FINANCING RESPONSIBLE CLIMATE AND SOCIETAL ACTION THROUGH INNOVATION: LEADERS FOR TRANSFORMATION CASE STUDY OF INDIAN BANK

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ABSTRACT

To achieve the 2030 sustainable development goals target, countries would require a mammoth amount of financing. Financial institutions have a crucial role to play in mitigating the funding gap. Proactive innovative steps by financial institutions can operationalize sustainable and inclusive development and help them to achieve sustainable development goals. In this paper, we draw attention to the largest Indian public sector bank and the innovative measures it has taken for responsible finance and sustainable banking towards climate and societal action. We manually evaluate the sustainability and annual reports for the past 5 years, present the findings, and develop a framework that can help the other banks emulate its steps, especially the ones who perceive it as a benchmark bank. Our study contributes to the stakeholder theory, especially from the perspective of leadership roles. On the policy level, we notice that responsible leadership can guide successfully and help in the transition to a more inclusive and low-carbon economy without affecting the financial capital of the bank.

Keywords: Responsible Finance; Eco-innovation; Social innovation; Digital Innovation, Sustainability Reporting, Sustainable Banking

1. INTRODUCTION

With the Paris Agreement of 2015, under the umbrella of the United Nations Framework Convention on Climate Change (UNFCCC, 2015a), countries agreed to keep global warming under two degrees Celsius. The agreement calls for a reduction in greenhouse gas (GHG) emissions, wherein countries submitted intended nationally determined contributions by 2030 (Boyd *et al.,* 2015; Fawcett *et al.,* 2015; Kitous, Keramidas, 2015; Meinshausen *et al.,* 2015; UNFCCC, 2015b; Rogelj *et al.,* 2016). The IPCC report (IPCC, 2018), reiterated the fact that human activities are likely to accelerate the process of global warming reaching 1.5 degrees Celsius above pre-industrial levels between 2030 and 2052. Delimiting global warming requires social and business transformation and reduction of GHG emissions across all sectors. It requires a magnitude of investment; the IPCC report estimates USD 2.4 trillion of investment in clean energy every year until 2035.

Considering the magnitude of investment required, the role of the banking sector and financial institutions becomes pivotal. The banking sector has played a central role in availing financial resources to the private sector, households, and individuals (Beck, Demirguc-Kunt 2006; Wang, 2016) and has been the mainstay of the real economy. The banks have the resources and can create solutions to finance the transition to a green and sustainable economy. Further, financial institutions realize that economic growth that compromises the environment and social well-being can no longer be sustained; hence, financial institutions realize the imperatives of sustainable development. Proactive and innovative steps by the