

## ABSTRACT

The integration of sustainable practices into business operations and investment decisions depicts a commitment to a sustainable future. This validates a climate-focused initiative, namely the Net-Zero. India is striving to address climate change and achieve Net Zero by 2070 by promoting responsible consumption and a low-carbon strategy. Indian banks are geared up to play a leading role in facilitating this transition, with an unwavering commitment to sustainability.

Although sustainability adoption and its opportunities have been widely studied across advanced and emerging economies, research focusing specifically on the Indian banking sector remains limited. In particular, the relationship between environmental concerns and banks' commitment to sustainability has not been thoroughly explored. Moreover, many existing studies overlook a holistic perspective that considers both banks and their customers, creating a population gap. From a methodological standpoint, while some frameworks have been proposed, little empirical research has applied Structural Equation Modelling (SEM) to examine perceived environmental commitment, behavioural intention, and actual use of sustainable banking practices by customers in the Indian context. Conceptually, most literature highlights external drivers such as regulatory pressures and market demand, but there is limited understanding of how the perceptions of banks and customers influence sustainability-related decision-making. This study aims to address these gaps by theoretically and empirically investigating the factors shaping the intention to adopt sustainability in banking operations.

The objectives of this study are to analyse the sustainable banking practices adopted by Indian commercial banks, the factors influencing the customer's behavioural intention to use and actual use of sustainable banking practices, the benefits and challenges faced by each group. The research employs a quantitative approach, utilising a well-structured questionnaire from 850 bank branches and 1150 customers across India, determined through a proportionate sampling technique. Grounded in the TAM and VBN, the study uses Structural Equation Modelling to analyse the structural relationship of the independent variables: perceived ease of use, perceived usefulness, and perceived environmental commitment on the dependent variable: behavioural intention to use and actual use of sustainable banking practices.

The results depict that Indian banks have increasingly adopted sustainability in their operations. Commonly adopted practices include digital banking and e-statements to reduce paper usage, financing green projects and renewable energy sectors, green building certifications for bank branches and solar-powered ATMs. Public sector banks focus more on regulatory compliance, while private sector banks are leading in voluntary green initiatives. Compared to public sector banks, Private sector banks tend to be more proactive and innovative in adopting green policies. The access to green financial products (like loans for EVs or solar panels), energy-efficient purchases and investments led to a sense of contribution to environmental sustainability. Customers report limited awareness, lack of proper education in sustainable banking practices and digital divide (especially in rural areas), concerns over data privacy and digital transaction safety and scepticism about bank motives. Customers perceive benefits such as convenience, a secure and paperless banking experience, and alignment with personal environmental values.

Banks face barriers such as high initial investment in technology and green infrastructure, a lack of standardised policies, high implementation costs, and inadequate training of employees. Absence of unified sustainable banking guidelines is also a challenge faced by the banks.

Both banks and customers express the need for better incentives and clearer communication of sustainable practices. The adoption and reporting of sustainable banking practices increases brand image, customer satisfaction, data security and customer privacy. Banks can take initiatives on financial inclusion and community development, product innovation with ESG consideration, sustainable business strategy, sustainable financing framework for the Bank's issuance of sustainable instruments.

**Keywords:** Adoption of sustainable banking practices, Customers' perception, Indian Commercial Banking Sector, Structural Equation Modelling