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A Critical Institutional Analysis of India's Multi-Regulator Sustainable Finance Architecture

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Abstract

India has built one of the most active sustainable finance regulatory ecosystems among emerging economies in little more than a decade, moving from a voluntary corporate social responsibility model to a web of mandatory disclosure and green instrument frameworks administered separately by the Securities and Exchange Board of India, the Reserve Bank of India, the Insurance Regulatory and Development Authority of India and the Ministry of Finance. Existing scholarship on this transition largely falls into three categories: descriptive surveys of individual regulatory instruments, ranking exercises that identify barriers such as low investor awareness or high compliance costs, and greenwashing studies that treat misleading disclosure as a corporate governance failure. This paper argues that a more fundamental problem has been under-examined: the absence of a single, coordinated architecture for defining and enforcing sustainability across regulators. Through a doctrinal and chronological analysis of the principal circulars, frameworks and draft instruments issued between 2007 and 2026, this paper maps how the Securities and Exchange Board of India, the Reserve Bank of India and the Ministry of Finance have each generated their own working definitions of sustainability, producing overlapping but non-identical standards, uneven assurance requirements and enforcement gaps that create fertile ground for greenwashing and regulatory arbitrage. Drawing a comparison with the European Union's single Taxonomy Regulation, the paper contends that India's draft Climate Finance Taxonomy represents a genuine inflection point that could either harmonise the fragmented landscape or simply add a fourth competing definition. The paper concludes with a set of coordination-focused recommendations for regulators and policymakers.

Keywords: *sustainable finance, green finance regulation, BRSR, SEBI, RBI, green taxonomy, greenwashing, regulatory fragmentation, India*

1. Introduction

Sustainable finance has moved from the margins of Indian financial policy to its centre. What began as a voluntary corporate social responsibility exercise under the Companies Act, 2013 has grown into a dense regulatory landscape covering mandatory environmental, social and governance disclosure, green debt securities, green deposits, climate risk reporting and a dedicated exchange for social enterprises (Companies Act, 2013; Ministry of Corporate Affairs, 2019). India's stake in getting this architecture right is considerable. The country has committed to reducing the emissions intensity of its economy and to reaching net zero emissions by 2070, a transition the Ministry of Finance estimates will require roughly USD 2.5 trillion of investment by 2030 alone (ESG Today, 2025). Mobilising capital of that scale depends on regulatory clarity, since investors, lenders and companies all need a shared and reasonably stable understanding of what counts as a green or sustainable activity before they will commit capital to it.

The difficulty is that India has not built one sustainable finance regulator, it has built several. The Securities and Exchange Board of India (SEBI) oversees listed company disclosure and green bonds, the Reserve Bank of India (RBI) regulates green deposits and bank climate risk, the Insurance Regulatory and Development Authority of India has a much thinner mandate over insurers, and the Ministry of Finance is now developing a national taxonomy that sits above all of them but binds none of them directly yet. Each of these bodies has, over roughly two decades, developed its own instruments, its own definitions and its own enforcement posture, largely independently of the others.

This paper asks a narrower and, it argues, more useful question than most of the existing literature poses. Rather than cataloguing what each regulator has done, or ranking the barriers that firms report facing, it asks whether the fragmented, multi-regulator design of India's sustainable finance architecture is itself a source of the greenwashing and enforcement problems that later studies have documented. The paper's central claim is that fragmentation is not incidental to India's sustainable finance regulation, it is close to structural. Definitions of green finance, green deposits and green projects have been drafted separately by the RBI (Reserve Bank of India, 2023a) and by SEBI (Securities and Exchange Board of India, 2017), assurance obligations differ sharply between the two regulators' regimes, and the taxonomy meant to unify these definitions is, as of the time of writing, still in draft form (Department of Economic Affairs, 2025).

