

# Financing Green Projects Through Public Sector Banks In Western Maharashtra: Challenges And Opportunities

Ms. Shital Chavan<sup>1</sup>, Prof. (Dr.) A. K. Patil<sup>2</sup>, Dr. Aparna Sawant<sup>3</sup>

<sup>1</sup>Assistant Professor, Vishwakarma Dadasaheb Chavan Institute of Management and Research Malwadi Masur, Satara

<sup>2</sup>Professor and Head, Department of Economics, , Sadguru Gadge Maharaj College, Karad, Satara

<sup>3</sup>assistant Professor, Vishwakarma Dadasaheb Chavan Institute of Management and Research Malwadi Masur, Satara [Aparna.sawant44@gmail.com](mailto:Aparna.sawant44@gmail.com)

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## **Abstract:**

Public sector banks (PSBs) play a pivotal role in financing green projects, hence contributing towards sustainable development and environmental protection in the Indian scenario. Now, in the case of Western Maharashtra, which is one of the prominent agricultural and industrial hubs of India, the demand for such eco-friendly projects related to renewable energy, waste management, and sustainable agriculture has seen significant growth. This paper aims to analyze the role of PSBs in financing these green projects, challenges, opportunities, and future prospects. This asserts that the proper assessment of the financial viability of green projects provides a lack of awareness and technical know-how to PSBs. Two crucial barriers faced by the banks are regulatory barriers, the capital costs are high, and risk aversion shows a reluctance of the banks to open their funds for innovative yet uncertain green initiatives. With changes in environmental policies and greater government incentives, the scope for PSBs to grow into larger players in green financing through green bonds, low-interest loans, and public-private partnerships is becoming clearer. The study explores into the future course of green financing in the region, calling upon banks and policymakers to focus on capacity building, policy reforms, and integration of high technologies like blockchain and AI for better risk assessment. In this regard, PSBs have the capability to become drivers for the green economy, thus enabling the region to shift towards sustainable development. Using an exhaustive analysis of the financing landscape, this paper will provide insight into how the public sector banks in Western Maharashtra can convert challenges into opportunities and strengthen their role in green financing.

**Keywords:** Public Sector Banks (PSBs), Green Financing, Western Maharashtra, Sustainable Development, Renewable Energy, Environmental Policies, Green Bonds

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## **1. INTRODUCTION:**

Green projects have gained more attention with the ever-emergent global focus on sustainability and environmental conservation in every corner of the globe, as it directly addresses the cause of reducing climate change and promoting environmentally friendly practices. With increasing investment demand for renewable energy, sustainable agriculture, water conservation, and waste management projects in India, more importantly in the region of Western Maharashtra, is rising. In return, the green projects will not only conserve the environment but will also improve and develop the economy by increasing employment through innovation and sustainable business development. Due to their wide reach and central role in the financial systems of India, PSBs have the potential to facilitate the green economy shift. The involvement of the PSBs in financing green projects will spur this region of Western Maharashtra to become a very important hub for agriculture and industry towards sustainable development. Thus, providing financial means to green projects, the PSBs can play a very critical role in overcoming the environmental issues while ensuring economic growth in the regions (Ganesh, 2024).

There are difficulties in green financing in which PSBs play in this context. Firstly, the financial viability of the Green projects is very often vague and unknown, as they are innovative and complicated in nature.

However, in addition, there is a presence of regulatory constraints, lack of awareness, and minimal expertise in green financing, which restrains further expansion of such efforts. New avenues are emerging for PSBs to contribute to green finance - like green bonds, public-private partnerships, and government incentives. This paper examines the challenges and opportunities for PSBs in providing funding for green projects in Western Maharashtra and evaluates their long-term prospects for supporting sustainable regional development. A detailed analysis is therefore necessary to bring to the fore how PSBs can adapt to such challenges and leverage the new trend to become a very critical participant in the green finance system (CFA Institute, 2024).

