



# Global Climate Taxonomies and Indian Banking Sector: A Systematic Literature Review

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**Abstract**— As countries accelerate their transition towards low-carbon economies, climate finance taxonomies have emerged as a critical policy instrument for channeling financial flows into environmentally sustainable activities. A climate finance taxonomy is defined as a structured framework to classify economic activities based on their alignment with climate objectives such as enhancing resilience and supporting transitions in carbon-intensive sectors. They provide common definitions and benchmarks to reduce greenwashing and enhance transparency (Network for Greening the Financial System, 2022). Most of the existing taxonomies, like UK, EU have been developed in advanced economies with market-oriented financial systems, hence raising questions about their relevance for emerging economies such as India. In India, banks dominate the financial system and play a pivotal role in financing infrastructure, industry and micro, small and medium enterprises (MSMEs) that are vital for growth yet highly carbon-intensive. India's Draft Climate Finance Taxonomy, released by the Ministry of Finance (MoF), in May 2025, seeks to address this challenge by guiding climate-aligned finance while clearly recognizing national development priorities and transition realities. The practical implications of the taxonomy for Indian banks are still underexplored. This study reviews a comparative literature of global climate finance taxonomies and finds their applicability to the Indian banking sector. Using a qualitative and comparative methodology, the study reviews international climate taxonomies' frameworks alongside India's draft taxonomy. The findings suggest that although global taxonomies provide valuable reference points for standardization and climate risk management, their direct transplantation into India's banking system may be inappropriate. India's Draft Taxonomy 2025, with its emphasis on transition pathways and development sensitivity, appears better aligned with domestic realities. This study has explored the literature on comparative evolution of climate finance taxonomies and their implications for India's bank-dominated financial system. The paper concludes with policy-relevant recommendations for regulators and banks to strengthen taxonomy implementation while advancing sustainable and inclusive economic growth.



**Keywords**— Climate Finance Taxonomy, Indian Banking Sector, Ministry of Finance, Global Taxonomies Comparison.

## I. INTRODUCTION

Financial systems worldwide are increasingly expected to play a central role in enabling the transition towards low-carbon and climate-resilient economies. Therefore, climate finance taxonomies have emerged as critical policy instruments. They provide common definitions and benchmarks and so guide investors, banks and regulators (stakeholders) in identifying sustainable investments while

reducing the risk of greenwashing through science-based criteria. They serve as instruments to align financial flows with environmental objectives and safeguard economic development. These frameworks have gained significant attraction in advanced economies, namely the United Kingdom (UK) and European Union (EU). They find the climate taxonomies as classification systems and policy tools that influence investment decisions, disclosure practices and risk management. But still the relevance for

emerging economies with structurally different financial systems remains insufficiently examined (Grantham Research Institute on Climate Change and the Environment, 2025).

India's economy is predominantly bank-led, with commercial banks serving as the primary providers of long-term finance for infrastructure, industrial activity and MSMEs. (Reserve Bank of India, 2022). These sectors are vital for economic growth, employment and development but they also account for a substantial share of national greenhouse gas emissions. The studies have noted that designing climate finance frameworks that can steer capital towards sustainability without disrupting credit flows to growth-critical sectors poses a significant policy challenge for emerging economies (Bank for International Settlements 2023; Network for Greening).

The release of India's Draft Climate Finance Taxonomy: Consultation Document, by the Ministry of Finance (MoF), in 2023, marks an important initial step in addressing this challenge. The framework stresses the need for development sensitivity and gradual transition pathways with the aim to enhance the availability of capital for climate mitigation and adaptation. Yet, there are many institutional constraints as noted by a report by Asian Development Bank, 2022, and climate data related constraints noted by a report by Caldecott, B., Harnett, E., & Cojoianu, T. 2021. Also the constraints of translation of taxonomy guidelines into lending and risk assessment practices without undermining economic growth are highlighted (Ghosh & Sen, 2024; Banerjee, 2025; and reports by Organisation for Economic Co-operation and Development, 2023; Observer Research Foundation, 2024) etc.

Simultaneously, other countries are developing their frameworks too. Australia recently launched its Sustainable Finance Taxonomy through the Australian Sustainable Finance Institute (ASFI), in June 2025, supported by the government's Sustainable Finance Roadmap, called Australian Treasury 2025. The taxonomy emphasizes both green and transition finance. It structured to Australia's resource-intensive economy and provides a useful comparative case for India's draft framework.

