Chapter 18
Exploration of Opportunities and Challenges in Green Finance:
A Journey of Sustainable Development

Swati Gupta
Chitkara University, India

Gurloveleen Kaur
Chitkara University, India

Inu Kumari
Chitkara University, India

Dixit Kalra
Chandigarh University, India

ABSTRACT

Sustainability and green finance both are totally intertwined. As the economies are developing, they are forgetting the basic purpose of sustainable development. To curb this, many regulatory institutions have framed the policies which are mandatory for the companies to oblige. The present study tried to explore the opportunities available in promoting green finance and challenges involved with it. Long term vision, technological risks, market and demand, reputational and social risks, and alignment with global trends are observed as the key working parameters to attain sustainable development with green finance. Disclosures for financial institutions to assess the risks assessing the actual and proposed vulnerability analysis for various sectors, stress testing, regulatory measures, and initiatives planned and implemented by the Indian regulators are considered. Research models are framed after understanding and observing the data. Market exploration for green products and services, carbon agenda 2070 are the few other challenges to be sorted by regulators for effective execution of green finance.

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1. INTRODUCTION

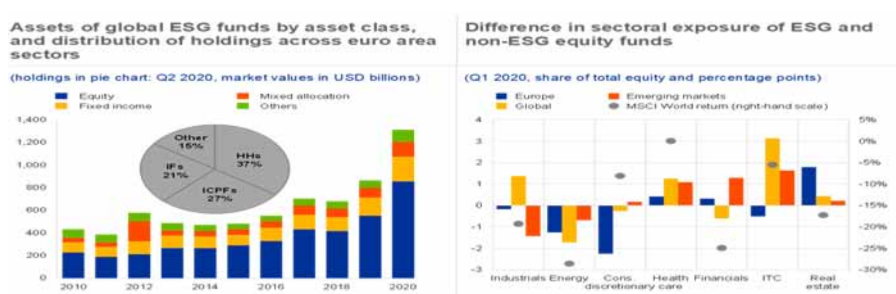
A well-defined financial activity formed to provide improved outcomes for the environment is green finance. As per the World Economic Forum, the trading value of green bonds will hit the target of $2.36 trillion in 2023. The US, China, and France are leading the world, as they have secured the position of issuing the top-most traded green bond countries. European Central Bank involvement in green finance is highly appreciated. If we talk about the proportion of green bonds trading in the Indian market from 2018 to 2020, it was just 0.7%, but this value was higher than the contribution made by developed nations such as the US, UK, and Australia.

The evolution of green bonds was remarkable in India, where six billion-dollar distributions were made. The country needs to invest $10,103 trillion to accomplish its goal of being carbon neutral by 2070. This goal is achieved through two strategies: switching coal to another renewable energy source and investing in green energy technology. The emblematic projects involved in green finance and sustainable development are related to renewable and efficient energy, the prevention and control of pollution, conservative biodiversity, initiatives for a circular economy, and the justifiable use of natural resources and land.

The giant renewable Indian energy companies, for instance, Adani Power Finance Co., distributed green bonds with a maturity period of 10 years, and the World Bank itself invested in Indian green bonds many times.

The following charts one and two provide information about global ESG funds, their classification, holdings distribution, and share of equity investment in ESG and non-ESG funds.

Figure 1. Charts one and two



ESG holdings in equity, fixed income, mixed allocation, and others have raised up to US$1,400 in 2020 from US$400 in 2010, especially in Euro zones. Renewable energy and energy efficiency, biodiversity conservation, pollution prevention and control, sustainable use of natural resources and land, and circular economy initiatives are a few projects that fall under the umbrella of green finance. It embraces a range of debt assets, loans, their mechanisms, and investment ways that motivate investors to put energy into these green fiancé resources and try to nullify the impact of selected projects on the climate.

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