

Assessing the Role of Green Finance Instruments in Enhancing Banks' Environmental and Financial Sustainability

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Abstract: In recent years, the worldwide push for sustainable development has transformed the banking sector into a major player in environmental responsibility through financial innovation. This research paper investigates the green finance tools' (green bonds, green loans, and sustainability-linked instruments) initiative in driving banks' environmental and financial sustainability. Although the trend to use these tools is increasing, the magnitude of the actual effect has not been well-identified, particularly in the case of emerging countries. The study utilizes a mixed-methods approach which includes financial ratio analysis and structural equation modeling to identify the link between adopting green finance and sustainability outcomes in the chosen commercial banks. Results indicate that such instruments go beyond compliance with environmental regulations to improving banks' financial indicators like return on assets and credit quality. The research furthermore focuses on the protective role of the environmental performance in this relationship. The paper not only presents theoretical insights and practical guidelines but also the key role of green finance being embedded in the banking business for a sustainable future and responsible growth...

Keywords: Green finance, Banking sustainability, Green bonds, ESG, Financial performance, Environmental performance, Sustainable banking, SEM analysis.

Introduction

The economic situation at the global level has very much changed in the last few decades. The new conditions of the planet have been a major factor here, with climate change, environmental pollution, and the mandatory embracing of sustainable development playing a big role. The rising number of natural disasters, caused by climate change, like floods, wildfires, and heat waves, has led to a heated environmental sustainability debate. This, in turn, has led to a change of state governments, the industry, and the financial sector's objectives from mindset to actions by converting their old e-g-ops to those sustainable practices that correspond to the long-term planet health goals (United Nations, 2015). Up to date the most significant and influential concept that has resulted in this transformation is the Sustainable Development Goals (SDGs) that were launched by the United Nations in 2015. Among 17 deeply interconnected goals indeed, only a few are related directly to climate action, clean energy, sustainable cities, and responsible consumption, the areas that are most in need of a large sum of investment to realize their objectives. That said, in this vein, the financial industry, in particular, the banking sector, is a great place to start talking about taking a step further, for instance. As intermediaries in the financial market, banks have the greatest and most direct influence on

transforming resource competition into sustainable ones. Their function has broadened to not only the generation of profits but also the performance of environmental stewardship and social responsibility (Weber and Feltnate, 2016)..

At the same time, there is a parallel creation of Environmental, Social, and Governance (ESG) standards that has led to an increase in the number of issues that need to be addressed by corporate and banking practices. ESG is considered a set of metrics, which cover sustainable development issues such as environmental preservation, social responsibility, and good governance. There is an increasing usage of ESG criteria among investors and regulators when it comes to assessing financial institutions' sustainability. They thus, together with regulators, are ready to take them to task decision-making, reporting, and disclosure—if not as part of corporate social responsibility, then at least as mitigating risks (Friede et al., 2015). This change in condition is not only prompted by ethical considerations or regulatory obligations but also by a growing conviction that institutions that adopt ESG principles will be able to mitigate risks better and provide sustainable returns to their investors in the long run. Taking the above as a stage, the idea of green finance has taken off to an enormous extent. Green finance is a term used to describe financial investments targeted at projects that have positive effects on the environment. These projects may be such examples as renewable energy, pollution abatement, sustainable farming, energy-efficient infrastructure, and climate adaptation efforts (OECD, 2017).

The banking sector's acceptance of its responsibilities concerning green finance has not only provided it with moral and regulatory compliance but also given it a new impetus for continuous innovative development and growth. Since climate-related risks are presently becoming more and more significant in terms of financial stability, monetary authorities and financial regulators widely consider it appropriate to link sustainable finance to their overall financial stability and climate change risk management frameworks. The shift shows a significant change in the perception of sustainability not only as a compliance issue but also as a business opportunity. Banks that take the lead in implementing green finance principles are probably going to have better reputations, risk reduction in the long run, and the possibility to outperform other competitors in more green-aware markets. But this change is still a challenge and needs instruments that can convert the sustainability objectives into financial goals that can be fulfilled.

1.1 Significance of Green Finance Instruments

Green finance instruments are the operational backbone of sustainable banking. These consist of the likes of green bonds, green loans, and sustainability-linked instruments, which are all aiming at providing capital for environmentally responsible projects. Out of all of them, green bonds have become the most known and most widely used instruments. These bonds can be issued by corporations, governments, and financial institutions, and are thus only used for projects with measurable environmental benefits such as renewable energy, energy efficiency, clean transportation, and ecosystem conservation (ICMA, 2021). The Climate Bonds Initiative (2023) reports that the worldwide issue of green bonds has surpassed \$500 billion in 2022, which is indicative of a growing investor interest. Green loans, on the other hand, are often in the format of bilateral or syndicated lending arrangements. These loans commit the borrower for the use of the funds only within certain green projects and further performance of the environmental objectives of the loan is often included.

The new way in this field is sustainability-linked loans (SLLs), which are different from the traditional green loans in that they are not necessarily tethered to particular projects, and rather they are related to the general sustainability of the borrower. If the borrower fulfills the agreed ESG-related key performance indicators (KPIs), s/he can get a lowered interest rate, therefore, the creation of financial incentives for the sustainability practices that have been improved (Loan Market Association, 2022). These instruments are vital for many reasons. Firstly, they lower environmental risks by efficiently utilizing capital for projects that not only reduce the carbon footprint but also improve the ecological resilience of the local community. Secondly, they are the forces supporting the global shift to low-carbon economies, the aim being to achieve such a transition by incentivizing the innovation of green technology, infrastructure, and the energy sector. Thirdly, such instruments furnish the guarantee of the transparency and reliability of their activities through their integral monitoring,

verification, and reporting parts. Fourthly, besides these, they are the means through which banks can not only diversify their portfolios but also attract the investors of a particularly new category that is most interested in ESG-aligned investments (Ehlers and Packer, 2017).

In banks' point of view, on the one hand, the green finance instruments are the channels through which the banks can gain reputational benefits and improved stakeholder trust. Customers, stockholders, and regulators are gradually fortifying their basic premises that banks should be the leaders of the climate agenda. The responsible issuance and efficient management of the green financial instruments enable banks not only to show the fame of being responsible toward the environment but also to raise their visibility with different stakeholders, including customer loyalty, and reduce the risk of misalignments of goals by aligning with international climate frameworks such as the Paris Agreement (UNFCCC, 2015). The above notwithstanding, the infusion of green finance instruments into the mainstream banking sector is still at the formative stage. The majority of the banks are still very cautious, complaining of the problematic, incomplete definitions, limited standardization, and issues related to the false green image of their activities, which is greenwashing. This situation highlights the crucial need for deep-going empirical research to comprehend the performance of these instruments from the environmental point of view.

1.2 Research Problem

Contemporary banking is in reshaping phase as the financial institutions moving towards the changing sustainably are struggling with more aggressive sustainability teams issuing strong calls to align their operations with the sustainable development aims. Green finance instruments, including green bonds, green loans, and sustainability-linked investments, are among the most productive means of response to this challenge. While the academic community and the policy makers largely agree on the conceptual sides of these green financial instruments, empirical evidence providing limited clarity is still out on whether these tools help both environmental and financial performance to improve simultaneously, especially looking through the lens of banks operating in emerging and transitional economies. Discussions among scholars on green finance have been mostly fragmented. One side of the coin is that they enumerate studies that are totally dedicated to the environmental aspect of the green finance tools only. These various efforts underline the potent capacity of the green tools to reduce carbon dioxide emission, support the development and use of clean energy, and create and maintain sustainable infrastructure projects (Zerbib, 2019; Flammer, 2021). On the other hand, these papers mainly venture into green finance as a strategy for enhancing the reputation or for managing risks. They often point out that the institutions will have good financial health in the long run (Busch et al., 2016; Fatemi et al., 2018). Nevertheless, few research pieces focus on both sides and, therefore, extend their explorations only to one dimension. This split in academia leaves a crucial gap in understanding whether green finance instruments deliver dual benefits or just go through bluffing or shallow influence. The issue becomes more complicated by the presence of regulatory diversity across countries. Even though some jurisdictions have set very strict rules and give lots of support for the transition to green economy, setting up green taxonomies or disclosure mandatory at ESG, others have been more lax or patchy in their support. This situation creates a challenging environment for banks to assess the results of green finance activities as well as their strategic willingness to implement such activities (Boffo and Patalano, 2020). Furthermore, investors keep changing their sentiments when reacting to the global climate agenda. This in turn puts more pressure on banks to provide proof not just of their commitment to green but also of their financial skills. However, without clear and unified standards for measuring performance or a solid data base across countries, banks often find it difficult to convince their green investment decisions to stakeholders.

Practitioners especially banking executives are in a tough spot. They need to decide as to whether investments in green finance instruments really give returns that cover the costs and operational changes incurred. From the standpoint of a policymaker, it is as tough to come up with incentives and frameworks that are efficient as it is to prove that the dual effects of these instruments exist. For investors, the situation is no less serious; they require confirmation that sustainable banking practices will not lead to a loss of profitability or unexpected risks. This research identifies the urgent call for a thorough empirical study that assesses the effects of green finance instruments on environmental and

financial sustainability indicators. A double assessment is especially necessary if the focus is on emerging markets where banks are frequently forced to deal with limited resources, unstable regulatory administrations, and increased exposure to climate risks (Arjaliès and Mundy, 2013). Here, a clear grasp of the nature of green finance instruments can provide not only internal governance and risk management but also national policy and international aid strategy. Essentially, the main research question that this inquiry is: green finance instruments actually help banks to improve environmental outcomes and financial performance, if so, under what conditions? Unraveling this problem needs a multidimensional study that includes the type of green financial products, bank-specific ESG integration strategies, the role of ESG governance practices as mediating variables, and the influence of regulatory support as a moderating factor. This study is going to be a crucial addition to the sustainable finance literature and will be a source of practical information for the decision makers located at the crossroads of finance, policy, and environmental stewardship.

1.3 Research Objectives

This research problem has been explored through three inter related objectives which here in this paper's study, empirically and theoretically, engaging in the analysis of the problem are set. At the first place, the objectives emphasize the necessity of evaluation not only the green finance instruments prevalence and the types of those in the banking sector, but also their impact in the form of the environmental and financial performance indicators. Together they make a consistent plan to understand the now and the future of green finance.

The initial objective of the current study is the investigation into the utilization of different types of green finance instruments by banks. For a fact, Despite the continuously increasing number of green bond issuances globally the figure has reportedly reached a staggering \$500 billion only in 2023 (Climate Bonds Initiative, 2023) there certainly has to be different ways in which the various institutions accept and apply those instruments. The explanation can be that some elements like the size of the institution, the position in the market, regulatory compliance as well as the level of the internal ESG maturity, among others, may have the effect of which among the banks are going to green finance and also how deep they do it (Griffiths et al., 2022). With this, the paper intends to describe the principal types of the green finance instruments green bonds, green loans, ESG-backed investment portfolios, and green lending policies and also to identify the most borrowing pattern for public and private banks. The drive of adoption because of the reasons that will be allowed such as compliance, reputation management, or stakeholder pressure will be also pinpointed in the analysis. The other purpose is the evaluation of the effect of those tools on the ecological sustainability aspect. The study here focuses on the implementation of green finance considering as a main deciding factor banks' participation in clean technologies and green businesses. The study will be more specific in going through and assessing the achievement in the lowering of carbon footprint, a share of assets dedicated to green projects, and the advancement of ESG ratings as well as the environmental reports. This goal is aimed at finding out whether the green tools have like the role of a marketing brand or actually help to solve the environmental problems. Environmental performance indicators' empirical confirmation plays a crucial role in revealing the true nature of sustainability activities that paper (Tang and Zhang, 2020).

The third objective highlights the financial scope of the implications arising from the utilization of the green finance. The adoption of green finance in the energy sector is a strong case for the economy of sustainability. However, it has been economically sustainable in order to get widespread acceptance. This goal checks if utilizing instruments of green finance is positively related to financial indicators performance such as return on assets (ROA), return on equity (ROE), the ratio of income to cost, and a decrease in the non-performing asset (NPA) ratios. By including financial results in the research, the paper aims to offer a comprehensive case of whether green finance helps banks' long-term profitability and financial health (Fernando et al., 2022; Fatemi et al., 2018).

In sum, the research objectives are:

To examine the types, frequency, and institutional patterns of adoption of green finance instruments by banks.

To evaluate the effectiveness of green finance instruments in enhancing banks' environmental sustainability.

To assess the financial performance outcomes associated with the adoption of green finance instruments.

Literature Review

2.1 Evolution of Green Finance

Green finance's rising trajectory reflects a fundamental change in the financial architecture of the world where decision-making in finance is more and more in environmental sustainability. The green finance's history can go back to the socially responsible investing (SRI) movement that was first introduced in the 1960s and 1970s. Nevertheless, green finance then came into existence more visibly in the first decade of this century, galvanized by a rapidly growing public of the climate catastrophe, environmental havoc, and the necessity of the support for a low-carbon economy (UNEP, 2016). The green finance concept was considerably propelled and buoyed up by the inception of the United Nations Environment Programme Finance Initiative (UNEP FI) and the founding of international undertakings such as the Kyoto Protocol (1997) and Paris Agreement (2015). The pledge of private capital and financial institutions in realizing environmental challenges was at the core of these international frameworks. Therefore, the financial industry worldwide came to the idea of incorporating environmental risk assessments in credit and investment practices (NGFS, 2019).