Against this backdrop, the present study undertakes a comparative examination of some of the global climate finance taxonomies including India's draft framework 2025. By situating India's experience within broader global climate literature and experience on sustainable finance, this paper contributes to the growing body of literature on climate finance and offers policy-relevant insights for regulators and financial institutions in India.

## II. LITERATURE REVIEW

### [A]–Global and Regional Taxonomy Frameworks

>ASEAN Capital Markets Forum. (2021, November). *ASEAN taxonomy for sustainable finance: ASEAN capital market regulators' framework*.

It is the region's first unified, principles-based classification system, developed by the ASEAN Capital Markets Forum (ACMF), to guide capital market regulators, and other stakeholders, in mobilizing sustainable finance across ASEAN. With the aim to create a common language and to prevent greenwashing and align ASEAN's financial markets with the global sustainability goals. It provides ASEAN with a regional harmonization tool and offers strategic lessons for India's taxonomy development, especially in balancing inclusivity with credibility.

>Asian Development Bank. (2022, December). *Developing sustainable finance taxonomies in Asia*.

This report reviews taxonomy initiatives across Asia and recommends multi-tiered, transition-inclusive frameworks that recognise development priorities and institutional constraints in bank-dominated financial systems. It provides a framework to design, harmonize and implement sustainable finance taxonomies to mobilize capital for green and transition projects. It highlights the importance of aligning with global standards, while reflecting local priorities, especially in emerging markets.

>Australian Sustainable Finance Institute (ASFI). (2025, June 17). *Australia launches its sustainable finance taxonomy: A major milestone for green investment*.

Australia's taxonomy marks a major milestone in the Asia-Pacific region and fills a gap in sustainable finance infrastructure. It aims to establish a science-based classification system for sustainable and transition activities. It provides a common language for stakeholders and is designed to reduce greenwashing by setting clear eligibility criteria. It stresses the need for transition finance, similar to India's draft taxonomy. Although the adoption is voluntary, it is expected to influence disclosure and regulatory practices as well as harmonization with other taxonomies for cross-border investment.

>Australian Treasury. (2025). *Sustainable Finance Roadmap: Taxonomy overview*.

This government-led roadmap highlights the policy-regulatory interface, making it a valuable comparative case for India's the Ministry of Finance Draft Taxonomy 2025. It is linked to the launch of the Australian Sustainable Finance Taxonomy, ASFI, June 2025. It provides a foundation for disclosure requirements and regulatory alignment and provides clarity on eligible activities, reducing uncertainty for banks and investors. It seeks to

mobilize private capital toward green and transition projects.

>European Commission Technical Expert Group on Sustainable Finance. (2020, March). *Final report on the EU taxonomy*. Brussels: European Commission.

The report laid the foundation for the European Union Taxonomy Regulation, including sector-specific screening criteria and the “Do No Significant Harm” (DNSH) principle. It represents one of the most comprehensive science-based sustainability classification systems globally. It defined technical screening criteria, environmental objectives and safeguards to classify sustainable economic activities. It became the basis for the European Commission’s delegated acts and the official notification of the EU Taxonomy in June 2020.

>European Union. (2020, June 18). *Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment*.

The framework established a binding European Union-wide classification system for environmentally sustainable economic activities, forming the backbone of Europe’s sustainable finance framework. The core principles are- an activity must contribute to at least one of six environmental objectives; DNSH principle - activities must not harm other objectives; and compliance with Organisation for Economic Co-operation and Development (OECD) Guidelines and UN Guiding Principles (UNGPs), on Business and Human Rights.

>HM Government, UK. (2023, March). *Green finance strategy: Mobilising green investment*.

It is a benchmark document for countries designing taxonomies and transition finance frameworks. For India, it provides lessons on- nature-positive finance integration (biodiversity, ecosystems), global positioning as a sustainable finance hub, and disclosure alignment with OECD safeguards. It complements India’s draft Taxonomy 2025, which is benchmarking EU and UK frameworks while adapting for MSMEs inclusion.

>Organisation for Economic Co-operation and Development. (2023, May). *Climate finance taxonomies: Best practices for emerging economies*.

The OECD’s report is an essential document that provides guidance for emerging economies on designing and implementing climate finance taxonomies that are credible, interoperable and aligned with global best practices. The clear definitions of green and transition finance, institutional capacity building, need for balancing development priorities with climate goals, encouraging private sector participation in taxonomy development,

flexibility to adapt to local contexts while ensuring comparability are suggested.