The paper proceeds as follows. Section 2 situates the argument within the existing literature and identifies where that literature stops short. Section 3 sets out the doctrinal method used. Section 4 traces the chronological evolution of India's sustainable finance regulation from 2007 to 2026, supported by a summary timeline in Table 1 and Figure 1. Section 5 compares the definitional and enforcement choices made by SEBI and the RBI to show where the fragmentation actually lies, supported by Table 2 and Figure 2. Section 6 examines the consequences of that fragmentation for greenwashing risk and compliance cost. Section 7 evaluates the draft Climate Finance Taxonomy as a potential solution. Section 8 draws a brief comparison with the European Union's single taxonomy model. Section 9 offers recommendations, and Section 10 concludes.

2. Literature Review

The literature on sustainable finance regulation in India can be organised, broadly, into three overlapping strands, and it is worth being explicit about what each strand contributes and where each one falls short, because the gap this paper addresses sits precisely at the boundary between them.

The first and largest strand is descriptive. A substantial body of writing, much of it produced by law firms, consulting practices and government-adjacent bodies, simply catalogues the instruments regulators have introduced, from the Business Responsibility Report of 2012 through its replacement by the Business Responsibility and Sustainability Report in 2021 and the introduction of BRSR Core in 2023 (Uniqus, 2025), to the RBI's green deposit framework and SEBI's green debt securities regime (The Sustainable Finance Law Review, n.d.). This literature is useful as a factual record and this paper relies on it for exactly that purpose, but it is analytically thin. It tends to present the proliferation of frameworks as evidence of regulatory progress without asking whether the frameworks cohere with one another. A reader of this literature alone could reasonably conclude that India's sustainable finance regime is simply large and growing, when the more interesting question is whether it is large, growing and internally consistent.

The second strand is empirical and barrier focused. Several recent studies apply structured decision methods, including Interpretive Structural Modelling, the Analytical Hierarchy Process and TOPSIS, to rank the obstacles firms and investors report facing in Indian green finance. One such study, using Interpretive Structural Modelling, found that regulatory deficiencies function as the foundational barrier from which secondary problems such as data gaps, low investor awareness and high compliance costs cascade (SCIEPublish, 2025). A separate study grounded in institutional theory reaches a similar conclusion about green banking specifically, arguing that regulatory uncertainty, rather than cost alone, is what keeps Indian banks in a voluntary and cautious posture (Kumar et al., 2025). This is a genuinely important finding, and it is the empirical anchor for the present paper's argument. But these studies, by design, stop at identifying regulatory deficiency as a ranked variable. They do not open up what regulatory deficiency actually consists of. Is it a shortage of rules, a shortage of enforcement, or a lack of coordination between the rule makers themselves? The methodology used in this strand is not built to answer that question, because it treats regulation as a single undifferentiated input rather than as the output of several independent institutions.

The third strand concerns greenwashing, and it is currently the fastest growing of the three. Some of this work is doctrinal and comparative, examining how India's enforcement tools against misleading environmental claims compare with those of the United States and the European Union (Algorithmic Criminal Liability in Greenwashing, 2025). A recent comparative compliance review goes further and states plainly that India's enforcement of sustainability disclosures remains weaker than its enforcement of ordinary financial disclosures, in contrast to the European Union's more unified and more strictly enforced regime (Neetiniyaman, 2025). This strand comes closest to the argument advanced here, because it links weak enforcement to greenwashing outcomes. Yet it still tends to locate the cause of weak enforcement in individual regulators' capacity or willingness to act, rather than in the structural fact that no single regulator in India owns the full definitional and enforcement chain for sustainable finance.

A fourth, smaller body of work is more directly on point but remains underdeveloped. Bibliometric reviews of Indian green finance research note that the field, while expanding quickly, continues to show enduring problems of low investor awareness, inconsistent disclosure and greenwashing risk, and call for more policy-relevant research that goes beyond counting publications (Sachetas, 2026). Legal scholarship on the regulatory framework itself has begun to note, largely in passing, that India operates a multi-regulator model in which individual financial watchdogs enforce rules within their respective domains, and that the pending green taxonomy is being closely aligned with, rather than fully substituted for, the separate frameworks each regulator already runs (Evacad, 2026). This observation is exactly right, but no paper reviewed for this study builds it into a sustained argument. It is treated as background description rather than as the central analytical fact it appears to be.

