

## CURRENT TRENDS AND PRACTICES IN ESG IN BANKING SECTOR

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### Abstract

The banking sector is increasingly embracing Environmental, Social, and Governance (ESG) principles as a core part of its operations and decision-making. Recent trends show that financial institutions are integrating ESG criteria into lending, investment strategies, and risk management frameworks. Banks are not only financing green and sustainable projects but also enhancing transparency through detailed ESG disclosures. There is a growing emphasis on responsible banking practices, such as supporting inclusive growth, reducing carbon footprints, promoting workplace diversity, and aligning with international sustainability standards. Technological advancements, regulatory pressures, and rising stakeholder expectations are also driving banks to adopt innovative ESG tools and reporting mechanisms. These evolving practices reflect the sector's shift toward long-term value creation and ethical governance.

### Introduction

Environmental, Social, and Governance (ESG) practices have become critical in the global financial sector. As the world faces mounting challenges such as climate change, social inequalities, and ethical governance issues, the role of the banking sector in addressing these concerns has become increasingly important. In India, as well as globally, banks have begun to recognize their role in promoting sustainability, ensuring responsible lending, and maintaining transparency in their operations. This chapter discusses the current trends and practices in ESG within the banking sector, with a focus on the evolving regulatory framework, innovations in sustainable finance, and the role of banks in social responsibility.

### Regulatory Trends in ESG Integration

In recent years, regulatory frameworks have played a significant role in shaping the ESG landscape for banks. The Reserve Bank of India

(RBI) and Securities and Exchange Board of India (SEBI) have taken progressive steps to incorporate ESG factors in the Indian banking system. One of the most significant regulatory moves in India was the introduction of the Business Responsibility and Sustainability Report (BRSR) in 2021, which is applicable to the top 1,000 listed companies. This reporting framework mandates disclosure of ESG-related practices, including data on climate change risks, waste management, and social welfare initiatives, marking a major shift toward transparency and accountability in the banking sector.<sup>1374</sup>

Globally, regulations such as the EU Non-Financial Reporting Directive (NFRD) and the Sustainable Finance Disclosure Regulation (SFDR) have also gained momentum. The European Union has been at the forefront of

<sup>1374</sup> SEBI (2021). Business Responsibility and Sustainability Reporting Framework. Securities and Exchange Board of India.

mandating transparency in ESG disclosures for financial institutions. Banks in the EU are required to disclose their exposure to ESG risks and demonstrate how they are integrating sustainable practices within their operations.<sup>1375</sup>

In India, despite advancements, banks still face challenges in complying with evolving ESG regulations, and there remains a significant gap between mandatory and voluntary disclosures. To close this gap, India must strengthen its regulatory framework to ensure that ESG practices are uniformly adopted across the banking sector.

### Green and Sustainable Finance

One of the most prominent trends in the banking sector is the growth of green and sustainable finance. Green bonds, sustainable investment funds, and climate-focused loans are increasingly becoming integral parts of banks' financial products. The Indian banking sector has seen a significant increase in green bond issuance, with banks like ICICI Bank, HDFC Bank, and Axis Bank issuing green bonds to fund renewable energy projects, clean technologies, and sustainable infrastructure development.<sup>1376</sup>

Globally, green finance has been on the rise, with global investments in green bonds reaching USD 270 billion in 2020, marking a 10% increase from the previous year.<sup>1377</sup> Banks are becoming more proactive in supporting projects that align with the UN Sustainable Development Goals (SDGs), focusing on clean energy, sustainable infrastructure, and responsible consumption. These efforts are not only driven by demand from environmentally conscious investors but also as a response to growing concerns about the environmental risks of traditional financial practices.

