



REDEFINING CAPITAL IN A CLIMATE-CONSCIOUS ERA

In the 21st century, finance is no longer just about numbers on balance sheets or returns on investment. It is about responsibility. The conversation has shifted from “How much profit will this generate?” to “What kind of future will this create?” As climate change becomes more visible in our daily lives, the financial world finds itself at a defining moment. This moment has sparked the rise of green finance: an approach that recognizes that money is never neutral. And increasingly, investors, institutions, and governments are asking not only whether an investment is profitable but whether it is sustainable.



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The New Geography of Money

Of late, green finance has become the fastest-growing corner of global financial markets. According to Mordor Intelligence’s February 2026 report, the sustainable finance



market sits at \$13.4 trillion today and is on track to hit \$15 trillion before the year is out. And within this expanding global story, India is quietly becoming one of its most consequential chapters.

For entrepreneurs and investors in India, 2026 feels different from the optimistic years that came before it. The conversation has shifted from should we fund this? to how do we fund this better? Green finance has not just grown. It has started to mature. And with maturity comes both more opportunity and higher expectations.

Drivers of 2026 Trends

Three forces are reshaping green finance in India this year:

The first one is surely accountability. The previous decade ran on good intentions. Companies made sustainability commitments that were voluntary, loosely defined, and rarely audited. That era is ending. In June 2025, SEBI introduced a comprehensive Framework for Environmental, Social and Governance Debt Securities (ESG), making mandatory disclosures, third-party reviews, and alignment with global standards central pillars of bond issuance. ESG, which stands for Environmental, Social, and Governance, is a framework used to evaluate how a company manages its risks and responsibilities beyond pure financial performance.

It covers how a business impacts the environment, treats people, and governs itself. SEBI has mandated ESG disclosures for the top thousand listed companies in India under its Business Responsibility and Sustainability Reporting initiative. As a result, India's banking sector is also moving toward integrating climate risk into credit

assessments.

Greenwashing is no longer just a reputation problem. In many jurisdictions, it is now a legal one.

Secondly, technology is playing a major role in the process. Blockchain-based bonds are cutting settlement costs significantly through smart contracts, and AI is being deployed to assess ESG risk in real time, replacing slow, manual audit processes that used to take months. For a startup trying to attract capital, the diligence process that once stretched across a quarter can now be compressed into weeks.

Thirdly, private capital is stepping up precisely where public policy has stepped back. Globally, 88 percent of individual investors still express interest in sustainable investing, and 86 percent of institutional asset owners plan to increase their sustainable allocations over the next two years. Smart money does not wait for political permission.

Drivers of 2026 Trends

Globally, finance for climate action has risen to about USD 1.9 trillion annually in 2023, but remains well below the USD 6–9 trillion required annually to stay on a 1.5°C trajectory. Finance flows remain heavily concentrated with 80% in East Asia, Western Europe, and North America, leaving South Asia and Sub-Saharan Africa dependent on limited public sources. Debt dominates global flows, while adaptation and early-stage technologies continue to be underfunded. For India, these global imbalances highlight both the urgency and opportunity to mobilise diversified finance through concessional, blended, and risk-sharing instruments.

Green Finance for Viksit Bharat

The case for green finance in India is no longer theoretical. It is an economic reality.

India's Viksit Bharat initiative has accelerated sustainable finance, making the country the second-largest funding hub for climate-related companies in 2024, surpassing China as it secured \$2.4 billion in investments during that quarter. India met its target of 50 percent installed renewable energy capacity in 2025, five years ahead of schedule. That is not a symbolic milestone. It is proof that policy ambition, when backed by capital, delivers results.

The government has taken further steps by issuing sovereign green bonds, with proceeds directed toward renewable energy, low-carbon transport, and waste management. Globally, economies like Australia and Germany have used similar instruments to anchor investor confidence and attract institutional capital at scale, offering a useful reference point for where India's sovereign green bond market could head.