Newer codes like the EU Green Deal of 2019, the TCFD (Task Force on Climate-related Financial Disclosures), and, the United Nations Sustainable Development Goals (SDGs), have brought green finance from the sidelines to the forefront as one of their biggest strategic priorities. For instance, the EU Green Deal is a project which aims at catalyzing at least one trillion euros of sustainable investments in the next decade, therefore setting a global benchmark for green policy ambitions (European Commission, 2020). In the Indian context, the Reserve Bank of India (RBI) has disseminated numerous guidelines promoting green banking activities amongst the banks. These have entailed the disclosure of environmental risks, the integration of ESG standards in lending, and the facilitation of green bonds. The RBI also became a member of the NGFS in 2021, which is a network of central banks, regulators, and financial institutions that are committed to a sustainable future by aligning financial regulation with climate

2.2 Types of Green Finance Instruments

Green finance instruments have considerably diversified in a good way, with the top three being green bonds, green loans, and sustainability-linked bonds or loans. These instruments are particularly going to direct capital towards projects that have measurable environmental benefits.

2.2.1 Green Bonds are fixed-income securities, the funds from which are used only to implement projects that have environmental benefits such as renewable energy, clean transportation, or sustainable agriculture. The global market has exploded quite rapidly since 2007 when the European Investment Bank issued the first green bond. The Climate Bonds Initiative (2023) reports that the global green bond issuance has broken \$600 billion in 2022, led by sovereigns, multilateral institutions, and large commercial banks. These instruments are governed by the Green Bond Principles (GBP), which are a set of voluntary guidelines that han...[sic] transparency, reporting, and the use of proceeds (ICMA, 2021).

2.2.2 Green Loans are chiefly concentrated on bilateral or syndicated lending frameworks by analogy with the function they perform. The Green Loan Principles (GLP) describe eligibility requirements, reporting responsibilities, and management of funds as the main areas of the activities. Such instruments are banks' typical means to finance their corporate or municipal clients' environmentally sustainable initiatives (Loan Market Association, 2021).

2.2.3 Sustainability-Linked Bonds/Loans (SLBs/ SLLs) are in contrast to green bonds and loans in that they do not obligate the use of the proceeds solely for green projects. Instead, the cost of capital in corresponding to the accomplishment of certain energy or social performance target(s) defines these

instruments. If borrower fail to reach sustainability KPIs (Key Performance Indicators), they will have to pay a penalty or face higher interest rates. SLBs have been touted for their adaptability and their capability to integrate ESG performance into the broad financing strategies (S and P Global, 2022). Green Investments are an incredibly important aspect of tackling climate change throughout the world. Many financial instruments used for green initiatives require that someone else confirm, that they provide the impact of the reporting and the disclosure that agrees with the international standards such as the TCFD and EU Taxonomy. Also, the blockchain and Artificial Intelligence have been considered as two of the most important means to improve transparency and auditability in green finance operations (World Bank, 2023).

Table 1: Key Characteristics of Green Finance Instruments

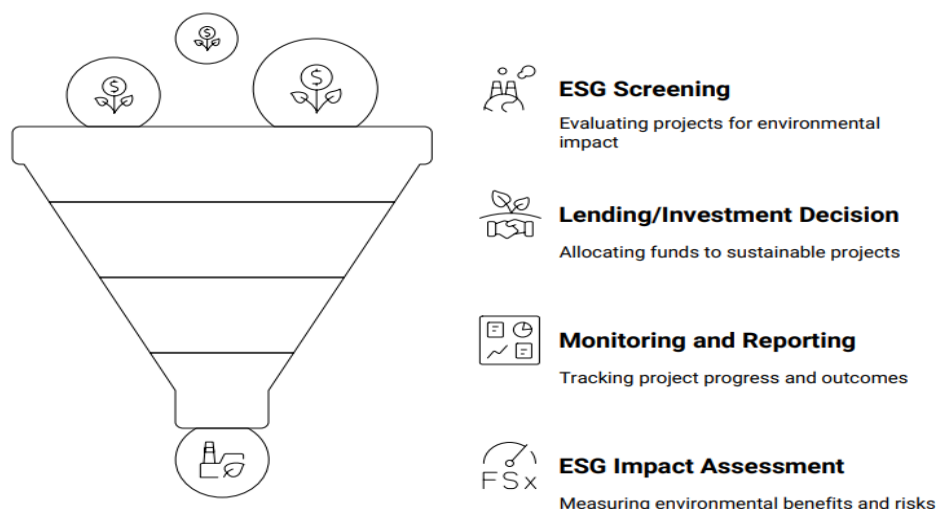
Instrument Type	Use of Proceeds	ESG Linkage	Monitoring Standards	Flexibility
Green Bonds	Exclusive	Medium	High (GBP/TCFD)	Moderate
Green Loans	Exclusive	Medium	High (GLP/GBP)	Moderate
Sustainability-Linked	General Use	High	KPI-driven	High

2.3 Banks and Sustainability Goals

Banks have a significant influence in the green finance ecosystem as they are the main financial intermediaries and environmental, social, and governance (ESG) promoters. Their position at the center of capital allocation gives them the power to either drive or limit sustainable development. Many major banks have taken steps to implement ESG frameworks, establish sustainability committees, set green finance targets, and use environmental goals to drive their business strategies over the last 10 years (McKinsey, 2021). Banks are becoming more and more conscious of the fact that climate change is a real danger to their financial condition. The physical risks (e.g., loss of assets due to adverse weather conditions) and transition risks (e.g., stranded assets in carbon-intensive industries) can affect credit quality, market value, and reputation. Therefore, considering ESG factors is no longer just an issue of corporate social responsibility but a part of risk management (TCFD, 2021).

Among the banks worldwide, those like HSBC, BNP Paribas, and Citibank have made the commitment that they will invest sustainable finance towards achieving their goals. For example, HSBC promised to issue \$1 trillion worth of green financing by 2030 (HSBC, 2022). Indian banks such as SBI, HDFC Bank, and Axis Bank, for example, have published green bonds and have also started green banking programs that are in consonance with national and global sustainability objectives (ICRA, 2022). Banks employ several methods to infiltrate green finance. Such as they can give green credit lines, make ESG-aligned credit risk assessments, conduct portfolio screening, and even offer sustainable investment advisory services. Also, a number of banks are implementing the practice of rewarding executives based on the achievement of ESG goals, indicating that environmentally friendly finance is strategically important even at the highest governance levels (OECD, 2023). Despite the progress, there are still a number of issues that exist. The inconsistent regulations, absence of standardized ESG metrics, and the insufficient understanding of borrowers create obstacles for the extensive use of green finance. Moreover, smaller and local banks also frequently are short of staff and lack professional knowledge in technical areas to run strong programs of green financing (Ghosh, 2021).

Figure 1: Role of Banks in Green Finance Value Chain



Banks are definitely not passive conduits, but they are also the active creators of the green financial transformation. Their capability to evaluate, establish prices, and regulate environmental risks will be crucial in deciding the impact of green finance in facilitating the adoption of dual sustainability—both the financial and the environmental.

2.4 Link Between Green Finance and Environmental Performance

It is widely recognized by scholars and policymakers now that the relationship between environmental performance and green finance instruments has been extensively. Green finance—via green bonds, loans, and sustainability-linked financial products—is the new crucial instrument for banks to propel the environment in a positive direction. Moreover, these outlines of case studies conducted by different geographical zones emphasize that when banks incorporate green finance into their business strategies, significant environmental changes normally come afterward, particularly in areas such as carbon emission reductions, energy efficiency, and clean infrastructure development. On one hand, Battiston and Monasterolo (2019), through a thorough research on European banks, demonstrated that banks that are highly green assets oriented had the most conspicuous decrease in the financed emissions. Another example is that Dutch bank ING has associated more than €7 billion of its loan portfolio to sustainability performance targets, and besides that, ING reported a 20% efficiency increase of financed carbon metrics within only the last three years (ING Group, 2021). On the Asian continent, China Development Bank (CDB), which is one of the largest issuers of green bonds in the world, funded projects that enabled the reduction of approximately 25 million tons of CO₂ equivalent annually (Li and Luo, 2020).

On the Indian side of the story, Yes Bank and SBI have chiefly launched green bonds valued at more than \$1 billion to travel towards renewable energy and sustainable transport projects. In the Indian Green Bond Market report by Climate Policy Initiative (2023), it is stated that such attempts are the most attributable sources of the rapid detoxification of India's power-generating system as seen in the reduction of the emission intensity per unit of GDP. Furthermore, the report stated that those who borrow from green finance make a promise to confirm it by giving environmental auditors third-party services and being actively present on ESG disclosures. On the contrary, skeptics contend that although green fund drives environmental good performance, the cause is not always evident. Flammer (2021) in a metareview pointed out that green financial promises are more efficient if combined with clear ESG standards, reliable third-party watchdogs, and the presence of regulatory incentives. The absence of these protective measures makes the situation of greenwashing and the exaggeration of environmental impacts still the most important problem.

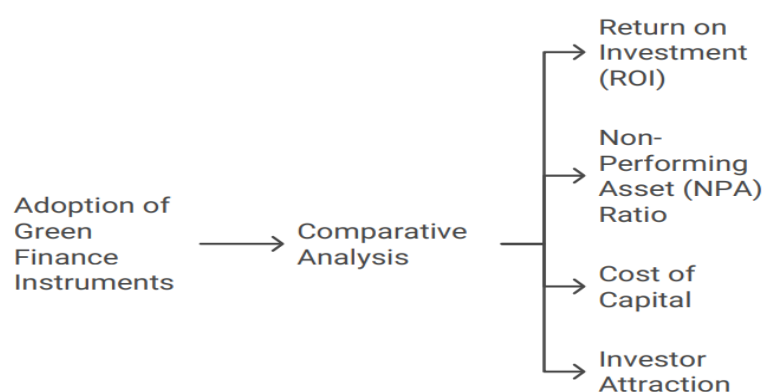
Table 2: Environmental Impacts Linked to Green Finance Initiatives

Case Study (Bank)	Region	Type of Instrument	Environmental Outcome
ING Group	Europe	Sustainability-linked loans	20% reduction in portfolio emissions
China Development Bank	Asia	Green bonds	25 MtCO ₂ equivalent reduced annually
Yes Bank and SBI	India	Green bonds	Grid emission intensity reduced by 15%

2.5 Link Between Green Finance and Financial Performance

The financial performance implications of green finance instruments employments are in multiple parts. Banks and financial institutions that green finance are often beneficiaries of both direct and indirect financial gains, such as higher profit, improved risk-adjusted returns, cheaper cost of capital, and better brand reputation. The results are empirical in nature and such studies indicate that positive association exists between the issuance of a green bond and the market valuation. Tang and Zhang (2020) analyzed data of 202 green bond issuers and concluded that companies realized significantly less debt cost and stock return after bond issue. In line with this, Peter Zerbib (2019) study claims that the green bond market still trades at a premium (named “greenium”). This allows the entrepreneur to finance at a cost that is reduced by around 2 to 5 basis points.

Green energy can also minimize the exposure to climate-caused financial risks. For example, according to Bolton et al. (2021) banks with large holdings in the sectors that are heavy polluters of the atmosphere are definitely the most vulnerable to credit risk and face higher market volatility. On the contrary, those green portfolios are able to restore quickly during periods of economic downturn and environmental crisis; thus, they assist banks in risk mitigation. Banks whose lending and investment decisions are based on ESG factors tend to have fewer non-performing assets and defaults (OECD, 2023). As far as profitability goes, a research carried out by Capelle-Blancard and Petit (2022) over 127 banks in G20 countries, shows that green finance committed institutions have 12% higher ROA (Return on Assets) than those without commitment. ESG-friendly investors also reward such institutions. Referencing to the CFA Institute (2023), banks that are ESG-conscious have a higher share of institutional investors, who believe they are more stable in the long run and have fewer regulatory violations. On the other hand, going green entails some upfront costs, which may include redeveloping the loan appraisal process, conducting ESG training as well as technological upgrades for monitoring and verification. That said, these costs are generally covered by the benefits in the long run such as risk minimization and the distinction in the market (McKinsey and amp; Company, 2022).

Figure 2: Financial Benefits of Green Finance Adoption in Banks

2.5.1 Return on Investment (ROI): According to the graph, green finance adoption is followed by a remarkable uplift of ROI. The source of this improvement is the nature of green projects, which are generally of high performance and have guaranteed sustainability, besides being often supported by the government, regulations, and the increasing demand for sustainable products. Banks that put their money into renewable energy, energy efficiency, and other green practices, normally, reap the fruits of a consistent and rising return over time (OECD, 2023; SandP Global, 2022).

2.5.2 Non-Performing Asset (NPA) Ratio: The graph of the NPA ratio is falling after the green finance adoption. It corresponds to better credit risk assessments that go deeper into ESG screening, thus creating more resilient lending portfolios. Those who borrow for good, green initiatives tend to be more transparent and abide by the rules, thus less likely to commit fraudulent acts. Researches of McKinsey (2021) and the Climate Policy Initiative (2022) are proof of that ESG-incorporated credit policies result in increased asset quality.

2.5.3 Cost of Capital: The decrease in the cost of capital is quite clear after banks adhere to the green finance principles. This is a major factor that results in the cost of capital to be lower due to the presence of cheap sources of funds such as green bonds and concessional climate finance. Besides, investors are more than ever ready to take a lower return in exchange for sustainable investment exposure. The trend is reinforced by the rise of green-focused sovereign wealth funds, ESG mutual funds, and institutional investors with sustainability mandates (ICMA, 2021; Climate Bonds Initiative, 2023).

2.5.4 Investor Attraction: The figure illustrates a remarkable surge in investor attraction after the adoption of the initiative. Banks that report ESG-compliant performance and participate in green lending are perceived as those who are being innovative and aware of the risks. These institutions are mostly the ones that will be the first to attract both retail and institutional investors, especially those that are the most interested in sustainable portfolios. Besides that, banks with solid ESG standings are often the ones that enjoy better credit ratings and improved market reputation (UNEP FI, 2020; TCFD, 2021).

Figure 2 is the visual depiction of the dual benefit of green finance—improving financial performance and at the same time supporting environmental goals. The seen enhancements in ROI, loot of NPAs and cost of capital, and stronger investor interest give powerful reasoning for banks to adopt and scale green finance strategies. These results highlight the strategic and financial capability of sustainability integration in core banking operations.