Additionally, banks are beginning to incorporate climate risk assessments into their credit risk frameworks. This involves evaluating the

physical risks of climate change, such as flooding or wildfires, as well as the transitional risks associated with shifts toward a low-carbon economy. For example, banks like Standard Chartered and HSBC have begun integrating these assessments into their credit risk analysis.<sup>1378</sup>

### Social Responsibility and Financial Inclusion

While environmental concerns are critical, social responsibility remains equally important in the context of ESG practices in banking. Banks in India have increasingly focused on financial inclusion, ensuring that underserved populations have access to banking services. The Pradhan Mantri Jan Dhan Yojana (PMJDY), launched by the Government of India, has been a major driver of financial inclusion. However, banks must ensure that they contribute not only through access to basic banking services but also through the provision of financial education and access to credit for micro-enterprises.<sup>1379</sup>

The banking sector's emphasis on gender equality has also gained traction. In line with global social standards, Indian banks are setting internal policies to ensure equal gender representation at all levels, particularly in leadership roles. For instance, HDFC Bank has introduced programs to encourage women's participation in banking, while ICICI Bank has promoted women's entrepreneurship through special loans for women-led businesses.<sup>1380</sup> These initiatives align with the United Nations Sustainable Development Goal (SDG) 5, which advocates for gender equality and the empowerment of women.

In recent years, the role of social responsibility in the financial sector has gained significant attention, particularly in the context of financial inclusion. Financial inclusion is an important aspect of social responsibility, as it involves providing access to affordable financial services to underserved and marginalized

<sup>1375</sup> European Commission (2020). Sustainable Finance Disclosure Regulation.

<sup>1376</sup> ICICI Bank, HDFC Bank, Axis Bank (2020). Annual Reports on Green Bonds.

<sup>1377</sup> Climate Bonds Initiative (2020). Global Green Bond Market Report.

<sup>1378</sup> HSBC, Standard Chartered (2021). Climate Risk Integration in Banking.

<sup>1379</sup> Government of India (2014). Pradhan Mantri Jan Dhan Yojana Report.

<sup>1380</sup> ICICI Bank, HDFC Bank (2020). Women Empowerment Initiatives.

populations. This can help reduce poverty, inequality, and economic exclusion, especially in developing countries like India. Banks, financial institutions, and corporates are now increasingly recognizing the importance of financial inclusion as part of their corporate social responsibility (CSR) strategy.

India has made substantial progress in enhancing financial inclusion, primarily through state-backed initiatives such as Pradhan Mantri Jan Dhan Yojana (PMJDY), MUDRA Yojana, and Digital India. These initiatives, coupled with innovations in digital banking and financial technology (FinTech), have played a key role in expanding financial services to rural and marginalized communities.

This section provides an analysis of social responsibility and financial inclusion, highlighting how banks and financial institutions integrate social responsibility into their operations, with examples from various sectors and case laws that exemplify such integration.

**State Bank of India (SBI): Pradhan Mantri Jan Dhan Yojana**

One of the most significant steps toward financial inclusion in India was the launch of the Pradhan Mantri Jan Dhan Yojana (PMJDY), a national financial inclusion scheme by the Government of India. The State Bank of India (SBI), as a leading public sector bank, played a vital role in the implementation of this program. SBI's extensive branch network and digital platforms allowed it to reach underbanked populations, particularly in rural areas. Through PMJDY, SBI opened millions of zero-balance bank accounts for individuals who previously lacked access to formal financial services. These accounts serve as a gateway to government subsidies, insurance, and pension benefits, ensuring economic empowerment for low-income groups.<sup>1381</sup>

The initiative has led to the creation of an inclusive financial ecosystem, which is an

important social responsibility commitment of SBI. By providing a basic banking facility, SBI has helped reduce barriers to financial services for the underserved, contributing significantly to poverty reduction and social welfare.

**Case Analysis: SBI's role in PMJDY** illustrates how public-private partnerships can enhance financial inclusion and fulfill social responsibility objectives. Its efforts have empowered millions of people, improving their economic participation and well-being.

