demands for a higher standard of living while also ensuring a sustainable planet for future generations. India's banking sector, particularly the State Bank of India (SBI), has experienced rapid expansion and plays a pivotal role in sustainable development, emerging as a robust and transparent system. Sustainable development encompasses social, economic, and environmental aspects. This paper aims to explore the diverse opportunities for achieving sustainable goals with the support of imperatives outlined by SBI, focusing on the bank's sustainability efforts.

Key Words

Sustainable Governance, Biofuel, Sustainability, Green Finance.

Introduction

SBI, as the oldest commercial bank in India, is a public sector financial institution serving society by fulfilling people's aspirations and strengthening the country's economy. SBI's stocks are listed on both the Bombay Stock Exchange and the National Stock Exchange. According to the 2022-23 sustainability report, the State Bank of India Group comprises 16 domestic non-banking, 8 foreign banking, and 4 non-banking subsidiaries. SBI operates through its branches, subsidiaries, and outlets to provide services to individuals and various institutions.

Established in 1806 as the Bank of Calcutta, later renamed the Bank of Bengal under a Royal Charter, SBI evolved into the Imperial Bank of India through the merger of three presidency banks: Bank of Madras, Bank of Bombay, and Bank of Calcutta. In 1955, the Imperial Bank of India became the State Bank of India. As a commercial bank, SBI offers a wide range of services, including accepting public deposits, issuing bills of exchange, and trading in gold. It provides services such as locker facilities, various types of loans (e.g., home loans, educational loans), inward foreign remittances, and opening Public Provident Fund (PPF) accounts, among others.

Sustainable development is defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own

needs" (World Commission on Environment and Development, 1987). It serves as a guide to achieve long-term global development, focusing on social, economic, and environmental aspects. Sustainable development aims to promote economic growth while ensuring the judicious use of resources and minimizing harm to the environment, thereby ensuring future generations can enjoy similar prosperity in environmental conditions. The Security Exchange Board of India introduced the Business Responsibility and Sustainability Report (BRSR), making it mandatory for the top 1000 listed companies from the financial year 2022-23, replacing the Business Responsibility Report (BRR).

Research Objective

- To understand SDGs.
- To examine and analyse the significant sustainable steps taken by SBI.

Research Methodology

This study is based on a case study approach utilising secondary data from various websites and research papers. Qualitative research was conducted, analysing SBI's credit rating in line with sustainability goals.

Theoretical Review

The theoretical framework is based on academic literature, various websites, and articles from journals.

Review of SBI Sustainability

SBI's policy statement guides the design and implementation of sustainability initiatives, focusing on environmental, social, and general guiding principles. The bank aims to enhance its performance through a sustainable approach. The Sustainability Governance Structure at SBI includes the Corporate Centre Sustainability Committee (CCSC), which oversees sustainability and business responsibility policies. This committee, headed by the Deputy Managing Director and Corporate Development Officer, identifies key environmental and societal areas to help the bank achieve its sustainable goals. Additionally, SBI has a Board-level Committee responsible for Corporate Social Responsibility.

To support India in achieving the SDGs by 2030, SBI plays a crucial role by offering various products and services. Some of the steps taken by SBI include:

1. Finance for Biofuel Projects: SBI facilitates the establishment of new units for biofuel extraction or the expansion of existing units through term loans, working capital, and LC & BG.
2. Sanjeevani: This project aims to improve the health of tribal populations and prevent emerging diseases in areas lacking medical facilities. SBI has initiated efforts to provide primary healthcare to 350 villages through Mobile Medical Units, OPD services offered by medical professionals, and health camps.
3. Stree Shakti Entrepreneur: SBI partnered with the World Bank and UN Women to provide institutional credit to women entrepreneurs at affordable interest rates.
4. YONO Krishi Safal Dairy Loan: SBI launched the 'YONO Krishi Safal Dairy Loan' on its YONO mobile app, providing dairy farmers with pre-approved loans

at lower interest rates and fast processing, without the need to visit a bank branch.

