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Research Article

Role and Importance of Green Financing: The Key to the Global Green Economic Future

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ABSTRACT

This research paper focuses mostly on a new and innovative financial concept known as green financing, which is now functioning as one of the most important strategies to attain economic stability together with overall sustainable growth. Because globalization is having an increasingly negative impact on the environment, it is no longer an option for industries all over the globe to achieve an overall green growth by adopting various green initiatives that allow them to achieve a climate-resilient future through both environmentalism and capitalism at the same time, rather, it is now a necessity rather than an option for them to do so.

This research paper illustrates the function and relevance of green financing in not just one sector but for all other industries, which can embrace this concept in one way or another for the purpose of achieving total green growth. Despite the fact that green financing is currently a niche concept, this paper shows the role and importance of green financing in not just one industry but for all other industries. This research paper comes to a close by offering ideas that are both relevant and practical for recognizing the significance of this concept within a broader context.

Keywords: Indian Economy, Economic Stability, Green Finance, Sustainable Development, Green Growth, Environmentalism, Capitalism

Introduction

The natural-ecological factor is one of the most significant macro-environmental elements and it has an effect, either directly or indirectly, on the growth of industry all over the globe. In the present day, it has been shown to be the primary contributing element for overall sustainable-financial growth of the industries (ICEM, 2015), which is in accordance with the notion of 'Green Financing,' which in turn is paving the way for overall 'Green growth' of the organization.

Even though in recent years there has been an increasing concern around the globe to accomplish economic growth of the industries by up keeping the sustainability of natural resources, by building climate resilience and by lowering the carbon emission (Hillsdon Mark, 2017), which have become essential requirements for human well-being, social equality and for minimizing environmental risks and sacrifices. Unless there is a powerful and advanced financial concept such as green financing, which ensures both economical and sustainable benefit for the companies, it will become impractical to achieve this goal. This is because it is natural for businesses to seek out financial growth and stability in addition to addressing other social concerns associated with sustainability (UNEP). Therefore, the notion of green financing, which is presently considered a niche concept, would unquestionably be a silver line not only for one specific business, but for all other industries as well since it promotes general green growth.

Methodology

As supporting evidence for the research paper's analysis, this research paper makes use of qualitative secondary data, which is conceptual in nature and comprises inquiry data on green funding published in a variety of credible websites, publications and journals.

Analysis and Interpretation

Green Finance and its Initiatives

Green finance refers to any kind of organized financial activity that is developed to assure a better result for the environment (World Economic Forum). There are a variety of names for it, including climate finance, environmental finance, clean technology investment, green investing, eco-investing and energy efficiency loans, among others. Through the Millennium Sustainable Goals (SDG) program run by the United Nations Development Programme, the concept was presented to the global community and given widespread exposure (UNDP, Goal 7).

The fact that this new financial concept may simultaneously satisfy the requirements of ecology and capitalism is the primary advantage offered by it. This concept focuses primarily on reducing risks, increasing profits and allocating sufficient funds in order to achieve total green growth. This allows a finance to become economically and socially secure while also creating a new path toward sustainability.

Green finance provides better insights into how to make money while saving the planet. This must happen simultaneously to save the mother earth from further harm, to save the replenishing resources for future generations and to avoid further negative consequences on industries, which are the largest contributors to increased carbon emissions and climate change. Therefore, this concept is attracting not only many NGOs and governments from across the globe, but also enormous investors from every corner of the world, since these investors have correctly grasped that the green finance sector would be their source of future wealth.

Lending and investing should be done on the basis of initiatives that contribute towards green growth, which is encouraged by the principles of green finance. This, in turn, makes lending less hazardous since the aim of the money is obvious.

Green Financial Instruments and Efforts

The following are examples of some of the green financial instruments and efforts that have been implemented by a variety of organizations and governments in order to acquire funds.

Green Funds and IPO

Many businesses that are controlled by private equity companies as well as other significant power industries are participating in the global funding to establish green fund organizations in order to provide financial support for sustainable development initiatives. Numerous national regulations have been implemented around the world and a public-private partnership has been established in order to finance environmentally green projects in a funding of nations.

