



“Sustainable investing: new era of profit making opportunities”

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Abstract:

Present descriptive research refers defend strategy that uses finance and investment tools to address an environmental or societal challenge. It creates an opportunity to find core finance principles to target the economic, social and environmental challenges that drive the field of sustainable investing. Pitches might focus on areas like water, energy, food, social mobility, climate change, education or healthcare, among others. Present research concludes that Sustainable Investing become a truly mainstream investment approach, with a sufficient broad range of financial products and strategies to support investments' continuum. Sustainable investing products must enable to investors for achieving both impact and competitive returns. And realized that, sustainable investing' is mandatory for future growth of economy and companies must invest in the key ingredients of profitability: its "people, communities and the environment."

Key words: Sustainable Investments, Economic, Social and Environmental Challenges, Resource Scarcity

1. Introduction:

"Today our world is changing faster than ever before--economic, geo-political, and environmental challenges abound" - Warren Buffett, It intensifies the importance and consequence of sustainable investing and are exploring the ways to integrate environmental, social and governance factors into their investments. Investments marketed as sustainable—meaning they focus on companies that incorporate environmental and social corporate-governance (ESG factors) practices into long-term corporate strategies—are experiencing explosive growth. ESG factors are not extra financial factors; they are factors that can directly affect the financial outcome of an investment. Sustainable investment stocks are tending to be less volatile and perform better than traditional investments.

In the world of finance, from last decade onwards energy, water, resources themselves, food and agriculture became core fundamentals of the economy. Sustainable, responsible and impact investing (SRI) is an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact. Sustainable-investing is that create products for key demographics, which are eager to align their values with their investments. The connection between environmental, social and governance factors and corporate financial performance is booming vigorously.



Objectives of the study:

- To study the scope and importance of sustainable investing.
- To evaluate the opportunities for new Investment strategy paradigm by sustainable investing for profit making.
- To advocate the appropriate implications to policy makers for achieving the sustainability development.

4. Research Methodology:

- It is exploratory and descriptive in nature.
- Secondary data is used for analysis. It has been collected from published reports by various international organizations, some of Government websites and research journals.

5. Review of Literature:

Sustainable investing has come a long way. At the end of 20th century, it is called as public affairs departments of corporations to enquire about their corporate social responsibility initiatives, and most replied that they'd never heard of the concept. Some said they would ask around and get back to us, but rarely did. In the early ages of 21st century, it appears at the nascent socially responsible investment movement in US would survive the end the South Africa disinvestment around the world begin to take hold among forward looking corporate managers and ground breaking of the financial community.

Today, the concept of sustainable investing is taking root, not only in corporations and the public equities market, but across asset classes as well—from clean technology venture capital, to sustainable fixed income, to green real estate development. It is creating financial markets that didn't exist before,

including carbon markets to address climate change and micro finance to help alleviate poverty. It is changing the way responsible investors act.

During last decades of 20th century, Environmental, Social and Corporate Governance (ESG) factors are also considerations for investments in long run.

It was observed that, there is a inter relation between sustainability, ESG factors, price and value. And it concludes by creating a truly sustainable finance by realizing the true value of sustainability.

Theoretical Discusses:

The global population is not only growing rapidly but is also increasingly affluent and urban. This pattern is driving the consumption of energy, fuel and other resources ever higher and resulting in scarcity challenges around food, water and material resources. At the same time, the climate changing, ecosystems are declining and forests are disappearing.

The figure 1 elucidate that, the social and environmental forces were interconnected with each other. It impacts very complex and have significant implications for the entire global community, specifically for businesses.

Some of key drivers for sustainable Investment in India:

1. Major short coming in India's infrastructure are estimated to reduce GDP growth by 1 percent per Annam and require investment of about US\$500 billion over the medium term in power and other sectors.
2. Power shortages are acute and growing: the average firm repots power



outages on 85 days per year the peak deficient reached a ten year high of 14.5% in 2007.

3. Coal accounts for about 60% of power generation and is also the major contributor to India's greenhouse gas emissions.

4. The Indian government is currently reluctant to introduce greenhouse gas (GHG) emission reduction targets, arguing that richer industrial nations should shoulder the economic burden of the global fight against climatic change.

5. India infrastructural security and social stability.

6. Water supplies in India are under severe stress due to shortages and pollution- the demand for water could exceed all sources of supply by 2020 unless action is taken now.

7. Rapid growth has reduced poverty but inequality has risen, especially between rural and urban populations (more than 70% of the

population is still depend upon India's failing agricultural economy)

8. More than one quarter of India's most highly polluting companies fail to comply with applicable national environmental standards.

9. Small and medium sized enterprises account for about 40% of industrial production in India, but are estimated to generate 70% of total industrial pollution load nationwide.

10. Many Indian companies are engaged in corporate philanthropy, but very few are integrating sustainability with DNA of their core business strategies.

11. Corporate disclosure of non-financial performance issues is limited and fewer than half a dozen Indian companied publish annual sustainability reports based on Global Reporting Initiative (GRI) guidelines.