5. Skill Loan Scheme: This scheme provides loans ranging from Rs 5,000 to Rs 1,50,000 to Indian nationals for skill development courses, contributing to SDGs 4 and 8 (Quality Education and Decent Work and Economic Growth).
6. SBI e-Mudra: Offering digital term loans, SBI supports micro-entrepreneurs in fulfilling their business requirements, contributing to employment generation and SDG 9 (Industry, Innovation, and Infrastructure).
7. Compressed Biogas (CBG) under SATAT Scheme: SBI supports the production of CBG, contributing to SDGs 7 and 13 (Affordable and Clean Energy and Climate Action).
8. Green Bonds and Green Loans: SBI issues Green Bonds to finance renewable energy, solar energy, and sustainable mobility projects, assessing borrowers on ESG criteria. This initiative has the potential to reduce emissions by 5.72Mn tCO₂/year.
9. SHG Financing: SBI aims to achieve SDGs 1, 5, and 8 (No Poverty, Gender Equality, and Decent Work and Economic Growth) by providing funds to Self-Help Groups (SHGs), particularly women's groups, to improve their skills and livelihoods.
10. Financing Polyhouses: SBI provides loans for polyhouses, net houses, or greenhouses at prescribed interest rates to help farmers cultivate off-season flowers and vegetables, contributing to SDGs 2, 3, 12, and 13 (Zero Hunger, Good Health and Well-being, Responsible Consumption and Production, and Climate Action).
11. Financing Solar Photovoltaic Pump Sets: SBI offers easy loans for water pumping systems using solar panels, promoting renewable energy and contributing to SDGs 2 and 13.
12. Grid-connected Rooftop Solar PV Projects: To achieve SDGs 7 and 13, SBI provides loans for installing solar panels on rooftops of commercial institutions and industries, helping them reduce electricity consumption.
13. Healthcare Business Loan: SBI provides loans to medical practitioners for setting up clinics, nursing homes, pathology labs, ayurvedic centers, etc., contributing to SDGs 3 and 11.
14. Affordable Home Loan: To achieve SDGs 5 and 11, SBI provides home loans, offering a 5 bps concession to women to promote gender equality.
15. E-Rickshaw Scheme: SBI finances electric rickshaws to promote cleaner fuel and achieve SDGs 11 and 13.

Challenges for Sustainable Development Financing

Achieving sustainable development requires long-term, low-cost finance. In India, sustainable development financing faces challenges such as a shortage of finance and risks associated with regulatory, technological, and political factors related to new projects. There is also a shortage of multilateral finance to bridge the financial gap for sustainable development. India's classification as a lower-middle-

income country by the World Bank implies a decrease in concessional lending, further complicating sustainable development financing. Private sector participation in India's sustainable development is limited due to challenges related to structural economic reform and limited availability of bank credit.

SBI was the first bank to start generating green power by installing windmills to meet its own requirements. It provided term repayment plans with concessional interest rates for this initiative. SBI has also financed industrial units for solar energy projects, offering long-term repayments of 15 to 20 years. Additionally, SBI provides consultancy services in the clean development mechanism registration process. SIDBI has taken steps to fund the MSME sector for energy efficiency projects and remains a member of 'The Montreal Group,' an association of banks involved in financing and developing MSMEs. The Indian government has increased its coal cess, leading to higher revenue, which is used to finance clean energy initiatives. The government has also reduced subsidies on petrol and diesel to promote sustainable development. SEBI has introduced regulations related to municipal bonds to inform investors about investment opportunities. IREDA, established in 1987, is a public financial institution providing finance for renewable energy and energy efficiency projects.

Discussion and Recommendations

Sustainable banking: Steps taken by SBI include:

1. Tax on carbon emissions for individuals.
2. Providing online customer service to reduce carbon footprints.
3. Educating customers about paperless banking.
4. Educating employees to promote environment-friendly products.

SBI has a sustainability governance structure with a board of directors coordinating and developing strategies based on sustainability. To promote sustainable living, SBI should provide more sustainable housing for its employees, incorporating features like buses, waste management, and solar panels.

SBI should focus on delivering high-quality services while ensuring environmental responsibility. The bank should establish a committee comprising scientists to guide policy-making based on scientific principles, including external members from educational institutes and various stakeholders to promote understanding and contribution to SDGs.

Dimensions of Sustainable Banking

- Increase in the Green Bond market.
- Strengthening of main financial institutions.
- Alignment of financial market regulations with sustainability.
- Increased capacity of the financial sector.
- Enhanced access to sustainable finance, particularly in the Small and Medium Enterprise sector.
- Establishment of a comprehensive reporting mechanism for projects and schemes related to SDGs.

- Intermediaries to balance fund inflow and outflow efficiently, especially for social development and equity.
- Expertise development in the public sector, particularly in urban local bodies, to raise funds from mainstream capital markets.
- Promotion of investment in sustainable development projects by accounting for social and environmental impacts in investment methods.

Conclusion

The State Bank of India (SBI) is a pioneer in banking by aligning its practices with the United Nations Sustainable Development Goals (SDGs). SBI showcases its dedication to social and economic sustainability through initiatives that contribute to India's progress.

SBI's emphasis on eco finance, such as funding biofuel projects, promoting energy and backing sustainable farming demonstrates its commitment to reducing its carbon footprint and encouraging renewable energy sources. The bank goes beyond services by engaging in healthcare, gender equality and poverty alleviation efforts through innovative programs like Sanjeevani and Stree Shakti Entrepreneur.

Moreover SBI's focus on governance is evident in its policies and organisational frameworks. The Corporate Centre Sustainability Committee (CCSC) and the Board level Committee for Corporate Social Responsibility play roles in identifying and targeting areas for sustainability and guiding the bank towards achieving its sustainability objectives.

Despite the complexities of financing development SBI has shown resilience and creativity in its strategies. By spearheading projects and collaborating with entities SBI is establishing a standard for sustainable banking practices in India. In moving towards a future focused on sustainability, SBI's initiatives set a benchmark for other financial institutions to emulate. By working and dedicating ourselves to sustainability we can strive for a fairer, prosperous and eco conscious world for the coming generations.

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