Taken together, the literature establishes three things convincingly: that India's sustainable finance rules have expanded rapidly, that regulatory weakness is the primary barrier practitioners report, and that greenwashing is a live and growing concern. What it does not do, and what this paper attempts, is connect these three findings through the specific mechanism of definitional and enforcement fragmentation across regulators. The argument here is that greenwashing risk and compliance uncertainty in India are not simply the residue of underdeveloped rules. They are, in significant part, the predictable output of a system in which SEBI, the RBI and the Ministry of Finance have each been permitted to define sustainability on their own terms, at their own pace, with no binding mechanism requiring convergence.

3. Research Methodology

This paper adopts a doctrinal and comparative method. It examines primary regulatory instruments, principally SEBI circulars, RBI circulars and discussion papers, and the Ministry of Finance's draft Climate Finance Taxonomy, alongside the underlying statutory provisions in the Companies Act, 2013. These are read chronologically to construct a timeline of regulatory evolution, summarised in Table 1 and Figure 1, and then read comparatively to identify points of definitional and procedural divergence between regulators, summarised in Table 2 and Figure 2. Secondary literature, including law firm client notes, consulting firm technical bulletins and peer-reviewed studies, is used to corroborate dates, thresholds and technical detail, and to situate the doctrinal analysis within the existing scholarly conversation identified in Section 2. Because the Ministry of Finance's taxonomy remains in draft form at the time of writing, the analysis in Section 7 is necessarily provisional and is presented as such.

4. The Chronological Evolution of Sustainable Finance Regulation in India

India's regulatory engagement with sustainable finance did not begin with a single landmark statute. It accreted gradually, instrument by instrument, across three institutions that rarely moved in step with one another. The earliest identifiable marker is the RBI's 2007 note encouraging banks to consider corporate social responsibility and non-financial reporting, a document that was aspirational rather than binding (The Sustainable Finance Law Review, n.d.). Six years later, Parliament gave sustainability regulation its first real teeth through section 135 of the Companies Act, 2013, which made corporate social responsibility spending mandatory for qualifying companies, and the Ministry of Corporate Affairs followed this in 2019 with the National Guidelines on Responsible Business Conduct, a set of nine principles that would later become the backbone of SEBI's disclosure framework (Companies Act, 2013; Ministry of Corporate Affairs, 2019). SEBI's own disclosure regime began even earlier, in parallel. It mandated a Business Responsibility Report for the top 100 listed companies in 2012 based on the National Voluntary Guidelines then in force, extended this to the top 500 in 2015 and the top 1,000 in 2019, before replacing the Business Responsibility Report altogether with the Business Responsibility and Sustainability Report in 2021 (Uniqus, 2025). In the same period SEBI moved into capital market instruments, issuing its first framework for green debt securities in 2017, well before the RBI had said anything formal about the definition of a green project (Securities and Exchange Board of India, 2017).