**ICICI Bank: Financial Inclusion through Digital Platforms**

ICICI Bank, one of India's largest private sector banks, has made significant strides in promoting financial inclusion through its innovative use of digital platforms. The bank's mobile banking app, along with its internet banking services, has allowed individuals in remote and rural areas to access financial services without visiting a branch. ICICI Bank offers a range of financial products including micro-loans, insurance, and savings accounts designed specifically for low-income customers. The use of digital technologies enables ICICI Bank to reach a wider audience, even in areas where traditional banking infrastructure is limited.<sup>1382</sup>

Additionally, ICICI Bank has partnered with various non-governmental organizations (NGOs) and social enterprises to promote financial literacy and provide financial services to marginalized communities. Through its CSR initiatives, the bank has supported women's empowerment and economic development in underserved regions. ICICI's commitment to financial inclusion is a strong example of how private banks are contributing to social responsibility while expanding access to finance.

**Case Analysis: ICICI Bank's digital initiatives** show how technological innovation can address social issues like financial exclusion. By

<sup>1381</sup> M. N. Sreenivasan, "The Role of Financial Institutions in Financial Inclusion," *Journal of Finance & Economic Development*, vol. 7, no. 2 (2020): 22-23.

<sup>1382</sup> Ramesh K. Choudhury, "Impact of Digital Banking on Financial Inclusion in India," *Financial Services Review*, vol. 15, no. 1 (2021): 5-7.

offering digital banking services to underserved communities, ICICI Bank has enabled people to break the cycle of poverty and enhance their economic stability.<sup>1383</sup>

#### HDFC Bank: Empowering Women Entrepreneurs through Financial Inclusion

HDFC Bank's commitment to financial inclusion has been demonstrated through various initiatives aimed at empowering women entrepreneurs. Through the HDFC Bank Parivartan Programme, the bank has provided microfinance to women-led businesses and self-help groups (SHGs) in rural India. The bank also offers financial literacy workshops tailored specifically to women entrepreneurs, helping them gain the necessary skills to manage finances, start businesses, and achieve financial independence.<sup>1384</sup>

HDFC's programs emphasize the social responsibility of providing marginalized women with the resources and education they need to improve their economic conditions. By doing so, the bank contributes to social equity and women's empowerment, which are crucial aspects of its corporate social responsibility (CSR) framework.

Case Analysis: HDFC Bank's focus on empowering women through financial inclusion exemplifies how the banking sector can address gender inequality and promote economic empowerment through targeted initiatives. This case highlights the importance of tailoring financial products to meet the needs of specific communities.

#### Axis Bank: Financial Inclusion through Microfinance and Digital Lending

Axis Bank's efforts to advance financial inclusion include a variety of initiatives, including its involvement in microfinance and digital lending platforms. The bank provides affordable loans to individuals and small businesses in

underserved regions through its partnership with microfinance institutions (MFIs). Axis Bank also leverages its digital lending platform to extend credit to individuals with no formal credit history, making it easier for low-income groups to access financing.<sup>1385</sup>

The bank's CSR initiatives focus on educational programs, healthcare support, and community development projects, further demonstrating its commitment to social responsibility. Axis Bank's initiatives contribute to both economic growth and social welfare, helping improve the living standards of underserved populations.

Case Analysis: Axis Bank's combination of digital solutions and microfinance showcases how banks can use technology to reach out to the unbanked and empower marginalized communities economically. These efforts directly align with the social responsibility objectives set forth by the bank.

#### Kotak Mahindra Bank: Promoting Digital Literacy for Financial Inclusion

Kotak Mahindra Bank has actively engaged in promoting financial literacy and inclusion through its CSR initiatives. One of its major initiatives, the Kotak Mahindra Bank Financial Literacy Program, focuses on educating rural populations about basic financial concepts such as savings, budgeting, and insurance. The program provides tools and resources to help people understand how to manage their finances and access banking products.<sup>1386</sup>

Through partnerships with NGOs and government programs, Kotak Mahindra Bank has reached thousands of individuals who have never used banking services before. These efforts are part of the bank's broader social responsibility framework, which aims to bridge the gap between urban and rural populations and reduce economic disparity.

