
CHAPTER I

INTRODUCTION

A sustainable and resilient economy that balances profit and social responsibility is paving the way to sustainable development. Sustainability considers long term environmental, social and economic health. It addresses the global challenges such as climate change and resource scarcity. Sustainability is always aligning with the United Nation's Sustainable Development goals (SDGs), overarching its approach to saving people and planet. The purpose of sustainability is for social and environmental impact. It focuses on creating a positive long-term value without depleting resources.

Sustainability has become an indispensable part of the banking industry, which has led banks in different parts of the world to incorporate Environmental, Social, and Governance (ESG) principles in their functioning. Sustainable banking is becoming popular in India as banks try to combine economic growth with environmental and social responsibility. The transition is a result of regulatory policies, stakeholder expectations, and the understanding of sustainability's long-term benefits. Banks are attempting to transform themselves into sustainable and resilient entities by integrating Environmental, Social, and Governance (ESG) factors into their processes, portfolios, and value chains.

Sustainable banking, a rapidly emerging priority deeply rooted in Responsible banking and societal values, is influencing public policy and the expectations of society. This approach is in line with the concerns of environmentally conscious stakeholders and regulators, who are always asking, "How good is this company for the planet and society?" The worldwide demand for climate action and a net-zero target might lead to a paradox, where regulators are compelled to take up significant organizational roles. India is confronted with major environmental issues such as climate change, pollution, and resource depletion. Socio-economic issues like financial inclusion and equitable development also need immediate attention. As the main driver of economic activity, the banking sector is in a position to help solve these problems by adopting sustainable finance, making responsible loans, and engaging in sustained investment practices.

The research aim is to evaluate how banks and customers perceive the adoption of sustainable banking practices, and to identify the key drivers and barriers influencing the adoption in selected Indian commercial banks. This project examines the concepts of

sustainable banking, providing an overview of adopting sustainable practices in the Indian banking sector. It also encapsulates previous research on sustainable banking, the novelty of the study, objectives, scope, theoretical background, and the significance, benefits, and challenges of sustainable banking.

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1.1 Background of the research

The Glasgow Conference brought 193 parties (including India) together to accelerate action towards the goals of the Paris Agreement, that to limit global temperature rises to 1.5°C by 2030 and to achieve Net Zero between 2050-2100. Since then, India had made significant strides, including a pledge to achieve net-zero emissions by 2070 and increase non-fossil energy capacity to 500GW by 2030, focusing on solar development projects and investments in renewable energy. The overall performance of all 193 UN member states is ranked by their overall SDG score. The score can be interpreted as a percentage of achievement of the SDG. A score of 100 indicates that all the 17SDGs have been achieved. India is in 99th position (66.95 score), Finland is leading with a score of 87.02 (The UN sustainable development report 2025).

The guiding principle of 'Sabka Saath, Sabka Vikas, Sabka Vishwas, Sabka Prayas' (Together with All, Development for All, Trust of All, and Efforts of All) underscores India's commitment to human-centric sustainable development that leaves no one behind (Government of India, 2021) (Prime Minister's address on the 75th Independence Day-approach to sustainable and equitable development). The 2023-'24 Union budget allocated a significant portion of its revenue to “green growth,” which includes a transition to net zero through green energy adaptation, climate change-resilient activities, and promoting the bioeconomy. The corporate world is seeing a shift in thinking where strategies aim for profit together with social responsibility. Profit, while meeting the demands of customers and investors, should drive sustainable practices, support social causes and nurture responsible governance.

In consonance with the national commitments, the Reserve Bank of India (RBI) issued a discussion paper on Climate risk and sustainable finance in 2022, thereby inviting banks and financial institutions to Environmental, Social, and Governance (ESG) integration in their risk frameworks. The environmental aspect, for example, entails the obligation to produce eco-friendly products and services. Customers, employees, suppliers, and local communities are the focus of the social dimension, which also manages and develops these relationships. The Governance factor concentrates on leadership, executive pay, management, controls, reviews, and shareholder rights. Indian banks realize that environmental issues such as air and water pollution, overuse of natural resources, climate change, and global warming are a big problem which has grown over

the years. Thus, they began incorporating sustainability in their internal operations progressing in financing, investing, and other financial decision-making, and at the same time encouraging eco-friendly behaviours to reduce their carbon footprint. The adoption of energy-efficient technologies within their operations, undertaking green building activities, and financing clean and renewable energy projects are some of the ways through which they are doing this. Banks are taking initiatives to encourage customers to adopt sustainable banking practices. Instead of visiting bank branches, people can opt to switch accounts to online for online banking, online bill payments, creating commercial deposit accounts and money market accounts with e-banks, which can boost banks' accountability to stakeholders and the planet.