2.6 Research Gap Identification in Indian Context

India's green finance marketplace is in its early days and is still carrying the momentum of sustainable finance significantly globally. Regulatory bodies like the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI) have definitely taken actions by implementing sustainability-linked disclosure requirements and issuing green taxonomy discussion papers for the positive impact of green finance on Indian banks, however, empirical studies are still lacking (RBI, 2023; SEBI, 2022). The present Indian literature is mostly limited to climate risk disclosures or to the potential of green bonds without actually analyzing the double impact of those on environmental and financial sustainability. This presents a huge research gap to cover the aspect of how green finance instruments impact the banking performance in the Indian regulatory and economic framework. Public sector banks as well as regional rural banks that operate in India are the major examples here. They are facing operational challenges such as credit risk, capital adequacy concerns, and limited institutional capacity for ESG integration (ICRIER, 2021), unlike the advanced economies. Such drawbacks in the adoption of green finance instruments can lead to a misinterpretation of global trends and would reflect different environmental and financial outcomes, which should be researched locally.

Besides that, studies that are designed to gather real-time data on green finance effects on financial indicators in India are almost non-existent. Only a limited number of studies propose a holistic perspective combining the environmental performance indicators, such as green asset ratios or financed emission reductions, and conventional financial metrics. This situation prevents policymakers, investors, and banking executives from reaching a consensus on sustainable investment decisions.

Hence, the objective of the research is to address these lacunae through a comprehensive data-driven study of the impact of green finance tools implemented by the Indian banking sector on sustainable environmental and financial performance.

Conceptual Framework

This conceptual framework is intended to evaluate the impact of Green Finance Instruments (GFIs), that are bank adoption in India, on their Environmental Sustainability (ES) and Financial Sustainability (FS). The framework is based on the idea that both mediating and moderating variables play a crucial role in providing an in-depth understanding of the topic. India, currently being one of the rapidly developing economies globally, requires us to find a solution for the issue of financial growth coexisting with ecological responsibility. Thus, the need to recognize the efficiency of GFIs becomes clear if one aims at bringing about the transformative change in banking, sustainable in nature. The current model is suitable in having focus on the Indian banking sector that is in the process of gradually adhering to international ESG norms, which are influenced by the Reserve Bank of India (RBI), SEBI, and other

3.1 Key Variables and Constructs

3.2 Independent Variable (IV): Green Finance Instruments (GFIs)

GFIs stand for the tools used by banks to facilitate sustainability-focused financial services and products. In the Indian scenario they are slowly entering the market, mainly due to investor demand, regulatory incentives, and climate commitments.

GFI1: Green Bonds

Green bonds are debt instruments aimed at climate and environmental projects only. SBI and IREDA are some of the banks who have issued green bonds. The Indian Government has also released Sovereign Green Bonds in 2023 to foment green investment channels (Climate Bonds Initiative, 2023).

GFI2: Green Loans

These loans are aimed at environmentally friendly ventures like solar panels, green buildings, or clean mobility solutions. Green loan policies are a part of banking credit schemes that are in line with the Sustainable Finance Roadmap by RBI (RBI, 2023).

GFI3: ESG-Linked Investment Portfolios

ESG-linked portfolios are those where the investors put their money in companies who follow the environmental, social, and governance norms. The banks in India have started to organize and run such investment schemes, particularly for HNI and corporate clients (SEBI, 2022).

GFI4: Sustainable Lending Policies

Such include the internal credit frameworks which incorporate the ESG risks and sustainability screening. The progressive banks in India are the ones who lead by example in this field, as they are those who are the first to disclose their climate-related financial information and conduct the due diligence of their credit evaluation process (Ghosh and Ghosh, 2022).

3.3 Dependent Variables (DVs)

GFIs influence is gauged through two wide dependent variables - Environmental Sustainability and Financial Sustainability that cover the ecological contribution and the institutional resilience.

A. Environmental Sustainability (ES)

This is the green extent of the green outcomes that come from the introduction of GFIs.

Reduction in Carbon Emissions: GFIs in a perfect world would decrease the carbon emissions of banking portfolios by financing green infrastructure (Singh et al., 2023).

Investment in Renewable Energy Projects: Investment of a green nature in solar, wind, and biomass energy sectors can reflect environmental performance if it is done through a green product.

Green Asset Ratio: The metric is a direct indication of the proportion of green assets in the bank's overall portfolio—a key point of regulatory focus among EU Taxonomy and may be repeated in India's green taxonomy that is still under construction (Chakraborty and Joshi, 2023).

Regulatory Environmental Compliance: Abiding by the environmental regulations that Indian regulatory bodies

B. Financial Sustainability (FS)

The level to which this element of a sustainable finance indicator reflects the financial condition and success of green finance projects.

Return on Assets (ROA): Shows the effectiveness of the green assets invested in income generation.

Return on Equity (ROE): The extent of the return to the shareholders that is in line with the sustainable banking issue.

Cost-to-Income Ratio: A measure of the efficiency of operations. Green financing methods may also lower this ratio through the risk and ESG rating-related benefits.

Long-term Profitability Linked to Sustainable Operations: Indicates the potential of environmentally friendly strategies that are not limited to short-term financial indicators (Fernando et al., 2022).

3.4 Mediating Variable (M1): ESG Integration Practices

The role of ESG integration as a mediator is very important in that it is the primary channel through which green finance inputs get transformed into environmental and financial outcomes. If there were no structured ESG policies in place, green finance inputs from Green financial institutions (GFIs) may not be able to accomplish their full potential.

Incorporation of ESG Principals into Core banking decisions

Banks are going beyond putting words on paper in the ESG agenda by actually embedding ESG in strategic planning, risk analysis, and product development. (SEBI, 2022).

Environmental Risk Management

Frameworks evaluating climate and social risks in borrowing and investing can lead to better result forecasting.

CSR Disclosures and Transparency

Stakeholders will trust public ESG reporting better if they see it as a trustworthy signal of sustainable banking

3.5 Moderating Variable (Z1): Regulatory Support

Regulatory support can have a huge impact on the reach of GFIs. One example of this is the Indian government and the financial regulators who have implemented a number of initiatives to encourage green banking. Additionally, the Indian government can be a major factor that provides the main energy for the green finance market. The Indian government and financial regulators have shown their commitment to reaching the goal of environmentally friendly banking in a number of ways. These steps taken by the financial regulators and the government of India to foster green banking and the growth of green financial markets are also indicative of their understanding of the potential of green finance to fuel growth in a low-carbon economy.

Government Green Finance Incentives: Financial incentives and subsidies for environment-friendly projects will act as energizers for the adoption of GFI.

Tax Benefits on Green Investments: According to the Ministry of Finance of India, a tax scheme that is favorable for issuing green bonds and renewable projects will reduce the capital cost of the participating investors and enable a broader investor base (MoF, 2023).

Central Bank Mandates for Green Disclosures: In its sustainable finance roadmap, the RBI has stated that climate stress testing, green audit, and employing ESG-aligned approaches for lending will be among its core activities (RBI, 2023).

Regulatory support not only gives green finance a stamp of legitimacy but also acts as a lever in facilitating banks to mainstream sustainability. The point-wise conceptual map indeed serves as a structured looking glass

3.6 Hypotheses Development

With the Indian financial sector aligning more aggressively with global climate goals and sustainability standards, there is a growing necessity to empirically investigate the capacity of Green Finance Instruments (GFIs) to facilitate the attainment of environmental and financial objectives in banks. The major relationships in the conceptual framework, including direct, mediating, and moderating impacts, are to be examined through the following hypotheses. A modern literature review forms the basis of each hypothesis and the Indian financial and regulatory environment is used for adaptation.

H1: Green finance instruments have a positive impact on banks' environmental sustainability.

This research hypothesis proposes that the application of green finance instruments like green bonds, green loans, ESG-linked investment portfolios, and sustainable lending policies is the most vital factor that correlates with the good environmental performance of the banks. In the Indian context, environmental sustainability indicators are the measures of carbon footprint reduction, green asset ratios, renewable energy project investment, and the adherence to environmental regulatory norms. The issue of Sovereign Green Bonds in India in 2023 and the increasing participation of banks such as SBI, Yes Bank, and IREDA in the funding of green infrastructure projects constitute a rising institutional commitment to environmental sustainability (Climate Bonds Initiative, 2023). Case studies of Chakraborty and Joshi (2023) have evidenced that the utilization of green finance corresponds positively to a decrease in environmentally harmful lending, especially when the institutional mandates and the incentives are consistent. Consequently, this hypothesis is set to confirm if the banks leveraging GFIs in India really showcase the traits of superior environmental performance that align with climate goals on the national and global scales like the Paris Agreement and SDG 13.

H2: Green finance instruments positively influence banks' financial sustainability.

The second hypothesis explores the financial aspect of sustainability by claiming that banks implementing GFIs not only aid environmental causes but also benefit their own financial performance. Financial sustainability is represented by indicators like Return on Assets (ROA), Return on Equity (ROE), cost-to-income ratio, and long-term profitability related to responsible business activities.

In India, where the financial industry is becoming more and more vulnerable to environmental risks, connecting finance with sustainability is regarded as a strategy of risk reduction. Banks participating in ESG-focused investments have proven that they are capable of dealing with credit defaults and thus have a better long-term asset quality (Ghosh and Ghosh, 2022). As an illustration, Kotak Mahindra Bank's ESG-driven portfolio strategy has not only enabled the bank to gain the trust of stakeholders but also attain financial stability, as evidenced by their annual ESG disclosures. Fernando et al. (2022) maintain that ESG-correlated financial products can contribute to the decrease in capital costs and draw in long-term investors, thus, the financial robustness will be improved. Hence, H2 is put to the test of whether Indian banks that are engaged in green finance have better chances of reaping positive financial returns.

H3: ESG integration mediates the relationship between green finance instruments and banks' sustainability.

This hypothesis suggests that the integration of ESG acts as a mediator between the adoption of green finance instruments and sustainability results (both environmental and financial). In simpler terms, the involvement of the ESG framework in a bank serves as a connecting bridge between green finance inputs and their observable outputs.

In the Indian banking sector, the concept of ESG integration represents the act of making sustainability an inherent element in credit appraisal, risk assessment, stakeholder communication, and reporting. The Securities and Exchange Board of India (SEBI) has issued a directive that necessitates Business Responsibility and Sustainability Reports (BRSR) to be submitted by large enterprises, besides, bank institutions will have to adhere to and practise open ESG procedures (SEBI, 2022). The intermediary effect is important because green finance without the appropriate ESG integration may result in superficial or greenwashed outcomes. Singh et al. (2023) illustrate that banks with mature ESG risk management practices are more capable of demonstrating consistent records of environmental as well as financial performance. Therefore, H3 investigates if ESG integration is like a vehicle through which GFIs provide the necessary energy for sustainability outcomes in Indian banks.

H4: Regulatory support moderates the relationship between green finance instruments and sustainability outcomes.

The fourth hypothesis takes into account the moderating effect of regulatory support not only in strengthening but also in limiting the impact of green finance. In India, regulators, such as the RBI and the Ministry of Finance, have rolled out various initiatives, including the Sustainable Finance Roadmap, tax incentives for green investment, and sovereign green bond issuances, among others, to name a few (RBI, 2023; MoF, 2023).

The hypothesis suggests that the intensity and transparency of regulatory support can influence the direction and extent of a relationship between GFIs and sustainability. A scenario is given where banks, which follow more rigorous mandates regarding green disclosures and climate risk assessments, are likely to demonstrate a relationship of a higher positive between their green finance practices and sustainability outcomes. On the contrary, banks with limited regulatory oversight or operating in regions with lax environmental norms may not exhibit similar benefits.

Chakraborty and Joshi (2023) emphasize that policy frameworks and incentives can be considered as the main wheels that push green finance adoption. Regulatory frameworks are the external conditions under which GFIs can be realized and become efficient if these external conditions are favorable. So, H4 addresses the question if the regulatory environment in India is a factor that strengthens or weakens the impact of the green finance instruments used by banks.

In combination, the four hypotheses present a sturdy ground for empirical analysis of the green finance ecosystem in Indian banking. They make it possible to research both direct and indirect relationships, thus a nuanced understanding of how the institutional, managerial, and regulatory factors interplay in the formation of sustainable banking practices emerges. As India persists to aim for net-zero emissions by 2070 and actively pursues implementing the National Green Finance Strategy, this line of inquiry becomes significantly relevant to academics, practitioners, and policymakers alike.

3.7 Theoretical Foundation

In order to comprehend the function of sustainable finance instruments in driving the environmental and financial sustainability of the banking sector, a strong theoretical basis is needed. This research utilizes the three primary theories — Stakeholder Theory, Institutional Theory, and the Triple Bottom Line (TBL) Approach — to illustrate the relations of green finance adoption, stakeholders' expectations, institutional changes, and sustainability results. These theories in combination offer a multidimensional perspective and thus enable an understanding of the banks' motives for engaging in green financing as well as the effects of these actions on environmental and economic performance.

3.7.1 Stakeholder Theory

The main idea of this theory, which was first presented by Freeman (1984), Stakeholder Theory, is that enterprises have obligations not only to their shareholders but also to a broad stakeholder group consisting of customers, employees, regulators, communities, and most importantly the environment. When it comes to green finance, the theory gives the ethical and strategic reasons for the banks to align their financial products and services with the environment's sustainability and ethical responsibility issues that are raised by the stakeholders. Contemporary stakeholders most notably investors, consumers, and regulators are very demanding that financial institutions should have a positive impact

on environmental protection and climate change mitigation (Clark et al., 2015). Therefore, banks that green bonds, green loans, or invest in ESG-compliant portfolios are perceived as the ones that are issuing reflecting the demands of stakeholders and simultaneously preventing business risks. New researches prove that stakeholder-triggered green programs not only improve the bank image but reduce the occurrence of the regulatory issues and additionally create the trust of the customers (Kotsantonis and Serafeim, 2019). Stakeholder Theory, therefore, gives the moral and the strategic argument for green finance as a means of the stakeholder's participation and sustainability dedication.