Case Analysis: Kotak Mahindra Bank's emphasis on financial literacy as a tool for social

<sup>1383</sup> Rajesh Kumar, "ICICI Bank: Digital Financial Inclusion," *The Indian Banker*, vol. 20, no. 3 (2021): 34-36.

<sup>1384</sup> R. Shankar, "Empowering Women Entrepreneurs Through Financial Services: A Case Study of HDFC Bank," *Indian Journal of Social Issues*, vol. 19, no. 2 (2019): 11-13.

<sup>1385</sup> Sunil Mehta, "Axis Bank and the Growth of Microfinance in India," *Journal of Banking and Finance*, vol. 18, no. 4 (2018): 21-23.

<sup>1386</sup> K. Sharma, "Financial Literacy and Inclusion: The Role of Kotak Mahindra Bank," *Indian Financial Review*, vol. 10, no. 2 (2019): 28-30.

responsibility highlights the importance of education in achieving financial inclusion. This case shows how banks can support social change by empowering communities to better manage their economic lives.

#### Bank of Baroda: Financing Small and Medium Enterprises (SMEs)

Bank of Baroda (BOB) has been instrumental in supporting Small and Medium Enterprises (SMEs) through its financial inclusion initiatives. The bank offers affordable credit products designed to help small businesses grow, which in turn contributes to the local economy and job creation. BOB's MUDRA loans and other business finance schemes provide access to working capital, which is essential for SMEs to thrive.<sup>1387</sup>

Additionally, BOB has worked with various social enterprises to provide financial solutions to women-led businesses and startups. By focusing on economic empowerment, BOB has successfully integrated financial inclusion into its CSR initiatives.

Case Analysis: Bank of Baroda's commitment to financing SMEs underlines the importance of providing targeted financial products to support local entrepreneurs and job creation. This initiative aligns with the broader goals of social welfare and economic development.

#### Punjab National Bank: Promoting Social Welfare through Digital Banking

Punjab National Bank (PNB) has integrated financial inclusion and social responsibility through its digital banking platforms. The bank offers a range of services such as Aadhaar-linked bank accounts, mobile banking, and microloans, designed to bring banking services to India's rural and underserved populations. PNB has also implemented financial literacy programs that provide rural individuals with the tools to access and utilize financial services effectively.<sup>1388</sup>

<sup>1387</sup> G. Kumar, "Bank of Baroda's Microfinance Efforts for Rural Empowerment," *The Rural Development Journal*, vol. 12, no. 1 (2020): 44-46.

<sup>1388</sup> P. R. Pandey, "Punjab National Bank: Bridging the Gap in Rural Finance," *Financial Inclusion Quarterly*, vol. 25, no. 4 (2020): 12-14.

The bank's emphasis on social welfare, including programs that support education, healthcare, and environmental sustainability, further reflects its commitment to corporate social responsibility. By using digital technology to extend its reach, PNB contributes to both social inclusion and economic empowerment.

Case Analysis: PNB's digital banking initiatives highlight the importance of using technology to foster financial inclusion in underserved areas. The bank's focus on social welfare through its CSR programs also showcases its broad commitment to social responsibility.

#### YES Bank: Empowering Women through Financial Services

YES Bank has been an advocate for gender equality and women's empowerment through its financial inclusion programs. The bank provides targeted financial products for women entrepreneurs, including microloans and financial literacy training. YES Bank also partners with self-help groups (SHGs) to provide access to credit and support small businesses run by women.<sup>1389</sup>

These initiatives support the social inclusion of women and contribute to broader societal goals, such as gender equality and economic empowerment, aligning with the UN Sustainable Development Goals (SDGs).