Initial public offerings, also known as IPOs, are becoming increasingly popular as a means of raising capital for businesses and organizations engaged in environmentally green practices. Green IPOs are one of the most popular methods of doing so and top companies all over the world, including those in India such as Adani Green Energy Limited and Times Green Energy Limited, have already begun to take advantage of this opportunity.

Green Bonds: Green bonds, which can turn the fortune of a company offering it and are expected to attract the highest market value in the future, are one of the primary reasons for the blossoming of green finance. It is estimated that the market for green bonds could be worth $2.36 trillion by the year 2023. Green bonds are expected to attract the highest market value in the future (World Economic Forum).

Green Loans: There are many banks all over the world, such as ING, that not only provide green loans for sustainable development projects, but also provide normal loans at a lower interest rate for businesses that implement green ideas.

Green Insurance: Even though many countries have not yet adopted these insurance policies to cover all environment pollution regarded risks and to compensate the ecological damages when they are made, it has been made a mandatory requirement for all polluting industries in countries like China in order to decrease environmental obligations and to ensure green growth at least in the future.

Green Ratings: Similar to a credit rating system, green ratings are acquiring a lot of relevance for securing the capital as a variety of governments and investors are prioritizing the consideration of a company's sustainable growth aspects above only the company's economic success. There are three main green rating agencies in India: Leadership in Energy and Environment Design (LEED), the Indian Green Building Council and Green Rating for Integrated Habitat Assessment. Every country can have its own green rating agencies or can follow certain international rating agencies by adopting various policies and regulatory frameworks adopted for that country. In India, these three green rating agencies are: Leadership in Energy and Environment Design

(LEED), the Indian Green Building Council and Green Rating for Integrated Habitat Assessment.

Importance of Green Finance in various Industries

Based on the study presented above, it is clear that there has been a shift toward placing a greater emphasis on sustainable development. This may be accomplished by adopting a secure financial model, such as Green Financing, which assures the growth of environmentally conscious industries. However, the most significant concept is that green financing is still more of a niche concept at this stage and as a result, there is less awareness of it across many industries. This is because many industries believe that this concept is only applicable to industries that are related to agricultural and allied practices, which have direct effects on the growth of sustainability. However, despite the fact that they may feel completely disconnected from the idea of finance as a whole, businesses in all sectors need to be made aware of and given the opportunity to embrace this idea. This is because each of these sectors can relate to the concept of green growth and green financing in some way, shape or form. An analysis of some of the practices that may tie different industries to the concept of green financing and that can be taken further for green growth is shown below, with particular industries serving as examples:

- Industries that are not now starting on the sustainable development projects are starting certain green projects as their subsidiary projects, similar to how a software business may start a wind power plant for the production of electricity. Green Thumb is the name of a new initiative that the TATA Group is starting in India to demonstrate its commitment to green sustainability
- Because Qualifying Industries in India are required to participate in Corporate Social Responsibility (CSR), many industries in the country are voluntarily participating in linked Green Initiatives, which may further integrate green financing for the same projects
- Manufacturing industries may reduce their carbon emissions by adopting specific environmentally green practices, which are presently garnering higher investments and priority loans for their environmentally green initiatives thanks to green financing. Philips has recently received priority lending and loans totaling around 1 billion euros at a lower rate of interest from The Dutch Bank-ING for the purpose of financing their green initiatives. This has resulted in a 10% reduction in the cost of capital for Philips
- Not only the manufacturing industries, but also the service sector, such as that of the Education industry, has a huge unrecognized role to play in this, by providing educational programs and initiatives that promote the green growth not only among children, but also through various certification programs to corporate regarding the green financing. Not only are these roles underrecognized, but they are also underappreciated
- Some industries, like the aviation industry, which is one of the highest contributors of carbon emission, can take up green initiatives such as going for aircraft models that emit less carbon, which helps them to think of growing green and further to think of bringing in green financing for their innovative green initiatives. Some of the industries, like that of the aviation industry, which is one of the highest contributors of carbon emission

All of these initiatives and programs for boosting green finance are continually being taken up and monitored by many international organizations like those of: the World Economic Forum in partnership with The City of London Corporation and the Green Finance Institute via its initiatives like Green Horizon Summit, which was organized to examine practical solutions and innovations in green finance to bring about total green growth throughout the globe.

