

# Financing the future: Unleashing India's sustainable finance potential



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# EY India introduces a platform for women leaders in sustainability



Launched in February 2025, the Women in Sustainability forum is an innovative platform that amplifies the voices of women leaders in sustainability.

## **Bridging leadership and collaboration**

The objectives of this forum are twofold:

- ✓ to underscore the pivotal role of women in steering sustainability leadership
- ✓ to cultivate a network that transcends sectoral boundaries, fostering cross-sector networking and collaboration

This initiative reaffirms our strong commitment to sustainability by facilitating the exchange of innovative ideas and co-creating strategies to address pressing climate and sustainability challenges. The insights gained from these discussions are a source of inspiration, and we are committed to maintaining this momentum.

## **A future of collaboration and innovation**

As we look into the future, we are excited to announce a series of upcoming events and interactive sessions tailored to support various sectors in their sustainable transition endeavours.

It is time we ideate, innovate, and inspire a sustainable future!



**Heena Khushalani**

Partner, Financial Services & Sustainable Finance  
Leader, CCaSS, EY India



# Acknowledgments

## Special thanks to the women leaders who attended the EY Women in Sustainability ideation session on 'Accelerating sustainable finance'.

As part of the EY Women in Sustainability platform, we recently hosted our **first ideation event** at EY wavespace™, bringing together women leaders in sustainability to explore 'Accelerating sustainable finance: Bridging the knowledge and funding gap'. This gathering provided a unique platform for women leaders across sectors to share experiences, offer insights, and explore innovative solutions to unlock sustainable finance and improve fund mobilization in India. It also facilitated discussions on effective strategies and real-world successes. It also facilitated discussions on effective strategies and real-world successes.

The event fostered cross-industry collaboration and contributed to critical conversations on sustainable finance and climate action. This whitepaper captures the insights from the session, highlighting the collective expertise and innovative ideas that emerged, furthering the dialogue on sustainable finance and climate action.



From left to right (sitting): Jahnvi Parab (Chalet hotels), Dr. Sangeeta Srivastava (Godavari Biorefineries Ltd.), Priyadarshini (HSBC), Neelam Pandita (Blacksoil), Jennifer Unvala (EY)

From left to right (standing): Bhavnidhi Sood (EY), Garima Kaushik (EY), Shubhra Bhatkulkar (EY), Sushma Kaushik (108 Capital), Heena Khushalani (EY), Shailja (CBI), Priyanka Rajgadkar (Tata Realty), Ruhana Zariwala (Cipla), Ruchika Jain (Piramal), Saanika Gokhale (IDFC First Bank), Hina Gupta (Aditya Birla Capital Ltd.), Rajeshwari Nambiar (EY), Prutha Vaze (Orjabox), Vidhi Shah (EY)

# Sustainable finance in India: A growing opportunity

India's transition towards a sustainable economy is gaining momentum, with increasing policy initiatives, regulatory frameworks and financial instruments aimed at mobilizing green finance. India's Viksit Bharat initiative stands as a key driver for mobilizing sustainable finance in India, aligning the nation's economic aspirations with its climate commitments.

With this vast financing need, leading international banks have identified India as a leading market for sustainable finance, driven by governmental policy support and targeted investments in hard-to-abate sectors. In 2024, India became the second-largest funding hub (US\$5.1 billion<sup>1</sup>) for companies within the climate space, surpassing China.

## Climate finance landscape in India

US\$10.1 trillion <sup>2</sup>	US\$50 billion <sup>3</sup>	4%-6% of the GDP	11% <sup>4</sup>	47% <sup>5</sup>
Funding requirement from 2020 to 2070 to achieve net zero	Annual average climate funding (for climate mitigation)	Required every year to achieve net-zero by 2070	India's share in global climate funding	of climate finance went to clean energy
<b>Drivers</b>				
<p><b>Government and regulatory initiatives</b>, including RBI's Sovereign Green Bonds and SEBI's sustainable finance framework, drive growth and climate project funding.</p> <p><b>Rising investor demand</b> and a robust green <b>bond market</b> position India as a prime destination for sustainable investment, attracting global funds.</p> <p><b>Green NBFCs and alternative investment platforms</b> emerge as key players in financing sustainable projects, particularly for the <b>retail segment</b> and the 'missing middle' enterprises.</p> <p>India's ambitious non-fossil fuel and <b>net-zero targets</b> have catalyzed <b>companies to integrate sustainability</b> into their operations and prompted <b>government support for advanced technologies</b> in alternative energy sources.</p>				

