

Chapter 16

Achieving Sustainable Investment Practices Through Green Finance: Challenges and Opportunities

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ABSTRACT

There is a positive trend in the substantial extension of green credit tools. These include climate bonds and numerous universal establishments. Although challenges are posed, there are numerous opportunities in this field. The environmental protection industry demands substantial upfront investment capital and often involves a lengthy payback period, necessitating a unique financing approach. Green finance policies can address government financing challenges through financial innovation and reform. Green bond issuance initially gained traction in Europe, but more communal and individual concerns in Asia are now adopting such device to support their unceasing growth objectives. The present chapter highlights challenges faced by sustainable investment practices through green finance and opportunities available globally for this particular area.

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1. INTRODUCTION

Green finance represents the convergence of financial and business sectors with environmentally responsible practices, involving a diverse range of stakeholders, including individual and corporate consumers, manufacturers, investors, and financial institutions (Olubunmi et al., 2016; Sarangi, 2019; Zheng et al., 2021). The motivations for participating in green finance can vary, encompassing financial incentives, a commitment to environmental preservation, Unlike Historical commercial undertakings, sustainable economics gives greater importance to biological interests & atmosphere conservation gives priority to industry (Gabay et al., 2014; Ojo-Fafore et al., 2018).

Eco-efficiency is poised to have an additional significant role in navigating sustainable and high-quality economic growth. While India has made efforts to promote power preservation, hygiene development, reverse logistics, and sustainable utilization in recent years, it faces substantial challenges (Lee et al., 2020). The expensive costs of biodegradable items, often resulting from a lack of revolution in eco mechanism, have caused to heavy reliance on government subsidies for renewable energy. Substantial innovation in green technologies is necessary to achieve value advantages on non-atmosphere friendly profitable schemes (Berry & Junkus, 2013; Oguntuase & Windapo, 2021).

The global goal of achieving barometrical impartiality is energetic and necessitates consistent government policies, collaboration among state zone and economic ownership, & promoting from natives to combat global heating. It also involves shifting funds from excessive coal contributions to nil graphite & ecological acceptable design, which will require various forms of innovation, including financial products. The greening of funds is critical, with executives working on procedures to redirect investments from high-coal to zero coal schemes. Extensive assets are required for weather acclimatization, necessitating collaboration between executive & the investment zone (Darko et al., 2017).

One positive trend in the infrastructure resources business is the substantial extension of green credit tools. These include climate bonds and numerous universal establishments. Although the challenges posed by COVID-19, global green bond issuance reached USD 522 billion by the end of 2021, there is a 9% increase every year. In 2020, the majority of green bond issues were allocated to the Energy, Buildings, and Transport sectors, making up 85% of the total (Gabay et al., 2014; Gutierrez, 2016).

2. ROLE OF GREEN FINANCE IN SUSTAINABLE INVESTMENT

The environmental protection industry demands substantial upfront investment capital and often involves a lengthy payback period, necessitating a unique financing approach. Green finance policies can address government financing challenges through financial innovation and reform. These policies comprise three key aspects:

2.1 Innovation and Reform of Financial Tools

This involves exploring fiscal policies and feasible ways to raise funds for the development of green finance. It focuses on adapting and innovating existing financial tools to support environmental initiatives.

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