12. Corporate governance is improving but remains a concern.



Figure 1: Interconnected system of social and environmental forces

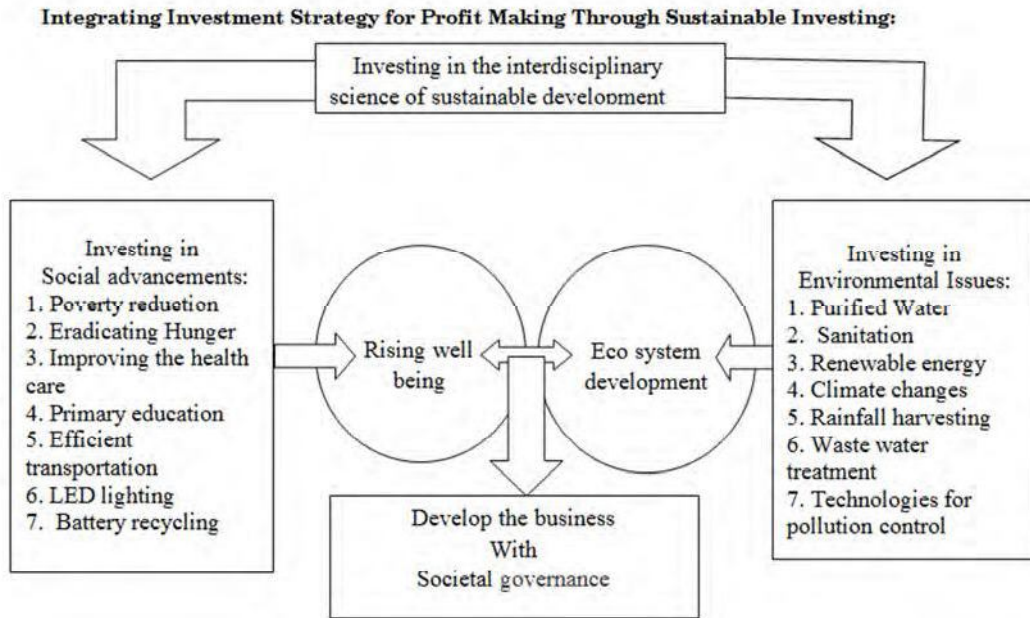


Figure 2: Integrating investment strategy for profit making through sustainable investing

Figure 2 reveals that, integrating investment strategy is one of the most positive approaches. Current research describes as it is an emerging trend in protracted investments. And it elucidates that develop the business with societal governance by connecting the environmental and social advancements to financial performance. Present descriptive research refers defend strategy that uses finance and investment tools to address an environmental or societal challenge. It creates an opportunity to find core finance principles to target the economic, social and environmental challenges that drive the field of sustainable investing. Pitches might focus on areas like water, energy, food, social mobility, climate change, education or healthcare, among others. In fact, new business concepts that do a better job by managing the ESG factors indeed be better long term

investments. So, think it's a smarter way to invest. Sustainable investing products must achieve both impact and competitive returns.

Societal business is also considerable superior opportunity for imminent entrepreneurs. These are the key ingredients in investment for profitability: its people, communities and the environment.

The Central & State governments are over looked this internal association between the social advancements to environmental issues, while framing the policies. India's future competitive edge over other emerging markets depends on only Sustainable Investments.

In internationally, some of companies are work out on sustainable investing strategies while doing their businesses., these are discusses about sustainable investing products in brief.



- S&P Dow Jones Indices and RobecoSAM offer the Dow Jones Sustainability Indices (DJSI) in 1999 as the first ever family of global sustainability benchmark.
 - Deutsche Bank's commitment to advocating a low-carbon economy, financing for energy efficient buildings/renewable energy and granting loans for financing projects of environmental and climate protection.
 - KfW is a "green" bank and sustainability is part of its global promotional mission in Germany. The KfW bank group is one of the greatest promoters of renewable energy at the national and international level. It grants loans for energy-efficient building and sustainable energies that are subsidized.
 - Capital Institute is a non-partisan think tank launched in 2010 by former JPMorgan Managing Director John Fullerton. Mission is to explore and effect the economic transition to a more just, regenerative, and thus sustainable way of living on this earth through the transformation of finance. Through leadership, storytelling, and activating projects to illuminate how the financial system can operate as a restorative, even regenerative agent, supporting a new way of living on this earth that promotes a shared social, economic, and ecological prosperity.
 - Morgan Stanley provides sustainable equity mutual funds had equal or higher median returns and equal or lower volatility than traditional funds for 64% of the periods examined.
 - Yes bank actively involved in supporting initiatives on Renewable Energy, Clean Technology and Socially Sustainable Sectors (broadly defined as Healthcare, Education, Livelihood Creation, Water and Sanitation, etc.). The SIB group also acts as the Exclusive Country Advisor for the Global Environment Fund, USA (GEF) one of the largest and oldest private equity firms focused on investing in the environmental space.
- 7. Findings & Suggestions:**
- Removal of subsidies on fossil fuels.
 - To avoid dangerous climate change, the world will need to transition to low-carbon energy system.
 - By introducing tough new greenhouse gas emissions targets.
 - Tax incentives for renewable energy, it has significantly lower operational costs and it creates opportunities for growth that could reverberate across the economy.
 - Limit the branding and promotion of tobacco products.
 - Improving the product standards in terms of energy efficiency.
 - Increase the funding for research work to attain the development.
 - Improving the societal governance by connecting the social advancements and environmental issue through regulatory structure.
 - Creating the awareness about sustainable investment products.
- 8. Conclusion:**
- For developing countries, the first phase of economic growth is based on their exports and second phase is



based on domestic consumption only. Present research believes that so many emerging countries are entering into a third phase, which is related to investment discipline. It is possible by inter connecting these social advancements with environmental issues.

Integrating investment strategy adopts environmentally and social conscious sustainability approach, it reduces risks and delivering the enhanced profitability with its multi-dimensional benefit scenario. It creates investment opportunities in long term with superior returns and positive impact. "Sustainable Investing plays key role in maximizing the resources for a more sustainable future."

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