



## Green finance & sustainability: The green cess/tax in Uttarakhand

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### Abstract

Term "green finance" describes financial agreements designed specifically to be used for initiatives that address the effects of climate change on environment or embrace sustainable practices. Increasing funding for SD projects from public, private, and nonprofit sectors through banking, microcredit, insurance, and investment is the aim. In order to guide financial practices to support the accomplishment of the SDG's, the United Nations Environment Program (UNEP) has been working with different countries, financial regulators, and that finance industry to align financial systems with the 2030 SD Agenda. "Green finance" encompasses vast range of financial services and products, which can be broadly categorized into banking, investment, and insurance products. Including green bonds, climate risk insurance, green investment funds, and green-tagged loans. Further, the world has seen tremendous profitable growth and industrialization. While trade and jobs have served from this, the terrain has suffered as result. In a nation similar as India, it's essential to apply a legal frame that imposes charge on carbon emigrations in situations where environmental legislation is ineffective, people and businesses substantially calculate on fossil energies and other non-sustainable technology. making legislation that charges carbon emigrations and offers impulses and subventions for use of green technology is vital. also, this would encourage businesses to invest in green technology. This would make it easier for government to apply laws that guarantee sustainable development. In future, green and clean technologies can be used in government and commercial sector initiatives instead of pollutants. These actions would significantly lower the nation's carbon emissions.

**Keywords:** Green finance, Green Cess/Tax, Sustainable, SDG, Environment

### Introduction

#### Green finance

In essence, "green finance" refers to financial agreements that are specific to the implementation of ecologically sustainable projects and projects that consider climate change adaptations. Green growth considers the balance between the environment and the economy in order to achieve the goal of a low-carbon economy. Ecologically sustainable initiatives include waste management, which involves recycling, energy conversion, and efficient disposal, as well as energy production from renewable resources like solar, biogas, and wind. Energy-efficient projects like green buildings and lower greenhouse gas emissions are referred to as "clean transportation." The Disclosure Requirement for Green Debt Securities states that climate change adaptation, biodiversity preservation, and sustainable land use, including forestry and agriculture, Among the initiatives that fit the definition of sustainable are waste management and sustainable water. New financial mechanisms like green bonds, carbon market instruments like carbon taxes, and new financial institutions like green banks and green funds came into focus in order to finance the afore mentioned environmentally beneficial initiatives. All of these new financial products make up green finance. "Green finance" is a phenomenon that combines eco-friendly activities with business and finance. Green finance attempts to stop the

promotion of any business or activity that might have detrimental consequences on the environment in the immediate or distant future, even though rapid economic growth usually comes at the expense of the environment. Sustainable economic growth is hampered by the environment's continuous deterioration, the loss of natural resources, and pollution or contamination that endangers public health. To encourage environmentally sustainable projects, it is essential to take the initiative to redirect capital from traditional industries to green and eco-friendly sectors. To achieve these objectives, the majority of countries have set goals and policies involving all stakeholders in economic growth, including governments, corporations, and central banks.

#### Green Cess/Tax

These taxes are imposed on items that are harmful to the environment or that have negative effects when consumed. The goal of GTs is to improve environmental quality. reduce adverse environmental impacts and/or encourage the creation of more environmentally conscious environments. One kind of economic tool that can be used to address environmental problems is the GT. One kind of economic indicator that can be used to talk about environmental issues is the GT. In general, it is believed that GTs will reduce environmental harm in the most cost-effective manner by encouraging behavioural

changes by companies, nonprofits, societies, homes, and individuals. Polluters have a strong interest in reducing emissions as well as seek out more environmentally friendly and long-term solutions when they pay a tax on pollution.

### **Sustainable development**

SD is the intellectual foundation for accomplishing human development (HD) goals while also protecting the ability of natural systems to offer the natural resources and ecosystem services that are essential to a country's economy and society. The intention is for society to be in a state where resources and living conditions are used to meet people's needs without endangering the integrity and consistency of the natural system. In light of this, governments established a global strategy in 2015 with the goal of eradicating poverty, advancing sustainability, and ensuring that everyone experiences both peace and prosperity.

