

Green Banking through the Lens of Indian Knowledge Systems (IKS): Ethical Finance for Sustainable Development

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Abstract- Green banking has emerged as a critical strategy for promoting environmental sustainability while ensuring financial stability and inclusive growth. Indian Knowledge Systems (IKS), rooted in ancient Indian philosophy and socio-economic practices, emphasize harmony with nature, ethical conduct, and welfare-oriented economic activities. This research paper explores green banking by integrating modern sustainability-driven banking practices with traditional IKS principles such as Dharma (righteous conduct), Prakriti (nature), Aparigraha (non-excess), and Lokasangraha (collective welfare). The study adopts a conceptual and descriptive research design based on secondary data from classical Indian texts, contemporary academic literature, and policy documents issued by the Reserve Bank of India (RBI). It highlights how IKS can strengthen the ethical, environmental, and social dimensions of green banking and support India's sustainable development goals. The paper concludes that aligning green banking with IKS offers a culturally rooted, ethically robust, and long-term framework for sustainable finance in India.

Keywords: Green Banking, Indian Knowledge Systems, Sustainable Finance, Ethical Banking, RBI, NEP 2020

I. INTRODUCTION

Environmental degradation, climate change, and resource depletion have posed significant challenges to global economic systems, including the banking sector. In response, green banking has gained prominence as a mechanism to integrate environmental considerations into banking operations, lending decisions, and investment strategies. Green banking promotes eco-friendly practices, reduces carbon footprints, and supports sustainable projects.

India, with its deep-rooted philosophical traditions, possesses a unique advantage in embedding sustainability within economic systems. Indian Knowledge Systems (IKS) reflect a holistic worldview where economic activities are inseparable from ethical responsibility and environmental stewardship. Ancient Indian texts emphasize coexistence with nature and responsible utilization of resources. In this context, examining green banking through the IKS framework provides an indigenous and culturally resonant approach to sustainable finance.

II. OBJECTIVES OF THE STUDY

The objectives of the study are:

- To examine the concept and significance of green banking.
- To explore environmental and economic principles embedded in Indian Knowledge Systems.
- To analyse the linkage between IKS principles and modern green banking practices.
- To assess the role of RBI and policy initiatives in promoting green banking in India.
- To suggest an IKS-based framework for strengthening green banking initiatives.

III. RESEARCH METHODOLOGY

3.1 Research Design

This study adopts a qualitative, conceptual, and descriptive research design suitable for theory-building research, as recommended in sustainability and finance literature.

3.2 Data Sources

Secondary data were collected from peer-reviewed Scopus- and UGC-CARE-listed journals, RBI publications, sustainability reports, and classical Indian texts.

3.3 Analytical Framework

Content analysis and conceptual synthesis were employed to integrate IKS principles with green banking constructs. This study follows a qualitative and conceptual research design. Secondary data have been collected from ancient Indian scriptures, philosophical texts, books, peer-reviewed journals, reports of the Reserve Bank of India, and policy documents related to sustainability and green finance. Analytical and interpretative methods are used to relate IKS concepts to contemporary green banking practices.

IV. INDIAN KNOWLEDGE SYSTEMS AND ENVIRONMENTAL ETHICS

Indian Knowledge Systems are deeply rooted in environmental consciousness. The concept of *Prakriti* recognizes nature as sacred and integral to human existence. The Vedas, Upanishads, and Smritis

advocate sustainable living, moderation in consumption, and protection of natural resources. The principle of *Aparigraha* discourages excessive accumulation, while *Ahimsa* promotes non-violence towards all living beings, including nature.

These principles collectively establish an ethical framework that aligns closely with modern sustainability concepts such as environmental responsibility, intergenerational equity, and responsible consumption—core foundations of green banking.

V. CONCEPT OF GREEN BANKING

Green banking refers to banking practices that promote environmentally sustainable projects and reduce the ecological impact of banking operations. It includes initiatives such as paperless banking, green loans, financing renewable energy projects, energy-efficient infrastructure, and environmental risk assessment in lending decisions.

Green banking not only contributes to environmental protection but also enhances banks' long-term financial performance by reducing climate-related risks and improving corporate reputation.

VI. LINKING IKS PRINCIPLES WITH GREEN BANKING PRACTICES

The integration of IKS with green banking can be understood through the following conceptual linkage:

IKS Principle	Description	Green Banking Application
Dharma	Ethical and righteous conduct	Ethical lending and transparency
Prakriti	Respect for nature	Financing renewable and eco-friendly projects
Aparigraha	Moderation and non-excess	Responsible consumption and sustainable investment
Lokasangraha	Welfare of all	Inclusive and socially responsible banking

This linkage demonstrates that green banking is not a new concept but a modern manifestation of age-old Indian sustainability values.

VII. ROLE OF RBI AND POLICY INITIATIVES IN GREEN BANKING

The Reserve Bank of India has played a significant role in promoting sustainable and green banking

practices. RBI encourages banks to integrate environmental and social risk management into their credit appraisal processes. Initiatives such as priority sector lending to renewable energy projects, digital banking to reduce paper usage, and discussions on

climate-related financial risks reflect RBI's commitment to sustainable finance.

These initiatives resonate strongly with IKS principles, reinforcing ethical responsibility and long-term societal welfare.

VIII. RELEVANCE OF GREEN BANKING UNDER NEP 2020 AND SUSTAINABLE DEVELOPMENT GOALS

The National Education Policy (NEP) 2020 emphasizes the integration of Indian Knowledge Systems into higher education and research. Studying green banking through the IKS lens aligns with NEP 2020 by fostering interdisciplinary research combining economics, environment, ethics, and indigenous knowledge.

Furthermore, green banking supports multiple Sustainable Development Goals (SDGs), including climate action, responsible consumption, clean energy, and sustainable economic growth. IKS provides the philosophical foundation to internalize these goals within India's banking ecosystem.

IX. FINDINGS AND DISCUSSION

The study finds that:

- IKS provides a strong ethical and ecological foundation for green banking.
- Green banking practices are consistent with traditional Indian sustainability values.
- RBI initiatives complement IKS-based environmental ethics.
- Integrating IKS into green banking can enhance public trust and long-term sustainability.

X. SUGGESTIONS

- Banks should adopt IKS-inspired ethical frameworks for green finance.
- Green banking concepts should be integrated into banking and management curricula.
- RBI may issue comprehensive green banking guidelines aligned with sustainability principles.

- Further empirical research should be conducted to assess the impact of IKS-based green banking models.

XI. CONCLUSION AND SCOPE FOR FUTURE RESEARCH

This study demonstrates that Indian Knowledge Systems provide a culturally embedded ethical foundation for green banking. Future research may empirically test the proposed IKS–Green Banking–SDG framework using primary data, panel regression, or structural equation modeling to validate its practical impact on banking performance and sustainability outcomes. Green banking represents a crucial pathway toward sustainable development, and Indian Knowledge Systems offer a timeless ethical compass to guide this transition. By aligning green banking practices with IKS principles such as Dharma, Prakriti, and Lokasangraha, Indian banks can create a financial system that is environmentally responsible, socially inclusive, and economically resilient. The integration of traditional wisdom with modern regulatory frameworks can significantly contribute to India's vision of sustainable and inclusive growth.

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