Critical global issues are related to the economy, society, and the environment. Therefore, disparity, combat global warming, and, more recently, prevent significant governmental and private investments are required to eradicate poverty, decrease economic and income t possible pandemics (Levy, 2020; Pizzi et al., 2021). An annual investment of \$5 to \$7 trillion USD is needed. Out of, more than 85 percent of the finance comes from Private investments (Cunha, 2021). To deal with this scenario, businesses, investors, financial institutions, and authorities are promoting sustainable finance and investing operations (Khanna et al., 2022). The Paris Climate Protection Agreement in 2015 agreed to promote economic development through sustainable finance. Investing in sectors like energy production, including solar energy, on and offshore windmill, hydropower, and broader energy services, is a popular approach to achieve net zero by reducing greenhouse gas emissions. Banks, as the financing agent of the world's economic and developmental activities, have become a significant factor in this financing option. Each year, trillions of dollars of currency flow through the banks to fund the growth of various industries, from agriculture to housing. For this, banks must first ensure they can measure the carbon emissions generated by their operations and the companies they finance to accomplish the net-zero goals, by reducing greenhouse gas emissions through responsible and inclusive lending.

1.1.1 Sustainable banking

Adopting Sustainability in the banking sector refers to the Bank's commitment in integrating sustainable practices both in its operations and extending its efforts beyond its boundaries to positively impact the economy, society, and environment. Sustainable

banking refers to investing and financial practices prioritizing Social accountability, Environmental Sustainability, and reliable Governance of businesses over profitability. This unique approach guided by Environmental, Social, and Governance (ESG) influences company and investment choices that consider social issues, environmental impact, and corporate responsibility as integral parts to an organization's efficiency and profitability. In the banking industry, this refers to customer-centric products that promote transparency and responsible purchasing, as well as finance programs that are inclusive and ethical (Bouma et al., 2017).

Sustainable banking includes any financing that promotes the country's environmental balance and economy. A traditional bank can transition to a green banking institution by aligning its core business activities with environmental improvement. The banking industry can pose a balance between environmental preservation and economic growth by supporting environmentally and socially responsible investments.

The concept of Green Banking originated in Western nations in 2003 with the goal of environmental conservation. A significant milestone was the Introduction of the Equatorial Principles (EPs) initially adopted by several prominent international institutions, including Westpac Banking Company, The Royal Bank of Scotland, and Citigroup Inc. (Lalon, 2015). Adopting a sustainable strategy goes beyond being environmentally conscious as there are more advantages such as lowering risk and financial institution's costs, improving the Bank's credibility, refining the surroundings and the financial institution's image. In general, green banking fulfils both the financial institution's social responsibilities and its business goals. Therefore, for Indian banking firms to remain relevant and prosper in the international market, they must understand their duties regarding the community and the Environment (Tara et al., 2015).

Financial institutions can embrace environmental Sustainability in two distinct ways: initially, by integrating social and environmental consciousness into their daily activities. It can be achieved by implementing environmentally friendly campaigns, such as electronic financial services, waste minimization, energy efficiency methods, social development programs, monetary inclusion programs, financial literacy, and social welfare efforts. Secondly, they integrate social and environmental factors into the Bank's primary business plan (e.g., creating green financial services, integrating Environmental and social aspects into financing operations, etc.). To incorporate Sustainability into the

company's operational plan, banks must set up their behavioral strategy and environmental risk management framework (UNEP and World Bank Group, 2017).

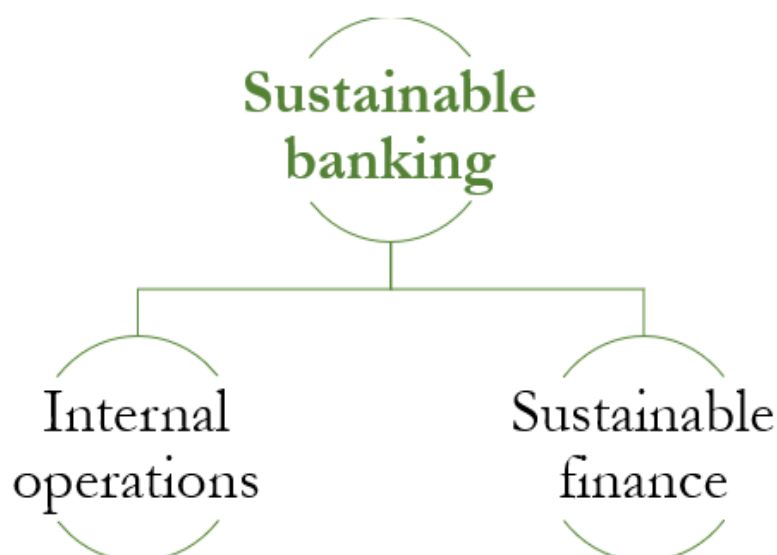


Figure 1. Adoption of sustainability by the financial institutions

Adopting sustainability within (Internal operations):

- ❖ Encouraging the reuse/less use of paper.
- ❖ Bank statements, product information guides, annual reports to stakeholders, and information to zones/regions are sent as electronic copies.
- ❖ Internet Protocol (IP) systems to exchange information, including notes (currency) and regulatory sanctions.
- ❖ Switching to solar-powered banks/branches, Cash/Cheque Deposit Machines (CDM), solar-powered ATMs, and passbook printing kiosks.
- ❖ Encouraging customers to transform from traditional paper-based banking practices to sustainable digital alternatives.
- ❖ Providing Green Channel Counters (GCCs) for customers to deposit/withdraw deposits and fund transfers, and a Facility to open bank accounts online.
- ❖ Encouraging Initiatives for financial inclusion and community development through digitalisation.
- ❖ Rainwater harvesting-sustainable water management.