### **Green Cess/ Tax in Uttarakhand**

A major environmental project, Uttarakhand's green tax policy aims to manage traffic congestion, lessen vehicle emissions, and protect the delicate Himalayan ecology. Non-local cars entering the state are subject to the tax, especially in environmentally sensitive locations like Mussoorie, Rishikesh and Nainital. The type of vehicle, its emission requirements, and the length of stay are some of the variables that determine the tax rates. The strategy aims to promote eco-friendly travel practices and raise money for environmental restoration initiatives by monetizing the environmental costs of vehicle inflow.

### **Rationale for Uttarakhand's green tax implementation**

The delicate Himalayan ecosystem of Uttarakhand faces serious environmental problems as a result of the inflow of foreign automobiles. Increased car emissions in well-known tourist locations have led to declining air quality, which has a negative impact on ecosystems and public health (CPCB, 2020) [2]. Further aggravating pollution levels in hill areas is the severe traffic congestion brought on by the exponential increase of tourists. The natural equilibrium of the area is threatened by the passage of non-local vehicles, which also contribute to soil degradation, deforestation, and wildlife disturbance. The green tax policy is in line with important Sustainable Development Goals (SDGs), especially SDG 11 (Sustainable Cities and Communities) and SDG 13 (Climate Action). The policy promotes environmentally sustainable urban development and immediately addresses climate change by reducing vehicle emissions. throughout the main tourist destinations of Uttarakhand, guaranteeing the long-term conservation of its natural and cultural legacy. Economically speaking, the green tax makes it simpler to raise money for crucial environmental preservation projects like waste management, pollution control, and reforestation. Even while it might discourage tourists on a tight budget, the fee promotes the use of local transportation services, which boosts employment opportunities in the local taxi and transportation industries.

Furthermore, a cost-benefit analysis reveals that the long-term benefits such as improved air quality, reduced traffic, and a cleaner environment for both residents and visitors outweigh the financial strain on non-local automobile owners.

### **The details of green tax system**

A green tax will be implemented in Uttarakhand to reduce pollution and promote eco-friendly travel. In order to ensure that all non-local traffic contributes to the preservation of the environment in the area, Uttarakhand will impose a green tax on both private and commercial cars entering the state. Rates are set at ₹20 for three-wheelers, ₹40 for four-wheelers, ₹60 for medium-sized vehicles, and ₹80 for heavy trucks, depending on the kind of vehicle. A proportionate payment depending on the possible environmental impact of each vehicle category is ensured by this tiered approach. Certain vehicles are excluded from the green tax in order to promote environmentally friendly transportation and prevent interference with vital services. Electric vehicles (EVs) are one of these exclusions; their exclusion encourages the use of environmentally beneficial modes of transportation. To promote the use of greener options, two-wheelers and CNG-powered vehicles are also exempt. Recognizing the need to give local transportation needs priority, vehicles registered within Uttarakhand are likewise exempt from the fee. To guarantee continuous access to vital services, emergency vehicles including ambulances, fire trucks, and other necessary service vehicles are also excluded. This well-rounded strategy seeks to solve environmental issues while upholding equity and practicality in execution.

### **Barriers and Limitations**

A number of challenges must be addressed during implementation if Uttarakhand's green tax policy is to be successful. First, as foreign car owners, travellers and haulers are opposed. Tourists may be discouraged if they perceive the fee as an additional expense. Transportation organizations may also reject the concept, arguing that fewer tourists could lead to a drop in business for their members. Second, implementation issues lead to logistical difficulties. In the lack of sufficient control, corruption and tax evasion could jeopardize the program's effectiveness. Strong measures are required to guarantee compliance and surveillance at admission points. In order to overcome these challenges and uphold the tax's objectives, innovative and efficient enforcement strategies are needed. Inadequate infrastructure is another major obstacle, especially the absence of well-developed public transportation networks and charging stations for electric vehicles. This restriction limits eco-friendly transport choices, making it difficult for visitors to switch from driving their own cars. Finally, economic inequality is a worry raised by the policy. Despite being administered consistently, the levy disproportionately affects travellers with lower incomes who depend on private vehicles for convenience and affordability. The equitable and successful implementation of the green tax policy depends on addressing these issues through focused interventions, public awareness campaigns, and infrastructure development.