The RBI's own substantive entry into sustainable finance regulation is comparatively recent. It issued a discussion paper on climate risk and sustainable finance in July 2022, signalling an intention to release three separate frameworks: one on green deposits, one on climate-related financial risk disclosure, and one on climate scenario analysis and stress testing (Reserve Bank of India, 2022). The green deposit framework followed in April 2023 and took effect that June, becoming the RBI's first binding instrument to define green finance, green projects and greenwashing in the Indian context, in the specific absence of a finalised national taxonomy (Reserve Bank of India, 2023a). Notably, the framework instructed banks to rely on an interim list of eligible sectors precisely because the taxonomy that was meant to anchor these definitions did not yet exist (Sharma, 2023). SEBI, meanwhile, continued to deepen its own disclosure regime independently. In July 2023 it introduced BRSR Core, a subset of nine key performance indicators requiring third-party assurance, phased in from the top 150 listed entities by market capitalisation in FY 2023-24 to the full top 1,000 by FY 2026-27, alongside new value chain disclosure obligations (Securities and Exchange Board of India, 2023). The KPMG technical note on this circular observes that the assurance glide path and the value chain thresholds were calibrated by SEBI alone, without reference to any parallel timetable at the RBI (KPMG, 2024). SEBI also built an entirely separate market segment in this period, introducing the Social Stock Exchange framework in September 2022 and its Zero Coupon Zero Principal instrument, a security that pays neither interest nor principal but is nonetheless classified as a security under securities law, operationalised on the Bombay and National Stock Exchanges through 2022 and 2023 (Reddy, 2026).

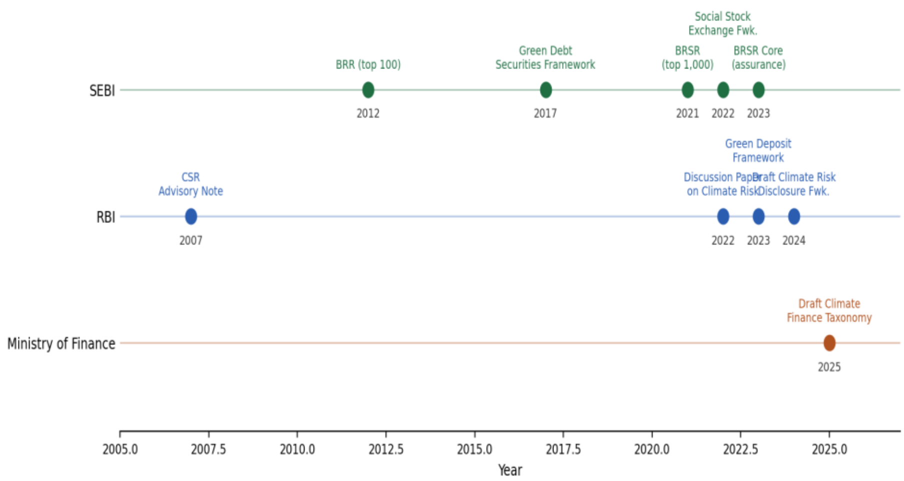
The RBI's climate risk disclosure framework followed in February 2024, in draft form, applying to scheduled commercial banks, all-India financial institutions and larger non-banking financial companies on a staggered timetable running from governance and strategy disclosures in FY 2025-26 to metrics and targets in FY 2027-28, a full year later than SEBI's own BRSR Core completion date (Reserve Bank of India, 2024; Lele, 2024). Only in May 2025 did the Ministry of Finance's Department of Economic Affairs release the first draft of a national Climate Finance Taxonomy intended, eventually, to anchor the definitions that SEBI and the RBI had already been applying independently for close to a decade (Department of Economic Affairs, 2025). Read as a single timeline, illustrated in Table 1 and Figure 1, the pattern is unmistakable. Three separate institutions issued their own foundational green finance instruments in 2017 (SEBI), 2022 to 2023 (RBI) and 2025 (Ministry of Finance), each roughly six to eight years apart, and each without a common definitional anchor in place at the time of issue. The taxonomy that was supposed to precede and organise these instruments arrived last, not first.

