

PAPER I - INDIAN ECONOMY & INDIAN FINANCIAL SYSTEM

Module A: INDIAN ECONOMIC ARCHITECTURE

Chapter 10: Climate change, Sustainable Development Goals (SDGs)

Topics in this chapter

- Climate Change, Sustainable Development Goals
- Core elements of Sustainable Development
- Global Issues and initiatives
- India's progress in SDGs including Climate change
- CSR Activities

10.1 CLIMATE CHANGE, SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Increased heatwaves, droughts, and floods, caused by **climate change**, are destroying the planet and affecting billions of lives worldwide. Although there was a temporary reduction in CO₂ emissions in 2020 due to the pandemic, global energy-related CO₂ emissions are projected to rebound and grow.

Based on the current commitments made by various nations, global emissions are set to increase by almost **14%** over the current decade. This could lead to a climate catastrophe unless governments, the private sector, and civil society work together to take immediate action. The war in Ukraine also threatens to become a huge setback for these efforts.

To limit global warming to **1.5°C** (as recommended by scientists), global emissions should be cut by **45%** by 2030, compared to 2010 levels. The



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current 14% projected increase shows a massive gap between what is needed and what is being done.

Climate change refers to long-term changes in temperature and weather patterns. While these changes can be natural, human activities have been the primary cause of climate change since the 1800s. This is mostly due to the burning of **fossil fuels** (like coal, oil, and gas), which creates heat-trapping gases.

Climate change not only threatens economic growth but also acts as a **poverty multiplier**. It increases the number of poor people, makes them even poorer, and widens inequality.

10.2 CORE ELEMENTS OF SUSTAINABLE DEVELOPMENT

In September 2015, the United Nations General Assembly announced a set of 17 **Sustainable Development Goals (SDGs)** and 169 targets to spur action over the next 15 years. These goals, which have a timeframe of **2016-2030**, superseded the Millennium Development Goals (MDGs). The seventeen (17) Goals agreed upon under the SDGs are as follows:



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1. **No Poverty**
2. **Zero Hunger**
3. **Good Health and Well-being**
4. **Quality Education**
5. **Gender Equality**
6. **Clean Water and Sanitation**
7. **Affordable and Clean Energy**
8. **Decent Work and Economic Growth**
9. **Industry, Innovation, and Infrastructure**
10. **Reduced Inequality**
11. **Sustainable Cities and Communities**
12. **Responsible Consumption and Production**
13. **Climate Action**
14. **Life Below Water**
15. **Life on Land**
16. **Peace, Justice, and Strong Institutions**
17. **Partnerships to achieve the Goal**

Compared to the MDGs, these 17 goals, with their 169 targets, are far more comprehensive. The major challenges for nations in achieving these goals are financing the implementation process, getting all stakeholders involved, and developing an effective administrative framework.

10.3 GLOBAL ISSUES AND INITIATIVES

The **United Nations (UN)** has become the main global forum for addressing issues that cross national boundaries and cannot be solved by any single country alone. In addition to its original goals of maintaining peace and protecting human rights, the UN has added new challenges to its agenda, such as AIDS, big data, and climate change.



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The UN and its specialized agencies are involved in a wide range of activities to improve people's lives all over the world. This includes:

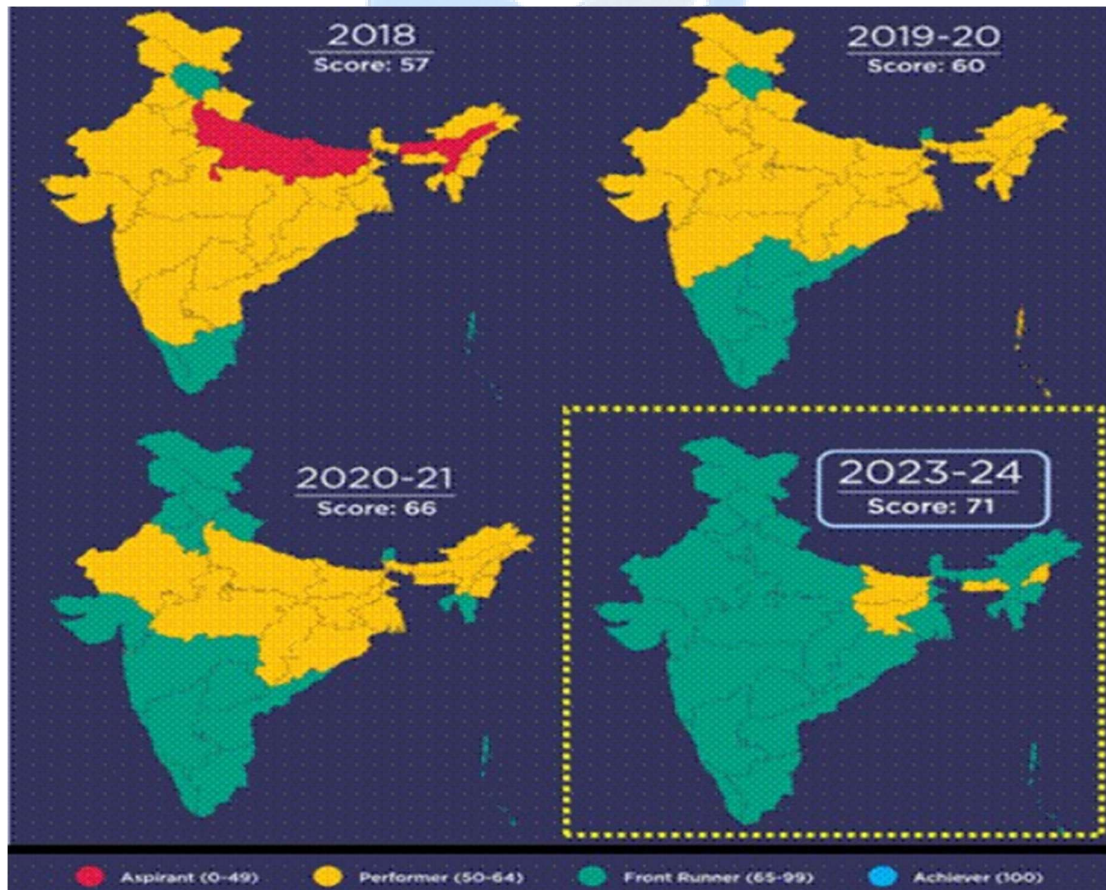
- Promoting child education
- Democracy
- Human rights
- Gender equality
- Peace and security
- Assisting refugees
- Raising awareness about climate change
- Improving healthcare
- Promoting international law and justice

10.4 INDIA'S PROGRESS IN SDGs

India has made significant progress toward achieving the Sustainable Development Goals. According to NITI Aayog's latest **SDG India Index (2023-24 report)**, which tracks the country's progress, India's overall SDG score has increased from 66 in 2021 to **71**. This improvement is driven by strong performance in goals like **'Clean Water and Sanitation' (SDG 6)**, **'Affordable and Clean Energy' (SDG 7)**, and **'Industry, Innovation, and Infrastructure' (SDG 9)**. **Kerala** continues to rank first on the Index, followed by **Tamil Nadu** and **Himachal Pradesh**.



SDG GOAL-WISE PERFORMANCE (INDIA)



Source- NITI Aayog SDG India Index



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The task of coordinating the SDGs in India has been given to NITI Aayog, the Government of India's premier think tank. Many of the government's flagship initiatives, including 'Swachh Bharat', 'Make in India', 'Skill India', and 'Digital India', are key to achieving the SDGs.

India and SDG 13: Climate Action

India is strongly committed to SDG 13, which calls for climate action. During the United Nations COP26 summit in Glasgow in November 2021, India pledged to achieve net-zero emissions by 2070. As part of this, India has made five key commitments, known as the 'Panchamrit':

- Achieving the target of net-zero emissions by the year 2070.
- Achieving 500 Gigawatts (GW) of non-fossil energy capacity by 2030.
- Fulfilling 50% of its energy requirements from renewable energy sources by 2030.
- Reducing the total projected carbon emissions by one billion tonnes between now and 2030.
- Reducing the carbon intensity of its economy by **45%** by 2030 (from 2005 levels).