According to Niti Aayog 2026's report on Scenarios Towards Viksit Bharat And Net Zero: Financing Needs, India's total investment need would be about USD 22.7 trillion against USD 16.2 trillion in available finance, leaving a gap of USD 6.5 trillion.

Out of the sectors, power constitutes 82% to this gap followed by industry (13%) and transport (5%). The financing gap expands from USD 2.5 trillion by 2050 to USD 6.5 trillion by 2070 as the cost of full low-carbon transition rises in post-2050 period with investment in hard-to-abate solutions along-

side investments in large-scale renewable integration, storage, and clean technology deployment.

No doubt, International finance would play a critical role in India's Net Zero transition, potentially meeting up to 42% of total investment needs by 2070. Limited domestic capital and the risk of crowding out private investment make external financing essential for sustaining growth. This marks a sharp rise from the 17% share of international flows in 2022–23. Concessional finance and grants will be especially important for supporting currently unviable but essential Net Zero technologies.

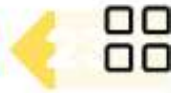
No doubt, the scale of ambition demands a financial system that is structured, credible, and capable of channeling capital consistently. A draft climate taxonomy has been released to classify climate-aligned activities, and a domestic carbon market is anticipated by 2026.

Climate Tech Founders: The Opportunity and the Gap

If you are building a climate tech company in India right now, the big picture feels exciting. But on the ground, the journey feels more complicated.

There is real momentum. A decade ago, there were a couple of hundred climate tech startups in India. Today, there are around 3,000. Cleantech funding surged 43 percent to \$2.6 billion in 2024 to 2025. Hardware sectors such as electric mobility, battery storage, and rooftop solar are back in focus after years when software dominated the conversation.

But there is a clear gap in the middle. India's



climate tech startup funding has declined from \$2.4 billion in 2022 to \$1.5 billion in 2024. Startups that raised money during the 2021 and 2022 funding boom are now looking for their next round in a more cautious market. Series B and late-stage rounds are proving the toughest. Companies have proven their concept but are not yet large enough to be considered stable infrastructure investments.

India's sustainable bond issuance remains relatively modest, declining to \$2 billion in 2025, with green bonds dominating at a 62 percent share but corporate participation remaining limited. The sovereign is carrying much of the weight. India's bond market also remains relatively shallow, limiting the availability of long-term capital for climate projects. Many promising companies end up stuck in a funding grey zone, too large for early-stage venture capital but too small and too risky for large infrastructure funds.

The opportunity is real and long-term. But the path from idea to impact is uneven. For founders, success in 2026 is not just about having a breakthrough technology. It is about surviving the funding gap between promise and scale.

Reality

Green finance in India in 2026 is not a miracle solution, but it is not an empty promise either. The system is evolving and becoming more structured, yet it is still not moving quickly enough, not reaching the most difficult stages

of innovation, and not consistently supporting the founders who need it most.

The regulatory environment, led by SEBI and the RBI, is maturing. Yet for many Indian climate tech founders, particularly those tackling complex and capital-intensive challenges outside the major metros, the gap between available funding and actual need remains significant. The priority now is not to passively wait for the system to improve. It is to understand how it currently functions and where capital is actively flowing.

Conclusion

The window is open, but it will not remain open indefinitely. India is building the regulatory architecture, the sovereign bond market, and the startup ecosystem needed to lead the climate economy. Funding gaps remain. The bond market is still shallow. Corporate participation is still limited. Yet the broader signal is undeniable. The next decade will not belong to those who waited for ideal conditions. It will belong to founders, investors, and policymakers who recognized the shift early, understood where capital flows and where it hesitates, and acted with discipline and conviction. For India, the stakes are uniquely high and the opportunity uniquely large. Green finance may be imperfect, but its trajectory is set. And for those prepared to navigate its realities, 2026 could be remembered as the point when India's climate economy moved from ambition to execution.

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