- ❖ Becoming a fuel-efficient organisation by providing standard transport for a group of officials
- ❖ Promoting **gender diversity** by providing equal growth and equal employment opportunities.

Adopting sustainability beyond (Sustainable finance):

- ❖ Promoting/investing in Green Mutual funds/Green Bonds, Green term deposits, renewable energy initiatives and products.
- ❖ Issuing bonds and loans to support projects with environmental or social benefits.
- ❖ Providing finance for biofuel/bio-gas projects
- ❖ Solar finance for the installation of solar rooftop/ground-mounted grid connection mechanism, loans to support the mass solarisation mission under the Prime Minister's Surya Ghar initiative.
- ❖ Finance and green tariff policies to renewable energy sectors (Solar/Wind) and electric mobility (electric vehicles (EVs), EV charging infrastructure).
- ❖ Providing schemes to promote women's/girls' education, and schemes exclusively for women entrepreneurs.

SBI has installed windmills for internal usage, making it the first financial institution in the nation to take a risk in green energy generation. It has set up ten windmills in the Indian states of Tamil Nadu, Maharashtra, and Gujarat with a combined capacity of 15 MW (Mega Watts) as a component of its sustainable banking effort. Wind turbines are installed to reduce reliance on contaminating thermal energy, not just for commercial or financial reasons. It is anticipated that windmills in Gujarat will produce another 20 MW of electricity shortly, and that 100 MW of energy production using windmills will be reached within the next five years. The Bank currently uses 100 MW of electricity annually. Thus, SBI aims to decrease its Environmental impact and achieve energy neutrality (Jayabal & Soundarya, 2016).

With the computerisation of bank branches, there is excellent potential for paperless or minimally paper-based banking. Public sector banks typically use large amounts of printed material for workplace messages, audit reports, and documenting general (Public) operations. These financial institutions have the option to convert to

electronic documentation and communication. Financial institutions should motivate their clientele to transition to digital transactions and promote estate planning (Sohnia & Sumaira, 2018). Financial institutions can significantly reduce their energy usage by implementing energy-conscious practices, employing CFLs, and implementing efficient office scheduling and automation systems. For efficient energy administration, banks can do energy assessments at each facility. Additionally, they can maintain their workplaces and ATMs using energy from sustainable sources like solar, wind, and more (Jan et al., 2018).

By offering shared travel for an ensemble of officials stationed at a single office, Banks may develop into more fuel-efficient organisations (Vidyakala, 2020). Over a lakh locations are used by financial institutions in India for both workplaces and residential buildings nationwide. These financial institutions should construct green structures for their staff housing and offices. These steps will significantly lower operating costs for banks while also helping them lessen their Environmental impact (Shershneva & Kondyukova, 2020).

The financial institution has recently started offering its clients various paperless banking options. By using these habits, customers can make significant environmental contributions. Governments everywhere must promote environmentally friendly investments and economic growth by incorporating policies and laws that require financial Sustainability via the application of a set of rules and behavioural trends that benefit businesses, the economy, and, ultimately, the quality of existence for their citizens (Al Muhairi & Nobanee, 2019). The demand for more environmentally friendly profit growth worldwide is giving the banking sector a chance to lead the way in disclosing a steady growth perspective. According to Al Breiki and Nobanee (2019), sustainable financing in any banking service considers Environmental, Social, and Governance criteria when making capital or business decision judgments. The goal is to assist customers and social order in general over the long run.

1.1.2 Sustainable Finance

According to the European Commission, Sustainable finance gives Environmental, Social, and Governance (ESG) factors adequate weight in determining investment choices in the banking industry. This results in higher long-term investments in environmentally

friendly endeavours and initiatives. It has become an essential worldwide trend driven by investment firms, large investors, and policymakers (The World Bank, 2021).

Reinhart and Rogoff (2010) characterise sustainable finance as any form of financial support integrating economic, social, and environmental factors for investments or business evaluations to benefit clientele and society (Al Muhairi & Nobanee, 2019). To promote environmentally friendly investment and expansion, officials must implement policies and initiatives that support sustainable finance through various guidelines and conduct that benefit businesses and the banking system and ultimately lead to people's well-being (Al Muhairi & Nobanee, 2019). The drive for cleaner financial growth on a global scale is opening doors for banking companies to lead the way in presenting the perspective of sustainable growth.

Further, Sustainable Finance and Investment (SFI) initiatives have been advocated by companies, financiers, banking institutions, administrations, and other relevant parties to address sustainability challenges. Researchers' creation of allied topics has benefited the SFI subject. Most of their study has focused on the financial performance of companies that are committed to Sustainability (Wang et al., 2016) or the effectiveness of environmentally friendly investments (Friede et al., 2015; Revelli & Viviani, 2015). Beyond companies and their shareholders, the field of SFI has a far wider scope and involves a broader range of players (Cunha, 2021).