India has also launched a mass movement for **'LIFE' - 'Lifestyle for Environment'** as a key to combating climate change. At the UN climate summit (COP27) in Egypt in November 2022, member countries agreed to establish a "loss and damage" fund, and **this fund was officially operationalized at COP28 in Dubai (2023)**, a decision that India welcomed and has supported.

Banks and Climate Change

Climate change is a major economic concern. According to recent reports from the World Bank and the RBI, it is likely to lower India's GDP by **up to 3%** per year by 2050 if mitigation efforts are not scaled up. The Indian banking industry has a key role to play in responding to this crisis by:



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- Managing the risks that climate change poses to their own operations.
- Funding India's transition to a green economy.

The Sustainable Finance Group (SFG) in the RBI has moved beyond initial surveys. Since 2022, the RBI has issued a **Framework on Acceptance of Green Deposits (2023)** and a comprehensive **disclosure framework for regulated entities on climate-related financial risks (2024)**.

Green Finance for sustainable development

Green finance refers to financial arrangements that are specific to projects that are environmentally sustainable or that address climate change. This is to increase the flow of money from banking, insurance, and investment towards sustainable development priorities. Environmentally sustainable projects include:

- Production of energy from renewable sources like solar and wind.
- Clean transportation with lower greenhouse gas emissions.
- Energy-efficient projects like green buildings.
- Waste management, including recycling and conversion to energy.

Progress in India:

- In 2007, the RBI issued a notification on Corporate Social Responsibility and Sustainable Development.
- In 2015, the RBI included the small renewable energy sector under its Priority Sector Lending (PSL) scheme. Under this, firms in the renewable energy sector are eligible for loans up to **₹50 crore**, and households are eligible for loans up to ₹10 lakh.
- The Government of India offers subsidies on the installation cost of rooftop solar panels under its updated rooftop solar programme.
- The government launched the FAME (Faster Adoption and Manufacturing of Hybrid and Electric Vehicles) scheme, which has progressed through multiple phases since 2015.



- The State Bank of India introduced a 'green car loans' scheme for electric vehicles with lower interest rates.

Green bonds: Green bonds are bonds issued by companies or governments where the proceeds are used exclusively for projects classified as environmentally sustainable. As of early 2025, the outstanding amount of green bonds in India was over **US\$ 40 billion**.

Overall, green finance in India has moved beyond the nascent stage and is now a **rapidly growing segment** of the financial market.

10.5 CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

The aim of Corporate Social Responsibility (CSR) is to incorporate economic, social, and environmental obligations into business operations to achieve long-term growth and have a positive impact on society. **While CSR is a voluntary concept globally, in India, it is governed by a mandatory legal framework for specified companies.**

In India, Section 135 of the Companies Act 2013 provides the legal framework for CSR. This rule requires companies of a certain size to spend at least 2% of their average net profits over the last three years on CSR activities. **This applies to companies with a net worth of ₹500 crore or more, a turnover of ₹1000 crore or more, or a net profit of ₹5 crore or more in any financial year.** The activities that qualify for CSR are listed in Schedule VII of the Act.

There is a strong connection between CSR and the SDGs. Many of the activities listed in Schedule VII are directly related to the SDGs. For example:

- CSR activities related to eliminating hunger, poverty, and malnutrition align with SDG 1 (No Poverty) and SDG 2 (Zero Hunger).



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- CSR activities promoting healthcare, sanitation, and contributing to the 'Swachh Bharat Kosh' programme align with SDG 3 (Good Health and Well-being) and SDG 6 (Clean Water and Sanitation).

In India, companies are free to spend more than the mandated 2% on CSR and can set off any excess amount spent against their CSR obligation for **up to the next three succeeding financial years.**

Initially, non-compliance with CSR provisions was treated as a **criminal offense**. However, following amendments to the Act, non-compliance is now treated as a **"civil wrong"** and has been shifted to a penalty regime. If a company fails to spend the required CSR amount and does not transfer the unspent amount to a specified fund, the following penalties apply:

- **For the company:** A penalty of twice the unspent amount required to be transferred, **or ₹1 crore**, whichever is less.
- **For every officer in default:** A penalty of one-tenth of the unspent amount required to be transferred, **or ₹2 lakh**, whichever is less.

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