## **2. Background of Study:**

Acceleration toward green projects has increased owing to environmental degradation and global shifts toward sustainable development in all sectors. Initiatives undertaken on renewable energy, sustainable agriculture, water conservation, and pollution control are all critical for the addressal of environmental challenges. This developmental pattern in India can very well be said to be entrenched in the regions of Western Maharashtra, where there have indeed been considerable pushes to implement such projects. Western Maharashtra has diverse agricultural and industrial profiles, which creates special environmental issues such as water scarcity, deforestation, and pollution. These problems require huge investments in green projects.

Public Sector Banks in India play a very crucial role in financing growth in the economy, mainly in rural and semi-urban areas (Ganesh, 2024). This support by the government enables them to have a vast branch network and financial infrastructure to implement green finance through capital provision for ecofriendly projects. Involvement of PSBs in green financing will encourage large-scale adoption of eco-friendly technologies and practices much needed for sustainable development of Western Maharashtra.

Historically, the banking sector of India has been biased toward traditional forms of lending, and hence, hasn't had much exposure to green finance. In order to conform to evolving global and national priorities toward climate change mitigation, PSBs are constantly being nudged toward a more proactive role in funding green projects. Policies issued by the government in terms of green bonds and incentives for renewable energy projects open up a window of opportunity for PSBs to upgrade their role in green financing.

There are still problems related to regulatory constraints, huge capital expenditures in green projects, and no technical expertise in the evaluation of green projects. So, there is an urgent need to solve these problems to engage PSBs entirely in green project financing opportunities in Western Maharashtra. This study aims to take the current state of PSB involvement in green finance forward, analyze key challenges, and explore growth and developmental opportunities for PSBs in that sector. With this background, results of this study shall give emphasis to how PSBs can possibly evolve into being central players in financing green initiatives and thereby contribute to the sustainable development of Western Maharashtra.

## **3. Scope and Significance of Study:**

In this study, focus is placed on financing green projects by Public Sector Banks (PSBs) within the areas of Western Maharashtra, a region famous for its agricultural, industrial, and economic importance. This research tries to highlight how PSBs can be of help in such green initiatives like renewable energy, water conservation, sustainable agriculture, and waste management. It reviews the existing funding models adopted by PSBs towards green projects, their challenges in offering finance to the green sustainable projects, and further analyzes opportunities for PSBs to develop their role in green finance, along with possible solutions that would be helpful in surmounting the identified obstacles.

The geographical scope is confined to Western Maharashtra, which has witnessed increasingly developing environmental concerns along with opportunities for green technologies. It encompasses the participation of major PSBs in this region and their financial strategies, policies, and frameworks related to green

projects. Some studies discuss the role of regulatory bodies, government policies, and environmental standards affecting green projects' finance landscape (Goel et al., 2022). Based on an in-depth analysis of challenges and opportunities of green financing, this study is poised to present a holistic understanding of how PSBs can leverage the green economy in Western Maharashtra.

The significance of the study lies in developing new knowledge on green financing and the role of financial institutions in sustainable development. PSBs are among the largest players in the Indian financial ecosystem, and, therefore, could mark a mass-scale diffusion of environment-friendly practices (EY, 2024). This study has underlined the important role that PSBs would play in giving shape to the green project financing agenda to squarely address issues related to climate change, pollution, and resource depletion in Western Maharashtra.

From a policy perspective, this study has implications for aligning government regulations, incentives, and environmental frameworks with financial sectors to boost green investment. The study provides key light on capacity building and knowledge enhancement within PSBs so as to become more proficient in estimating and managing green projects. It is important to call upon PSBs to tap new kinds of financial instruments called green bonds and sustainable development funds to power their efforts toward rapid growth of the green economy (Musah, 2023). The study addresses not only the problems but also the prospects of green financing in Western Maharashtra with recommendations for policymakers, bankers, and environmentalists who seek to make a more sustainable and resilient financial ecosystem. Finally, the findings hope to contribute to the larger agenda of sustainable development in India, showing PSBs can act as catalysts of green growth and environmental protection.

#### **4. OBJECTIVES OF THE STUDY:**

- To analyze the current role of Public Sector Banks (PSBs) in financing green projects in Western Maharashtra.
- To identify the challenges faced by PSBs in financing green projects.
- To explore the opportunities for PSBs in expanding green financing in Western Maharashtra.
- To analyze how government initiatives, environmental policies, and regulatory guidelines influence the ability of PSBs to support green projects.
- To provide better solutions for improving the capacity of PSBs to finance green projects in Western Maharashtra.

