


Chapter 5

Sustainability–Driven Finance: Reshaping the Financial World

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ABSTRACT

Green finance covers a wide range of financial products and services, which can be broadly divided into banking, investment, and insurance products. Examples of these include green bonds, green investment funds, and climate risk insurance and constitute green finance. Green finance is central to the overall discussion on sustainability of economic growth. Rapid economic development is often achieved at the cost of environment. In this study, the authors discuss the basics of green finance: green finance policy in the public domain, best practices from throughout the world, public policy in India, India's progress and challenges in the field of environmental finance, green bonds, green finance as an effective tool for sustainability, areas covered by green finance, green banking, green insurance, benefits of green finance, limitations of green finance, the status quo of green finance in the field of renewable energy, the market mechanism of green finance, types of green financial products, the role of policies in green finance, and the impact of green bonds on environmental protection.

DOI: 10.4018/979-8-3693-1746-4.ch005

INTRODUCTION

Financing initiatives that are environmentally friendly or take climate change into account is referred to as “green finance.” Solar, wind, and biogas power; clean transportation that minimizes greenhouse gas emissions; energy-efficient initiatives like green construction; and waste management including recycling, effective disposal, and conversion to electricity are all part of a sustainable approach to building. Green Debt Securities projects must disclose information on how they will deal with environmental issues such as climate change adaptation, resource conservation, waste and water management, land use, and biodiversity. Carbon market mechanisms (like a carbon tax) and new financial institutions (like green banks and funds) are all being created to help fund these sorts of projects. Green finance is the sum of all of these elements put together in one package.

Sustainable economic growth and green funding are linked. Rapid economic expansion is not often accompanied with environmental degradation. Health and economic consequences of environmental deterioration, loss of natural resources, and pervasive pollution are becoming more and more apparent. In an effort to protect and improve the environment, countries throughout the world are rapidly adopting environmentally friendly technologies. The development of an acceptable incentive structure would be required, however, to increase the amount of money provided to initiatives that promote environmental sustainability. It’s possible that established enterprises may divert land and man power to more sustainable ventures. (Berensmann, K., & Lindenberg, N. 2016), As a consequence, long-term resources are allocated in a way that fosters long-term growth. Governments, companies, and central banks all play a role in economic growth via the implementation of specific green finance policies.

Environment and natural resource conservation are becoming increasingly important as more and more environmental problems arise. This is due in large part to the rise in pollution, ozone layer depletion, global warming, and other environmental difficulties. The goal of green finance is to strike a balance between the needs of the environment and the interests of the financial system. Though there isn’t a clear definition for Green finance, any financial assistance given to projects with the primary goal of promoting sustainability, such as the construction of green buildings, efficient management of energy, waste management, preservation of biodiversity, renewable energy projects, and other related projects, can be referred to as Green financing. Investments from the public sector will fall short of what is needed to complete these projects. Government and business sector efforts should be encouraged to fulfill the expanding need. However, to deal with the issues of fundraising and the use of that money, a regulatory framework and appropriate policy measures are needed as well. (Mohd, S., & V K, K. 2018) As a result, funding for

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