>Network for Greening the Financial System. (2022, October). *Guidance on transition finance*.

NGFS is a global framework, consisting of a coalition of central banks to integrate climate risks into financial regulation, founded in 2017, Paris. This report is the key guidance document for transition finance, focusing on credibility, disclosure and supervisory alignment. It highlights encouraging regulators to embed climate considerations into macroprudential policies, particularly in emerging economies.

### **[B]--Indian Regulatory and Policy Documents**

>Reserve Bank of India. (2022, July). *Discussion paper on climate risk and sustainable finance*.

It is a landmark document that sets out regulatory expectations for Indian banks and financial institutions to integrate climate-related risks into governance, strategy, risk management and disclosures. It highlights the systemic implications of climate change for financial stability and intends to gradually integrate climate considerations into banking supervision and also proposes a roadmap for sustainable finance in India.

>Reserve Bank of India. (2024, February). *Climate risk and disclosure framework*.

It is a landmark framework by the RBI, for banks, NBFCs and financial institutions to operationalize climate risk management in India’s banking system. It directly supports the draft Climate Finance Taxonomy (MoF, 2025) by creating disclosure and supervisory infrastructure. This marks India’s first regulatory step to integrate climate-related financial risks into supervision, requiring disclosures, stress testing and alignment with global standards like NGFS and EU Taxonomy. RBI 2024 provides the regulatory backbone linking empirical studies (Iyer & Narain 2021), transition finance (TERI 2023), taxonomy design (ORF 2024), and systemic financing (IEEFA 2025).

>Ministry of Finance, Government of India. (2023, October). *Draft climate finance taxonomy: Consultation document*.

It presents India’s initial approach to climate finance classification, emphasising development sensitivity, transition pathways and financial stability. It aimed at enhancing the availability of capital for climate mitigation and adaptation.

>Ministry of Finance, Department of Economic Affairs. (2025, May). *Draft climate finance taxonomy*.

This is India's most significant step toward sustainable finance regulation as it formalises India's classification of green and transition activities, balancing decarbonisation objectives with economic growth and financial stability in a bank-dominated economy. It invites public and expert comments, aiming to align the global frameworks like EU, ASEAN, OECD, UNGPs, with India's domestic priorities. It aims to facilitate greater resource flow to climate-friendly technologies and activities and mobilize capital for India's net-zero 2070 target.

>The Energy and Resources Institute. (2023, November). *Designing a transition finance framework for India*.

The report is one of the first India-specific structured approaches, with the objective to create a transition finance framework while ensuring equity and inclusion. It emphasizes just the transition principle while maintaining economic growth, sectoral pathways (coal, steel, cement), public-private coordination and the need for a taxonomy-linked framework to mobilize capital.

>Observer Research Foundation. (2024, June). *Designing India's climate finance taxonomy*.

It is one of the first structured proposals for India's taxonomy framework. The report emphasizes sectoral alignment, MSMEs inclusion and benchmarking against global taxonomies (EU, UK). It directly informed India's MoF draft taxonomy released in 2025. It provides a blueprint for India to classify, regulate and mobilize climate-aligned investments. It emphasizes preventing greenwashing. It advocates a principles-based, transition-inclusive taxonomy aligned with RBI regulation and development priorities and banking-sector realities, arguing that flexibility is essential for effective adoption in a bank-dominated financial system.

### [C]--Scholarly and Analytical Contributions (India-focused)

>Banerjee, R. (2025). *Sustainable Banking and Climate Taxonomy Adoption in India*.

This is one of the first India-focused empirical studies on taxonomy adoption in banks, with the aim to examine regulatory readiness, sectoral inclusion and the challenges of taxonomy adoption across India's financial system. Using qualitative analysis of public and private bank disclosures, policy documents and interviews with banking professionals and aligning with the MoF's draft Climate Finance Taxonomy May 2025. It explores the impact on sustainable banking practices, including Environment, Social and Governance (ESG) disclosures, green lending and risk management. The study identifies institutional inertia, climate data limitations, complementing Caldecott, B., et. 2021 report and weak supervisory integration as

major barriers to effective taxonomy-driven credit allocation.

>Ghosh, A., & Sen, R. (2024, May). *Implementing climate finance taxonomies in Indian banks*.

