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Green Finance a Step Towards Greener Future

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Abstract: *In this century climate change has emerged as a big phenomenal issue and also defining political and economic problems and it is likely to stay so for the foreseeable future. Governments, investors, businesses, and private individuals all over the world are started to take action in response to climate change. The challenge of climate change can be tackled only by making industries and businesses follow practices and processes that reduce their carbon footprint. That is possible only with heavy investment in green financing. Green finance is a new financial pattern to integrate environmental protection with economic growth. Green finance is a core part of low-carbon green growth because it connects the financial industry, environmental improvement, and economic growth. Green finance is the option that helps fight against climate change. Green finance presents an enormous opportunity to build back a greener future as it also creates businesses and jobs.*

Key Words: *Green Finance, Environment growth, Sustainable development.*

1. INTRODUCTION:

Climate change has always been an integral part of human existence with rapid industrialization and urbanization. Recently entire world suffering from environmental pollution, and climatic changes have acquired a new dimension, threatening the sustainability of life, livelihood, and the surrounding ecosystem. Generally, Finance is the engine of development of any project. But financial institutions show more interest in a less risky and high rate of return projects than green projects, mainly because there are still several risks associated with these new things and they offer a lower rate of return. If we want to achieve sustainable development goals, we need to develop new instruments for green projects and scale up the financing of investments that provide environmental benefits, through new financial instruments. Green finance is a new financial pattern to integrate environmental protection with economic growth. Green finance is a core part of low-carbon green growth because it connects the financial industry, environmental improvement, and economic growth. It helps in increasing the flow of finance from the public, private, and non-profit sectors to sustainable development priorities. Green financing is an approach through which countries can encourage economic growth in convergence with environment-supportive activities through innovative development of the financial industry, which will lead us toward a greener future.

2. REVIEW OF LITERATURE:

(S., 2013) emphasized recent trends and future opportunities in green finance in emerging India. Also highlighted some projects to give more focus on green finance. (Parvadavardini Soundarrajan, 2015) discusses the recent trends and future opportunities and challenges in green finance in emerging India. Also, the researcher focuses on public financing, public loans, grants, or funds along with the initiative launched by the Bank of Baroda scheme for financing the MSMEs and State Bank of India MOU with Clean Development Mechanism. (Babitha Jha, 2019) analyzed the importance of green finance in economic growth which directs the flow of finance from the public, private, and non-profitable sectors. This researcher explored the various green financing channels for contributions in India and recommended several measures to face these hindrances in financing green products in the market.

3. OBJECTIVES:

- To understand the concept of green finance in detail.
- To study the importance of green finance with its future scope.
- To study the various investment avenues in Green Finance.

4. RESEARCH METHODOLOGY:

The study is descriptive in nature and purely based on secondary data. The data has been collected from various sources like published articles, websites, government reports, etc.

4.1. GREEN FINANCE:

Green finance is the initiative basically directs towards the investment policy in eco-friendly instruments aiming to reduce greenhouse gas emissions, renewable energy, controlling pollution, waste energy management and ultimately aiming for overall protection and development of biodiversity and sustainable development of the Nation.

Green finance is a broad term that can refer to financial investments into sustainable development projects and initiatives, environmental products, and policies that encourage the development of a more sustainable economy. It also refers to a wider range of other environmental objectives, such as industrial pollution control, water sanitation, or biodiversity protection. Also, the concept of green finance will help in securing balanced and sustainable growth in the economy. Green financing is to increase the financial flows from banking, micro-credit, insurance, and investment in the public, private, and not-for-profit sectors to sustainable development priorities. An important part of green finance is to manage environmental and social risks, take opportunities that bring a good rate of return and environmental benefit, and deliver greater accountability. Green financing pursues economic growth, environmental improvement, and the development of the financial industry.

4.2. IMPORTANCE OF GREEN FINANCE:

Green finance delivers economic and environmental advantages to everybody. It broadens access to environment friendly goods and services for individuals and enterprises, equalizing the transition to a low-carbon society, resulting in more socially inclusive growth. Green financing could be promoted through changes in countries' regulatory frameworks, harmonizing public financial incentives, increases in green financing from different sectors, alignment of public sector financing decision-making with the environmental dimension of the Sustainable Development Goals, increases in investment in clean and green technologies, financing for sustainable natural resource-based green economies and climate smart blue economy, increase use of green bonds, and so on.