Along similar lines, Raut et al. (2017) assert that several innovative financing strategies for environmentally friendly initiatives, such as community funds, green bonds, and green banks, have emerged recently. The growth of renewable energy sources may receive some assistance from green banks and bonds. More Effective lending terms for renewable energy endeavours, the capacity to combine smaller endeavours to reach a commercially appealing extent, the development of novel financial services, and market growth through the spread of knowledge about the positive aspects of clean energy are some of the positive aspects of green banks. Green bond proponents contend that after an undertaking has completed development and is running profitably, it can offer long-term, affordably priced capital for project refinancing (Raut et al., 2017).

Therefore, it must be emphasised that the Indian banking sector contributes positively to the nation's socioeconomic growth and development. Participants in the

finance industry are crucial in guiding the financial sector regarding environmental Sustainability as India strives to attain a net-zero deficit by 2070 (Bharathi, 2022).

1.1.3 Environmental, Social and Governance (ESG) and Banking Sector

A business's board of governors and senior executives must comprehend the goals of its investors. The top executives of an organisation frequently steer business strategy and behaviour in one way or another, depending on their comprehension of the needs of investors. Managers typically plan sales, cost control, and R&D operations to optimise short-term earnings instead of making specific long-term expenditures if shareholders prioritise these gains. Business executives need to realise that more and more investors are practically engaged in an organisation's ESG efforts, correlating with its financial health, as more and more investors base their investment choices on sustainability outcomes (Unruh et al., 2016).

Banks are significant players in the world's economic performance, competing for profitability, goodwill, and client confidence. Environmental, social, and governance factors are used to evaluate a bank's environmental concerns. The environmental obligations involve lowering the possibility of lending money to polluting businesses, supporting green industrial ventures, and effectively using the assets within the financial institution (Yuen et al., 2022). The funding of non-governmental organizations, ethical investment vehicles, risk competence for clients, economical electronic payments, and financial literacy for the general public are all considered aspects of the financial institution's social obligation (Bătae et al., 2021). A wide range of elements, including several directors, autonomy of directors and competency, gender parity and diversity within the board, CEO-Chairperson dualism, executive compensation, and risk management, work together to determine the overall level of governance. Various stakeholders like business partners and clients ought to be able to learn about a financial institution's social accountability programs, ecological pledges, and good governance guidelines (Bătae et al., 2021).

Financial institutions endure immense pressure to fulfil their role as stewards of the world's economy. Banks worldwide can quickly and readily solve two primary domains of Environmental, Social, and Governance (ESG) influence. Firstly, ESG objectives and standards should be incorporated into the bank's requirements. Secondly, whether the Bank incorporates its awareness of ESG issues into its lending practices and educates

customers to concentrate on these issues more; furthermore, investors' and customers' understanding of the importance of selecting businesses, including banks, that adhere to sustainability standards is rising gradually (Miralles-Quirós et al., 2019).

Banks may be able to take advantage of a range of income sources that are motivated by ESG values. One way would be to rate and evaluate customers according to their ESG achievements to determine if they qualify for green subsidies and financing. To encourage carbon neutrality, banks might also help customers who generate carbon connect with those who counteract it. Novel offerings, including carbon calculators, consolidated emission statements, and carbon offset reserves, could be developed to help customers gauge, track, and manage the emissions they generate (Birindelli et al., 2018).

The Reserve Bank of India (RBI) is a significant force behind the ESG shift in the Indian banking industry. The RBI provided instructions and recommendations to financial institutions on how to evaluate and control their ESG concerns and ensure that their activities and plans comply with the concepts of ESG. Financial institutions must use this to determine, assess, and set goals for lowering their ESG vulnerabilities (Financial Express, 2023).

Ruchi (2014) showed India's efforts related to the adoption of green banking by IndusInd Bank. According to the research, IndusInd Bank was the first to permit its clients to conduct card-less cash withdrawal operations via the financial institution's smartphone app. By this, the recipient could take cash out of certain IndusInd Bank ATMs without utilizing an ATM or debit card. Further, the initial solar-powered ATM in Mumbai was unveiled by IndusInd Bank as a component of the "Green Office Project" campaign called "hum aur Hariyali." In addition to lowering carbon dioxide emissions, the financial institution has proclaimed that it will save about 1,980 Kw of energy per year using solar-powered ATMs. Switching from gasoline-powered generators to solar energy sources in metropolitan areas reduced power expenditures by about Rs 20,000 annually. Identically, Deka (2015) asserts that Indian banks, particularly the most prominent commercial Bank, The State Bank of India, have created several projects for green banking.

Biswas (2011) highlighted the significant benefits, confronting challenges, and strategic aspects of Green Banking. It has also presented the status of Indian banks as far as Green Banking adoption is concerned. The study revealed that green banking means

combining operational improvements and technology and changing client habits in the banking business.