Case Analysis: YES Bank's focus on women's empowerment through financial inclusion shows how banks can contribute to gender equality while fostering economic growth. The bank's work with women entrepreneurs highlights the positive social impact of inclusive banking practices.

#### IDFC Bank: Fostering Rural Development through Financial Products

IDFC Bank has made significant strides in rural development through its financial inclusion initiatives. The bank's focus on offering affordable loans and insurance products to

<sup>1389</sup> S. Rajan, "YES Bank's Financial Inclusion for Women Entrepreneurs," *Social Impact Review*, vol. 8, no. 3 (2019): 18-20.

rural populations has helped improve access to essential financial services. IDFC also collaborates with NGOs and local governments to improve financial literacy and access to basic banking services.<sup>1390</sup>

The bank's efforts to expand access to financial products in rural India demonstrate its strong commitment to social responsibility and community development.

**Case Analysis:** IDFC Bank's efforts in rural development highlight the importance of offering affordable financial services to underserved populations. The bank's focus on financial inclusion contributes to both social and economic growth in rural areas.

#### **RBL Bank: Supporting Marginalized Communities through Financial Services**

RBL Bank has dedicated resources to financial inclusion efforts, particularly in supporting marginalized communities. The bank offers affordable loans, credit facilities, and financial education to economically disadvantaged groups, including tribal populations and small farmers. Through partnerships with local NGOs and social enterprises, RBL Bank has played a pivotal role in empowering marginalized communities.<sup>1391</sup>

**Case Analysis:** RBL Bank's commitment to supporting marginalized communities underscores how corporate social responsibility can contribute to addressing economic inequality. The bank's focus on financial education and access to credit has empowered many to break the cycle of poverty.

The role of social responsibility in promoting financial inclusion is evident across several case studies of major Indian banks. These institutions are working actively to provide financial services to underserved populations, empowering individuals and small businesses while supporting social equity and economic

growth. Through targeted initiatives, partnerships with NGOs, and innovations in digital banking, these banks contribute significantly to the social welfare of the communities they serve.

By embedding financial inclusion into their business models, banks are not only fulfilling their social responsibilities but also helping to create a more inclusive and sustainable financial ecosystem in India.

Moreover, Indian banks are beginning to look at community welfare and corporate social responsibility (CSR) more strategically. Banks are now focusing on not just philanthropy but also investing in long-term initiatives that positively impact communities. For example, State Bank of India (SBI) has partnered with several NGOs to fund healthcare, education, and skill development programs, while Axis Bank is focused on empowering marginalized communities through its Axis Bank Foundation.<sup>1392</sup>

#### **Governance and Ethical Standards**

Governance is a critical component of the ESG framework. Banks are now being held to higher standards of ethical governance, with a stronger focus on transparency, accountability, and anti-corruption measures. The rise of corporate governance scandals globally, such as the Wirecard scandal in Germany, has highlighted the importance of maintaining rigorous governance standards.<sup>1393</sup>

In India, corporate governance reforms in the banking sector have been bolstered by the Banking Regulation (Amendment) Act, 2020, which aimed to strengthen the corporate governance of banks. The RBI has also mandated that banks set up audit committees and risk management committees to ensure effective governance. Furthermore, whistleblower protections and independent board assessments have been introduced to

<sup>1390</sup> M. G. Patel, "IDFC Bank: A Case for Rural Financial Inclusion," *Economic Development Journal*, vol. 30, no. 5 (2020): 11-13.

<sup>1391</sup> R. K. Bansal, "RBL Bank's Approach to Financial Inclusion for Marginalized Communities," *Banking for All Journal*, vol. 5, no. 1 (2021): 22-24.

<sup>1392</sup> SBI, Axis Bank (2021). *Corporate Social Responsibility Reports*.

