

MSMEs more prone to climate risks: RBI's Rao

ANJALI KUMARI

Mumbai, 18 July

Climate change risks are more likely to impact micro, small, and medium enterprises (MSMEs), unorganised sector and unlisted corporates, said M Rajeshwar Rao (*pictured*), deputy governor, Reserve Bank of India (RBI). Hence, creating an awareness among these borrowers on climate change risks and obtaining the required information are important, he said during the Conference on Green Infrastructure Finance at the College of Agriculture Banking, Pune, on July 3.



The speech was published on the RBI website on Friday.

“Climate change risks directly impact the real economy, and the financial sector in turn gets impacted on account of its credit exposure to the real economy,” Rao said.

He said for the financial sector to perform a comprehensive risk assessment, relevant information flow from the real economy, that is, corporate and institutional borrowers, in a timely manner is important.

Rao highlighted that as sustainable and green infrastructure technologies contribute to the reduction or avoidance of greenhouse gas (GHG) emission intensity, a critical consideration for financing entities would be to address the risks of greenwashing.

“For a creditor to fund any project which is intended to achieve reductions in GHG emissions, there is a need to clearly understand how these projected reductions are being quantified,” he underlined in his speech.