Chapter 10
Green Finance:
Addressing Environmental Challenges Through Sustainable Investments

Kapil Kumar Aggarwal
https://orcid.org/0000-0002-2752-9495
Chandigarh University, India

Rumit Kaur
Chandigarh University, India

Girish Lakhera
Graphic Era University (Deemed), India

ABSTRACT

In order to address environmental issues through sustainable investments, this chapter will examine the idea of green finance. The report gives a general outline of the environmental problems that are now plaguing the world, and emphasises how crucial sustainable investments are to resolve these problems. It goes into the tenets and practices of green finance, looking at different financial tools and tactics used to advance environmental sustainability. The chapter also examines the advantages and difficulties of green finance, including how rules and policies from the executive branch have aided in its expansion. The significance of green financing is emphasised as a key factor in the conclusion as a means of accelerating the shift to a more resilient and sustainable economy.

INTRODUCTION

In recent years, green finance has drawn a lot of attention as a strategy for addressing the urgent environmental issues that the world is currently experiencing. The critical need to move towards a more sustainable and low-carbon economy has been underscored by the growing awareness of climate change, resource depletion, and biodiversity loss.

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Historically, traditional financial systems have prioritised short-term profit maximisation over long-term effects on society and the environment. However, the effects of these unsustainable practises are starting to show themselves more and more, with ecological degradation, extreme weather, and rising global temperatures all posing serious threats to economic stability.

Green finance, a specialised area of finance with the goal of incorporating environmental considerations into financial decision-making processes, has evolved in response to these difficulties. It includes a broad range of financial tools, goods, and services that fund green and sustainable ventures, enterprises, and innovations.

Any financial instruments or investments, including grants, purchases, debt, sales, and risk management tools (covering insurance products, investment guarantees, commodities, credit or interest rate derivatives, etc.), issued under contract to a company, facility, person, project, or agency, public or private, in exchange for the delivery of positive environmental externalities that are actual, verified, and additional to any other benefits that the recipient may receive, are referred to as "green finance."

According to:

- Organisation for Economic Co-operation and Development (OECD): "Green Finance is finance for "achieving economic growth while reducing pollution and greenhouse gas emissions, minimising waste and improving efficiency in the use of natural resources".
- People's Bank of China: "Green finance policy refers to a series of policy and institutional arrangements to attract private capital investments into green industries such as environmental protection, energy conservation and clean energy through financial services – including lending, private equity funds, bonds, shares and insurance."

Green finance is significant because it has the potential to reroute capital towards environmentally friendly endeavours, stimulate the development of clean technology, and encourage resource conservation. Green finance works to reduce environmental hazards, promote sustainable economic growth, strengthen corporate social responsibility, and contribute to the accomplishment of the Sustainable Development Goals (SDGs) established by the United Nations.

In order to close the significant funding gap needed for the shift to a low-carbon and resilient economy, green finance has the potential to mobilise private sector investments as well as supplement public sector support. It provides chances for investors to make good returns while funding initiatives that benefit the environment, resulting in a situation where both financial and environmental goals are met.

Overall, the importance of green finance resides in its capacity to trigger a systemic transition towards sustainable and climate-resilient economies, fostering resource allocation that is both effective and ensures the long-term wellbeing of the earth and future generations.

REVIEW OF LITERATURE

(Kharade, 2021) indicates that green finance should be utilized for the long-term investment. It should not only include the domestic investors but also the foreign investors, which could promote the more growth.

(Jain, 2020) included in his study that if the private sector and public sector and asset managers are designed with their roles effectively then definitely the economy will achieve the sustainability in financial system.