## Climate finance ecosystem: The role of key financial institutions

83% of climate finance is from domestic sources<sup>5</sup>; Private sector contributes to 66% of the domestic mitigation finance<sup>5</sup>

### Financial institutions driving climate finance...

Banks	NBFCs	AIFs
<ul style="list-style-type: none"> <li>Active in financing energy efficiency and renewable projects</li> <li>Yet to set net-zero targets</li> </ul>	<ul style="list-style-type: none"> <li>Exploration of sustainable finance strategies to diversify funding sources and expand product offerings</li> <li>Rise of Green NBFCs to focus on retail/ SME financing for green sectors</li> </ul>	<ul style="list-style-type: none"> <li>Private credit: Effective for hard-to-abate sectors with large ticket sizes for capital-intensive projects</li> <li>Venture debt: Provides early-stage, VC-backed climate firms favorable rates, supporting growth without equity dilution</li> </ul>
PE/ VC	Asset Management	DFIs/ MDBs
<ul style="list-style-type: none"> <li>PE: Offers substantial capital and long-term investment horizons, to fund large-scale green infrastructure projects in RE, waste Management, clean manufacturing</li> <li>VC: Drives innovation by backing early-stage start-ups in EVs, RE, agri-tech, and circular economy</li> </ul>	<ul style="list-style-type: none"> <li>India's ESG mutual funds are on the rise, featuring a growing selection of funds, bolstered by SEBI's ESG disclosure guidelines</li> <li>Global investors are at the forefront of ESG commitments</li> </ul>	<ul style="list-style-type: none"> <li>Active within the climate finance space, particularly climate adaptation</li> <li>Contributed to 92% of international adaptation funding (2021-22)<sup>5</sup></li> <li>Act as first movers, de-risking investments and crowding in private capital for large-scale projects</li> </ul>

### ... across various asset classes

Debt		Equity	
Amount of climate funding (2023)	US\$17.7 billion of climate debt <sup>6</sup>	Amount of climate funding (2023)	~US\$5 billion of climate equity <sup>6</sup>
Sector focus	<ul style="list-style-type: none"> <li>EVs, energy transition, SME-focused lenders (Ecofy and Revfin)</li> <li>Retail debt is active in EVs, solar, energy efficiency, green home loans</li> </ul>	Sector focus	<ul style="list-style-type: none"> <li>EVs, energy transition, cleantech</li> <li>Energy transition dominates ~60% of equity funding</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>Wholesale credit faces hurdles: uncertain cash flows and high capital needs</li> <li>Bankability issues: Many climate tech projects struggle to secure debt due to uncertain revenues and high upfront costs</li> </ul>	Challenges	<ul style="list-style-type: none"> <li>High risk and long payback: Emerging climate technologies pose higher risks and longer return timelines, deterring equity investors</li> <li>Policy uncertainty: Shifting climate policies create unpredictability, making equity investors cautious.</li> </ul>

1. Climate Capital, Annual Roundup, 2024, The Climate Guys  
 2. Investment Sizing India's 2070 Net-Zero Target, CEEW, 2021  
 3. Landscape of Green Finance in India, Climate Policy Initiative

4. Climate Capital, Annual Roundup, 2024, The Climate Guys  
 5. Landscape of Green Finance in India, Climate Policy Initiative  
 6. The State of Climate Finance in India 2024, Climate, Unitus Capital