#### **5. REVIEWS OF LITERATURE:**

Mishra and Singh (2022) have discussed the future avenues for PSBs in green financing. Out of the green financing modalities, the authors have envisaged that advanced technology like blockchain and artificial intelligence can direct the banks for better risks assessment in green projects. As such, based on the recommendation of the authors, the PSBs will have to embrace these technologies for risk management and innovative capabilities in green finance. Additionally, according to the authors, strengthening PPPs would expedite the practice of green projects in areas like Western Maharashtra

Western Maharashtra is being examined on various issues related to sustainable development because of the distinct environmental and economic factors. Patil and Joshi (2022) studied the dependence of agriculture and industry in this region and suggest some significant environmental concerns such as water scarcity, deforestation, and pollution. They further argue that, with PSBs' help, green projects may help to better address these challenges and enhance the resilience of the region in the face of environmental threats. This point is further echoed by Kale and Mahajan (2021) as they continue exploring how PSBs can facilitate green financing through investments in renewable energy projects, especially solar and wind energy, because of the geographical advantages of the region

The authors go a step beyond by asserting that financial institutions are crucial in spurring green investments through their ability to channel capital towards environmentally friendly projects (Garg and Sinha, 2020). The paper emphasizes that "green finance" is an instrument in the fight against climate change while expanding carbon footprints with efficiency win. The authors note that although PSBs, because of their government-backed status, hold potential, they are otherwise constrained by regulatory challenges and risk aversion for taking up a key role in green financing.

Quite a number of studies have also concentrated on the constraints banks have in financing green projects. Pradhan and Narang (2019) also mention some of the major barriers that include the lack of standardized valuation metrics for green projects, high capital costs, and uncertainty as far as returns on investment is concerned. This further complicates the process of PSB determining whether such initiatives are feasible to pursue. Additionally, Bhattacharya et al. (2021) opine that PSBs are also not well-equipped with the knowledge and capabilities regarding new green technologies and financial tools like green bonds. Their study highlights the need for banks to further develop capacities to bridge these knowledge gaps.

On the other hand, in the space of opportunities, Chakraborty and Jain (2021) study falls under the theme, "Increasing Green Bond and Other Sustainable Finance Instruments to Fund Sustainable Development." Their study beckons PSBs to tap into the freshly minted financial instruments to advance green financing involvement. Besides, according to Singh and Kumar (2020), government policies can lead to facilitating Green Finance, yet subsidies, tax benefits, and reduced interest loans can be used in promoting PSBs in providing finance on green initiatives.

To that extent, research into what role PSBs plays with regards to the support of sustainable development in India has been scarce to this point but increasingly growing. Thus, Sharma and Desai (2020) found that PSBs in India will go a long way in sponsoring large-scale sustainable projects due to their large number of branches, and they will get government support as well. However, they caution that PSBs should surmount regulatory barriers coupled with internal risk-aversion tendencies in order to be able to flourish. According to the findings of Sharma and Desai (2020), it is only through a concerted effort both from government regulators and the banking sector that PSBs' participation will increase in green financing.

## **6. DISCUSSION AND ANALYSIS:**

### **a. Current Scenario of Green Financing by PSBs in Western Maharashtra:**

Public Sector Banks in India is the backbone of the government financial institutions that support both urban as well as rural economy. Whereas Western Maharashtra has a significant economy based on agriculture, industry, and eco-tourism, green financing has been taken up as a priority for the region. Here PSBs have been evincing interest to participate in such green financing with initiatives for renewable energy projects, waste management, and sustainable agriculture.

PSBs' participation in green projects is still relatively lesser compared to the overall financing landscape. Even though PSBs have developed policies on supporting the environment, their contribution in the green financing area remains in a relatively early stage. Green bonds, low-interest loans, and concessional financing are accessible but not reached the scale needed to sustain the broader sustainability goals of the region. Most of the focus still remains on traditional lending and merely a small fraction of their portfolios makes up green financing.

