GREEN FINANCE — A VIABLE TOOL FOR SUSTAINABILITY

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Article History: Received: 28.10.2022 | Accepted: 02.12.2022 | Published: 24.12.2022
Journal DOI: https://doi.org/10.56602/TDJ
Article DOI: https://doi.org/10.56602/TDJ/11.2.1561-1569

ABSTRACT

The time when all organisations around the world operated solely for financial gain is long past. Natural resource preservation and environmental protection are becoming increasingly important in all spheres of life today. Continuous research has been done worldwide to identify novel approaches for achieving sustainability. In order to safeguard the environment, decreasing the impact of climate change, invest in renewable energy sources, increase the amount of green space, and support other sustainable development initiatives, financial aid is known as "green money." In this article, the topic of green financing is discussed in relation to green banking, green insurance, and green bonds. With the aid of current literature, it also assesses the prospects and issues to sustainable finance in underdeveloped nations like India and makes an effort to offer fresh perspectives on green finance as a useful sustainability instrument.

Keywords: Eco-friendly mortgages, Green investment products, Sustainable development, and awareness, renewable power financing

INTRODUCTION

Due to growing environmental challenges like depletion of ozone layer, global warming, increase in the level of pollutants, severe rivalry over a limited supply of non-renewable energy sources, and other environmental issues, the emphasis now is on conserving the environment and preserving natural resources. Green finance aims to preserve the environment while providing lenders or investors with a just return. The purchase and use of funds for initiatives aimed at promoting sustainability, such as the development of green buildings, effective energy management, waste management, and biodiversity preservation, is known as green financing. Green finance's purpose is to increase the amount of money that financial institutions give to businesses that are involved in environmental initiatives and activities in order to meet the goals for Environmental Sustainability ((Force, 2015; Lee and Baral, 2017). As public sector investment is insufficient to meet the requirement under these projects, cross-border investments and initiatives from the private sector should be supported.

Demands for investing in low-carbon initiatives and activities while withdrawing from fossil fuel-related activities that sustainably preserve the environment have arisen in response to the need to prevent environmental harm caused by fossil fuel emissions (Bergman, 2018; Cleveland and Reibstein, 2015). One of the three long-term aims of the 2015 Paris Agreement, along with limiting the rise in the average world temperature to within 2 or 1.5 degrees Celsius, was the financial aspect. Participants at the United Nations Conference of the Parties on Climate Change, commonly referred to as COP26, also make a commitment to lower emissions of greenhouse gasses. The COP26 mandate and the Paris Agreement goal both require significant financial resources to be mobilised (Tollefson, 2018).

Because traditional and mainstream financial instruments are not made to protect the environment and to fulfil the requirements of a modest but growing sustainable economy, finance is required for economic activity to shift to "low carbon" or "environmentally friendly.” Sustainable economy proponents have suggested "green finance" as a workable alternative to address the funding needs of people, businesses, and authorities engaged in initiatives and activities that sustainably conserve the surroundings. (Falcone and Sica, 2019; Mohd and Kaushal, 2018; Soundarrajan and Vivek, 2016; Falcone and Sica).

LITERATURE REVIEW

Green funding is necessary to accomplish the sustainable development goals—which includes financial technology, green banking, sustainable investments, and so forth—needs to be accelerated, according to Jeffrey D. Sachs et al's analysis of the declining investment in renewable and energy efficiency in 2019.

According to Sharif Mohd et al. (2018), the green infrastructure needed for green financing can be developed very effectively in India. They also looked at the role that green finance plays in bringing about ecological and economic balance. They also talked about the several green financial instruments that are available.

Indian banks should continue to pursue sustainable banking since it is the direction of the future to be change agents with a focus on the three P's of People, Planet, and Profit, according to a 2016 study by Parvadavardini Soundarrajan et al. Green finance, according to their definition, is the crucial element of low-carbon expansion that links the monetary sector, ecological preservation, and economic expansion.

Institutional investors, banks, and global financial organisations are some of the key players driving the development of green finance, according to Dr. Karthrin Berensmann et al. (2016). The researchers came to the conclusion that how successfully the onerous climate and sustainability goals can be accomplished would rely mostly on how tenaciously the aforementioned actors advance the growth of green finance.

Dipika (2015) looked into the rise in emphasis that stakeholders and business organisations are placing on environmental preservation and sustainable development. The researcher came to the conclusion that green banking promotes environmental protection and economic prosperity. Thus, as a component of sustainable development, green finance ought to be prioritised.

