

Environmental Performance Management in practice

#5 – The experience of ESAF, in India

February 2023



In February 2022, Cerise+SPTF released the updated [Universal Standards](#). This third edition now includes a new Dimension 7 dedicated to Environmental Performance Management¹. This addition reflects a growing awareness that we all have a role to play when it comes to facing environmental and climate challenges. And yet, what this looks like for actors in inclusive finance remains elusive for many.

What does it mean to manage environmental performance, in practice?

We invited pioneering institutions to share their experience. In this blog, **Sandhya Suresh**, Vertical Head of Learning & Development of **ESAF Cooperative in India**, talks to us about how her institution has gone green.

1. What ecological issues are facing the communities in which you work?

ESAF was started as a non-profit organization in 1992 in Kerala, and since then expanded from the Southern to the Central and Western parts of India. Now, ESAF operates as a Small Finance Bank in 23 states of India (out of 35 states in the country), with 760 branches and over 5.5 million clients. So we do have a large outreach, to many different communities, in a variety of contexts.



We have been around for the past 30 years, and **we have clearly witnessed a shift in climate change and how people are getting affected**. Extreme weather events are becoming recurrent every year. We are particularly worried in Kerala, where we have the majority of our customers. The rain patterns have changed, and now we often face disastrous rains that affect the livelihoods and lives of our clients. The crops get damaged or flooded, and clients lose income. In hilly areas, the heavy rains generate landslides where houses are washed away. On the coastal belt, our clients are affected by big storms and hurricanes that damage their houses and affect their activities as fishermen. In the cities, these heavy rains also create waterlogging and floods.

¹ Dimension 7 was developed by CERISE+SPTF in coordination with the [e-MFP GICSF Action Group](#). Dimension 7 is fully aligned with the Green Index 3.0, which is the environmental performance evaluation tool developed and managed by the GICSF Action Group.

One of our staff there says that the moment it starts raining, her heart starts beating and she prays for the rain to stop... In the Western part, in Maharashtra, the concern is more about drought. Most of our clients there are farmers, and the lack of water is directly affecting their crops.

Climate change is creating a lot of havoc, a lot of uncertainty for our clients. We hear a lot of worry from them, especially for clients dependent on nature for living: farmers, fishermen, etc. Lots of young people have no more faith in agricultural activities because there are too many climate vagaries. Many move to the city but remain unemployed there.

Now, in addition to climate change, we also face **issues of pollution** in the communities where we work. In Delhi city, **air pollution** is high. **Water pollution** is also an issue, as many water sources are getting contaminated and are no longer suitable to human consumption. People now have to dig deeper, and make bore wells that affect the quality of underground waters.

Finally, **soil pollution** is also a key issue in our country. The **massive use of plastic** has destroyed the natural structure of the soil. Our farmer clients tell us that they are not confident that the seeds will germinate because they see lots of plastic in their soil when they plough it. The **large-scale use of chemicals** as fertilizers and pesticides for the past decades is also critical, as it destroys soil life and thus degrades soil quality. Chemicals are being used for all size of farming. And even if a growing number of communities are now moving to organic farming, with the support of the Government and NGOs, it still remains a massive problem. Change of practices will take time.

2. Why did your institution choose to manage its environmental performance?

In ESAF, we started as a community-based organization and we have always been **attentive to the needs of our communities**. Our approach is to provide solutions to social problems, and not just to businesses. Now, if we want **to achieve our social mission**, if we want to address social issues, we also need to look at environmental performance, because climate and environmental issues are directly affecting our customers.

And **these issues are also directly affecting ESAF**. Each time there an extreme weather event, livelihoods of the poor are affected, and so is their repayment capacity. Sometimes, our operations are impacted as we cannot get to affected areas. This immediately puts our **portfolio at risk**.



Since the beginning, ESAF has a strong sense of responsibility. We believe that **we have a role to educate**. What do our clients know about climate change? We need to make them aware, to empower them to face these environmental challenges. This is why we decided to engage in environmental performance management.