The study analyses the practical institutional and operational challenges faced by Indian banks in implementing the climate finance taxonomy framework. Key issues include limited availability of reliable climate and emissions data, weak integration of taxonomy criteria into credit appraisal and risk management systems and insufficient internal capacity within banks to interpret technical screening standards. It concludes that effective implementation requires regulatory clarity, capacity building, and phased adoption tailored to India's banking structure.

>Grantham Research Institute on Climate Change and the Environment. (2025, January). *Seven lessons for India's climate finance taxonomy*.

The study is particularly useful for the paper because it anchors India's taxonomy design in global best practice. It complements ORF (2024), RBI (2022) (2024), TERI (2023) and Banerjee (2025). The study provides guidance to India's Department of Economic Affairs, MoF, on shaping its draft taxonomy. It draws on global best practices and emphasizes credibility, inclusivity and safeguards against greenwashing. It highlights India's strengths in development sensitivity and transition orientation, while identifying data and banking-sector implementation challenges. The seven lessons identified by the study for India are:

**Clear Objectives:** Define taxonomy goals (mobilizing finance, preventing greenwashing, supporting net-zero 2070).

**Alignment with National Priorities:** Integrate with India's National Determined Contributors (NDCs), sectoral missions and developmental needs.

**Sectoral Coverage:** Cover power, mobility, buildings, agriculture, food security, water security, and hard-to-abate industries.

**Social & Equity Dimensions:** Ensure MSME inclusion and just transition principles.

**Credibility & Transparency:** Require robust disclosure, verification and monitoring mechanisms.

**Phased Implementation:** Begin with priority sectors, expand gradually to full economy-wide coverage.

**Global Benchmarking:** Learn from EU, China, Japan taxonomies while adapting to India's context.

>Institute for Energy Economics and Financial Analysis (IEEFA). (2025, February). *Bridging India's climate finance gap*.

IEEFA report highlights that India faces a massive climate finance shortfall, estimated at over US\$ 10–11 trillion through 2070. It complements TERI (2023) and ORF (2024) by showing the financing scale and systemic models required to operationalize India's taxonomy. It argues for blended finance, India's stronger policy frameworks to mobilize investment across energy, infrastructure and MSMEs.

>Iyer, K., & Narain, S. (2021). *Climate change and financial stability: The Indian banking perspective*. Mumbai: RBI Publications.

It is a foundational Indian study linking climate change to banking stability, with empirical evidence (2002–2019 data). Accordingly, India's taxonomy 2025 draft must integrate with RBI's supervisory framework and global initiatives like NGFS and EU Taxonomy. It agrees with the report by Bolten, 2020, by supporting the financial stability rationale behind India's taxonomy design. The study analyses the climate risks, both physical (disasters, extreme weather) and transition (policy shifts, stranded assets), pose systemic threats to India's banking sector. And finds the regulatory gaps, systemic vulnerabilities and the urgent need for climate-aligned clearer regulatory and financial strategies.

#### [D]--Central Banking and Financial Stability

>Bank for International Settlements. (2023, September). *Sustainable finance and the role of financial regulation*.

It highlights the role of regulators in integrating climate risk into supervisory frameworks, strengthening disclosure standards, and mobilising capital for green transition. It emphasizes the need for regulatory innovation to align financial flows with sustainability goals. RBI's Discussion Paper 2022, already aligns with BIS recommendations on governance, risk management and disclosures. It provides a regulatory blueprint that complements OECD 2023 and RBI efforts in sustainable finance.

>Bolton, P., Després, M., Pereira da Silva, L. A., Samama, F., & Svartzman, R. (2020, January). *The green swan: Central banking and financial stability in the age of climate change*.

This landmark report published by BIS, reviews ways of addressing the risks due to climate change within central banks' financial stability mandate. It includes climate mitigation policies such as carbon pricing, the integration of sustainability into financial practices and accounting frameworks, the search for appropriate policy mixes and the development of new financial mechanisms at the

international level. They are essential to preserve long-term financial and price stability in the age of climate change. Here, the "green swan" means extremely financially disruptive events that could be behind the next systemic financial crisis.

>Caldecott, B., Harnett, E., & Cojoianu, T. (2021, October). *Delivering the transition: The value of climate-related data for financial decision making*.

The report highlights the importance of high-quality climate data for guiding capital flows, managing risks and enabling credible transition pathways. It provides a global benchmark for India's taxonomy design 2025, which must integrate robust climate data systems to avoid greenwashing.