It is mutually beneficial for all in an increasingly competitive marketplace. Adopting greener banking practices will be helpful for the environment and benefit the Bank, resulting in greater operational efficiencies, lower vulnerability to manual errors and fraud, and cost reductions in banking activities. Plenty of the amenities that businesses need to take advantage of these advantages are currently provided by banks. Despite their active participation in India's developing economy, Indian banks have not taken many initiatives in this area. To compel enterprises to adopt required investments for environmentally conscious operation, usage of relevant technological advances, and governance structures, banks should become green and actively incorporate environmental and social considerations into their financial lending principles. They need to lighten up more regarding the intrinsic value of being green.

Park & Kim. (2020) provided a comprehensive assessment of green banking, a developing discipline that can give private sector banks an edge over competitors and open fresh possibilities for business. It can also broaden the scope of the central banks' and managers' mandates, which currently include protecting the banking industry and managing the risks of specific financial institutions. Since it impacts every aspect of the economy, climate change is no longer just a threat to ecology. Instead, it may impact Sustainability on all fronts. In addition, the banking industry is facing physical and transitional risks because of climate-driven concerns. The study revealed that banking organizations, managers, and legislators began implementing several green banking efforts to lessen the adverse effects; nevertheless, developed and emerging nations have adopted slightly different approaches thus far. Simultaneously, public and private banking organizations are making individual and group efforts to tackle the challenges ahead, particularly regarding risk administration. To take advantage of the business prospects, banks from the private sector have created climate mitigation plans and introduced various green financing options.

1.1.4 Sustainability in the Indian Banking Sector

By offering loans to prospective borrowers, small businesses, businessmen, and agricultural workers, the banking industry significantly contributes to the socioeconomic well-being of a country (Ranajee, 2018; Singh & Jyoti, 2020; Alam et al., 2021). The

financial industry also plays a significant role in accelerating industrialization (Singh & Jyoti, 2020). The banking sector has endured for decades in India and has played a substantial role in the socioeconomic development of the country's citizens (Goyal et al., 2019).

Due to the promotion of sustainable financial growth by financial management structures, the organizational structures are changing drastically also. These principles include heightened environmental awareness, adaptation to climate change, lowering emissions, rights for all, gender equality, equitable economic growth, and a culture of inclusion. The development of global financial markets has led to a long-term shift that produced the structure for financial management (Al Muhairi & Nobanee, 2019). It was created with stated governmental, scientific, and cost-effective options, regulations, and legislation. Sustainable financial administration allows sustainable, interpersonal, and administration components when choosing options for investments in reducing global warming, disparities, emissions of greenhouse gases, and enhancing energy effectiveness and social mobility (Al Muhairi & Nobanee, 2019).

Indian financial institutions, including the State Bank of India, IDBI Bank, and ICICI Bank, have started to finance green energy projects. SBI has also launched an innovative Green Home Loan program to encourage environmentally friendly housing developments. For developments certified by the Indian Green Building Committee, the program gives discounts, including five per cent in profits, 0.25 per cent in interest rate, and no processing charge. To partially offset its conventional power usage at its locations in Tamil Nadu, Maharashtra, and Gujarat, the SBI operates wind turbines. Following the auspices of its Environmental Office Project, the IndusInd Bank has set up solar-powered ATMs in various townships to save energy and lower carbon dioxide emissions (Soundarrajan & Vivek, 2016). The ICICI Bank has supported numerous organizations' initiatives and endeavours related to renewable energy and environmental Sustainability. Programs that mainly support energy conservation, solar power, biomass cogeneration, biomass combustion, waste heat recovery, etc., have received financial support from it. The financial institution has been providing finance for clean technology and initiatives that help reduce greenhouse gas emissions. The initiatives in the holdings of Yes Bank include partnerships with the Tatva Investment Programme, the South Asia Clean Energy Fund, and clean technology and renewable power initiatives. The Canara Bank has

developed a program to help SMEs purchase and implement energy-saving devices and practices (Ahuja, 2015).

1.1.5 Relevance of United Nations's Sustainable Development Goals in the Indian Banking Sector

Critical global issues are related to the economy, society, and the Environment. Therefore, large sums of money and investments are required to eradicate impoverishment, combat global warming, decrease economic disparity, and, more recently, prevent possible pandemics (Levy, 2020; Pizzi et al., 2021). The Sustainable Development Goals (SDGs) require an annual investment of five to seven trillion USD. It is generated from both public and private investments. As a result, obtaining new money and allocating existing resources to more sustainable activities are crucial and challenging (Cunha, 2021).

Originating from a globalized "void" due to an abundance of resources of every kind, the Industrial Era delivered affluence in the shape of increased financial and demographic expansion. The expansion that has resulted from manufacturing methods that rely on petroleum, coal, and additional renewable resources has also brought about environmental and social issues. In an efficient financial system, industrial production has resulted in forced labour, underpaid wages, and extended work hours. These issues started in the advanced nations and eventually moved to emerging countries (Schoenmaker & Schramade, 2018). Social laws are being enacted more frequently to combat these behaviours and support respectable employment, access to medical care, and training. The balance of the economy is also being strained by large-scale manufacturing and consumption due to contamination and a shortage of renewable resources. The greatest urgent Environmental restriction or environmental barrier is global warming. The United Nations has created the Sustainable Development Goals for 2030 to solve these Environmental, Social, and Governance (ESG) problems within the framework of the economy. Sustainable growth aims to provide resources, such as nourishment, water, medical care, and energy, for future generations and the present while not endangering the functioning of the natural world. The field of Environmental finance examines the relationships between lending and investment and ESG challenges. Researchers demonstrate that environmentally friendly banking can shift from using money to maximise profits to using money to establish Sustainability.