### **b. Barriers Faced by PSBs in Financing Green Projects:**

In the event that green projects will involve new technological information, more so in emerging fields such as renewable energy, then they require specialized knowledge in risk assessment and project evaluation for the right risk aversion. PSBs suffer from a lack of technical expertise in evaluating green projects for accuracy about financial viability, a cause for risk aversion. The regulatory conditions are quite strict, and there is also no specific direction toward green financing. There is no unified framework to evaluate the

project's environmental impact, which has made the finance approval process more difficult. Financial Risk and Return Green project-associated financing has higher financial risk, especially in the beginning stages, compared to traditional projects. They have a longer period of payback compared to regular projects. The lack of clarity on returns and increased cost of the preliminary capital investment makes the PSBs hesitant to advance loans for such projects. Though green bonds, and other types of green financial products are promoted, adoption in PSBs is slow. Green financial instruments are highly expertise intensive and require a proper regulatory framework for proper use by banks (Agrawal et al., 2024).

**c. PSBs in Green Finance Opportunity:**

There are a number of ways PSBs can engage actively in green financing across Western Maharashtra Government Support and Policy Initiatives: The Indian government has provided incentives, such as subsidies and tax benefits for renewable projects. Additionally, the many governments' initiatives, such as NABARD's Sustainable Finance Scheme, along with the issuance of green bonds, allow PSBs to diversify their portfolios and increase green finance.

Public-Private Partnerships (PPP): This can reduce financial risks and create financing synergies in green projects. PPP models become the most relevant in massive green infrastructure projects such as solar and wind energy farms that require substantial investment and expertise. Growing Awareness among Commercial Enterprises and People Regarding Green Practices Businesses and people in Western Maharashtra are growing in awareness of the green practices. Rising demand for environment-friendly products and services will also make PSBs fund business ventures that adopt eco-friendly practices. Green Bonds and Other Financial Instruments Worldwide, the green bond trend is now an avenue for PSBs to raise funds meant exclusively for the purpose of green projects, as PSBs can now draw on the growing source of capital targeted towards sustainable development through participation in these financial markets.

**d. Future Prospects of PSBs in Green Financing:**

Looking ahead, PSBs hold tremendous potential as leaders in green financing in Western Maharashtra. Still, to explore this potential in its entirety, a few critical steps need to be taken on board: The PSBs must invest in appropriate training and capacity building that would enhance their sense of understanding green projects and their financial falls. This would make banks able to better know more about the risk that is carrying through the projects and be able to take well-informed decisions for green financing (Chen et al., 2024).

Advanced technologies such as blockchain and artificial intelligence (AI) can further enhance risk assessment accuracy on green projects. AI may be applied to model environmental and financial risks, and blockchain will ensure transparency and traceability in the financing process. Clear policy guidelines and regulatory support are the key to promoting green finance. In this regard, the government will have to work with the regulators to simplify the approval process for green projects and introduce incentives in favor of PSBs to increase their exposure to green financing.

Scaling up Green Bonds and Sustainable Finance: PSBs should actively engage in the green bond market and raise funds meant only for green projects. Scale up the access of PSBs to include them in large-scale green initiatives like renewable energy, water management, etc. to reduce waste.

Based on such an analysis of challenges and opportunities, the following strategies are recommended to be adopted by PSBs in order to strengthen the role of PSBs in green financing: Form Strategic Alliances with Environmental Experts and Institutions Liaisons with environmental consultancies and academic institutions would be used for PSBs to avail technical expertise in a more effective assessment of green projects. Dedicated Green Financing Teams Green financing specialists within the PSBs would centralize decision-making and allow the banks to better identify viable green projects.

The PSBs shall enhance awareness about the utilisation of green financial products for them to cover a wider section of green finance. Strengthen Public-Private Partnerships PSBs shall promote partnership with private companies, NGOs, and bodies of government so that financial risks are better mitigated to scale up implementation of green projects.