#### 2.1. Literature Synthesis and Research Gaps

The existing literature is establishing climate change as a systemic financial risk and in developing climate finance taxonomies as instruments of standardisation, transparency and risk management as observed by these studies also (Bolton, et al. 2020; European Union, 2020; Bank for International Settlements, 2023). Since 2020, studies have increasingly highlighted the importance of transition finance, proportionality and alignment with domestic financial systems, particularly in emerging economies and complemented by these reports also (Asian Development Bank, 2022; Organisation for Economic Co-operation and Development, 2023; Network for Greening the Financial System, 2022; Bank of International Settlement, 2023) etc. However, much of the global taxonomy literature remains grounded in market-based financial systems, offering limited guidance for bank-dominated economies.

India's economy relies heavily on banks for long-term financing of infrastructure, industry and MSMEs (RBI, 2022, 2024). And within the banking sector, Indian-focused studies are identifying the data constraints, institutional capacity limitations, and regulatory uncertainty (Iyer & Narain, 2021; RBI, 2022, 2024 and Ghosh & Sen, 2024). The studies by Observer Research Foundation, 2024; Grantham Research Institute, 2025; Ministry of Finance, 2023; 2025; The Energy and Resources Institute, 2023 underscore the development-sensitive and transition-oriented nature of India's draft taxonomy

Yet, there remains a lack of systematic examination of how taxonomy guidelines can be operationalised by banks, particularly in credit appraisal, portfolio risk management, and disclosure practices (Banerjee, 2025; Ghosh & Sen, 2024; Institute for Energy Economics and Financial Analysis, 2025) etc. Therefore, adaptation requires balancing growth imperatives with decarbonisation,

ensuring proportionality in application and embedding transition finance pathways (TERI, 2023; ORF, 2024).

At the same time, comparative experiences from other countries provide valuable insights. The European Union taxonomy offers a mandatory, disclosure-driven framework (European Union, 2020), while the UK's Green Finance Strategy emphasizes proportionality and interoperability (HM Government, 2023). Australia's Sustainable Finance Taxonomy (Australian Sustainable Finance Institute, 2025) and accompanying Sustainable Finance Roadmap (Australian Treasury, 2025) highlight the centrality of transition finance in resource-intensive economies. These frameworks illustrate both transferable principles and the need for contextual adaptation in emerging markets.

### III. DERIVED IMPLICATIONS

- India's bank-led financial system differs fundamentally from market-based systems where initial global taxonomies originated (EU, UK). Therefore, the taxonomy frameworks must be tailored to accommodate the operational realities of Indian stakeholders, particularly banks' role in financing MSMEs, infrastructure and industrial sectors (HM Government, UK, 2023; RBI, 2022; Iyer & Narain, 2021).
- The emphasis on transition finance in India's draft taxonomy (MoF, 2023; MoF, 2025) aligns with global trends (ASFI, 2025 and OECD, 2023) but its implementation requires clear regulatory guidance and sector-specific pathways otherwise, the banks may struggle to integrate taxonomy criteria into credit appraisal and risk management without institutional clarity (Banerjee, 2025 and Iyer, 2021).
- Effective taxonomy adoption depends on efficient data systems and disclosure frameworks, which remain underdeveloped in India's banking sector (Ghosh & Sen, 2024). Hence, according to BIS, 2023, strengthening ESG data availability and standardised reporting will be essential for meaningful taxonomy integration
- In the absence of regulatory mandates or incentives, banks may adopt taxonomy labels symbolically without altering lending behaviour (Grantham Research Institute, 2025).

So, the policymakers must design mechanisms that encourage substantive integration, such as prudential incentives, capacity-building and supervisory alignment (NGFS, 2022; OECD, 2023).

- While global frameworks offer valuable experience (European Union, 2020; HM Government, 2023), direct transplantation may be ineffective. India must selectively adapt global practices, prioritising proportionality, development sensitivity and financial inclusion (ASEAN, 2021; ADB, 2022; ORF, 2024).
- A well-adapted taxonomy can help India simultaneously pursue climate alignment and economic development, especially if it embeds flexibility for high-emission but growth-critical sectors (TERI, 2023; NGFS, 2022; OECD, 2023). This balance is essential for maintaining credit flows while steering capital toward sustainability.

