

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 2906

Answered on the 7th August, 2023/Sravana 16, 1945 (Saka)
Environmental Impact Assessment by Banks in NBFCs

2906. ADV. ADOOR PRAKASH:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is considering adoption of mandatory Environmental Impact Assessment (EIA) by Banks & Non- Banking Financial Companies (NBFCs) in the country when they lend to potentially high impact projects, if so, details thereof, and if not, reasons therefor;
- (b) whether the Government has defined the threshold criteria for environment assessment beyond which no lending should take place, if so, the details thereof;
- (c) whether the Government is considering creation of a Grievance Redressal Mechanism in banks and financial institutions to address non-financial, environmental and social concerns arising from the impact of projects funded by these banks, if so, details thereof; and
- (d) whether such mechanisms already exist in some banks and other financial institutions?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(DR. BHAGWAT KARAD)

(a) and (b): Ministry of Environment, Forest and Climate Change has informed that under the Environmental Protection Act 1986, the Government of India has issued the Environment Impact Assessment (EIA) notification, 2006, under which prior Environment Clearance (EC) is required for construction of new projects or activities or the expansion or modernization of existing projects or activities listed in the schedule of the notification. The EC process for projects comprises of four stages namely screening, scoping, public consultation and appraisal. The said EIA notification does not mandate the requirement of EIA by Banks & NBFCs when they lend to potentially high impact projects.

However, banks, while appraising the projects for lending, mandate the project proponent to obtain necessary environmental clearance from the concerned regulatory authority.

(c) and (d): There is no such proposal presently under consideration. However, for non-financial complaints, grievance redressal mechanism, as mandated by the Reserve Bank of India, has been put in place by banks for their customers/ constituents.