Table 1. Timeline of Sustainable Finance Regulatory Instruments in India (2007-2026)

Year	Regulator	Instrument	Key Feature	Source
2007	RBI	CSR advisory note	Aspirational, non-binding guidance to banks	The Sustainable Finance Law Review (n.d.)
2012	SEBI	Business Responsibility Report	Mandatory for top 100 listed companies	Uniqus (2025)
2013	Parliament / MCA	Companies Act, s. 135	Mandatory CSR spending for qualifying companies	Companies Act (2013)
2017	SEBI	Green Debt Securities Framework	First formal green disclosure and reporting regime for bond issuers	SEBI (2017)
2019	MCA	National Guidelines on Responsible Business Conduct	Nine principles later embedded in BRSR	Ministry of Corporate Affairs (2019)
2021	SEBI	BRSR	ESG disclosure mandatory for top 1,000 listed entities	SEBI (2021)
2022	RBI	Discussion Paper on Climate Risk	Signals green deposit, disclosure and stress-test frameworks	RBI (2022)

2022	SEBI	Social Stock Exchange Framework	Introduces Zero Coupon Zero Principal instruments	Reddy (2026)
2023	RBI	Green Deposit Framework	First binding RBI definition of green finance and greenwashing	RBI (2023a)
2023	SEBI	BRSR Core	Mandatory third-party assurance, phased glide path to FY 2026-27	SEBI (2023); KPMG (2024)
2024	RBI	Draft Climate Risk Disclosure Framework	TCFD-aligned, phased to FY 2027-28	RBI (2024)
2025	Ministry of Finance	Draft Climate Finance Taxonomy	First attempt at a single national classification system	Department of Economic Affairs (2025)

Figure 1. Independent Timelines of Sustainable Finance Regulation Across Indian Regulators



Source: Author's compilation based on SEBI (2017, 2021, 2022, 2023), RBI (2022, 2023a, 2024), and Ministry of Finance (2025).

Source: Author's compilation based on SEBI, RBI and Ministry of Finance circulars and the secondary sources cited in the table.

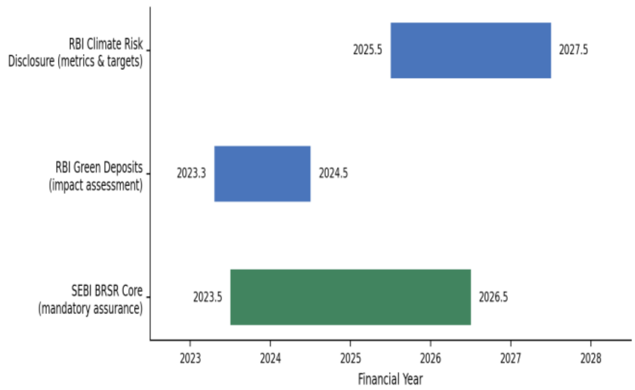
5. The Multi-Regulator Architecture and the Problem of Definitional Fragmentation

India's approach to sustainable finance regulation is often described, accurately, as a multi-regulator model in which individual financial watchdogs enforce rules within their respective domains (ScienceDirect, 2025). That description is usually offered as neutral fact. This paper treats it instead as the analytical starting point, because a multi-regulator model only functions well if the regulators involved share a common definitional vocabulary, and the evidence assembled in Section 4 suggests that India's regulators have not, until very recently, had one.

Three specific points of divergence illustrate the problem, summarised in Table 2. The first concerns definitions themselves. The RBI's green deposit framework independently defines green finance, green projects, green deposits and greenwashing for the purposes of bank regulation. SEBI's green debt securities framework defines an overlapping but not identical set of eligible categories for the purposes of capital market disclosure. Until the Ministry of Finance's taxonomy is finalised, there is no single authoritative list that both a bank and a listed company raising green debt can point to as the shared definition of what actually counts as green. A renewable energy project might satisfy the RBI's interim criteria for a green deposit and simultaneously fall outside the categories SEBI recognises for a green bond, or vice versa, purely because the two lists were drafted by different institutions at different times for different purposes.