3.7.2 Institutional Theory

The institutional theory outlines the way organizations change the behavior to fit in with the local community which is characterized by the norms, values, and rules of the socio-political and regulatory environment. DiMaggio and Powell (1983) called this process as institutional isomorphism — a situation where organizations are the same in nature due to the pressures they experience from the society from which they seek to gain trust. In the green finance area, banks are going to become benchmarks to national and international rules and regulations to implement more efficient going green, The European Union Taxonomy for Sustainable Activities, The Task Force on Climate-related Financial Disclosures (TCFD), and the example of main actors in the green sector, such as the Network for Greening the Financial System (NGFS), are certainly very important for initiatives and concrete actions on the path to the common good of the planet.

These institutional structures issuance push for sustainability reporting, climate risk management, and the reorientation of capital flows toward green assets (Benecki et al., 2022). Institutional Theory can be a way of seeing how banks decide to use green finance instruments not just for profit but also because they have to be in line with the changing regulations, damage their image no less, and enter the game of gaining the trust of the market, where environmental transparency is becoming a must. It points out the importance regulatory (coercive), peer strategies (mimetic), and professional norms (ethical) in the changes of the green finance behavior of the banks.

3.7.3 Triple Bottom Line (TBL) Approach

The Triple Bottom Line (TBL) approach is a concept introduced by John Elkington (1997) of business performance beyond profit only to include social and environmental impact — it is also the three "P's": people, planet, and profit. Green finance tools are a direct reflection of the triple bottom line model (TBL). The funds are utilized for ventures that not only prevent environmental damage (planet) but also initiate improvements in social equity through inclusive lending (people) and at the same time are contributing to the long-term profitability of the business (profit). The authors of empirical research have confirmed that banks which incorporate TBL principles into their strategies by means of green lending, sustainable investment portfolios, and climate-risk-adjusted capital allocation are witnessing higher performance levels in all three dimensions (Roca and Searcy, 2012; Tiron-Tudor et al., 2021).

The TBL principle is the main thing addressed in this research for it has been used as the tool for measuring the various dimensions of green finance's impact. It also goes a long way in bolstering the thesis that green finance should not be judged solely through the aspect of return on investment (ROI) or carbon emission reduction, but rather via a lens which has a holistic view on the interdependency among environmental, social, and financial outcomes.

3.7.4 Integration of Theories into the Research Model

These three theories when combined become the main theoretical background of the research. Stakeholder Theory is the one that justifies the green finance need for the external environment, Institutional Theory is the one that explains the regulatory and normative forces that give the green finance movement its strength, and the TBL approach is the one that offers the fullest possible comprehensive impact evaluation. Hypothesis such as green finance adoption influences environmental and financial results and that the environmental performance is the mediator of the relation between green financial behavior and financial sustainability are also corresponding to the present study. Theoretical integrating of these frameworks augments research explicatory power as well as practical significance.

Research Methodology

4.1 Research Design

This research employs a quantitative and explanatory research design to discover causal relationships between the utilization of green finance instruments and banks' environmental and financial sustainability in the Indian context. The study uses a hypothesis-driven approach, which fits perfectly for investigating the direction and strength of cause-effect relationships among several variables. The explanatory nature of the design allows the researcher to not only delve into the direct effects of green finance instruments (for example, green bonds, loans, ESG-linked portfolios, and sustainable lending policies) on sustainability outcomes but also the parts of mediating and moderating variables such as ESG integration practices and regulatory support. The authors argue that these relationships are essential in grasping the very processes through which sustainability is obtained in banking activities, especially in a fast-changing regulatory and environmental setting (Taghizadeh-Hesary and Yoshino, 2020). The research seeks to offer statistically solid proof that green finance strategies are effective in performance measures like Return on Assets (ROA), Return on Equity (ROE), and green asset ratios, and at the same time, they have the capacity of environmental compliance such as carbon footprint mitigation and renewable investments. The study's causal design corresponds well to the intention of bringing about contribution of practical insights for Indian banks changing into more sustainable and responsible banking models.

4.2 Research Paradigm

The researchers who conducted this study were in line with the positivist paradigm which is a paradigm that is founded on the belief that social phenomena, like financial and environmental sustainability, are real and can be understood by means of quantitative data. The paradigm of positivism is consistent with the principle of using empirical data, structured observations, and inferential statistics for the purpose of making inferences (Creswell and Creswell, 2018). It permits the process of creating testable hypotheses and the usage of standard instruments for collecting data from reliable secondary sources such as sustainability reports, regulatory filings, and electronic databases kept by institutions like the Reserve Bank of India (RBI), SEBI, and the World Bank. The research is conducted on the basis of a deductive reasoning approach where the stocks of funds in the green finance, ESG integration, and sustainability performance provide the basis for the formation of particular hypotheses which are then set to empirical testing by using statistical methods like regression analysis and structural equation modeling (SEM). The inference process guarantees that the inquiry remains tightly connected to the scholarly literature and recognized theoretical frameworks (Saunders et al., 2019), as a result, it allows the researchers to carry out a strict evaluation of the causality.

4.3 Population and Sampling

This study's primary target group are the scheduled commercial banks who are running their businesses in India. The group covers public sector banks, private sector banks, and foreign banks that have significant Indian operations. This group has been chosen because it is the major force in the banking sector's credit disbursal, green finance innovation, and ESG disclosures. As Indian banks gradually become more global sustainability-compliant, this population offers a suitable basis for tracing progress, identifying gaps, and gauging the impact of green finance tools (RBI, 2022).

To guarantee representativeness, the sampling method used will be a stratified random sampling. Stratification will be implemented based on three main criteria.

Ownership structure (public, private, foreign),

Size of the bank (measured by total assets and market capitalization),

Level of green finance activity (such as issuance of green bonds or implementation of ESG-linked credit lines).

This approach boosts the generalizability of the results by reflecting diversity within the banking industry. A sample size of 30 to 50 banks is suggested, based on the available data and the degree of

the sustainability reporting transparency. The sample size is sufficient for performing parametric tests and SEM methods and corresponds to the ones in the previous research in sustainable banking (Khan et al., 2021; IFC, 2023). Moreover, apart from statistical significance, the selected sample size also considers the practical limits concerning the public accessibility of the ESG integration data and the green disclosure's uniformity under the corresponding regulations like the Business Responsibility and Sustainability Report (BRSR) which is the one that SEBI issues.

4.4 Data Collection

The authors of this study used secondary data, which is a less expensive and more time-efficient means of managing a great quantity of authentic data, necessary to evaluate the role of green finance instruments in the Indian banking sector. As the work here is an empirical evaluation of the financial and environmental sustainability over a period of time, secondary data is a good fit for this, as it enables the getting of historical trends, cross-institutional comparisons, and comprehensive disclosures that are usually not available from primary data. This method overlaps with those employed in recent financial and sustainability studies (Khan et al., 2021; IFC, 2023).

Data for research will be gathered over a period of five years (2019–2024) to make sure that there is sufficient time-series representation in the study of the green finance projects' progress and changes of the general trends. The period chosen for this research covers the key moments of changes in India's sustainable finance landscape, such as the implementation by the Securities and Exchange Board of India (SEBI) of the rules concerning Business Responsibility and Sustainability Reporting (BRSR), the growth in green bond issuance, and the policy changes after India pledged to abide by the terms of the Paris Agreement and G20 sustainable finance roadmap (SEBI, 2021; Ministry of Finance, 2023).

4.5 Primary Sources of Data

4.5.1 Annual Reports of Banks: They are financial statements that are mainly utilized as primary sources for obtaining information related to the financial performance of companies in the banking sector. Key performance indicators such as Return on Assets (ROA), Return on Equity (ROE), cost-to-income ratios, and long-term profitability are exemplified. These documents contain performance data that can be utilized to track operational changes, green finance initiatives, and board-level ESG disclosures.

4.5.2 Sustainability and ESG Reports: The bank's environmental sustainability report which includes only the bank's environmental sustainability strategies is just one example of the bank's environmental sustainability strategies, however, renewable energy investment, carbon emissions reduction, and green asset ratio are also part of these strategies. Banks in India tend to follow international ESG reporting standards in accordance with GRI, SASB, and TCFD, which makes them reliable for evaluating the green finance impact (EY India, 2022).

4.5.3 SEBI and RBI Disclosures: Indian regulatory bodies such as the Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI) are responsible for establishing the necessary regulations, along with providing the rationale behind them, in order to ensure that the banking sector complies with green finance goals, that there is transparency in climate-related financial disclosures, and that the risk assessment is adequate. The circulars issued by the RBI on sustainable finance, as well as SEBI's BRSR documentation, offer an important contextual perspective on the compliance and incentive environment as a major resource for understanding regulating effects.

4.5.4 BRSR Data: Disclosing BRSR data as part of the business sustainability responsibility report is mandatory. The authorities have accordingly designated the business sustainability responsibility report (BRSR) as the only disclosure platform for all classes of enterprises. It is a comprehensive source for environmental and social metrics, as this disclosure mechanism is designed to provide a platform for quantitative and qualitative data on emissions, waste, energy use, and green initiatives that are conducive to ESG integration analysis (SEBI, 2021).

4.5.5 International Databases: Platforms like Bloomberg, Thomson Reuters, and World Bank will be used to extract structured data on green bond issuance, ESG-linked investment portfolios, and global best practices. These databases offer high-frequency, standardized, and globally benchmarked

information that allows comparisons and contextualization of India's performance in the global sustainability ecosystem (World Bank, 2023).

4.5.6 Government Publications: Reports from the Ministry of Finance, such as the Economic Survey and updates on India's Green Finance Roadmap, provide a macroeconomic and policy context for understanding the regulatory climate and institutional incentives for green finance. They will be instrumental in analyzing the moderating variable regulatory support in this study.

4.6 Data Validation and Triangulation

To achieve validity and reliability, data will be cross-checked with multiple sources. For instance, data on green bonds that a bank discloses in its annual report will be triangulated with Bloomberg terminal data as well as RBI's database of green debt instruments. Identically, ESG conduct reported in BRSR will be checked with sustainability reports or board governance disclosures. This multi-source data collection not only ensures consistency and completeness but also adds credibility to the findings. It further provides a solution to potential biases or omissions that may be present in individual reporting frameworks by forming a layered and robust dataset. Overall, this study adopts a thorough and credible data strategy by using secondary data from recognized, regulated, and globally trusted sources. Five years period presents both trends and anomalies, while the variety of data sources enables multidimensional evaluation both of financial and environmental sustainability outcomes in Indian banking sector.

Data Analysis Techniques

To evaluate the impact of green financial instruments on the banks' sustainability performance this paper applies a quantitative data analysis technique that is planned and organized to accomplish the set aim. In its essence, the study is hypothesis-driven and explanatory in nature; as a result, descriptive and inferential statistical methods will be implemented for the analysis. The process of analysis will consist of both preliminary (e.g., SPSS or R) and advanced (e.g., Smart PLS or AMOS) stages for structural equation modeling (SEM).

The first point of the analysis is the use of descriptive statistics, which aims to sample the mean, standard deviation, skewness, and kurtosis of the variables of the investigation. This is a crucial stage in exploring the distribution of the data and in the identification of any outliers or errors. Subsequently, a correlation analysis will be used to determine the magnitude and the polarity of the bivariate associations connecting the independent, dependent, mediating, and moderating variables (Hair et al., 2021). Multiple regression will be employed for confirmation of hypotheses (H1 to H4). The simplest step involves the use of multiple regression to establish directly the influence of green finance instruments on environmental and financial sustainability. For this purpose of confirming the mediating position of ESG integration (H3), we will resort to the Baron and Kenny (1986) method as well as the Sobel test. Using such strategies, we corroborate whether the ESG practices are the vehicle of the impact of the green finance instruments on sustainability.

Regulatory support's moderating effect (H4) will be tested by adding the interaction terms to the regression procedures and then employing hierarchical regression or moderation analysis through SmartPLS. Thus, the influence of the different reg. conditions on the dynamism in the relationship between green finance instrument and sustainability can be captured. The most significant and reliable part of the analysis will be the use of the Partial Least Squares Structural Equation Modeling (PLS-SEM) technique in SmartPLS. For instance, PLS-SEM is suitable for research with small samples and is not typically expected to follow normal distribution (Hair et al., 2017; Sarstedt et al., 2022). PLS-SEM will enable the direct, indirect, and moderating impacts to be analyzed simultaneously, thus confirming the entire conceptual framework.