Several investigators offer thought-provoking illustrations demonstrating how the financial sector may benefit the community and its people, and that it is possible to tackle environmental issues comparably. Research highlights that the modern economy is moving towards an increasingly sustainable, low-carbon society. The public's awareness of the consequences of the existing carbon-driven society is growing. A few instances are more severe climatic conditions, floods and dry spells in equatorial nations, and contaminants in the air. One example is California, where in the 1990s, pollutants in the air from excessive traffic led to Environmental restrictions and innovations, including Tesla electric automobiles and solar power. Further, modern air quality in China, India, and Mexico is comparable to, if not greater than, that of other nations, which may eventually lead to environmental restrictions in these nations. Banking is about projecting these kinds of things and adding expectations to the values that are used currently to make financial choices (Schoenmaker & Schramade, 2018).

1.1.6 Business Responsibility and Sustainable Reporting Banks

Sustainable reporting is the Sustainability disclosure made by GRI, Universal Standards 2021, guided by global standards and frameworks, such as the Integrated Reporting <2021> framework (now part of the IFRS foundation). It showcases the sustainable initiatives of the banks, both internally and externally. The recommendations of the Task Force of Climate-Related Financial Disclosure (TCFD), Sustainability Accounting Standards (SASB), and United Nations Sustainable Development Goals (UNSDGs). The Business Responsibility and Sustainable Report (BRSR) was developed as per the revised guidelines of SEBI and in alliance with the nine principles of the National Guidelines on Responsible Business Conduct (NGRBC)

1.2 Statement of the Problem

At the beginning of January 2022, a survey conducted by the Reserve Bank of India, of 34 scheduled commercial banks comprising public sector, private sector, and foreign banks had a significant presence in India on their preparedness for climate risk and sustainable finance. The key learnings and suggestions from the survey provided a comprehensive picture of the approach, risk management, level of preparedness, etc., concerning climate risk and sustainable finance. According to the report, very few banks have adopted a sustainable banking system, and many customers remain unaware of the products/services offered by sustainable practices. There is still a lack of research and

awareness regarding corporate policies, employee development, and customer-related operations for the banks. Customers, shareholders, employees and regulators are putting more pressure on banks to deliver results by demanding a firm commitment to ESG priorities. Banking has reached a green inflation point due to pressure from every angle (Reserve Bank of India, 2022)

As a significant step in this direction, the RBI's report on Currency and Finance (RCF) dated 3rd May 2023 underscores the inevitable role of financial institutions in supporting a sustainable economy by incorporating sustainability into their operations, decision-making processes in long-term investments and sustainable finance, requiring Regulated Entities (RE) to disclose information on governance, strategy, risk management and metrics and targets.

To address this issue, it is essential to understand sustainable banking practices in India, contribute to a green environment, and address the more significant concerns of stakeholders and society.

1.3 Research Questions

- How far is the Indian commercial banking sector driven to sustainability?
- How well have sustainable banking practices reached the public?
- What factors encourage customers to adopt sustainability in their banking operations?
- What benefits does sustainable banking bring to customers and banks?
- What are the challenges, if any, faced by the customers and banks concerning sustainable banking?

1.4 Research Objectives

- To identify the sustainable practices adopted by the select Indian commercial banks
- To assess customers' awareness and usage of sustainable banking practices.
- To analyse the factors influencing the customer's behavioural intention to use and actual use of sustainable banking practices.

- To examine the benefits of adopting sustainable banking practices for banks and customers.
- To understand the challenges banks and customers face in adopting sustainable banking practices.

1.5 Hypotheses of the study

H₀1: There is no significant difference in the sustainable banking practices adopted by public sector and private sector banks.

H₀2a: There is no significant difference between the socio-demographic profile of customers and their awareness of sustainable banking practices.

H₀2b: There is no significant difference between the socio-demographic profile of customers and their usage of sustainable banking practices.

H3a: Perceived usefulness significantly influences the customers' Behavioural intention to use sustainable banking practices.

H3b: Perceived ease of use significantly influences the customers' Behavioural intention to use sustainable banking practices.

H3c: Perceived environmental commitment significantly influences the customers' Behavioural intention to use sustainable banking practices.

H3d: Perceived environmental commitment directly and significantly influences the Actual use of sustainable banking practices.

H3e: Behavioural Intention towards sustainable banking significantly influences the actual use of such practices.