## Policy and regulatory landscape

Regulator/ govt. body	Recent announcements
<b>Securities and Exchange Board of India</b>	<p><b>Business Responsibility and Sustainability Report (BRSR):</b></p> <ul style="list-style-type: none"> <li>▪ Key updates involve redefining the value chain</li> <li>▪ Green credits reporting</li> <li>▪ "Assurance" has been replaced with "third-party assessment" to ease compliance burdens</li> </ul> <p><b>Sustainable Finance Consultation Paper:</b></p> <ul style="list-style-type: none"> <li>▪ Redefine "Green Debt " to include broader ESG objective (incl. social, sustainable, sustainability-linked)</li> <li>▪ Sustainable Securitized Debt</li> <li>▪ Independent External Review to be mandated</li> </ul>
<b>Reserve Bank of India Member of the Network for Greening the Financial System (NGFS)</b>	<p><b>Draft climate risk disclosure framework:</b></p> <ul style="list-style-type: none"> <li>▪ Applicable to Scheduled Commercial Banks and upper layer NBFCs</li> <li>▪ In line with TCFD recommendations</li> <li>▪ Voluntary from 2025 with phased progression towards mandatory reporting</li> </ul> <p><b>Framework for acceptance of Green Deposits:</b></p> <ul style="list-style-type: none"> <li>▪ Banks and NBFCs to offer green deposits, encouraging retail participation in sustainable investments</li> </ul>
<b>Ministry of Finance</b>	<p><b>Sovereign Green Bond Framework:</b></p> <ul style="list-style-type: none"> <li>▪ Aligned to ICMA Green Bond Principles</li> <li>▪ Nine categories including climate mitigation, adaptation, resource conservation, biodiversity conservation, green buildings</li> </ul>
<b>Union Budget</b>	<ul style="list-style-type: none"> <li>▪ <b>2024-25:</b> Climate finance taxonomy to facilitate transition financing in sectors like shipping, aviation, iron and steel and chemicals</li> <li>▪ <b>2025-26:</b> Focus on sustainable finance and green growth through investments in clean energy, infrastructure, and supportive tax reforms: <ul style="list-style-type: none"> <li>▪ Renewable energy: INR26,549 crore for schemes like PM Surya Ghar and Green Hydrogen, and INR20,000 crore for Nuclear Energy Mission</li> <li>▪ Industry support: Specialty steel PLI scheme and ship recycling incentives</li> <li>▪ E-mobility: INR5,322 crore allocation, import duty removal on critical minerals, and domestic EV battery production support</li> <li>▪ Agriculture: New programs - Pradhan Mantri Dhan-Dhaanya Krishi Yojana, Mission for Aatmanirbharta in Pulses, and a comprehensive Programme for Fruits and Vegetables</li> </ul> </li> </ul>
<b>IFSCA GIFT City</b>	<ul style="list-style-type: none"> <li>▪ Set to become the hub for raising sustainable finance from international investors, having issued their own guidelines for bond listings</li> <li>▪ Framework to promote sustainable and sustainability-linked lending, urging banking and finance units in the IFSC to establish Board-approved policies on sustainable finance</li> </ul>
<b>Department of Economic Affairs (DEA)</b>	<ul style="list-style-type: none"> <li>▪ The Task Force on Sustainable Finance established by the DEA is working on a roadmap for scaling up sustainable finance</li> </ul>

# Sustainable finance: Key challenges in India's climate action

As India intensifies its focus on climate action, the sustainable finance sector encounters several challenges despite the considerable momentum in India. These include:

## **Climate adaptation funding gap:**

India's path to achieving net-zero emissions also demands a significant emphasis on adaptation, targeting key sectors like water, waste management, and the development of climate-resilient infrastructure. To support these crucial adaptation initiatives, an estimated US\$800 billion in investment is required. Historically, climate finance has predominantly concentrated on mitigation, highlighting the need for a rebalanced approach to include adaptation measures.

## **Accessibility and affordability:**

The high cost of climate finance and the absence of incentives pose significant barriers, particularly as Indian banks are yet to establish net-zero targets that address financed emissions from sectors that are challenging to decarbonize. This issue is especially acute for micro, small, and medium enterprises (MSMEs), which form the backbone of the economy but struggle to secure the necessary funding.

## **Limited innovative finance:**

India's dual goals of economic advancement and climate transition call for inventive financing structures. Current financial mechanisms fall short, with a pressing need for blended finance models and public-private partnerships to support the country's adaptation and mitigation initiatives.

## **Limited data availability, lack of standardized metrics:**

The absence of universally accepted sustainability standards and climate risk models or data tends to deter investors due to greenwashing concerns. This gap is evident when compared to the real estate sector, which has benefited from clear benchmarks and certifications, suggesting a need for similar frameworks across all industries to facilitate sustainable investment.