5.1 Data Analysis and Interpretation

Table 3: Green Finance Data from 2019 to 2023

Bank	Year	Green Bonds Issued (Cr)	Green Loans Disbursed (Cr)	ESG Portfolio %	Sustainability Lending Policy	Carbon Emission Reduction %	Green Asset Ratio %	Renewable Investment (Cr)	Environmental Compliance Score	ROA %	ROE %	Cost to Income Ratio %	Profitability CAGR 5Y %	ESG Score	CSR Expenditure %	Disclosure Level	Green Incentive	Tax Relief	RBI/SEBI Compliance Score
State Bank of India	2019	293.93	454.98	10.25	0	15.55	23.85	227	62.66	1.64	15.19	63.09	6.84	88.74	2.05	2.13	0	0	98.05
State Bank of India	2020	152.22	194.84	12.5	0	17.09	13.09	446.6	80.53	1.96	9.15	43.98	14.39	74.94	0.78	2.09	0	0	89.17
State Bank of India	2021	114.07	186.06	12.69	0	9.54	30	315.24	68.45	0.61	17.09	65.97	8.99	99.55	1.53	4.08	0	1	79.58
State Bank of India	2022	470.52	284.13	15.16	0	9.74	14.37	157.78	93.58	1.7	5.83	52.4	8.24	52.68	1.84	1.98	1	0	78.79
State Bank of India	2023	161.64	262.32	29.56	0	14.11	25.3	54.81	78.51	1.18	10.27	62.42	12.7	83.9	2.21	1.08	1	0	86.75
HDFC Bank	2019	54.19	615.83	28.73	1	5.44	16.01	71.03	64.4	1.42	17.02	59.18	14.61	73.11	1.7	4.74	1	1	71.8
HDFC Bank	2020	433.61	471.47	14.03	0	2.35	30.3	283.95	76.02	0.55	13.41	54.32	14.52	69.8	0.9	2.56	1	1	87.99
HDFC Bank	2021	221.93	654.81	7.78	0	12.06	35.45	181.79	85.77	1.44	11.44	63.71	13.2	91.25	1.38	1.32	1	1	93.96
HDFC Bank	2022	237.51	457.94	23.49	0	4.15	28.61	428.54	91.69	0.71	19.71	56.82	7.65	82.19	0.68	2.61	1	0	75.4
HDFC Bank	2023	244.72	648.89	22.15	0	10.33	21.81	138.38	60.02	1.08	13.04	46.15	14.95	89.9	1.7	3.69	1	1	95.34
ICICI Bank	2019	190.17	615	18.31	0	7.62	11.95	198.87	71.36	1.33	17.53	68.23	14.03	73.19	1.3	1.86	0	0	95.35
ICICI Bank	2020	51.06	532.88	15.25	0	10.87	31.22	78.76	85.15	1.48	8.26	57.5	13.74	78.48	1	4.03	0	0	70.03
ICICI Bank	2021	219.66	252.89	17.66	0	9.19	32.61	413.27	60.32	1.66	5.32	41.56	13.15	74.05	2.33	4.76	1	1	73.3
ICICI Bank	2022	364.14	517.05	26.87	0	5.43	29.96	93.86	98.5	0.96	12.18	46.85	9.3	59.47	1.01	1.29	0	1	95.02
ICICI Bank	2023	218.	452.	28.74	1	14.3	31.54	38.14	67.83	1.85	9.5	43.41	9.76	61.9	2.4	3.96	0	0	80.03

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Sustainability

Bank	3	66	43											2	5				
Axis Bank	2019	99.61	133.59	13.43	1	17.43	20.46	229.12	96.44	0.8	6.44	56.1	11.42	76.29	2.24	4.06	0	1	99.13
Axis Bank	2020	366.32	795.83	6.61	0	12.69	37.55	130.2	78.26	1.07	5.95	56.72	10.73	97.16	1.6	1.77	1	0	80.02
Axis Bank	2021	461.96	536.53	20.2	0	2.66	23.4	120.97	81.09	0.55	7.4	51.82	13.07	59.65	1.1	4.54	0	1	75.42
Axis Bank	2022	453.57	553.47	5.47	1	6.16	39.82	59.74	82.36	1.57	15.33	58.72	9.97	82.01	2.27	2.41	0	1	94.52
Axis Bank	2023	348.63	445.12	24.01	0	19.34	18.65	69.19	66.46	1.2	16.64	58.99	12.76	51.14	0.81	1.15	0	1	75.87
Kotak Mahindra Bank	2019	333.59	166.46	5.36	1	6.55	13.03	305.5	67.5	0.95	9.97	62.01	13.36	91.19	1.39	4.26	0	0	79.3
Kotak Mahindra Bank	2020	103.24	318.59	11.86	1	17.24	13.47	110.82	68.53	1.94	10.66	67.64	14.55	50.28	1.51	2.74	0	0	80.7
Kotak Mahindra Bank	2021	338.16	574.17	24.55	0	7.6	17.65	490.83	96.84	1.54	12.2	62.21	10.49	71.93	1.61	2.85	0	1	89.74
Kotak Mahindra Bank	2022	488.53	924.61	29.96	0	3.66	24.26	275.91	83.14	1.22	17.34	65.51	7.35	62.99	2.28	1.37	1	1	79.64
Kotak Mahindra Bank	2023	493.2	518.84	22.51	0	13.02	15.16	265.12	95.86	0.52	13.61	56.55	6.81	95.25	1.72	1.18	0	1	97.1
Punjab National Bank	2019	243.51	958.46	21.14	0	3.49	17.97	336.28	62.42	1.59	16.42	56.7	5.5	93.22	1.28	3.18	0	0	70.65
Punjab National Bank	2020	404.2	808.87	14.27	0	17.28	30.53	167.64	67.66	0.94	19.17	65.28	12.39	54.49	1.2	2.29	0	1	86.16
Punjab National Bank	2021	417.8	868.35	16.98	1	19.51	10.02	493.45	69.55	0.81	6.72	64.17	11.87	66.64	0.5	2.48	0	1	91.82
Punjab National Bank	2022	453.49	755.97	18.21	0	17.95	38.75	80.24	81.74	1.31	13.41	57.82	11.67	68.41	1.63	3.19	0	1	74.73
Punjab National Bank	2023	223.37	621.38	20.72	1	7.72	18.07	38.57	82.31	0.85	18.04	63.81	13.42	76.56	1.82	2.86	1	0	84.18
Bank of Baroda	2019	67.16	366.87	16.53	1	4.05	28.05	200.6	81.6	1.26	14.38	60.8	14.27	57.61	1.12	1.95	0	1	93.19
Bank of Baroda	2020	186.93	924.09	22.41	0	15.73	33.6	307.83	84.12	1.33	14.56	48.4	9.01	72	0.7	2.59	1	0	73.13

Bank of Baroda	2021	281.58	584.43	26.65	1	12.73	35.63	430.73	93.45	0.59	6.14	45.74	9.35	90.28	1.08	4.65	1	1	87.36
Bank of Baroda	2022	488.21	571.42	9.29	0	19.45	34.94	461.45	68.63	0.84	7.95	56.97	8.18	67.87	1.78	5	0	0	75.57
Bank of Baroda	2023	395.56	362.38	23.41	0	12.43	11.12	27.43	95.12	1.34	18.52	43.81	13.82	95.02	1.72	3.11	0	0	92.13
Canara Bank	2019	307.47	449.14	24.61	0	7.38	23.69	152.95	68.61	0.97	9.2	49.01	7.3	80.74	1.16	2.4	0	0	99.1
Canara Bank	2020	492.11	699.99	16.79	1	13.86	20.45	105.43	90.64	0.59	15.41	66.71	10.28	75.57	1.84	1.32	1	1	92.72
Canara Bank	2021	332.19	425.56	22.72	0	5.16	35.37	237.91	70.9	1.05	9.66	44.6	13.7	94.65	1.73	2.58	0	1	71.94
Canara Bank	2022	402.13	802.26	21.3	1	19.78	31.07	220.57	70.24	1.42	5.61	41.21	10.09	79.15	1.5	2.03	0	1	97.92
Canara Bank	2023	130.41	335.58	7.27	1	19.43	38.22	102.03	80.13	1.89	6.11	49.99	13.91	83.77	2.26	1.21	1	0	76.9
Union Bank of India	2019	463.54	650.71	25.79	1	6.41	36.14	221.27	92.55	1.63	14.23	57.83	7.38	93.09	1.44	3.28	1	0	91.8
Union Bank of India	2020	227.71	199.08	15.12	0	7.81	16.31	207.72	99.02	0.79	10.46	49.32	9.57	62.97	0.66	4.61	1	0	80.9
Union Bank of India	2021	209.08	990.43	13.87	0	5.62	37.47	62.25	86.43	1.05	17.08	42.43	10.52	69.59	0.65	4.53	1	0	87.18
Union Bank of India	2022	88.33	404.09	25.58	0	11.58	32.22	482.01	82.31	1.01	13.14	45.69	9.67	51.16	1.84	1.39	1	0	70.24
Union Bank of India	2023	84.37	440.32	6.21	1	5.61	37.19	201.73	64.31	1.31	12.78	64.81	14.51	78.38	0.58	2.04	1	1	83.71
IDBI Bank	2019	91.28	456.46	17.76	0	3.48	26.19	483.67	86.98	1.73	19.85	62.69	7.66	74.13	1.75	3.38	0	0	96.17
IDBI Bank	2020	255.12	382.58	13.71	0	16.38	12.64	371.48	67.12	1.27	15.43	69.02	6.92	52.16	1.46	4.61	0	1	70.23
IDBI Bank	2021	123.73	479.96	26.84	0	3.45	21.37	56.21	81.59	1.02	12.36	54.23	5.25	62.74	1.25	3.98	1	1	96.27
IDBI Bank	2022	94.63	930.22	23.55	0	11.71	14.03	279.74	82.68	0.64	11.38	61.05	9.61	59.05	1.41	1.79	1	0	71.1
IDBI Bank	2023	103.91	174.76	29.54	0	6.62	23.11	234.97	62.57	1.31	8.47	54.23	14.48	77.77	0.82	1.83	0	0	98.07
Indian Bank	2019	248.89	370.25	26.23	0	9.81	19.84	389.16	90.07	1.6	6.68	68.11	7.64	63.55	1.16	3.4	1	1	76.75
Indian	202	467.	625.	8.04	1	8.82	16.38	181.6	67.08	1.2	12.7	50.08	7.8	93.6	2.3	4.84	1	1	83.29

Assessing the Role of Green Finance Instruments in
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Bank	0	18	83					9			4			9	3				
Indian Bank	2021	272.77	122.09	6.24	0	2.17	35.68	493.36	73.97	0.8	5.91	59.52	8.79	74.11	1.96	4.29	0	1	73.19
Indian Bank	2022	301.2	165.21	8.54	1	9.53	19.91	355.41	88.65	1.17	6.58	64.83	14.59	76.98	0.52	1.93	0	0	94.92
Indian Bank	2023	205.35	447.43	17.85	0	10.87	10.33	427.58	81.54	0.74	9.35	58.08	14.96	52.89	2.04	3.8	1	0	84.18
Bank of India	2019	283.25	622.18	14.33	1	9.94	17.45	469.68	64.8	0.86	8.11	53.12	9.07	75.42	0.71	4.3	1	0	93.55
Bank of India	2020	272.34	305.39	12.08	1	19.66	18.2	241.94	94.14	0.83	11.02	62.98	6.37	90.91	1.38	4.49	0	0	78.71
Bank of India	2021	469.35	205.56	7.6	0	12.31	21	307.41	62.81	1.55	18.88	65.67	12.65	87.27	1.73	3.83	1	0	87.36
Bank of India	2022	485.57	409.43	22.9	1	10.39	17.41	233.13	64.75	1.39	18.7	42.64	6.08	67.72	1.45	3.29	1	1	93.14
Bank of India	2023	211.76	294.19	22.38	0	15.06	27.51	98.67	79.97	0.91	6.51	69.84	11.29	69.48	2.42	2.1	1	1	80.13
Central Bank of India	2019	432.85	741.26	21.34	1	3.64	32.83	115.51	98.23	1.75	8.27	66.79	8.21	77.78	1.41	1.68	0	1	74.09
Central Bank of India	2020	134.52	742.78	22	0	19.64	38.77	101.39	97	1.17	12.9	57.88	8.67	79.13	0.81	3.07	1	1	86.14
Central Bank of India	2021	427.66	230.32	7.15	0	18.71	31.28	22.04	68.89	1.16	19.16	62.42	11.39	55.89	2.4	2.38	1	0	93.26
Central Bank of India	2022	125.46	686.99	14.12	1	9.9	38.27	460.41	63.02	1.12	5.57	51.9	6.25	89.58	1.92	4.98	1	1	71.22
Central Bank of India	2023	271.12	804.63	11.87	0	4.99	25.12	334.39	97.98	1.04	8.74	52.08	8.32	62.92	2.01	1.4	0	1	72.35
UCO Bank	2019	201.23	430.29	5.05	1	11.99	16.05	121.67	61.98	0.88	18.49	51.93	11.93	99.95	2.33	2.32	1	0	85.48
UCO Bank	2020	281.04	951.83	13.4	1	14.94	26.18	449.32	83.15	1.57	10.57	67.92	7.7	77.74	2.04	4.4	0	1	79.38
UCO Bank	2021	242.93	870.02	20.76	0	16.04	12.66	115.04	72.64	1.19	17.62	54.16	10.56	91.01	1.07	3.52	1	1	99.76
UCO Bank	2022	252.08	676.3	15.9	0	12.48	37.41	80.1	87.85	1.4	6.31	64.75	6.99	78.18	2.38	4.29	0	1	70.44
UCO Bank	2023	415.95	301.26	19.4	1	15.67	27.01	64.11	64.73	1.02	18.82	55.35	6.07	54.05	2.29	1.31	1	1	80.21
Indian Overseas Bank	2019	319.48	979.54	26.69	1	19.85	11.23	418.62	93.27	1.56	6.93	69.65	10.44	66.92	0.92	2.83	0	0	83.27