### IV. POLICY RECOMMENDATIONS

Drawing on the comparative analysis of literature of global taxonomies and India's draft framework, several policy recommendations emerge for regulators, banks and policymakers. These recommendations would ensure that taxonomy adoption in India's bank-dominated financial system is substantive, development-sensitive and aligned with climate goals.

- The Reserve Bank of India and Ministry of Finance should provide clear supervisory guidance on taxonomy implementation. Regulatory incentives, like preferential risk weights or capital relief for taxonomy-aligned lending, can encourage banks to move beyond symbolic adoption and integrate taxonomy criteria into credit appraisal and portfolio management (RBI, 2022; BIS, 2023; Banerjee, 2025; Ghosh & Sen, 2024).
- Taxonomy adoption requires reliable ESG data and standardized disclosure formats. Establishing centralized ESG data repositories and mandating uniform reporting aligned with international frameworks (EU taxonomy, NGFS guidance) will reduce information asymmetry and enhance transparency (BIS, 2023; Ghosh & Sen, 2024).
- Although, India's draft taxonomy emphasizes transition finance but operational clarity is required. Sector-specific transition criteria should be developed for high-emission yet growth-critical industries such as infrastructure and MSMEs (IEEFA, 2025). Phased targets and proportional requirements will allow banks to gradually integrate taxonomy guidelines without disrupting credit flows (MoF, 2023; ASFI, 2025).

- Training programs for credit officers and risk managers are essential to embed taxonomy principles into lending practices. Partnerships with academic institutions and think tanks (TERI, 2023; ORF, 2024; BIS, 2023; Grantham Research Institute, 2025) can strengthen technical expertise and foster innovation in climate-aligned banking.
- India should selectively adapt global practices rather than transplant them wholly. The EU's disclosure-driven rigor, the UK's proportionality and Australia's transition-finance emphasis provide useful principles but must be tailored to India's bank-dominated system and development priorities (European Union, 2020; HM Government, 2023; ASFI, 2025).
- Taxonomy criteria should explicitly account for MSME financing, rural development and equity considerations. Aligning taxonomy adoption with India's broader development goals like, employment, infrastructure and financial inclusion, will ensure that climate objectives do not undermine growth imperatives (RBI, 2024; TERI, 2023; ASEAN, 2021).
- Independent oversight bodies should be created to track taxonomy implementation and prevent greenwashing. Regular updates to taxonomy criteria will be necessary to reflect evolving science, technology and sectoral realities (NGFS, 2022; OECD, 2023).

## V. CONCLUSION

This study has explored the literature on comparative evolution of climate finance taxonomies and their implications for India's bank-dominated financial system. The systematic literature review shows that while global frameworks such as the EU taxonomy (European Union, 2020), the UK's Green Finance Strategy (HM Government, 2023), and Australia's Sustainable Finance Taxonomy (Australian Sustainable Finance Institute, 2025; Australian Treasury, 2025) provide valuable insight, their direct transplantation into India's financial system is neither feasible nor desirable. Instead, India's draft taxonomy (Ministry of Finance, Government of India, 2023; Ministry of Finance, Department of Economic Affairs, 2025) reflects a development-sensitive and transition-oriented approach, tailored to the realities of the Indian economy.

The literature review of this paper highlights the mediating role of institutional capacity, regulatory clarity and sectoral constraints in shaping taxonomy adoption pathways. Without robust ESG data systems, standardized disclosure

mechanisms and regulatory incentives, Indian banks risk adopting taxonomy labels symbolically rather than substantively (Banerjee, 2025; Ghosh & Sen, 2024). Comparative literature underscores the importance of balancing rigor with proportionality, embedding transition finance pathways and ensuring inclusivity for MSMEs and growth-critical sectors (TERI, 2023; OECD, 2023; NGFS, 2022).

Ultimately, India's taxonomy can serve as a strategic instrument to align financial flows with its net-zero 2070 commitment and safeguarding developmental imperatives too. Achieving this balance requires coordinated action by regulators, banks and policymakers to strengthen institutional capacity, embed transition pathways and align taxonomy adoption with broader financial sector reforms.

By bridging global principles with India's unique financial architecture, this study contributes to the emerging discourse on climate-aligned banking in developing economies. Future research should examine taxonomy-linked financial instruments, sector-specific transition benchmarks and blended finance mechanisms that can scale taxonomy-aligned lending in India and other emerging markets.

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