1.6 Significance of the Study

The current study examines the role of adopting sustainability in Banking, shedding light on how this action contributes to informed investment decisions and drives positive changes in corporate behaviour. It investigates the factors influencing the customers' behavioural intention to adopt and actual use of sustainable banking practices, grounded in the Technology Acceptance Model (TAM). This aims to differentiate from previous research by analysing this through SEM model, which will be helpful for the banks and the policy makers to understand the factors influencing the customers to switch to sustainable practices from the traditional banking operations method. How to enhance

the trust and assure security in their operations and improve their loyalty towards the banks and retain the customers for the long term. This research provides suggestions for Indian financial institutions looking to improve their sustainability initiatives by implementing an ESG framework. It helps the banks to understand the benefits and the challenges of synergising sustainability within and beyond their daily operations. This study emphasises the efficiency of the Indian banking system in adopting the go-green concept, which will contribute to future development by expounding on the global sustainability initiative and the Indian banks' contribution to that account.

The study's findings are meant to assist policymakers in comprehending the effectiveness of sustainable banking services. It will also help them to identify areas that need extra care and improvement, and this study opens up an opportunity to learn about their customers. It will assist the government in creating better regulations that will aid the banking sector in implementing these technology-based services successfully. Furthermore, the result of this study also serves as a basis for additional research in sustainable banking. The intense competition in implementing sustainable practices needs to be studied. The different kinds of sustainability practices adopted and their success in fulfilling customer requirements are yet to be examined. This study will be an alarm to the Banks, Government, policymakers, and stakeholders, not just to think about their mitigation but also about what they can do to adapt, to make their banks resilient and to make society and the environment Sustainable. It is the right time to analyse how far Indian banks have adopted Sustainable practices, as we have travelled halfway (2015-2024), and how will we rally at the halfway point of the 2030 Agenda?

The current study primarily aims to analyze the Adoption of Sustainability in the Indian banking sector, for which perceptions of customers and bankers have been analyzed using a questionnaire survey approach. Thus, this study will be significant for banking management, which aims to realize sustainable development goals via green finance initiatives. Furthermore, the study will prove significant for the Indian Banking Industry, Policymakers, and top management, which can gain insights regarding the awareness, issues, and opportunities of green financing practices and accordingly modify and alter their approaches and strategies for going green. The study will also be of immense importance for future scholars who aim to conduct research studies in this field. This study

will aim to add crucial insights regarding the research topic to the existing literature in this field.

1.7 Scope of the Study

The scope of the present study is the adoption of sustainable practices in the banking sector, primarily the public and private sector banks operating in India to attain a comprehensive understanding of how sustainability is being incorporated across diverse organisational structures. This study lies under the umbrella of sustainability. Analysis primarily includes managerial-level employees, whose decision-making power greatly influences the strategic involvement of sustainability, as well as the bank customers, whose approval and involvement are necessary for the achievement of sustainable banking methods. India is the focus of this research, and it recognises that regulatory frameworks, cultural aspects, and financial systems vary with each country. The study covers the period from 2015 to 2024 and is based on the global and national demand for implementation of sustainable development goals and green finance during this decade. This provides a base for the analysis of emergence of the themes and their evolution over time. The current study draws on the Technology Acceptance Model (TAM) and the Value-Belief-Norm (VBN) theory, which together offers a powerful instrument to explore the factors of adoption, individual acceptance of sustainable banking practices, and the role of values and beliefs on responsible behaviour. The conceptual framework is primarily grounded in TAM, which provides a break down of the components of perceived usefulness, perceived ease of use, and behavioural intention when considering the use of sustainable banking.

Sustainable finance has been defined as financial practices that integrate environmental, social, and economic challenges for long-term benefits and the concept is gaining acceptance worldwide. India, as a nation, has to deal with several economic, social, and environmental problems, hence the importance of sustainable financial management is growing rapidly. Solving problems of poverty alleviation, reducing climate change, and income disparity requires a vast amount of financial resources. The achievement of the Sustainable Development Goals (SDGs) depends on government and private investments. Therefore, the emphasis has to be on generating capital and directing resources to where Sustainability is concerned. To

solve these problems, businesses, investors, financial institutions as well as authorities are engaging in sustainable finance and investing activities (Khanna et al., 2022).

Besides, researchers also get a chance to examine a larger spectrum of stakeholders of sustainable financial management. Most of the academic research has been centred towards the financial performance of sustainable businesses and environmentally conscious investments. There is a severe lack of research on Indian customers' perception and engagement with sustainable financial management strategies in even though there is a global push towards financial Sustainability (Agenda, 2022). This research is bridging the gap by looking at the opinions of investors, their knowledge, and the important elements related to sustainable financial management in India. It sheds light on the potential, challenges, and consequences of incorporating sustainable methods in daily operational activities of financial businesses in India, through its detailed investigation into how Sustainability is being implemented in the banking sector. With (ESG) factors becoming increasingly important in the global financial scene, the Indian banking industry must reevaluate its plans and procedures.\

The Indian financial system comprises of both private and public banking institutions which are main pillars and vital for the nation's economic growth. The present research connects closely to the local environment by focusing on these institutions and dealing with their sustainable practices that have significant effect on the nation's economic viability. In India, the Reserve Bank of India and other relevant agencies have put in place a regulatory framework that public and private sector banks must adhere to. Studying these institutions play a part in an overall understanding of the country's regulatory environment by revealing the ways in which local governments influence and regulate sustainable methods.

