Chapter 15
Impact of Green Finance on Sustainability in India's Commercial Banks

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ABSTRACT

Green finance and responsible investment are gaining importance within the scope of sustainable development goals (SDGs). This chapter explores how important green finance is to improving the sustainability performance of Indian commercial banks. The study looks at how social, economic, and environmental aspects of green finance, such as green financing techniques, environmental risk management, and economic characteristics, affect sustainability performance. Information is acquired from primary sources through surveying and interviewing influential figures in the financial sectors with 392 respondents in New Delhi using a sampling (non-probabilistic) approach. The results highlight the possibility for financial institutions to promote favorable environmental outcomes while guaranteeing long-term economic viability, shedding light on the considerable impact of green finance's social, economic, and environmental components on sustainability performance.

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INTRODUCTION

Environmental degradation and climate change are among the most pressing challenges the global community faces in the modern era. These issues have profound implications for the well-being of the planet, its ecosystems, and all living beings, including human societies. Environmental degradation is the deterioration of the environment's natural components - namely, air, water, soil, and ecosystems, due to various human activities(Singh & Singh, 2017). Throughout history, human civilizations have altered their environments to cater to their needs for food, shelter, and economic development. However, with the emergence of industrialization and technological advancements, the magnitude and intensity of human impact on the environment have accelerated dramatically. Activities such as burning fossil fuels, industrial emissions, and intensive agricultural practices have led to pollution and contributed to climate change(Smith et al., 2016). While climate change is a natural progression throughout Earth's history, the contemporary pace of change is unprecedented and predominantly caused by human conduct. The impacts of climate change are not confined to specific regions or economies; they affect the entire planet, with varying degrees of severity across different regions. Developed countries, with extensive industrialization, urbanization, and consumption, have historically been major contributors to greenhouse gas emissions. Developing countries, while often contributing less to global greenhouse gas emissions, tend to be more vulnerable to the adverse effects of climate change due to their socio-economic characteristics(Ahmed et al., 2023). Many of these nations heavily rely on climate-sensitive sectors like agriculture, fisheries, and forestry for livelihoods and economic growth.

As people become more conscious of the need to protect the planet, they demand that their financial institutions adopt environmentally responsible practices and investments. Growing public awareness of environmental issues and the rise of environmental movements and activism have pressured governments and financial institutions to take meaningful action(Tillotson et al., 2023). By integrating green finance principles, institutions responding to this demand can enhance their reputation and attract environmentally conscious customers. The United Nations' Sustainable Development Goals (SDGs) have emphasized the importance of environmental sustainability as one of the core pillars for achieving a more equitable and prosperous world by 2030(Camodeca & Almici, 2021). Other international agreements, such as the Paris Agreement, have set ambitious targets for global climate action. The agreement's objective to limit global warming well below 2 degrees Celsius and pursue efforts to limit it to 1.5 degrees Celsius has compelled countries and financial institutions to align their strategies with these goals(Sachs, 2020). Governments and financial regulators increasingly integrate environmental considerations into their policies and regulations. These measures include disclosure requirements for climate-related risks, tax incentives for green investments, or guidelines on sustainable finance practices. Investments in renewable energy, clean technologies, and sustainable infrastructure are leading to profitable ventures while contributing to environmental objectives. Financial institutions actively adopt environmentally responsible policies and incorporate environmental risk assessments into their investment decisions to promote sustainable practices.

In a world where the urgency to tackle climate change and other environmental issues is gaining widespread recognition, financial institutions are playing an ever more crucial role in advocating sustainable practices and allocating resources towards eco-friendly initiatives(George et al., 2021). The global spotlight on environmental preservation, climate change mitigation efforts, and the pursuit of the Sustainable Development Goals (SDGs) by 2030 has significantly heightened the significance of green

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