In addition, the researcher discussed the need for green employment and came to the conclusion that it was crucial to promote egalitarian, organic farming and rural development. To achieve this, it is possible to employ techniques like efficient credit assistance, services, institutional expansion, and other cutting-edge projects.

Tasnim Uddin Chowdhury and colleagues (2013) addressed financing for renewable energy, agricultural, green banking, green building, and other sectors and addressed the value of green financing for sustainability and economic growth. The study's findings support increasing investment in eco-friendly projects and renewable energy sources.

STUDY OBJECTIVES

- To investigate the numerous facets of sustainable finance that assist in achieving aims for sustainability.
- To determine the many green funding options available
- To evaluate the advantages and constraints of sustainable finance

RESULT ANALYSIS METHODS

The study is an organised evaluation of the literature centred on sustainability and green funding. This research uses a deductive approach, which means that it is based on established theory. The study is supported by secondary data. The researcher has therefore gathered the necessary secondary data from earlier publications and articles. To confirm the veracity of the data, the study was carried out utilising high-quality journals and articles. To ensure the research's validity—that is, that the findings are current and up-to-date—the study used the most recent journal papers from 2009 to 2018.

MEANING OF GREEN FINANCE

The goal of green finance is to strike a balance between the natural and economic worlds. It is focused with financing or offering financial support for initiatives geared toward sustainable development. The distribution of cash for environmental preservation, the funding of sustainable trade and investment operations, low-risk financing, and the creation of green investment and financing instruments are all advantages of green finance. Other options for sustainable financing exist besides green money, including social finance, blue finance, and digital finance.

All initiatives taken to create balance between development and environmental concerns are referred to as sustainable development. Protecting natural resources is the fundamental goal in order for future generations to benefit from them.

Green Finance as a Successful Sustainability Tool

By supporting initiatives that support sustainable development, green financing aids in balancing the needs of the environment, money, and development.

Instruments and products for green finance

Green instruments are ones that are used to raise money for environmentally friendly projects. A "conventional" financial product, service, or instrument can become "green" if it is used to raise money for environmentally beneficial investments, projects, or activities. Syndicated loans to finance international green initiatives, money to aid with energy savings at home, Pollution reduction auto loan packages, renewable power financing, and eco-friendly mortgage loans are a few examples of loans with low interest rates that have been given out to communities to plant trees. A few examples of sustainable finance products are green bonds, structured eco-friendly funds, carbon trading instruments, eco-friendly venture capital and eco-friendly venture funds, and community-based sustainable funds.

AREAS COVERED BY GREEN FINANCE

Green banking

Similar to a regular bank, a green bank aims to encourage environmentally beneficial behaviour and lessen carbon footprints through financial operations. Green banking promotes environmental protection and benefits both the financial and natural worlds. Green banking, commonly referred to as social or responsible banking, aims to positively influence people, the environment, and culture through banking while addressing some of the most significant issues of our time. Indian banks that offer their clients sustainable banking include State Bank of India, Punjab National Bank, Bank of Baroda, Canara Bank, ICICI Bank Ltd, DFC Bank Ltd, Kotak

Mahindra Bank, Induslnd Bank, YES Bank, HSBC Group, IDBI, etc.

The following green banking products are covered:

- Eco-friendly mortgage
- Eco-friendly Loans
- Green Charge Cards
- Environmental Savings Account
- Green Checking accounts
- Green CDs
- Green Money Market Account
- Mobile Banking
- E-Banking
- Remote Deposit (RDC)
- Green home equity loan
- Home office conversion loan

Green Insurance

The purpose of green insurance, commonly referred to as eco-friendly insurance, is to save the environment and fight global warming. In spite of the fact that no direct environmental harm has been caused by the insurance sector and wasn't involved in the development of regulations addressing these problems, it acts as the backbone of green financing by imparting knowledge about risk mitigation and substantially lowering the risk associated with its different strategies and its underwriting industry.

Products for green insurance include:

- Insurance for green vehicles
- Insurance for green businesses
- Eco-friendly home insurance
- Green travel protection
- Green life protection
- Carbon insurance
- Green building protection
- Green agriculture insurance
- Renewable energy insurance

Green Bonds

The bond profits are ring-fenced and limited to financing or refinancing new and/or ongoing projects that will develop environmentally sustainable activities, in whole or in part. In 2007, private businesses, banks, and financial institutions issued green bonds initially, followed by the European Investment Bank, the African Development Bank, and the World Bank. Guidelines for listing and issuing debt securities in India have been released by the Securities and Exchange Board of India (SEBI). According to SEBI regulations, the revenues from these bonds must be used to fund green initiatives, such as those related to energy, combating climate change, protecting biodiversity, lowering pollution levels, managing waste, etc. It is necessary to use a balanced approach that takes into account both the right allocation of funding to environmentally friendly projects and the risk and return associated with the bonds. Unilever has advanced this cause by issuing green bonds. The money received from selling these bonds will be used to reduce the adverse effects of the company's ordinary business operations on the environment.