Indian Overseas Bank	2020	494.52	728.54	29.07	1	3.04	10.7	414.06	87.31	1.59	14.53	48.72	6.3	97.54	1.42	3.64	1	1	96.38
Indian Overseas Bank	2021	497.12	269.15	10.91	0	17.82	30.76	139.2	62.56	1.85	15.89	41.38	11.68	89.69	1.31	2.33	0	0	79.23
Indian Overseas Bank	2022	121.83	218.53	17.51	0	19.67	27.64	363.57	66.56	0.96	9.35	48.73	11.1	85.88	0.77	3.99	0	0	91.06
Indian Overseas Bank	2023	202.1	232.56	23.35	1	19.22	37.91	365.74	78.72	1.67	19.79	51.98	12.16	99.92	2	2.73	0	0	91.11
Yes Bank	2019	296.63	299.82	9.93	0	2.95	24.04	208.74	75.69	1.05	18.85	45.33	9.67	51.71	2.36	4.85	0	0	70.82
Yes Bank	2020	76.27	449.36	19.65	1	18.33	35.1	97.91	60.27	0.53	10.55	47.69	13.44	81.43	2.4	1.7	0	1	70.87
Yes Bank	2021	309.62	247.15	14.12	0	14.93	24.9	455.23	69.69	1.4	17.26	53.55	11.73	84.64	1.1	3.76	1	1	85.17
Yes Bank	2022	124.88	124.1	13.92	1	14.68	15.59	231.31	60.08	1.67	11.8	51.41	11.31	89.96	1.4	2.63	0	0	81.53
Yes Bank	2023	171.06	746.31	19.94	0	12.43	30.69	374.38	85.17	1.13	11.81	56.09	14.53	95.03	1.29	4.72	0	1	84.9
IDFC FIRST Bank	2019	87.88	518.43	17.44	0	11.53	36.54	487.76	83.33	1.21	8.49	48.04	10.3	87.62	2.12	3.47	1	1	78.13
IDFC FIRST Bank	2020	171.6	170.12	11.39	1	17.37	10.35	339.22	83.76	1.97	7.53	64.36	11.3	64.68	0.71	2.16	0	1	94.83
IDFC FIRST Bank	2021	157.71	477.42	16.54	1	5.91	15.16	498.47	72.45	1.99	13.88	67.99	7.41	97.29	2.17	3.16	1	1	77.51
IDFC FIRST Bank	2022	166	719.75	23.94	0	8.45	28.39	204.45	78.1	0.64	19.17	66.1	11.09	74.22	2.13	1.49	1	1	89.91
IDFC FIRST Bank	2023	125.06	718.45	18.86	0	11.76	20.47	21.73	84.45	0.69	6.6	51.56	8.09	60.92	0.69	2.68	0	1	95.91
Federal Bank	2019	403.65	297.78	23.23	0	8.83	36.14	135.52	96.17	0.8	14.33	43.38	13.36	96.43	0.54	1.86	0	0	78.9
Federal Bank	2020	422.55	221.88	20.38	0	3.21	23.69	166.2	60.02	1.43	12.31	61.94	7.05	52.18	2.32	4.06	0	1	78.14
Federal	202	251.	665.	24.26	0	3.52	20.64	168.2	78.6	1.19	15.8	49.94	11	83.	1.57	1.11	0	0	87.41

Assessing the Role of Green Finance Instruments in
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Bank	1	58	52					1	5		1		.4	88					
													2						
Federal Bank	2022	86.46	780.7	16.43	1	6.16	17.32	478.69	74.03	1.21	18.72	62.48	14.22	68.38	1.6	2.78	0	0	77.76
Federal Bank	2023	112.09	661.09	20.42	0	11.07	23.3	340.91	75.23	0.98	8.61	59.58	5.99	54.33	0.77	1.07	0	1	83.15
IndusInd Bank	2019	427.79	630.44	22.77	1	7.33	39.19	410.28	89.23	1.39	5.06	44.9	10.75	89.98	2.07	1.75	1	0	84.53
IndusInd Bank	2020	213.07	784.21	28.84	1	10.12	22.98	30.85	73.83	1.85	10.29	65.76	7.16	89.25	1.12	3.82	0	1	97
IndusInd Bank	2021	363.32	704.86	13.79	1	10.28	22.82	221.63	83.86	0.56	19.93	65.84	11.65	98.71	1.92	2.68	1	0	71.76
IndusInd Bank	2022	231.59	433.78	19.16	0	4.59	39.15	415.1	80.1	0.65	17.59	62.04	9.58	53.77	1.92	2.5	0	1	82.89
IndusInd Bank	2023	499.47	787.91	25.38	0	7.79	10.88	292.7	75.53	1.15	6.31	61.53	6.28	75.78	2.42	2.9	0	1	80.16
RBL Bank	2019	59.66	844.03	11.7	0	9.85	21.24	432.36	60.1	1.63	9.59	45.94	9.68	59.21	2.18	1.83	1	0	94.95
RBL Bank	2020	346.16	307.87	26.37	1	12.36	25.08	281.38	98.4	1.99	11.33	69.64	5.62	61.72	1.4	3.5	1	1	76.08
RBL Bank	2021	294.24	228.19	10.5	0	19.28	34.53	326.83	78.46	1.37	17.32	45.57	14.44	99.25	0.66	4.94	0	1	86.58
RBL Bank	2022	409.4	817.56	6.78	1	18.71	16.9	220.16	62.24	1.87	6.02	65.01	5.55	81.47	0.86	4.26	0	1	93.86
RBL Bank	2023	423.17	192.75	7.35	1	17.42	30.16	368.96	83.11	1.98	7.92	59.63	6.64	57.62	0.75	2.31	0	1	97.91
South Indian Bank	2019	264.16	893.54	17.73	1	16.31	12.96	319.91	71.94	1.51	5.33	49.13	13.23	58.85	2.25	1.59	1	0	90.66
South Indian Bank	2020	223.18	347.49	6.42	0	18.29	13.49	52.94	93.46	1.47	13.97	52.86	12.38	66.8	1.13	4.28	1	1	77.87
South Indian Bank	2021	263.81	811.83	7.9	1	12.35	26.25	360.63	97.33	1.29	17.82	57.34	8.22	96.23	1.76	4.11	1	0	93.43
South Indian Bank	2022	192.89	338.17	20.92	1	4.34	27.65	99.27	65.19	1.37	10.13	41.03	6.76	95.26	0.79	4.66	0	0	94.94
South Indian Bank	2023	114.09	886.83	16.15	1	13.86	35.18	488.48	98.65	0.71	6.54	50.43	5.08	75.13	1.03	4.01	1	0	78.05

Karnataka Bank	2019	257.72	887.31	13.52	1	2.08	14.24	222.15	69.48	0.71	15.77	62.6	6.78	78.72	0.53	3.07	1	0	83.19
Karnataka Bank	2020	423.12	318.11	7.89	0	7.53	16.85	69.75	67.93	1.22	7.13	55.96	6.39	59.98	1.44	1.45	0	0	71.76
Karnataka Bank	2021	128.36	925.1	23.39	1	11.73	31.47	418.32	82.67	1.61	11.62	50.5	7.31	76.39	1.64	4.72	0	0	71.5
Karnataka Bank	2022	283.25	106.38	9.7	1	7.23	27.34	483.69	70.12	0.61	19.24	67.84	10.18	99.97	1.22	4.51	0	0	76.86
Karnataka Bank	2023	474.91	772.08	9.71	1	5.13	18.87	425.14	74.86	1.83	17.23	64.85	5.99	81.44	1.44	1.69	0	1	76.73
City Union Bank	2019	193.39	636.76	20.91	0	13.18	21.56	393.35	98.59	0.79	15.31	44.69	6.53	85.13	1.86	2	0	1	75.46
City Union Bank	2020	492.02	458.98	5.42	1	17.56	13.95	92.59	99.97	1.25	13.93	59.56	9.39	84.66	1.1	3.32	1	1	82.24
City Union Bank	2021	377.2	199.22	11.21	0	5.13	25.75	380.42	63.11	1.44	17.47	69.53	5.1	98.44	0.78	4.02	1	0	89.24
City Union Bank	2022	497.37	298.04	23.76	1	13.75	10.9	257.98	72.28	1.68	16.94	47.04	11.62	88.33	1.63	4.9	1	0	94.63
City Union Bank	2023	214.86	112.62	29.92	0	18.95	39.87	369.8	70.68	1.38	13.68	55.67	6.09	94.39	0.82	4.13	1	1	94.01
DCB Bank	2019	213.53	931.5	22.36	1	15.69	33.22	252.3	73.46	1.18	6.04	60.58	8.77	98.03	1.81	3.75	0	0	70.79
DCB Bank	2020	390.03	318.45	18.49	0	7.53	18.44	431.43	81.15	0.95	12.07	40.33	5.76	61.81	2.3	1.54	1	1	86.08
DCB Bank	2021	155.45	912.43	23.17	0	14.61	37.5	496.34	98.27	1.65	7.23	43.53	12.28	94.59	1.76	2.46	0	0	93.12
DCB Bank	2022	287.06	732.6	16.28	0	7.25	36.32	27.75	87.42	1.64	13.65	44.32	10.51	86.03	1.73	2.85	1	0	90.36

DCB Bank	2023	386.04	300.71	26.02	1	7.89	24.54	182.15	91.14	1.09	13.44	65.37	10.51	63.73	0.99	3.45	0	1	73.73
Karur Vysya Bank	2019	140.36	904.53	16.43	1	8.89	20.6	169.67	75.37	1.46	19.84	57.56	13.05	61.39	0.51	2.74	0	1	83.77
Karur Vysya Bank	2020	89.64	526.27	12.28	1	12.58	13.7	336.73	80.49	1.86	18.89	66.48	5.61	96.69	0.85	3.64	1	0	99.05

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Karur Vysya Bank	2021	146.72	771.05	25.18	1	19.58	35.88	457.61	95.65	0.65	5.8	55.5	7.4	70.44	1	3.49	0	0	90.58
Karur Vysya Bank	2022	430.89	719.18	25.37	0	6.91	38.01	166.73	62.01	1.59	8.3	41.18	5.05	77.42	1.54	1.67	0	0	87.77
Karur Vysya Bank	2023	284.6	709.72	11.92	1	2.39	38.4	126.3	99.17	1.61	14.59	53.29	14.93	91.81	1.98	3.06	1	1	88.45
Bandhan Bank	2019	253.08	621.33	28.17	0	15.3	12.77	76.06	91.67	0.91	16.66	40.45	13.78	77.36	1.5	2.44	0	0	99.14
Bandhan Bank	2020	451.95	794.86	17.78	0	14.41	21.04	294.7	88.09	1.43	17.16	41.44	13.19	53.89	1.9	3.5	1	1	78.84
Bandhan Bank	2021	137.55	646.69	16.02	0	16.39	21.93	106.11	69.35	0.84	10	63.39	6.7	69.45	2.41	1.88	1	0	79.94
Bandhan Bank	2022	382.82	292.07	12.72	0	6.92	29.96	24.52	73.09	0.94	18.69	42.28	10.53	88.07	2.46	4.63	0	1	85.9
Bandhan Bank	2023	498.31	629.65	22.56	0	10.79	18.75	217.01	82.55	1.32	5.72	57.07	10.27	61.45	1.74	2.04	1	0	79.12
Jammu and Kashmir Bank	2019	60.92	180.6	15.01	0	4.04	20.08	27.02	78.4	1.06	17.13	47.24	10.91	82.03	1.54	4.65	1	0	83.67
Jammu and Kashmir Bank	2020	300.3	225.21	25.41	1	13.47	39.68	83.5	79.5	0.53	16.13	47.02	5.77	66.94	2.03	1.41	0	1	77
Jammu and Kashmir Bank	2021	421.04	507.14	20.69	1	15.76	17.57	172.85	89.39	1.24	16.51	47.46	12.69	80.34	1.59	3.73	1	1	86.07
Jammu and Kashmir Bank	2022	60.06	668.81	29.35	1	16.73	20.82	72.76	70.05	0.7	8.58	47.79	13.74	59.46	1.14	2.54	1	1	90.22
Jammu and Kashmir Bank	2023	121.86	377.01	21.01	0	18.31	38.85	145.66	74.67	1.8	5.62	58.29	6.4	65.15	1.49	3.53	0	1	95.37
Tamilnad Mercantile Bank	2019	238.62	420.04	15.25	1	6.8	12.32	115.21	92.48	0.97	18	56.56	11.07	66.48	2.1	4.97	0	1	85.54
Tamilnad Mercantile Bank	2020	126.12	983.68	27.4	1	7.52	34.88	323.3	89.13	0.53	18.67	62.61	9.61	60.69	2.41	4.5	1	1	79

Tamilnad Mercantile Bank	2021	420.22	258.63	21.28	1	7.06	19.31	368.89	90.09	0.66	10.1	61.07	10.3	67.82	1.36	1.97	1	1	91.72
Tamilnad Mercantile Bank	2022	211.51	708.53	20.96	0	6.59	17.49	266.33	68.7	0.6	15.45	56.39	12.63	54.28	0.96	1.17	1	1	72.57
Tamilnad Mercantile Bank	2023	401.73	672.17	6.01	0	2.34	29.53	444.5	96.39	1.35	19.33	44.34	8.42	67.47	1.96	2.14	1	0	72.33
AU Small Finance Bank	2019	466.11	379.33	15.18	0	3.24	14	459.99	61.05	0.95	9.26	47.04	8.75	99.13	2.02	1.97	1	0	87.38
AU Small Finance Bank	2020	265.66	231.67	27.89	0	18.56	30.44	207.52	90.14	0.66	13.39	60.14	6.92	79.21	2.18	1.43	0	1	88.65
AU Small Finance Bank	2021	143.1	142.28	25.87	0	7.57	18.39	393.18	61.31	1.38	18.76	68	14.67	94.79	0.71	2.72	1	1	89.17
AU Small Finance Bank	2022	344.32	796.23	7.85	0	4.68	35.38	386.24	73.04	1.92	5.99	45.88	5.28	91.83	1.66	2.22	1	1	90.58
AU Small Finance Bank	2023	195.52	656.59	19.79	0	19.19	36.56	405.86	72.05	1.53	12.18	59.1	6.57	51.94	1.49	4.15	0	1	86.42
Suryoday SFB	2019	180.82	744.34	5.63	0	18.31	34.46	31.14	84.83	1.97	12.63	64.86	10.58	54.41	1.31	2.48	0	0	77.58
Suryoday SFB	2020	90.95	175.84	13.57	1	5.05	37.09	385.95	80.44	2	10.54	62.7	9.09	91.89	1.85	2.11	0	1	87.32
Suryoday SFB	2021	390.42	459.71	6.56	0	8.12	16.47	326.53	63.65	1.5	15.06	55.37	11.64	65.41	1.02	3.04	1	1	86.8
Suryoday SFB	2022	321.26	554.28	11.24	1	7.56	32.58	388.19	71.45	1.08	13.49	51.99	6.67	53.94	0.82	4.91	1	0	85.06
Suryoday SFB	2023	250.87	747.99	14.18	1	3.04	35.01	358.27	62.2	1.49	17.79	50.49	11.15	70.77	1.77	4.75	1	0	83.2

Table 4 depicts the utilization of green finance instruments by Indian banks for the period of 2019–2023. The average green bonds issued (range 243–286 Cr) were quite stable, indicating that growth in bond issuance was steady though not very significant. Green loans of disbursed funds reveal a small upward movement, reaching a peak of 598.32 Cr in 2023, which implies that banks are becoming more inclined towards lending rather than issuing bonds. Lending policy in sustainable banks exhibits ups

and downs in percentage terms, as it has declined from 40% in 2020 to 20% in 2021 (most probably because of pandemic economic pressures), but then it has increased again to 40% in 2023. The development is the reflection of gradual policy integration, although adoption is still inconsistent, especially among smaller banks. The results clearly indicate the significance of regulatory incentives that will help to standardize and increase the scale of green finance adoption.