## Recommendations

A multifaceted strategy is necessary to guarantee the success of Uttarakhand's green tax policy. Increasing public awareness through focused initiatives can assist in educating tourists about the environmental and societal advantages of the green tax, encouraging compliance and acceptability. In order to highlight the long-term advantages of eco-friendly travel habits for the area's natural heritage, tourism boards and media outlets should be utilized. Another crucial step is to invest in environmentally friendly transportation options. Reducing reliance on private vehicles can be achieved by building strong infrastructure for electric vehicles and enhancing public transportation systems, which can provide travellers more economical and environmentally responsible options. Additionally, a phased implementation approach will give travellers and carriers time to adjust to the new tax system. Offering incentives like discounts for carpooling or using electric vehicles, along with implementing the policy gradually, can promote more compliance and more seamless integration. Maintaining the integrity of the policy requires efficient monitoring and enforcement procedures. While technology-enabled real-time monitoring of vehicle emissions can assist prevent evasion and ensure conformance, automated systems at entry points can guarantee proper tax collection. To foster public trust, revenue allocation transparency is equally crucial. Afforestation, pollution control, and the expansion of public transportation networks are only a few of the environmental conservation initiatives that should be the only uses of the money raised by the green tax. By adopting these recommendations into practice, Uttarakhand can improve its green tax policy, guaranteeing that it is in line with economic and environmental objectives while tackling the issues of sustainability and ecological preservation.

## Conclusion

Green financing is the unrestricted transfer of funds to environmentally beneficial projects. It is the cornerstone of the green economy. Even if a substantial quantity of green money is making its way into India, it is still insufficient. Increasing the flow of green money is crucial to achieving the NDC target. The government must take action to remove the largest obstacle to date the absence of a green taxonomy and educate the public about the different green finance options available in India. Even if the private sector positively contributes to green funding flows, there is still space for improvement if we are to meet our goals.

The importance of green finance in public policy is growing too quickly. Analysing the growth of green finance in India makes it evident that developments have been made recently concerning both public awareness and financial accessibility. Improved information management systems that facilitate stakeholder contact and lessen asymmetric knowledge about green projects may enable long-term, sustainable economic growth.

Moreover, the green tax policy in Uttarakhand is an innovative solution to the urgent environmental problems brought on by

rising car traffic and mass tourism. By focusing on non-local cars entering This program aims to protect the state's delicate Himalayan ecosystem by reducing air pollution, easing traffic, and addressing the loss of natural ecosystems in ecologically sensitive places. In line with the Sustainable Development Goals (SDG 13 and SDG 11), the green tax encourages responsible tourism and ecologically conscious visitor behaviour in addition to climate action and sustainable urban development. The plan raises funds for ecological restoration initiatives including waste management, pollution control, and afforestation while simultaneously promoting local transportation services, which boost employment and economic growth. Notwithstanding these benefits, certain steps must be taken to address issues such resistance from passengers and transportation companies, implementation issues, infrastructure limitations, and economic inequality. Tactics determine how effective the policy is. including increasing public awareness, providing funding for eco-friendly transportation options, implementing the policy progressively, and ensuring transparency in the distribution of funds. All things considered, the green tax is a progressive policy that balances Uttarakhand's commitment to environmental preservation with its reliance on tourism for economic growth. The program may act as an example for other governments to follow in the face of growing environmental concerns by addressing these problems and prudently allocating funds to guarantee that development and conservation coexist.

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