1.8 Definitions

The following definitions of different attributes adopted in the study have been discussed below:

Sustainability: According to Pezzey (2017), "Sustainability refers to the ability to maintain or support a process over time continuously. In business and policy contexts, Sustainability seeks to prevent the depletion of natural or physical resources so that they

will remain available for the long term." Sustainability usually means reducing the use of plastic packaging, implementing recycling programs, and changing our consumption habits. Lately, it has not been connected to financing. Profiting from monetary transactions was universally acknowledged as the driving force for financial institutions across the globe. The concept of environmentally friendly banking entails a mentality change from focusing on profit maximisation regardless of the impact on society and the Environment to acknowledging that environmental and social expenses must be considered when developing financial services and regulations (Weber, 2017).

Sustainable banking: Sustainable banking refers to the "financial products and services developed to meet the needs of people and safeguard the environment while generating profit" (Yip & Bocken, 2018). The term "sustainable banking" describes investing and banking methods that emphasise profitability, ethical behaviour, the preservation of the Environment, and the dependable governance of businesses. An ESG paradigm directs company and investment choices considering social problems, Environmental impact, and governance practices related to an organisation's efficiency and development. In the context of banking, this entails anything from goods and services that encourage openness and conscientious consumption to finance programs that are equitable and ethical (Kumar, 2019).

Green banking: Lalon (2015) affirmed, "Green Banking is any form of banking from which the country and nation get environmental benefits. An orthodox bank becomes green by directing its core operations toward improving the Environment." The notion of Green Banking relates to adopting, encouraging, and backing eco-friendly procedures and lowering carbon emissions in financial institutions' internal and external activities. Internet banking, green financing, green mortgages (which offer better rates for environmentally conscious initiatives), and comprehensive green internal processes within banking institutions are just a few ways the banking industry can promote sustainable practices (Bose et al., 2018). Before the last few decades, most conventional banks were not very active in the green banking arena or looking for possibilities for investment in eco-friendly industries. Nevertheless, in recent times, there has been a noteworthy increase in the frequency of green banking initiatives, which have led to the Introduction of green financial offerings and the funding of greener initiatives throughout numerous nations (Green Banking Report, 2016).

Sustainable Finance: Schoenmaker & Schramade (2018) said, "Sustainable finance examines the relationship between lending and investment and economic, social, and environmental challenges. Regarding the allocation role, finance can help with strategic decision-making about trade-offs between sustainable objectives." Sustainable finance is any financial assistance incorporating conservational, social, and economic considerations for investments or company assessments for the long-term benefit of customers and the community (Al Muhairi & Nobanee, 2019).

Environmental, Social, and Governance (ESG): Krueger et al. (2021) asserted, "ESG is a framework that helps stakeholders to understand how an organisation is managing risks and opportunities related to environmental, social, and governance criteria (sometimes called ESG factors). ESG takes the holistic view that Sustainability extends beyond just environmental issues." The Environmental, Social, and Governance (ESG) paradigm assists stakeholders in analysing how an organisation manages risks and opportunities associated with these requirements, also referred to as ESG factors. Sustainable development is viewed holistically by ESG, which goes past environmental concerns (Ng, 2021).

1.9 Structure of the Dissertation

This Thesis is divided into five chapters: Introduction, Literature review, Research methodology, Analysis of data, and Findings and discussions.

Chapter 1- Introduction: This chapter lays the foundation for the thesis. It introduced the research problem, research questions, and hypotheses. The chapter also justifies the need for the study, presents key definitions, briefly describes and justifies the background to the research, and outlines the structure of the thesis. On these foundations, the thesis proceeds with a detailed examination of the research.

Chapter 2 Review of Literature: The second chapter builds a theoretical foundation of the study by reviewing national and international literature, to identify research gap worth researching because they are controversial and have not been answered by previous researchers. Through this review, the chapter leading to the formulation research questions and hypotheses addressed in subsequent chapters.

Chapter 3 Research Methodology: The chapter describes the research design adopted for the study. It explains the nature of the study, sources of data, sample design, variables considered, tools and techniques of analysis, and the period of study.

Chapter 4 Results and Discussions: This chapter presents the analysis and interpretation of the collected data using appropriate statistical and analytical tools. The results are systematically organised through tables and figures to address the objectives and test the hypotheses of the study.

Chapter 5 Summary and Conclusions: Chapter 5 is the most significant chapter of the thesis, as it summarises the major findings derived from the analysis. The findings are discussed in light of the reviewed literatures, highlighting their implications for the theory, practices, and policy. The chapter also provided conclusion, suggestions, limitations of the study and recommendations for future research

1.10 Conclusion

Sustainable banking comprises of measures through which banks indirectly fight against climate change and help stabilize the banking operations' carbon footprints. There are many forms such as choosing online banking instead of visiting bank branches, paying bills online or creating a money market and commercial deposit accounts with e-banks, etc. Besides, sustainable banking is also a way of recognising and seizing opportunities that benefit clients while at the same time developing practical and comprehensive market-based solutions to the environmental problems such as climate change, deforestation, poor air quality and degradation of biodiversity. The Indian commercial banking sector should fund projects that utilises green technology and which reduces pollution.