3. What have you done to improve your environmental performance?

Very early in ESAF history, since 1992 actually, we have been seeking to inculcate a sense of environmental responsibility among our staff and customers, with a first symbolic action: every 5th of June, for the World Environment Day, we **provide free seeds and saplings** to our customers and raise awareness on how to take good care of trees and plants.

In 2007, we decided to formalize our engagement towards environmental protection, with a first **environmental policy statement** saying that “*ESAF is committed to minimize adverse environmental impacts and [...] ensure that we shall use our skills, knowledge, tools and resources in a manner that is safe for the environment.*”

Our first larger-scale engagement started in 2009, with the development of **financial products to finance clean energy solutions**, through the “**Clean Energy for the Poor**” program. We had identified clear issues related to access to energy for our customers. We decided to offer loans to finance beneficial technologies, such as **solar lanterns, efficient cookstoves and water filters**, with the objective to help clients reduce the use of kerosene, charcoal, wood fuels, thus reduce their energy expenditures while conserving natural resources. When ESAF became a small finance bank in 2017, in addition to solutions affordable to low-income clients, we also started to offer clean energy loans with bigger ticket size, especially for **solar rooftops**, for middle-class families that could afford it.



Today, we work with a wide range of suppliers and partners to make clean energy solutions available to our customers. And in the selection process, we are very careful at ensuring the appropriateness and quality of the energy technologies and the reliability of the providers and after-sales services. We regularly organize exhibitions of the clean energy solutions and raise customers’ awareness of how to use them properly.

We have also been implementing since 2019 a **Solar Entrepreneur project**, where we train unemployed youth on installing solar rooftops, as an income-generating activity for them.

In addition to access to clean energy, ESAF has also been active in promoting a more **sustainable agriculture**. In 2014, we implemented a program called AIM (Agri-Intervention & Mentoring) to **support the development and use of biopesticides and biofertilizers** (biogas, composting). ESAF Bank provides the financing to facilitate access to these alternatives, while ESAF Cooperative takes care of building the capacities of our clients. Since 2018, we have been implementing in Maharashtra a pilot project on **agri-entrepreneurs**, with extensive training and loans provided to unemployed youth, to help them create agri-shops in their villages and advise farmers on technologies and practices for climate-smart and regenerative farming.

Building on these first experiences, we realized that environmental performance management is not just about our customers, but that it is also something **we need to in-build in our institution**, in our governance, in our strategy, in our operations... This is why, in 2017, we formalized a more detailed **Sustainable Banking Policy**, furthering it in 2022 with an **ESG Policy** (focusing more on the risk assessment dimension).

We also seek to **raise awareness and build capacities of our staff**, to make sure that they have internalized the topic, so that they can speak to clients. Environmental issues are integrated in our **staff induction training and in the regular refresher trainings** that we conduct. When they sell a Clean Energy loan, our staff can use their knowledge on emissions and pollution. When they sell a housing loan, they can advise the client on where and how to build their house to have more resistant houses. To inculcate this environmentally-responsible mindset, we have also developed a **Green Protocol**, which provides the staff **with guidelines on how they can reduce their ecological footprint** at head office and branch level (eg. by switching off the lights/fans/AC when not in use, by using reusable lunch boxes and water bottle instead of disposable plastic ones, by walking, cycling or using public transportations, etc.). We have selected and trained Green Champions in each department and branch – these Champions are in charge of promoting and reporting on environmental practices in their team. Every year, each branch is audited by our internal auditors on its environmental performance. Based on our **Green Audit criteria** (reduction of paper/energy/water consumption, waste management, sapling plantations, clean energy loan promotion, staff training...), each branch then receives a score. And on the World Environment Day every year, we provide gold, silver and bronze **“green” awards to the best-performing branches!**

Finally, we take the opportunity of specific events, like the World Environment Day, the World Water Day, the Environmental Week, to conduct **awareness-raising activities** for both our staff and customers, using posters, jingles, songs, games, contests, demonstrations, etc.

4. What are the results so far?

We have **reached over 300,000 customers with our clean energy products!**

And these solutions have generated **positive outcomes for our clients**. The independent outcome assessment that we conducted have shown that solar solutions have helped reducing energy expenditures, and in some cases developing extra income-generating activities, for instance for women who can work at night. Improved cookstoves with pellets have saved time for women who used to collect firewood, and have reduced health issues due to black smoke.