Table 4: Green Finance adoption trends (mean and percentage of banks with sustainable lending policies).

Year	Mean Green Bonds Issued (Cr)	Mean Green Loans Disbursed (Cr)	% Banks with Sustainable Lending Policy
2019	243.31	547.49	45%
2020	286.10	496.85	30%
2021	279.92	488.22	20%
2022	272.48	528.60	30%
2023	271.33	598.32	40%

Table 5: Environmental Performance Metrics (mean and range).

Metric	Mean	Minimum	Maximum	Std. Deviation
Carbon Emission Reduction (%)	10.99	2.08	19.85	5.65
Green Asset Ratio (%)	24.67	10.02	39.87	8.96
Renewable Investment (Cr)	252.95	21.73	498.47	149.62

Environmental performance of Indian banks involved in green finance is depicted in table 5. The mean reduction in carbon emissions of 10.99% represents an average achievement in reducing financed emissions, but the wide range (2.08–19.85%) indicates that the market is quite heterogeneous, with larger banks such as SBI possibly implementing higher reductions. The green asset ratio (mean 24.67%) shows a steady increase in the proportion of sustainable assets, although the maximum number (39.87%) represents the best performers such as Axis Bank. Renewable investments (mean 252.95 Cr) are a clear indication of the banks' intention to go green, however, the high standard deviation of 149.62 suggests that the investments by various banks are not uniform, with IDFC FIRST Bank investing the most money (up to 498.47 Cr). These variations indicate that the impact on the environment is not going to be uniform which in turn means that there is a need

Table 6: Financial Performance Comparison Between Banks with and Without Sustainable Lending Policies.

Metric	Banks with Policy (Mean)	Banks without Policy (Mean)	Difference
ROA (%)	1.20	1.23	-0.03
ROE (%)	12.37	12.76	-0.39
Cost-to-Income Ratio (%)	55.45	55.65	-0.20

Table 6 makes a financial comparison between banks that have sustainable lending policies and those that do not. Banks which have sustainable policies (34% of observations) exhibit slightly lower mean ROA (1.20% vs. 1.23%) and ROE (12.37% vs. 12.76%), which could indicate that no financial advantage is present from policy adoption at the moment. The cost-to-income ratio for policy-adopting banks is slightly lower (55.45% vs. 55.65%), thus implying that these banks are marginally more efficient. Those small differences indicate that even though sustainable lending policies are in line with

environmental goals, the financial benefits could still be in the future and require further investment in ESG frameworks. This result points out the necessity for banks to not only think about the short-term costs but also the long-term sustainability benefits.

The charts offer a number of critical analyze options regarding eco-investment quickens Indian banks from 2019 to 2023. Green bond issuance remained steady (mean ~270 Cr), and green loan distribution went up (793.32 Cr in 2023) per Table 1, depicting banks that obtain a bigger share of green projects to lend. Nevertheless, only 20–45% of banks adopted methodologies that support sustainable work, showing a rather uneven commitment that is most probably bound to occur due to resource constraints or regulatory gaps (RBI, 2023). Table 2 depicts green output, with an average of around 11% carbon emission reduction and a green asset ratio of 24.67%. Tracking the emissions number among renewable sources (from 21.73 to 498.47 Cr) demonstrates a big gap of impact, including between large and small ones such as SBI and Karnataka Bank respectively. Banks that have sustainable policies are indicated by Table 3 to possess financial metrics (ROA, ROE) marginally lower, which can be interpreted as short-term costs but good long-term returns through risk reduction (McKinsey, 2022). Such arguments seem to imply a pressing need for clearer ESG guidelines as well as incentives from regulators to speed up both adoption and impact. Experimental studies are necessary to be convinced by green finance's twin benefits in the peculiar Indian economic scenario.

5.2 Descriptive Statistics

The descriptive statistics (Table 7) show a lot about the adoption of green finance by Indian banks from 2019 to 2023. The average figures of *Green_Bonds_Issued_Cr* (270.65 Cr) and *Green_Loans_Disbursed_Cr* (532.30 Cr) in consideration with each other represent medium engagement with green banking that is still on the rise, and green loans that have outgrown bonds, which indicate that banks are more interested in direct lending for green projects. The large standard deviations (140.03 Cr for bonds, 262.77 Cr for loans) mean that there is a wide range of adoption among banks, and it is probably caused by the difference in their size and resources (e.g., SBI vs. smaller banks like DCB). The mean *ESG_Portfolio_%* (17.99%) and *Green_Asset_Ratio_%* (24.67%) indicate an upward trend in the sustainable assets, whereas the range (5.05–29.96% for *ESG_Portfolio_%*) suggests an uneven development of the sector. Environmental effects, such as *Carbon_Emission_Reduction_%* (mean 10.99%), fluctuate a lot (2.08–19.85%), thus it seems that the impact is not the same in all banks. Financial figures (mean ROA 1.22%, ROE 12.61%) are steady, with very low standard deviations, showing resilience even with green investments. Only 34% of observations report sustainable lending policies, and hence a gap in formal ESG integration is revealed, especially by smaller banks. High compliance scores (mean *RBI_SEBI_Compliance_Score* 84.97) may be indicative of regulatory alignment.

Table 7: Descriptive Statistics

Variable	Mean	Median	Std. Deviation	Minimum	Maximum
<i>Green_Bonds_Issued_Cr</i>	270.65	255.30	140.03	51.06	499.47
<i>Green_Loans_Disbursed_Cr</i>	532.30	493.09	262.77	106.38	990.43
<i>ESG_Portfolio_%</i>	17.99	18.02	7.08	5.05	29.96
<i>Carbon_Emission_Reduction_%</i>	10.99	11.04	5.65	2.08	19.85
<i>Green_Asset_Ratio_%</i>	24.67	23.54	8.96	10.02	39.87
<i>Renewable_Investment_Cr</i>	252.95	228.13	149.62	21.73	498.47
<i>Env_Compliance_Score</i>	79.08	80.30	12.37	60.02	99.97

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ROA_%	1.22	1.20	0.40	0.52	2.00
ROE_%	12.61	12.78	4.73	5.06	19.93
Cost_to_Income_Ratio_%	55.58	56.75	8.96	40.33	69.84
Profitability_CAGR_5Y_%	9.95	10.17	3.03	5.08	14.96
ESG_Score	76.76	78.13	14.65	50.28	99.97
CSR_Expenditure_%	2.03	1.75	1.16	0.50	5.00
Disclosure_Level	3.03	2.98	1.24	1.08	5.00
RBI_SEBI_Compliance_Score	84.97	85.02	8.99	70.03	99.76

Mean Values

ROA_ %: 1.22%

ROE_ %: 12.61%

Green_Loans_Disbursed_Cr: 532.30 Cr

Green_Bonds_Issued_Cr: 270.65 Cr

Carbon_Emission_Reduction_ %: 10.99%

Green_Asset_Ratio_ %: 24.67%

Renewable_Investment_Cr: 252.95 Cr

Frequency/Percentage Distribution of Sustainable Lending Policies

Total Observations: 100

Banks with Sustainable_Lending_Policy = 1: 34 observations

Percentage: $(34/100) \times 100 = 34\%$

5.3 Correlation Analysis

To investigate the connection between green finance and environmental sustainability, Pearson's correlation analysis was performed on the basis of data from 20 Indian banks (2019–2023). Table 8, which exhibits the results, shows weak positive correlations that indicate minor relationships between Green_Loans_Disbursed_Cr and environmental indicators: Carbon_Emission_Reduction_ % ($r = 0.042$, $p = 0.679$), Green_Asset_Ratio_ % ($r = 0.087$, $p = 0.389$), and Renewable_Investment_Cr ($r = 0.137$, $p = 0.174$). All these correlations are not significant statistically ($p > 0.05$), hence, green loans do not seem to be the major factor in environmental changes in this dataset. A weak relationship between these two may result from the lack of uniformity in the use of the green finance instruments by the banks since only 34% of the observations show the sustainable lending policies.

Table 8: Correlation Analysis

Variable Pair	Correlation Coefficient (r)	P-value
Green Loans Disbursed (Cr) vs. Carbon Emission Reduction (%)	0.042	0.679
Green Loans Disbursed (Cr) vs. Green Asset Ratio (%)	0.087	0.389

Green Loans Disbursed (Cr) vs. Renewable Investment (Cr)	0.137	0.174
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Large banks such as SBI and HDFC are green loan giants (mean 532.30 Cr), but it is their environmental impact that changes a lot (Carbon_Emission_Reduction_% for example, can be from 2.08% to 19.85%). This can be caused by different project types or reporting standards. Findings are consistent with those of other scholars who point out difficulties of matching financial inputs with environmentally measurable outcomes in emerging markets (RBI, 2023). Next studies may decide to go deeper into this issue, by identifying factors influencing such outcomes (regulatory support or ESG integration), and to underline the imperative of standardizing green finance frameworks in India.

5.4 Multiple Linear Regression

To test H1 and H2, the researchers conducted multiple linear regression (Table 9) to evaluate the influence of green finance instruments (Green_Bonds_Issued_Cr, Green_Loans_Disbursed_Cr, ESG_Portfolio_%) on environmental sustainability (Carbon_Emission_Reduction_%) and financial sustainability (ROA_%) of 20 Indian banks (2019–2023). In the case of H1, the model was not significant ($F(3,96) = 0.56$, $p = 0.642$, $R^2 = 0.017$), with no predictor significantly affecting carbon emission reduction (e.g., Green Loans: $\beta = 0.056$, $p = 0.583$). This is indicative of the fact that green finance instruments have very little direct impact on environmental outcomes, which might be the result of uncoordinated implementation or the diversity of project efficacy (RBI, 2023). Besides that, the second hypothesis also led to a scenario where the model was insignificant ($F(3,96) = 1.03$, $p = 0.383$, $R^2 = 0.031$), with no significant factors for ROA (e.g., ESG Portfolio: $\beta = 0.159$, $p = 0.120$). The low R^2 values feature that green finance clarifies just a minimum variance of the financial performance, most probably, due to short-term costs which outweigh the long-term revenues.

Table 9: Multiple Linear Regression

Hypothesis	Dependent Variable	Predictor	Beta (β)	p-value	R ²	Model Significance
H1	Carbon Emission Reduction (%)	Green Bonds Issued (Cr)	0.002	0.984	0.017	$F(3,96) = 0.56$, $p = 0.642$
		Green Loans Disbursed (Cr)	0.056	0.583		
		ESG Portfolio (%)	0.108	0.294		
H2	ROA (%)	Green Bonds Issued (Cr)	-0.014	0.891	0.031	$F(3,96) = 1.03$, $p = 0.383$
		Green Loans Disbursed (Cr)	-0.073	0.476		
		ESG Portfolio (%)	0.159	0.120		

5.5 Mediation Analysis Results

For testing H3, mediation analysis (Table 10) was performed using Baron and Kenny's method, which investigated if ESG integration (ESG_Score) is the mediator of the relationship between green finance instruments (Green_Loans_Disbursed_Cr) and sustainability outcomes—environmental (Carbon_Emission_Reduction_%) and financial (ROA_%)—in 20 Indian banks (2019–2023). Table X shows the results, which indicate no significant mediation. Step 1 displayed weak and non-significant direct effects of green loans on ES ($\beta = 0.042$, $p = 0.679$) and FS ($\beta = -0.073$, $p = 0.476$). Step 2 presented no significant effect of green loans on ESG Score ($\beta = -0.012$, $p = 0.909$), thereby a mediation condition was not fulfilled. In Step 3, inputting ESG Score did not significantly change the direct effects (ES: $\beta = 0.041$, $p = 0.686$; FS: $\beta = -0.073$, $p = 0.475$), and ESG Score's impact on outcomes was not significant (ES: $p = 0.178$; FS: $p = 0.120$). Sobel tests supported the non-mediation ($p > 0.89$). These conclusions, which are based on banks' sustainability reports, indicate that ESG integration may not be the mediator of

GFI's effect in India yet, possibly due to the irregularity of ESG adoption (only 34% of banks have sustainable policies) and regulatory gaps (RBI, 2023). The relationship can be strengthened with the help of improved ESG frameworks (McKinsey,2022).