<sup>1393</sup> Wirecard Scandal (2020). *Corporate Governance Failures in Europe*.

enhance the integrity of banks' governance frameworks.<sup>1394</sup>

Internationally, ESG practices in governance have become more advanced. For instance, in the US, the Securities and Exchange Commission (SEC) has enhanced disclosure requirements related to executive compensation and board diversity. These practices aim to align governance decisions with the interests of shareholders, employees, and the broader community, ensuring long-term value creation and reducing the risk of unethical behavior.

### Digital Transformation and ESG Integration

The digital transformation of banks is another key trend shaping ESG practices. As banks move towards digital banking, they are presented with new opportunities to integrate ESG factors more effectively. Fintechs and digital banks are leveraging technology to promote sustainability by offering digital platforms that help customers track their carbon footprint, invest in sustainable assets, and make eco-friendly choices. For example, Paytm and PhonePe are providing digital solutions that encourage sustainable consumption by rewarding eco-friendly actions through their reward programs.<sup>1395</sup>

Additionally, blockchain technology has the potential to enhance transparency and traceability in ESG reporting. By using blockchain, banks can provide verifiable and immutable data on their sustainability efforts, ensuring that ESG claims are credible and transparent. This could help prevent greenwashing, a major concern in the ESG space.

The intersection of digital transformation and Environmental, Social, and Governance (ESG) integration is rapidly becoming a transformative force in the global banking sector. Digital technology, which includes advancements such as artificial intelligence

(AI), big data, blockchain, and cloud computing, offers banks new opportunities to advance their ESG initiatives. By leveraging these technologies, financial institutions are enhancing their capabilities in promoting sustainability, ensuring ethical governance, and improving social responsibility. This SECTION explores how digital transformation is supporting the integration of ESG criteria in the banking sector and highlights several case studies where this synergy has been implemented.

### ICICI Bank: Implementing Digital Platforms for Sustainable Finance

ICICI Bank, one of India's largest private sector banks, has embraced digital transformation to integrate sustainability and social responsibility within its operations. Through the use of digital platforms and mobile banking applications, ICICI Bank offers green loans and eco-friendly financial products. One notable initiative is the ICICI Green Home Loan, which incentivizes customers to purchase environmentally sustainable homes or make energy-efficient improvements to their existing homes. The bank has also digitized its entire loan application process, reducing paperwork and promoting environmental sustainability.<sup>1396</sup>

Furthermore, ICICI Bank leverages its mobile banking platform to promote financial inclusion, enabling customers in remote areas to access banking services. The bank's efforts align with the United Nations Sustainable Development Goal (SDG) 7, which focuses on affordable and clean energy. By incorporating blockchain technology for secure transactions and cloud-based platforms for scalability, ICICI Bank continues to enhance its ESG practices by improving transparency, security, and accessibility. This case demonstrates how digital technologies are streamlining processes, improving access to green financing, and increasing customer engagement in sustainability initiatives.

<sup>1394</sup> RBI (2020). Banking Regulation Amendment Act, 2020.

<sup>1395</sup> Paytm, PhonePe (2021). Digital Financial Services for Sustainability.

<sup>1396</sup> ICICI Bank (2020). "Green Home Loan Initiative: Promoting Sustainable Housing."

ICICI Bank's initiative exemplifies how digital transformation can support sustainable finance and social inclusion by integrating ESG practices into the bank's core operations. By reducing paper-based processes and utilizing digital platforms, ICICI Bank contributes to both environmental sustainability and social welfare. The use of mobile apps for financial inclusion further emphasizes the bank's role in achieving the SDGs and improving accessibility to banking services.<sup>1397</sup>

#### HDFC Bank: Leveraging Digital Technology for ESG Reporting

HDFC Bank, another major player in India's banking sector, has incorporated digital transformation into its Environmental, Social, and Governance (ESG) reporting framework. The bank adopted cloud computing, big data analytics, and AI to improve the accuracy and transparency of its ESG disclosures. In its annual sustainability report, HDFC Bank uses data analytics to track and report its progress in reducing carbon emissions, managing water usage, and enhancing employee welfare. This approach enhances the credibility of its corporate social responsibility (CSR) efforts and ESG initiatives. HDFC Bank (2021). "Annual Sustainability Report: Big Data and ESG Reporting."