The environment team at the United Nations is focused on bringing the International Financial System into alignment with the goal for sustainable development. Through its efforts, it is also assisting nations in reengineering their financial systems and establishing regulatory frameworks that are conducive to green financing. Not only international organizations such as the World Economic Forum and the United Nations, but also many international banks and investors, are interested in green finance in order to build a net zero and climate resilient future in order to avoid the risks of unmitigated climate change, which has become a standard topic of discussion in boardrooms across the globe.

Outcomes and Findings

Positive Outcomes and Findings

- It has been discovered that the contemporary financial concept of “Green financing” has proven to be a future fortune for industries to achieve an overall green growth as it brings in balance between both economic and sustainable benefits for a company by meeting the requirements of both environmentalism and capitalism at the same time
- Not only does it secure a future that is robust to climate change, but it also avoids the risks of climate change that is unchecked and as a result, it avoids the economic risks that are attributable to the extinction of resources
- The concept of green finance attracts greater investment possibilities and also decreases the cost of capital by 10-20% for companies having a higher green rating, even at the early phase itself. This is because money is pouring into any form of asset that is labeled green or sustainable

- Not only does this add value to the company's image, but it also adds value to the company's products and services, including the value of the company's financial products such as bonds and stocks
- It is certain that green finance will be the fortune for the companies that proactively adopt and incorporate it. This is because in the future there are all possibilities of implying quantitative limits on certain types of brown lending by various governments across the globe in order to achieve green growth

Negative Outcomes and Findings

- It has been discovered that despite the fact that an advanced financial concept such as green financing plays a significant part in achieving sustainable growth for industries, the concept is still regarded as a specialized one that is applicable to a smaller number of industries that are comparable to it and despite the fact that it offers huge benefits, it is not as widely used as it could be
- Several obstacles, including green washing, which refers to making fraudulent claims of environmental compliance, as well as a proliferation of green loans, are presenting threats to the concept
- Due to the fact that it is a relatively new financial concept, there is not yet a well defined boundaries, policies or regulatory frameworks with which to monitor and regulate this concept

Recommendation and Suggestion

- Because green finance is not only a concept of requirement of sustainable development but also a sophisticated financial concept of fortune for all industries, it has to be popularized and regularized by adopting different initiatives, policies and regulatory frameworks from various local government and organizations together with various international organizations. This will allow it to become more widely used
- It should come as no surprise that in the not-too-distant future, this concept will be a compelling factor rather than an option due to the various stringent policies and laws undertaken by various governments across the globe. Because of this, it is important that all financial institutes adopt and incorporate the concept of green finance as soon as possible
- In order to prevent green washing and the multiplicity of it, there is a demand for standardized policies and well-defined limits for monitoring the green finance.

Conclusion

This study paper has shown that green finance will be a future fortune for green growth of industries all over the world. Green finance also symbolizes a good shift in stability via the funding of universal economy as well as funding of individual green investments and public policies that promote green initiatives. Banks, other institutional and international financial institutions and financial regulators all over the globe supply better financial ways via green financing in order to assure green growth. This is one of the primary reasons for the development of green finance.

Because it satisfies the requirements of both ecology and capitalism at the same time, it has shown that it offers more long-term and sustainable advantages than the conventional form of brown financing. Large financial institutions and organizations are gravitating toward green finance because it provides superior knowledge into risk reduction, profitability, allocated finance and how to generate money while preserving the world at the same time. Therefore, it should not come as a surprise that green finance is both a future fortune factor and a compelling factor. The concept of advanced company management is to attain an overall sustainable aim; therefore this should not be surprising.

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