## **7. FINDINGS OF STUDY:**

1. Public Sector Banks of Western Maharashtra have the involvement in green financing at a relatively low level of engagement. It is in such a way that, the overall PSBs lending portfolio is dominated by the green projects, despite government's initiatives and incentives. This happens because there lays more focus on traditional sectors such as agriculture and industry, while the priority of green financing stays low in the hierarchy for many banks.
2. One major issue identified is that PSBs lack expertise and technological capacity to evaluate and manage green projects. It is evident that most of the PSBs do not possess specialized teams in-house or any kind of training programs that would be able to properly assess the risks, benefits, and then conclude on the financial viability of environmentally sustainable projects. This thereby hampers their ability to effectively engage with the marketplace on green finance.
3. Green ventures will often have a higher cost of set-up and a longer payback period, making them less attractive investment opportunities in the eyes of PSBs. The uncertainty of the financial return perceived reduces the chances of the bank lending its money to innovative but unproven green ventures. Hence, the PSBs are more likely to choose low-risk conventional lending rather than the volatile nature of the green initiative.
4. There are tremendous opportunities for PSBs in green financing, primarily on account of policy push by the government. The Indian government's push for renewable energy, climate action, and sustainable development has produced a friendly policy environment in the green financing space. All these propositions cover such proposals as issuance of green bonds, subsidies on renewable energy, and incentives offered for eco-friendly infrastructure which remains highly valuable opportunities to enhance the green project financing for PSBs.
5. Sectors such as agriculture, energy, and manufacturing are the most prominent across the districts of Western Maharashtra, which have a rising demand for incorporating sustainability practices. The increment in demand will further aid PSBs in increasing their lending in green sectors with funding for projects such as solar energy farms, water conservation efforts, sustainable agricultural practices, and waste management systems. However, going forward, this trend is bound to increase since people grow conscious of their environment.
6. There is immense potential in the green financial instrument, namely in terms of issuing green bonds and in public-private partnership. While some PSBs have recently begun issuing green bonds, there exists considerable scope to scale up this effort to attract capital committed ideologically to green projects. PPPs also form a plausible avenue for PSBs to share risks with private investors so as to increase the 'attractiveness' of green projects on financial grounds.
7. PSBs should invest in capacity building and new technologies to strengthen participation in green financing. Use of latest tools like blockchain and its implications for transparency, and artificial intelligence and related applications for risk assessment, are expected to allow PSBs possibly to expand their capacity for evaluating and managing green projects, overcome some of the existing barriers that prevent banks from making better lending decisions in the green finance sector.
8. Green financing for PSBs in the future seems promising in nature provided some pertinent issues are overcome: risk perception, complexity in regulation, and technical expertise. PSBs can emerge as key players in regional progress toward sustainability development if investments in capacity building and strategic

alliances are appropriately made. A degree of alignment between PSBs and national and international sustainability goals is also expected to improve their participation in green financing in the years to come.

## 7. CONCLUSION:

The role of Public Sector Banks in financing the green projects is actually a necessity for sustainable development in the region of Western Maharashtra, which is posing serious environmental challenges from agriculture, industry, and economic activities. Although there is some effort by the PSBs to support green initiatives, there are still a number of challenges facing their current involvement. The most significant areas under consideration include lack of experience in evaluating green projects, financial risks, regulatory barriers, and uncertain return on investment among others. This has been one of the major reasons why green financing has yet to be deep-rooted among the PSBs in the region.

Green financing is an area that has huge prospects in the future for PSBs. Initiatives taken by the government - subsidies, tax benefits, and even issuing green bonds - can further improve this sector's potential to a big extent that could force banks to play a more significant role in eco-friendly projects. The increasing demand for the adoption of sustainable practices in segments such as renewable energy, water conservation, and waste management environment will also favor PSBs to expand their green portfolios. However, PSBs will require capacity building and development of technical expertise in green financing to overcome the challenges and take up the opportunities. Additionally, the latest technological solutions like blockchain and AI need to be adapted to risk better assessment. Privately owned investors can be collaborated to reduce the financial risks of a project through PPPs with the help of financial instruments like green bonds.

Western Maharashtra offers copious opportunities for PSBs to transform through green financing. In this direction, by removing existing barriers and playing new opportunities, the possible outstanding contribution of PSBs can be achieved in the emerging sustainable and resilient economy transition of the region. With proper strategies and policy support, PSBs would become the headliners of green growth, guiding projects that are environmentally responsible while further adding layers of economic prosperity to the region.

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