The second point of divergence concerns assurance and verification, illustrated in Figure 2. SEBI's BRSR Core requires independent third-party assurance of nine ESG attributes, phased in on a fixed glide path culminating in FY 2026-27 (SEBI, 2023). The RBI's green deposit framework, by contrast, treats impact assessment as voluntary for the first year and mandatory only from FY 2024-25 onwards, and its climate risk disclosure framework does not require metrics and targets disclosure until FY 2027-28 (RBI, 2024). A bank issuing green deposits and simultaneously listed as an issuer subject to BRSR Core therefore faces two different assurance timetables, two different sets of assured metrics, and potentially two different assurance providers, for what a reasonable investor would assume was a single underlying claim about environmental performance. The third point concerns enforcement intensity. Comparative compliance literature notes that India's enforcement of sustainability disclosure lags behind its enforcement of ordinary financial disclosure, and lags further behind the European Union's unified regime (Neetiniyaman, 2025). This is not simply a matter of regulators lacking will or resources. It follows naturally from fragmentation itself: when no single body owns the full chain from definition to disclosure to assurance to penalty, enforcement gaps open up at the seams between institutions, not necessarily within any one institution's own rules. A company can comply fully with SEBI's BRSR Core and still make claims about a project's green credentials that would not satisfy the RBI's green deposit criteria, without either regulator having clear jurisdiction to challenge the inconsistency.

Figure 2. Divergent Assurance and Disclosure Glide Paths: SEBI vs. RBI



Source: Author's compilation based on KPMG (2024) and Reserve Bank of India (2024).

Table 2. Comparison of Definitional and Assurance Requirements Across Regulators

Dimension	SEBI (BRSR / BRSR Core)	RBI (Green Deposits / Climate Risk Disclosure)	Draft Climate Finance Taxonomy (MoF)	Source
Governing instrument	Circular No. SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122 (2023)	Circular No. RBI/2023-24/14 (2023); Draft Framework (2024)	Draft Framework of India's Climate Finance Taxonomy (2025)	SEBI (2023); RBI (2023a, 2024); DEA (2025)
Scope of entities	Top 1,000 listed companies by market capitalisation	Scheduled commercial banks and deposit-taking NBFCs	Intended to apply economy-wide once finalised	SEBI (2023); RBI (2023a)
Definition of "green"	Nine ESG attributes under National Guidelines on Responsible Business Conduct	Interim list of eligible sectors pending the national taxonomy	Proposed unified classification covering mitigation, adaptation and transition	Ministry of Corporate Affairs (2019); Sharma (2023); DEA (2025)
Assurance requirement	Mandatory reasonable assurance, phased FY 2023-24 to FY 2026-27	Impact assessment voluntary in FY 2023-24, mandatory from FY 2024-25	Not yet specified; under public consultation	KPMG (2024); RBI (2023a)
Disclosure completion	FY 2026-27 (full top 1,000 assured)	FY 2027-28 (metrics and targets, climate risk disclosure)	Two-phase rollout; annual and five-year reviews proposed	KPMG (2024); RBI (2024); DEA (2025)

Source: Author's compilation based on SEBI (2023), RBI (2023a, 2024), KPMG (2024) and Department of Economic Affairs (2025).

It is worth being precise about what this argument does and does not claim. It does not claim that any individual SEBI or RBI instrument is poorly designed in isolation. Each framework, read on its own terms, is a reasonably careful piece of regulation. The claim is narrower and, this paper suggests, more consequential: that the absence of a binding coordination mechanism between these otherwise competent regulators has produced a system where compliance with one regulator's sustainability rules provides no assurance of compliance with another's, and where the very concept of a green activity has, until 2025, had no single authoritative definition anywhere in Indian law.