HDFC Bank's use of digital platforms extends to its green bonds and sustainable investment funds. These investment vehicles, managed using AI-driven algorithms, assess potential investments based on ESG performance. The integration of data analytics allows HDFC Bank to make more informed decisions regarding sustainable investments, helping it align with global ESG frameworks such as the Sustainability Accounting Standards Board (SASB) standards. By utilizing digital platforms for ESG reporting and green finance, HDFC Bank ensures greater accountability and stakeholder engagement, marking a significant step

towards integrating ESG practices into its corporate culture.<sup>1398</sup>

HDFC Bank's strategic use of digital technologies for ESG reporting underscores the growing importance of transparency and accountability in the banking sector. By utilizing big data and AI to enhance sustainability reporting, the bank is contributing to more robust and comprehensive ESG practices. This case demonstrates how technology can improve transparency and provide stakeholders with reliable information regarding a bank's sustainability efforts, thereby fostering trust and encouraging responsible investment.

#### State Bank of India (SBI): Promoting Financial Inclusion Through Digital Banking

The State Bank of India (SBI), the largest public sector bank in India, has taken significant steps toward integrating ESG principles into its operations, particularly in the social dimension. Through its digital banking initiatives, SBI has promoted financial inclusion by extending banking services to rural and underserved populations. The Pradhan Mantri Jan Dhan Yojana (PMJDY), a government initiative supported by SBI, aims to open bank accounts for the unbanked, particularly in remote areas, and is facilitated through mobile banking and digital wallets.<sup>1399</sup>

Additionally, SBI has embraced AI and machine learning (ML) to enhance credit scoring models, ensuring more equitable access to credit for low-income customers. These advancements enable the bank to assess risk more effectively and extend credit to underserved sectors, thereby contributing to inclusive growth. By offering digital financial literacy programs, SBI is also empowering rural populations with knowledge about financial products, further supporting its social responsibility goals.

SBI's commitment to financial inclusion through digital banking underscores its alignment with ESG objectives, particularly in the social

<sup>1397</sup> ICICI Bank (2020). "Annual Report on Sustainability and Social Responsibility."

<sup>1398</sup> HDFC Bank (2021). "Sustainable Investment Fund Performance."

<sup>1399</sup> State Bank of India (SBI) (2020). "Pradhan Mantri Jan Dhan Yojana and Financial Inclusion Efforts."

dimension. The bank's embrace of AI-driven credit scoring systems allows it to serve underserved populations more efficiently. By providing accessible financial services through mobile banking platforms, SBI is fostering social responsibility and economic empowerment, particularly among rural and marginalized communities.<sup>1400</sup>

#### Axis Bank: Digital Platforms for Green and Sustainable Projects

Axis Bank, one of India's leading private banks, has been a pioneer in integrating green finance with digital innovation. The bank launched a Digital Green Financing platform aimed at offering sustainable financial products such as green bonds, solar financing, and energy-efficient loans. These products allow businesses and individuals to access financing for projects that contribute to sustainability, such as renewable energy installations and eco-friendly infrastructure.<sup>1401</sup>

Axis Bank's use of blockchain technology ensures transparency and traceability in the green finance ecosystem. By utilizing distributed ledger technology (DLT), the bank can provide an immutable record of green project investments and ensure that funds are being used for their intended purpose. Furthermore, the bank uses data analytics to assess the environmental impact of projects, enhancing its ability to make informed decisions and ensuring that its green finance portfolio aligns with international sustainability standards.<sup>1402</sup>

Axis Bank's Digital Green Financing platform exemplifies how digital transformation can support the integration of sustainability into banking practices. The bank's use of blockchain technology for transparency in financing ensures accountability, while its digital green products align with global sustainable development goals (SDGs). This case highlights how banks can leverage technology to facilitate

the transition to a low-carbon economy and drive positive environmental change.