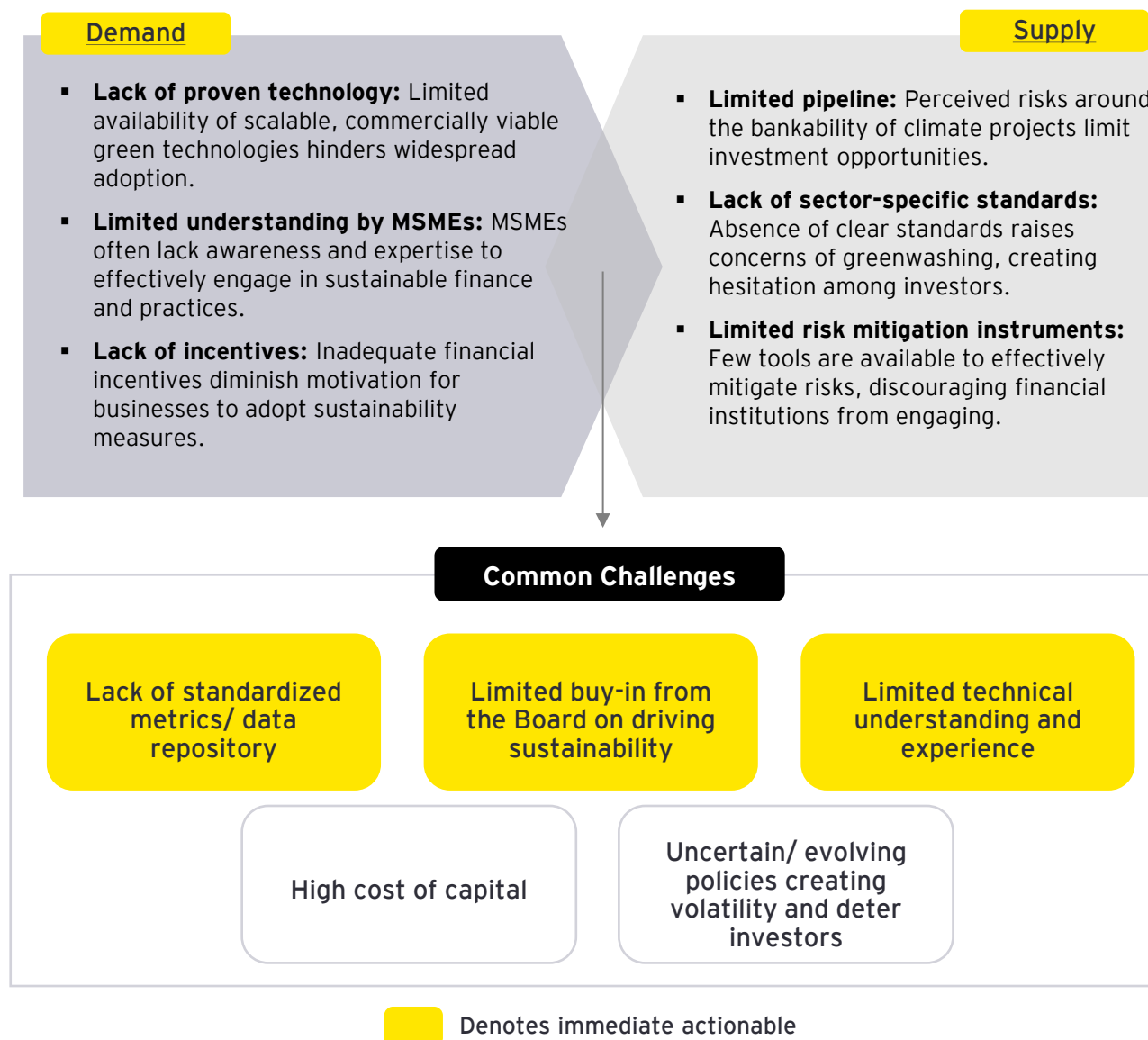
## **Limited supply chain finance and supplier engagement:**

Recent reporting mandates by the SEBI and international policies like the EU's Carbon Border Adjustment Mechanism (CBAM) affect large exporting companies and their supply chains. However, there is a disconnect in extending financial support to MSME suppliers in hard-to-abate sectors, who require incentives to improve their sustainability practices and contribute to a broader positive environmental impact.