Sustainable development is very important as it fulfils the need of the society and protects the natural resources leads to the moral coordination between humanity and the natural resources. Green finance is one of the emerging financial investment pattern that giving priority for the environment as well as society. Hence it is important to know how far investors are aware about new financing pattern that is "green finance" and how it is impacting our sustainable development of our country.

4.3. GREEN BANKING:

Change is the need of the hour for survival in all spheres. The world has seen much focus on economic progress and mankind has made giant steps in its journey through time. Green banking is like a normal bank, which considers all the social and environmental/ecological factors with an aim to protect the environment and conserve natural resources. It is also called as an ethical bank or a sustainable bank. They are controlled by the same authorities but with an additional agenda toward taking care of the Earth's environment/habitats/resources.

Green Banking is an effort by the banks to make the industries grow green and, in the process restore the natural environment. Green Bank looks at green banking in three areas operational, technological and client acceptance. Improvements have been made in the operational area such as replacing daily courier service with scans and electronic delivery. All of the employees receive pay checks and reimbursement checks electronically. Traditionally, banking sectors concern for environmentally degrading activities of clients is like interfering or meddling in the business affair. However, now it is being perceived that dealing with environment brings risk to business. Due to strict environmental disciplines imposed by the competent authorities across the countries, industries would have to follow certain standards to run their businesses. In case of failures, it would lead to closure of industries leading to a likelihood of default to the bank. Under green banking there are some other green investment avenues like green loan, green mortgage, green bonds, etc. which are also promoting green finance for our greener future.

Green Mortgage: A green mortgage also known as an energy-efficient mortgage is a government mortgage that lowers your environmental footprint. A green mortgage is a way for banks to reward those who purchase energy-efficient homes, or make improvements to their existing homes that increase their energy efficiency. However, it's important to note that a green mortgage is not green in itself. This is a mortgage specifically targeted at environment-friendly activities.

Green Loan: Green Loans are loans meant for sustainable and environment-friendly purposes, such as reducing CO2 emissions, or purposes contributing to the green transition in society such as developing new environment-friendly technology. These loans are used to support environmental initiatives such as household solar panels, electric automobiles, energy efficiency projects, and more.

Green Credit Card: Green Credit Card users are rewarded with points that are converted into cash or can be donated to environmental funds when they buy eco-friendly products, use public transport, make paperless transactions, and consume less electricity, water, and gas. The Green Credit Card also offers discounts for electric car charging services and the purchase of recycled automobile parts. Furthermore, it nurtures the market for low-carbon products and services, thus driving eco-innovation and shifting to a low-carbon economy. The Green Credit Card is the world's first nationwide initiative that uses a credit card platform to provide various economic rewards for eco-friendly behaviours.

Green Bonds: Green bonds are designated bonds intended to encourage sustainability and to support climate-related or other types of special environmental projects. A green bond is a type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects. These bonds are typically asset-linked and backed by the issuing entity's balance sheet, so they usually carry the same credit rating as their issuers' other debt obligations.

Green funds: A green fund is a mutual fund or another investment vehicle that will only invest in companies that are deemed socially conscious or directly promote environmental responsibility. A green fund can come in the form of a focused investment vehicle for companies engaged in environmentally supportive businesses, such as alternative energy, green transport, water and waste management, and sustainable living.

Green Insurance: Green insurance schemes are those schemes that provide risk cover at a low premium and enhanced coverage for green products to minimize the impact of climate change, this means promoting good corporate activities. Green insurance is a type of insurance that helps to protect the environment and combat climate change. Also known as eco-friendly insurance, it is basically an economic incentive to encourage behavioural change. For instance: Eco-friendly home insurance, green business insurance, etc.

5. CONCLUSION:

The paper highlights the importance of sustainability and the need for a transition towards a more sustainable and environment-friendly economy and also discusses green financial avenues and the importance of green finance in supporting sustainable development. Green finance can play a significant role in funding renewable energy projects, energy-efficient activities, and sustainable development. The paper emphasizes the need for financial institutions to develop green finance products and services to support the transition toward a more sustainable economy. The prominence of green finance is a welcome development, as it not only supports sustainable development but also opens up new avenues for investment. The green finance instruments should be designed in such a manner that they should attract both local and international investors.

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