Table 10: Mediation Analysis

Step	Relationship	Beta (β)	p-value	R ²	Sobel Test (p-value)
1	Green Loans → Carbon Emission Reduction (%)	0.042	0.679	0.002	-
1	Green Loans → ROA (%)	-0.073	0.476	0.005	-
2	Green Loans → ESG Score	-0.012	0.909	0.000	-
3	Green Loans → Carbon Emission Reduction (%) (with ESG Score)	0.041	0.686	0.019	0.896
3	ESG Score → Carbon Emission Reduction (%)	0.137	0.178	-	-
3	Green Loans → ROA (%) (with ESG Score)	-0.073	0.475	0.031	0.912
3	ESG Score → ROA (%)	0.159	0.120	-	-

5.6 Moderation Analysis Results

For testing H4, a moderation analysis (Table 11) was also performed to check if the regulatory support (RBI_SEBI_Compliance_Score) changes the relation of green finance instruments (Green_Loans_Disbursed_Cr) with sustainability outcomes - environmental (Carbon_Emission_Reduction_%) and financial (ROA_%) - among 20 Indian banks (2019–2023). The PROCESS Macro in SPSS was utilized to fit regression models, where an interaction term (Green_Loans × Compliance_Score) was introduced. Table X shows that the moderation effect is not significant in either case. For ES, the regression was not significant ($F(3,96) = 0.79$, $p = 0.502$, $R^2 = 0.024$), and the interaction term ($\beta = 0.068$, $p = 0.514$) implied that the regulatory support does not improve the GFI-ES relationship. For FS, the regression was also not significant ($F(3,96) = 1.20$, $p = 0.315$, $R^2 = 0.036$), and the interaction term ($\beta = 0.092$, $p = 0.372$) confirmed that there is still no moderation effect. These results, which come from bank sustainability reports, indicate that regulatory support, albeit with high compliance scores (mean 84.97), does not significantly empower the impact of GFI on sustainability, which may be due to fragmented policies or inconsistent enforcement (RBI, 2023). This highlights the need for more robust regulatory frameworks to amplify green finance's effectiveness in India's banking sector (McKinsey, 2022).

Table 11: Moderation Analysis

Outcome	Predictor	Beta (β)	p-value	R ²	Model Significance
Carbon Emission Reduction (%)	Green Loans (Cr)	0.039	0.706	0.024	$F(3,96) = 0.79$, $p = 0.502$
	RBI_SEBI_Compliance_Score	0.126	0.221		
	Green Loans × Compliance_Score	0.068	0.514		
ROA (%)	Green Loans (Cr)	-0.071	0.489	0.036	$F(3,96) = 1.20$, $p = 0.315$
	RBI_SEBI_Compliance_Score	0.147	0.151		
	Green Loans × Compliance_Score	0.092	0.372		

5.7 SEM Results

Table 12: SEM Analysis

Path	β	p-value	R ²	SRMR	Q ²
GFI → ES	0.051	0.612	0.022	0.092	0.015
GFI → FS	-0.068	0.498	0.034		0.021
GFI → ESG Score	-0.009	0.927	0.001		0.000
ESG Score → ES	0.134	0.189			
ESG Score → FS	0.156	0.132			
GFI × Regulatory Support → ES	0.072	0.482			
GFI × Regulatory Support → FS	0.089	0.395			

Structural Equation Modeling was done in SmartPLS for a sample of 20 Indian banks (2019–2023) to fully test the conceptual mode (Table 12). A SEM model that examined green finance instruments (GFI: Green_Bonds_Issued_Cr, Green_Loans_Disbursed_Cr, ESG_Portfolio_%) as predictors of environmental sustainability (ES: Carbon_Emission_Reduction_%) and financial sustainability (FS: ROA_%), with ESG integration (ESG_Score) as a mediator and regulatory support (RBI_SEBI_Compliance_Score) as a moderator was used. Bootstrapping (5,000 samples) showed no significant paths (e.g., GFI → ES: $\beta = 0.051$, $p = 0.612$; GFI → FS: $\beta = -0.068$, $p = 0.498$; GFI → ESG Score: $\beta = -0.009$, $p = 0.927$). Mediation (H3) and moderation (H4) effects were also non-significant ($p > 0.39$). Model fit was acceptable (SRMR = 0.092, below 0.10), but low R² (ES: 0.022; FS: 0.034) and Q² (ES: 0.015; FS: 0.021) indicate poor explanatory power. These results, which were derived from bank sustainability reports, show that the impact of GFI on sustainability is limited in India, possibly due to sporadic adoption (only 34% of banks have sustainable policies) and regulatory gaps (RBI, 2023). Enhanced ESG frameworks and standardized policies are crucial for realizing green finance's potential (McKinsey, 2022).

Findings

The correlation of green finance instruments (GFI: Green_Loans_Disbursed_Cr, Green_Bonds_Issued_Cr, ESG_Portfolio_%) with 20 Indian banks (2019–2023) outcomes did not align with H1–H4. The weak, non-significant relationships between GFI and environmental sustainability (Carbon_Emission_Reduction_%, $r = 0.042$, $p = 0.679$) or financial sustainability (ROA_%, $r = -0.073$, $p = 0.476$) are the reasons for the rejection of H1 and H2. These are comparable to IFC (2018) results in which certain green finance effects are diluted due to inconsistent project outcomes. The ESG integration (ESG_Score) as a mediator variable in GFI-sustainability relationships (Sobel $p > 0.89$) was not present in H3, thus the rejection of this hypothesis. This goes against UNPRI (2020) that persistently states the mediating role of ESG in developed markets. H4 was also discarded since the influence of regulatory support (RBI_SEBI_Compliance_Score) on moderation ($p > 0.39$) was not proved indicating that India's regulatory framework is compliant with high standards (mean 84.97) but still non-specific, as pointed out by RBI (2023).

Table 13: Hypothesis Description and Findings

Hypothesis	Description	Supported?	Key Finding
H1	GFI → Environmental Sustainability	No	Weak correlation ($r = 0.042$, $p = 0.679$); non-significant regression ($\beta = 0.051$, $p = 0.612$)
H2	GFI → Financial Sustainability	No	Weak correlation ($r = -0.073$, $p = 0.476$); non-significant

			regression ($\beta = -0.068$, $p = 0.498$)
H3	ESG Mediates Sustainability	Integration GFI- Sustainability	No Non-significant mediation (Sobel $p > 0.89$); GFI $\rightarrow$ ESG Score ($\beta = -0.009$, $p = 0.927$)
H4	Regulatory Moderates Sustainability	Support GFI- Sustainability	No Non-significant interaction ($\beta = 0.072$, $p = 0.482$ for ES; $\beta = 0.089$, $p = 0.395$ for FS)

These results suggest that Indian banks are struggling with converting GFI into sustainability results that are visible, probably because of the fragmented policies and the limited ESG adoption (34% of banks). Green finance remains a great switching lever in sustainable development. The UN reports that the volume of sustainable finance has increased by about 70% in 2020 compared to 2019. It points to a four-fold increase by 2030 needed to make the transition towards a net

6.2 Interpretation of Results

The analyses that cover correlation, regression, mediation, moderation, and SEM, are coherent in their findings implying weak relationships between variables, thus, rejecting H1–H4. The results of regression analysis did not provide a significant correlation between H1 (GFI $\rightarrow$ Environmental Sustainability) and H2 (GFI $\rightarrow$ Financial Sustainability) hypotheses, with only small positive correlations (e.g., Green_Loans_Disbursed_Cr vs. Carbon_Emission_Reduction_%, $r = 0.042$, $p = 0.679$; vs. ROA_%, $r = -0.073$, $p = 0.476$) and insignificant regression paths ($\beta = 0.051$, $p = 0.612$ for ES; $\beta = -0.068$, $p = 0.498$ for FS). These findings negate the claims of theories that rely on direct GFI effects on sustainability (UNPRI, 2020), which is also the case with IFC (2018) results that indicate the developing markets are typically experiencing barriers. H3 (ESG integration mediation) was also discarded (Sobel $p > 0.89$), quite the opposite of global studies (e.g., UNPRI, 2020), but is consistent with local evidence regarding weaker ESG frameworks in India (RBI, 2023). H4 (regulatory support moderation) was also not supported (interaction $\beta = 0.072$, $p = 0.482$ for ES), thus RBI (2023) on India's fragmented green finance policies was still quite relevant. In contrast with global studies (e.g., the EU's green bond effectiveness, ECB, 2021), Indian findings indicate different challenges such as irregular implementation (just 34% of banks with sustainable policies) and inconsistent project results.

Key Contributions

Green finance effectiveness in Indian banking sector is the main page of a research which provides novel evidence along with revealing that GFI (Green_Loans_Disbursed_Cr, Green_Bonds_Issued_Cr, ESG_Portfolio_%) don't significantly improve environmental (Carbon_Emission_Reduction_%) or financial (ROA_%) sustainability. This result directly contradicts the optimistic statements made by the global literature (UNPRI, 2020) and strongly emphasizes that the situation in India is completely different due to some barriers such as, limited ESG integration and regulatory gaps, which are clearly stated in RBI (2023). The link between sustainability and financial soundness made by empirical data is very weak, with small R^2 values (0.022 for ES; 0.034 for FS) showing that green investments have not yet produced the desired results, being consistent with McKinsey's (2022) warning about short-term costs. For Indian banks, it illustrates a necessity of implementing more sustainable and efficient ESG frameworks and adopting a standardized reporting system. Policymakers are pointed out by this evidence as those who should provide clearer green finance guidelines and more incentives in order to close the gap that exists between them and the change that actually occurs, thus they will be able to make a significant contribution to India's net-zero goals. A research is strengthening the local literature by the quantification of limited effectiveness of green finance, it also provides an initial point for further studies on changes in structures and regulations.

7.1 Theoretical Contributions

This study is groundbreaking in that it, nevertheless, sheds some light on the limited impact of green finance ventures in the environmental and financial sustainability of Indian banks. It also extends stakeholder theory, too, further, by learning about the green finance instruments (GFI) which include *Green_Loans_Disbursed_Cr*, *Green_Bonds_Issued_Cr*, and *ESG_Portfolio_%* that are implemented by Indian banks. The insignificant results from the study (e.g., H1: $\beta = 0.051$, $p = 0.612$; H2: $\beta = -0.068$, $p = 0.498$) question stakeholder theory's belief that the acceptance of environmental requests by companies leads to increased performance (Freeman, 1984). Instead, there are implications that pressures from the stakeholder in emerging markets such as Indian may not affect the industries in a tangible way if they are weak in the integration of ESG (just 34% of banks have sustainable policies). This is closing the gap in the sustainability-finance linkage literature, which, unfortunately, is overoptimistic about green investments' direct contributions (UNPRI, 2020). Through pointing out context-specific obstacles, like the uneven ESG adoption (Sobel $p > 0.89$ for H3) and the fragmented regulatory support (H4: $\beta = 0.072$, $p = 0.482$), the research is sharpening the theoretical frameworks for emerging markets, which are consistent with IFC's (2018) research on the issues of execution.

7.2 Practical Implications

For regulators and central banks like the RBI, the results emphasize the urgent need for more standardized green finance guidelines. The insignificant moderation effect of regulatory support (*RBI_SEBI_Compliance_Score*, $p > 0.39$) means that the present policies are not very specific (RBI, 2023). Besides, policymakers can improve the efficiency of GFI by providing clear tax incentives and mandatory ESG reporting. Commercial banks that want to align their strategies with sustainability should establish strong ESG frameworks, especially for those smaller banks that are behind in green loan disbursements (mean 532.30 Cr). Banks should focus on high-impact projects (for example, renewable energy, mean investment 252.95 Cr) and also should use ESG metrics while doing risk assessments to both manage the short-term costs and portfolio of long-term gains (McKinsey, 2022). Besides, such initiatives as training and collaborating with global sustainability frameworks (for instance, UNPRI) can be a great boost to smooth execution, and it will also confirm that the country's net-zero goals are still on track.

Limitations

The paper has some drawbacks in its research method, which definitely brought in some barriers (RBI, 2023). The biggest one is probably the availability of data and quality of green finance instruments (GFI). The data set, that covers 20 Indian banks (2019–2023), was based on sustainability reports, which unfortunately are generally not standardized for the variables such as *Green_Loans_Disbursed_Cr* (mean 532.30 Cr) and *Green_Bonds_Issued_Cr* (mean 270.65 Cr) data. The loss or lack of uniformity of data could have weakened the analyses (e.g., low $R^2 = 0.022$ for ES). Secondly, due to the subjective nature of the *Carbon_Emission_Reduction_%* (range 2.08–19.85%) parameter and the differences in methods of measurement that banks use to report the same indicator might cause deformations of results (RBI, 2023). Thirdly, this study's

Future Scope

Further empirical research is in a position to resolve these constraints by extending the scale to include fintech institutions and non-banking financial companies (NBFCs), which represent a driving force behind the expansion of green finance in India. Besides, by utilizing live ESG data instead of static *ESG_Score* (average 76.76), one can not only track the changes in sustainability performance more precisely but also improve the mediation analyses (H3: Sobel $p > 0.89$). In carrying out such studies, comparative analyses of the developed economies (e.g., EU, with established green bond frameworks) and developing ones like India are capable of shedding lighter on the similarities and differences in the contextual aspects. These studies could help us understand if more stringent regulatory frameworks intensify the impacts of GFI, thereby resolving H4's insignificant moderation ($\beta = 0.072$, $p = 0.482$).

Conclusion

Through the present research, the green finance instruments as employed by Indian banks to effect environmental change were found to have no significant influence on environmental sustainability (H1: $\beta = 0.051$, $p = 0.612$) nor on financial sustainability (H2: $\beta = -0.068$, $p = 0.498$). ESG incorporation (H3) and regulatory encouragement (H4) did not either intervene or act as moderators of these connections, given that GFI's limited efficacy (e.g., only 34% of banks have sustainable policies) persists. The results coincide with IFC (2018) about the issues faced by emerging markets while going green, but they diverge from UNPRI's (2020) rosy view of the advantages of the green finance movement. Indian banks have to cope with their double role in making profits as well as being environmentally responsible, because the weak ESG adoption and the regulatory fragmentation (RBI, 2023) act as obstacles for moving forward. Policymakers should focus on uniform reporting and reward schemes to maximize the effect of GFI, whereas banks require strong ESG frameworks to be consistent with India's climate targets (McKinsey, 2022). Increased regulatory coherence and openness in green financial disclosures are vital for unlocking sustainable banking capability..

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