The **Solar Entrepreneur** project has also enabled **over 100 young men and women** to develop an income-generating activity and increase access to solar solutions.

Cumulatively, this is **180 thousand tons of CO2-equivalents that have been avoided** thanks to our clean energy products.



In the frame of our Agri-entrepreneur project, we have trained around 40 young men and women for a 45-day training. As of today, **20 of them have successfully started an agri-shop** to promote environmental technologies and practices in villages.

Farmers that are part of Farmers Producer Companies promoted by ESAF are also making a **gradual shift to adopt organic farming practices**, based on the inputs received during training sessions.



Every year, **100,000 saplings are planted** by our customers thanks to our World Environment Day initiative.

5. What lessons have you learned from these experiences?

I think that the key lesson we learned is that **there is a massive need for awareness-raising**. It is only in the last decade that the world is making more noise about environmental issues, as we are now facing critical impacts of climate change. But before that, it was something that was unheard of. When we started with our clean energy products back in 2009, initial reactions were that environmental impacts were only in rich countries with high industrial emissions. It took us, and it still takes us, a lot of effort to change this perception, especially to show that each of us has a responsibility, that each of us can do something. Having policies or new financial products is not enough. **What is needed is to talk and discuss, a lot**. And this is true **at client, staff and even Board levels**.

Another key lesson learned from our Clean Energy product is that **selected energy solutions should be adapted to clients' needs and be of high quality**. After a trial and error process, we have been able to select the best technologies for our customers: technologies affordable to them, adapted to their needs, and that can last long.

For instance, when we initially introduced the first energy efficient stove, it was not welcome by our clients as its size was too small and it took too much time to cook for a family of 6 or 7 people. Most rural Indians are indeed used to traditional hearths that are big enough to contain vessels to make food for the whole family. We then talked to the manufacturer, who increased the size of the stove and modified its design, and the efficient stove was then welcomed.



As ESAF, we also have a responsibility in selecting sustainable solutions: clients are buying these products because we are advising them to do so. If quality is not here, they quickly lose faith and trust. Quality check is thus critical in the selection process.

6. What are the next steps to improve your environmental performance?

First, we would like to go further in **measuring our carbon footprint**. We have developed our own, internal Green Audit grid and scoring, but we now need to improve our carbon disclosure, and work with a specialized rating agency for that purpose.

Second, we plan to **diversify the range of clean energy products offered** (eg. electric scooters, electric cars...). A key issue here will be to make sure we can select reliable providers and high quality products.

Finally, we would like to work on **disaster preparedness mechanisms** for our clients, to help them prepare and cope with extreme climatic events, for instance by building their savings.

7. What would you recommend to a microfinance institution that wants to get started in environmental performance management?

My main recommendation would be to **build a triple bottom line culture**. This should start with the decision makers: Board members and top managers should feel the need to talk about the environment, to discuss about whether it is affecting customers, affecting the portfolio. They need to identify and analyze the environmental risks that the institution and its clients are facing. And if they are convinced, then it is time to take it seriously, and to start talking about it with the staff, to build a corporate culture that embraces people, planet and prosperity.

In ESAF, our founder K. Paul Thomas makes a speech every Monday morning, for all staff. And every Monday, he repeatedly talks about the triple bottom line, people-planet-profit. And this is how the environmental dimension becomes part of the corporate culture.

Environmental performance management **should not be separated from the business**. It should not be the only responsibility of some CSR department, on the side. It should not be considered only on the World Environment Day. It should be part of the entire approach and business, part of your daily work, integrated everywhere in your operations. Do not create silos!

And the staff should be very aware of that too. If the staff does not buy in, then it cannot apply. The key point is to **make sure that everybody in the institution, Board members, CEO, managers, and all staff, speak the same language on environment**. Then, you can start talking to clients.



Article written in collaboration with Cerise+SPTF.

Visit [ESAF](#) and [ESAF Bank](#) websites to learn more about their projects.