6. Greenwashing Risk, Compliance Burden and Investor Confusion

The practical consequences of this fragmentation fall into three connected categories. The first is greenwashing risk. Greenwashing, a term first used to describe misleading environmental marketing in the hospitality sector in 1986, has since evolved into a considerably more complex problem touching regulatory compliance and financial markets (Algorithmic Criminal Liability in Greenwashing, 2025). Where a jurisdiction lacks a single taxonomy, firms retain genuine discretion to select whichever regulator's definition of green is most favourable to a given disclosure, a discretion that is difficult to characterise as fraudulent because each individual definition is, on its own terms, lawful. The problem is not that Indian firms are breaking rules. It is that the rules themselves do not yet converge, which makes selective and self-serving interpretation entirely available within the letter of the law. The second consequence is compliance burden, particularly for mid-sized firms and financial institutions that are subject to more than one regulator. A bank that both accepts green deposits and is listed with obligations under BRSR Core must track two definitional regimes, two assurance timetables and, potentially, two disclosure formats for what is substantively the same underlying activity. The Interpretive Structural Modelling study discussed in Section 2 found that these compounding costs are not simply an add-on to regulatory deficiency, they are one of the direct downstream effects of it, cascading into data gaps and limited access to financial products for smaller players who cannot absorb the duplicated compliance cost (SCIEPublish, 2025).

The third consequence is investor confusion, which is ultimately the more serious cost because it undermines the very capital mobilisation that sustainable finance regulation exists to achieve. India needs finance flowing confidently towards genuinely sustainable projects to meet its 2030 and 2070 climate commitments (ESG Today, 2025). An investor evaluating a green bond, a green deposit and a BRSR-reporting company's ESG disclosures currently has no guarantee that the word green means the same thing across all three, which is precisely the condition that a taxonomy is designed to prevent (European Commission, n.d.).

7. The Draft Climate Finance Taxonomy as an Inflection Point

The Ministry of Finance's Department of Economic Affairs released the first draft of India's Climate Finance Taxonomy for public consultation on 7 May 2025, following an announcement in the Union Budget 2024-25 that the government would develop a taxonomy for climate finance to enhance the availability of capital for adaptation and mitigation (Department of Economic Affairs, 2025). The stated objectives of the draft are directly responsive to the fragmentation problem identified in this paper: to facilitate greater resource flows, to prevent greenwashing, and to remain consistent with India's own developmental priorities rather than importing a purely carbon-centric framework wholesale from elsewhere. The taxonomy is explicitly conceived as a living document, to be developed in two phases, an initial foundational framework followed by detailed sectoral annexures, and reviewed annually for short-term correction and every five years in line with India's Nationally Determined Contributions.

Independent commentary on the draft is cautiously optimistic but far from uncritical. A detailed response from the Grantham Research Institute at the London School of Economics offers seven specific lessons drawn from international taxonomy design, implying that the current draft, while promising, still requires substantial refinement before it can function as the anchoring document the RBI and SEBI frameworks currently lack (Bhapta et al., 2025). Other commentary notes approvingly that the draft introduces the concept of climate justice and inclusive growth rather than adopting the carbon-centric lens common to Western taxonomies, reflecting India's dependence on agriculture, informal employment and fossil-fuel-linked livelihoods, and that it is explicitly being aligned with SEBI's BRSR Core and the RBI's climate risk disclosure roadmap (Evacad, 2026).

This alignment language is significant, because it identifies precisely the fragmentation this paper has traced through Sections 4 and 5, and proposes to resolve it. But alignment is not the same as legal supersession. As of the time of writing, the taxonomy remains in draft form, open for consultation, and nothing in the public record indicates that SEBI's green debt securities definitions or the RBI's green deposit definitions will be formally withdrawn and replaced once the taxonomy is finalised, as opposed to being informally harmonised alongside it. There is a genuine risk, not yet resolved, that the taxonomy becomes a fourth definitional source sitting above three pre-existing ones rather than the single source that displaces them. Whether the finalised taxonomy achieves binding, exclusive status across SEBI, RBI and IRDAI regulated entities, or whether it is instead treated as an interpretive guide that regulators may reference without being bound to adopt uniformly, will determine whether this paper's central concern is resolved or simply repackaged.