#### Standard Chartered: Leveraging FinTech for ESG Goals

Standard Chartered, a global banking giant, has embraced FinTech to advance its ESG goals. The bank has developed AI-driven platforms for managing climate risk, which helps its clients identify and mitigate risks related to climate change. By utilizing data science and big data analytics, Standard Chartered evaluates how climate risks affect its portfolio and advises clients on how to transition to a low-carbon economy.<sup>1403</sup> Furthermore, the bank has introduced sustainable investment funds that focus on companies with strong ESG performance. Standard Chartered's use of machine learning (ML) models helps assess ESG risks in real time, providing clients with insights into their investments' sustainability. This technological approach not only enhances transparency but also allows Standard Chartered to provide customized advice to clients seeking to meet their sustainability targets.<sup>1404</sup>

Standard Chartered's integration of FinTech into its ESG strategy exemplifies how banks are using technology to enhance the sustainability of their portfolios. By using AI and machine learning to analyze and mitigate climate risks, the bank ensures that its clients are equipped to make sustainable decisions. This case underscores how digital transformation can drive the banking sector's alignment with global ESG standards and promote the transition to a sustainable economy.

Digital transformation has proven to be a catalyst for integrating Environmental, Social, and Governance (ESG) criteria into the banking sector. The examples of ICICI Bank, HDFC Bank, SBI, Axis Bank, and Standard Chartered demonstrate how banks are using digital

<sup>1400</sup> State Bank of India (SBI) (2021). "Digital Financial Literacy Program and Impact."

<sup>1401</sup> Axis Bank (2021). "Digital Green Financing Platform: Innovations in Sustainable Lending."

<sup>1402</sup> Axis Bank (2021). "Blockchain for Transparency in Green Finance."

<sup>1403</sup> Standard Chartered (2021). "Leveraging AI for Climate Risk Assessment in Financial Portfolios."

<sup>1404</sup> Standard Chartered (2021). "Sustainable Investment Funds and Client Engagement."

technologies like AI, blockchain, and big data to enhance their ESG performance. By improving transparency, financial inclusion, and sustainable finance, these banks are contributing to the global sustainability agenda and meeting the growing demand for responsible banking practices.

The integration of digital technologies with ESG principles not only strengthens the banking sector's compliance with global sustainability frameworks but also ensures that banks play a pivotal role in shaping a sustainable future. As the banking sector continues to evolve, further advancements in FinTech, AI, and blockchain will be crucial in driving the global transition to a more sustainable and responsible economy.<sup>1405</sup> Furthermore, digital banking offers banks the opportunity to reach a broader customer base, especially in underserved areas. This could promote financial inclusion, a core aspect of the social dimension of ESG, by ensuring that marginalized populations are included in the financial ecosystem.

### Conclusion

The banking sector in India, as well as globally, is undergoing a significant transformation with respect to its Environmental, Social, and Governance (ESG) practices. These changes are being driven by regulatory pressures, the increasing awareness of climate and social risks, and the growing demand for ethical governance. As the world faces numerous global challenges, the role of banks in supporting sustainability, promoting financial inclusion, ensuring good governance, and contributing to social welfare has never been more significant.

By embracing ESG principles, the banking sector not only enhances its long-term viability but also contributes to global sustainability goals. However, to ensure that ESG practices are effectively integrated, more regulatory clarity, innovation in sustainable finance, and transparent governance practices are

necessary. With these changes, the banking sector can play a pivotal role in shaping a more sustainable and equitable future.

<sup>1405</sup> Standard Chartered (2021). "Annual ESG Impact Report."