Various Green Bonds

- Asset-backed green use of profits bond
- Green project bonds are backed by the assets and liabilities of the projects they are secured by.
- Projects with an emphasis on producing income encourage green use of profits revenue bonds.
- Green securitized bond: backed by a substantial asset pool.

GREEN FINANCE BENEFITS

i. **Environmental Protection:** Since funding projects geared toward sustainable development is a key component of green financing, environmental protection is a crucial component of the financing. So, this idea will aid in lowering pollution amounts, responding to climate change, minimising ozone layer thinning, and protecting biodiversity, all of which are crucial for the existence of living things.

ii. **Efficient management of energy:** There are several incentives available for utilising and installing energy resources, and under the green financing programme, cash are given for initiatives that aim to cut down on energy waste. So, by doing this, effective energy management is feasible.

iii. **Enhances reputation:** Many investors nowadays are making societal contributions through their investments, and as a result, they prioritise investing in businesses that are committed to sustainable development in order to fulfil their social responsibility obligations. Incentives for environmentally friendly initiatives are also offered by the government. Therefore, over time, green funding will assist organisations in establishing and enhancing their reputation.

iv. **Aids in luring FDI:** Environmental and natural resource preservation are becoming increasingly important global concerns. As a result, when investing in domestic enterprises, foreign investors will assess the project while taking into account the social cost and benefit. By releasing green investment products, our nation will draw in more foreign direct investment.

THE LIMITS OF GREEN FINANCE

i. **Definition ambiguity:** Because there is no accepted definition of green financing, it is challenging for investors to select the best green initiatives. This difficulty will ultimately cause uncertainty, which will discourage investment in green projects.

ii. **Lack of knowledge:** While some people are becoming more open to eco-friendly investments, many people are unaware of green financing. As a result, there will be less capital accumulated in eco-friendly investment products than is necessary, which ultimately results in an imbalance between the supply and demand of funds.

iii. **Lack of an appropriate legal regime:** As a result of the lack of laws, rules, or regulations governing the assessment of green project and no specific strategy for sustainable finance, this gap in the laws hinders the growth and development of green investment.

iv. **Foster unfavorable competition:** Players on the market will unfairly profit from the rise in the need for green investments, goods and use green initiatives to improve the size of their market. This will promote unfair competition and, in the end, neglect the idea of sustainable development in favour of immediate financial gain.

RECOMMENDATIONS

1. For those market players who are unfairly benefiting from the rising demand for green projects, strict restrictions should be implemented. The legislation should emphasise effective financial management, and those who disregard the rules should face appropriate punishment.
2. The government, banks, financial institutions, and corporate organisations ought to lead the charge in educating the populace about the value of environmental protection and the range

of green investment options accessible. Technologies and finance should be integrated to introduce cutting-edge goods that draw in investors and benefit the environment.

3. To connect the financial sector with technology development, produce unique eco-friendly investment goods, successful eco-friendly initiatives, and the necessary strategy framework for a complete development and expansion, efforts should be made to improve study in the area of green financing.

CONCLUSION

This study provided a summary of previous studies on green financing. The results demonstrate that green finance has the potential to significantly impact the environment and society, but there are many obstacles to overcome, lack of knowledge, contradictory definitions, a lack of cooperation amongst politicians, conflicting laws, and a dearth of incentives for financiers and investors are just a few examples. Understanding how green money affects sustainable development was the aim of this study. Determining the meaning of the term "green finance," assessing its components, and comprehending how it affects sustainable development were the three main goals of the study. To evaluate green projects and prevent investors from being duped by the term "green," a proper regulatory framework must be established. India, a growing nation, should use green financing to focus on producing renewable energy, safeguarding natural resources, managing energy effectively, embracing climate change, and other ecological challenges. As a result, it is possible to say that green financing will be effective when used to support sustainable development.

LIMITATIONS AND POTENTIAL FOR FUTURE STUDY

The current research is grounded in secondary sources and did not examine how investors felt about green finance. Furthermore, because primary data were not used in the study, future research may take these concerns into account.

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