8. A Comparative Perspective: Lessons from the European Union's Single Taxonomy Model

The European Union offers the clearest available comparator, precisely because it took the opposite institutional path from India's. Rather than allowing individual regulators to define sustainability independently and reconcile their definitions later, the EU legislated a single classification system, the Taxonomy Regulation, which entered into force in July 2020 and became applicable from January 2022 (European Parliament and Council of the European Union, 2020). Under Article 3 of that Regulation, an economic activity qualifies as environmentally sustainable only if it makes a substantial contribution to at least one of six defined environmental objectives, does no significant harm to any of the other five, and complies with minimum social safeguards, a single three-part test that applies uniformly regardless of which sector or which financial instrument is involved (European Commission, n.d.).

The point of drawing this comparison is not to suggest that India should simply import the EU model wholesale. The EU taxonomy has attracted its own criticism, including for the complexity of its technical screening criteria and for contested decisions such as the inclusion of specific nuclear and gas activities. India's regulators and commentators have, rightly, argued for a taxonomy shaped around India's own development priorities rather than a carbon-centric European template (Evacad, 2026). The comparison is useful for a narrower reason: it demonstrates that a jurisdiction can sequence its sustainable finance architecture so that a single classification system precedes and anchors sectoral disclosure and product rules, rather than following nearly a decade after those rules were first written, which is the sequence India has so far followed, as Table 1 and Figure 1 make clear.

9. Recommendations

Four recommendations follow from the analysis above, aimed at converting the draft Climate Finance Taxonomy from a fourth definitional layer into the anchoring instrument it is intended to be.

First, the finalised taxonomy should be given binding, exclusive status across all financial sector regulators, meaning that SEBI's green debt securities framework, the RBI's green deposit framework and any IRDAI sustainable insurance guidance should be formally amended to reference the taxonomy's categories directly, rather than retaining their own separately drafted definitions alongside it. Without this step, the coordination the taxonomy promises remains aspirational rather than legally enforceable.

Second, assurance and disclosure timetables across regulators should be harmonised onto a single glide path. There is no principled reason, on the evidence reviewed in Section 5 and shown in Figure 2, why SEBI's BRSR Core assurance requirements should complete a full year before the RBI's climate risk disclosure metrics and targets requirements (KPMG, 2024; RBI, 2024), given that both are ultimately measuring related aspects of the same underlying climate exposure.

Third, an inter-regulatory coordination body, whether a standing committee or a formal memorandum of understanding between SEBI, the RBI, IRDAI and the Ministry of Finance, should be established with an explicit mandate to review new sustainable finance instruments for definitional consistency before issue, rather than reconciling divergence after the fact through voluntary alignment language.

Fourth, given the compliance burden documented in Section 6, any harmonisation exercise should include a phased, differentiated timetable for smaller regulated entities and mid-cap issuers, so that closing the definitional gap between regulators does not simply transfer the cost of fragmentation onto the firms least able to absorb it.

10. Conclusion

India's sustainable finance regulation has grown rapidly and, on the evidence reviewed here, largely competently within each individual regulator's silo. The problem this paper has identified sits between the silos, not within them. SEBI, the RBI and now the Ministry of Finance have each built durable, technically serious sustainable finance instruments over the past two decades, but they built them separately, at different times, using different definitions of the very concept the entire architecture is meant to protect. The result, as the empirical literature independently confirms, is that regulatory deficiency, understood not as an absence of rules but as an absence of coordination between rule makers, sits at the root of the greenwashing risk, compliance burden and investor confusion that later studies go on to document (SCIEPublish, 2025). The draft Climate Finance Taxonomy released in May 2025 is the first genuine attempt to correct this, and it deserves to be read as an inflection point rather than simply the latest addition to an already crowded field of instruments. Whether it succeeds will depend less on the technical quality of its sectoral criteria, which international commentators have already engaged with in detail, and more on a prior institutional question this paper has tried to foreground: whether India's regulators are willing to subordinate their own separately drafted definitions to a single shared one. A taxonomy that sits alongside three pre-existing definitional regimes will not resolve the fragmentation this paper has traced. Only a taxonomy that replaces them will.

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