**Contact:** Wani Diwarkar
**Email:** wani.diwarkar@asiareengage.com
**Phone:** +65 98320643

# MEDIA RELEASE

## Amid USD513.8bn Financing Boom, New Report Asks: How Climate-Ready are India's Banks?

*As lending into high-emissions sectors surges and domestic banks shoulder the bulk of India's development investment load, new report analysing six major lenders finds the industry still largely lacks the critical architecture for a climate-ready financing system.*

**November 2026, Singapore / New Delhi** — India's banking system is expanding at a pace few large economies can match as the country marches toward its goal of becoming an advanced economy by 2047.

The composition of that growth matters as much as its pace, and emissions-intensive sectors such as power, steel, infrastructure, and cement have absorbed a lot of that lending without credible transition conditions in place. With lending decisions taken today potentially fixing emissions into the 2050s and beyond, every year that sees credit flow without these conditions will make the eventual adjustment steeper and raise the risk of stranded assets for borrowers and lenders alike.

Asia Research & Engagement (ARE), today launched *Capital in Transition: How Climate-Ready Are India's Banks?*, an assessment of how six of India's largest lenders are tracking and managing the climate impact of their loan portfolios: Punjab National Bank (PNB), Union Bank of India, YES Bank, Axis Bank, ICICI, and HDFC.

The report finds that most still lack the sector-level targets and high-carbon lending policies needed to turn measurement into transition.
Outstanding bank credit to Indian industry stood at USD513.8bn at the end of May 2026, up 17.5% year on year. Power-sector credit rose to USD95.3bn and steel credit to USD39.9bn, two of the most challenging sectors to decarbonise.

**Key findings**

PNB leads the six assessed banks on disclosed financed-emissions readiness, covering 87% of net advances and investments. Across the sample — PNB, YES Bank, Union Bank of India, HDFC Bank, ICICI Bank and Axis Bank — progress is uneven, and none yet has a comprehensive policy for high-carbon lending.

For global investors, regulators, and Indian policymakers, the goal should be to require banks to disclose what share of each portfolio is exposed, transition-plan conditions on lending to high-emitting clients, and consistent green-finance definitions – at least until a national taxonomy is in place.

The bigger test for banks is not only green lending but how they finance the transition at high-emitting borrowers while managing portfolio risk.

Arun Kumar, Strategic Advisor – Power and Technology at ARE, said: "India's next generation of industrial assets is being financed now. The building blocks already exist — the opportunities lie in connecting them.

"Every credible transition plan should answer three questions: what needs to change, by when, and how will the bank support and hold the borrower to that commitment?"

**What the report finds across the six banks:**

- PNB: Leads on disclosed financed-emissions readiness, covering 87% of net advances and investments, with a 2060 net-zero objective that includes financed emissions. Sector-specific interim targets would build on that foundation.

- YES Bank: The only bank in the sample to link measurement in electricity generation, cement, and iron-and-steel to a sector-level emissions-intensity reduction target, with scope to broaden coverage.

- Union Bank: Discloses financed emissions by asset class and signals a gradual phase-out of financing for high-carbon power.

- HDFC Bank: Has expanded measurement, although coverage remains partial.

- ICICI Bank: Has relatively advanced climate-risk infrastructure, offering a foundation to extend pilot-stage measurement for listed corporate

borrowers. ICICI receives a "policy/partial implementation" assessment for client engagement and escalation.

- Axis Bank: Has an exposure limit and reduction pathway for high-carbon power. A publicly disclosed financed-emissions baseline would help investors track progress.

On high-carbon lending policies, four banks — PNB, YES Bank, HDFC and ICICI — lack qualifying public evidence under ARE's criteria. Apart from ICICI, the other five banks are assessed as "early/limited" on client engagement and escalation.

**Report highlights what are the emerging best practices across SE Asian Banks:**

- The policy focus of leading banks across SE Asia is clearly on moving towards net zero financed emission

- Measurement of the portfolio: Some of the leading SE banks including Maybank and CIMB have been expanding measurement across a wider share of lending and investments, so banks and investors can see the full picture and act on it.

- Set clear, realistic sector targets: Leaders like DBS and OCBC have turned broad net-zero ambitions into interim, sector-level targets that give borrowers a clear path and give investors a way to track progress.

- Link lending to borrower progress: Banks like DBS, and Thai banks like **Kasikornbank (KBank)** have connected expectations to credit approval, pricing, loan tenor, exposure limits and escalation, so financing actively supports transition.

India's banks are already financing the industries that will shape the country's future climate trajectory. By connecting measurement, targets, and lending decisions, they have the opportunity to lead that transition, building a more competitive, lower-carbon economy while managing long-term financial risk.

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**Notes to editors:**

- The review uses public information available to 14 August 2026. Its readiness ladder assesses disclosed financed-emissions measurement and targets, not overall climate performance. It evaluates publicly evidenced

policies, disclosures and implementation. The six-bank sample is not statistically representative of India's banking system.

- Green and sustainable-finance figures use differing definitions and periods and are not directly comparable. Sustainable finance can include social finance. Currency conversions use INR90/USD.

- Download the complete *Capital in Transition: How Climate-Ready Are India's Banks?* report HERE.

**For media interviews and further enquiries, please contact:**
Wani Diwakar
Asia Research & Engagement (ARE)
wani.diwakar@asiareengage.com

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