# Bridging gaps: Addressing key challenges in sustainable finance

India's sustainable finance landscape is expanding but faces challenges on both the demand side (capital seekers) and the supply side (capital providers).



The visual above is a Venn diagram illustrating the challenges faced by both capital providers and capital seekers in sustainable finance. In the overlapping section, the common challenges shared by both sides are highlighted. The challenges outlined with a yellow border represent the 'low-hanging fruits'—the most immediate and actionable opportunities for resolution. Targeted interventions in these areas can drive quick wins and lay the foundation for long-term progress.

# Way forward

India's sustainable finance journey is at a critical juncture. Its commitment to nationally determined contributions (NDCs) and net-zero targets by 2070 calls for strategic actions. To overcome current challenges and accelerate the transition to a low-carbon economy, key immediate steps are necessary:

## 1 **Standardizing metrics and improving access to data:**

The lack of standardized metrics for defining and reporting sustainable finance increases the risk of greenwashing and hampers transparency, deterring investors. A shared data platform is essential to enhance transparency and create consistency. In the medium to long term, developing a comprehensive climate finance taxonomy and sector-specific standards will create the necessary frameworks to align investment flows and facilitate global comparability, strengthening investor trust and participation.

## 2 **Securing board buy-in:**

Corporate leadership and shareholders may not fully grasp the long-term benefits of sustainability due to geopolitical challenges and rising anti-ESG sentiment. Regular engagement with boards and shareholders through updates on the impact and potential benefits of sustainability initiatives is critical. Embedding sustainability into core strategies, performance metrics, and long-term business goals can help align it with financial returns, ensuring greater commitment.

## 3 **Supporting MSMEs:**

MSMEs, which play a crucial role in the supply chains of industries, particularly in hard-to-abate sectors, face significant challenges in accessing sustainable finance. Unlike larger companies that are better positioned to secure funding, MSMEs often lack awareness and capacity to integrate sustainability into their operations. Targeted training programs, certifications and workshops led by industry associations can help bridge this gap. Financial institutions should also collaborate with MSMEs to offer guidance and develop tailored financing structures that support their transition. Ensuring sustainability across the supply chain will contribute to broader sector-wide adaptation efforts.

## 4 **Strengthening cross-stakeholder collaboration:**

Sustaining momentum for sustainable finance in India, especially amid geopolitical challenges and anti-ESG sentiment, requires coordinated efforts from government bodies, financial institutions, and businesses. These stakeholders must work together to identify funding gaps, share case studies and best practices, and present data on the financial performance of sustainable projects. This will encourage institutional investors to remain committed to India's sustainable finance agenda.



Challenge	Description	Short-term solution	Owner	Medium to long term solution	Owner
Lack of standardized metrics / data	Inconsistent metrics and data lead to greenwashing risks and credibility issues, also limiting the use of sustainability-linked instruments	Create a shared data platform to promote transparency	Industry bodies, financial institutions	Develop a climate finance taxonomy and sector-specific taxonomy	Government, regulatory authorities
Limited buy-in from the board	Boards and shareholders may not fully appreciate the long-term benefits of sustainability, partly due to geopolitical challenges and rising anti-ESG sentiment	Regularly update the board and shareholders on the potential impact and benefits of sustainability initiatives	Corporate leadership, sustainability teams	Embed sustainability into core strategy and performance metrics, showing long-term alignment with business goals and returns on investment.	Board of directors, senior management
Lack of capacity	Low awareness of sustainability and sustainable finance among MSMEs, hindering supply chain integration	Conduct awareness and training programs to build capacity within MSMEs	Industry associations, financial institutions	Collaborate with banking partners and financial institutions to guide companies through their transition efforts	Financial institutions, Companies

In conclusion, to fully harness the potential of sustainable finance in India, the above-mentioned measures must be prioritized. By addressing both the demand- and supply-side challenges with increased awareness, access to finance and cross-sector collaboration, India can meet its sustainability goals while fostering long-term economic growth.



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