Green Finance: Scope And Challenges

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Abstract
Green finance is fast emerging as a priority for public policy. In present times of technological progress, the worldwide economy is cripple from three major challenges: monetary emergency, environmental change and vitality limitations. This is on account of financial improvement transmit alongside expenses to the countries in the shape of environmental deterioration. Green finance is the source for accomplishing relationship between the economy and nature. Green finance is considered as the monetary help for green expansion, which decreases ozone depletion substance emission and air pollution. Green fund, green structures, green security and other green activities should expand for the monetary improvement.

1. Introduction
Governments, investors, businesses, and private individuals worldwide are beginning to take action in response to the climate issue, especially on de-carbonization techniques. All the nations, developed and developing nations, should make undertaking for green financing and it is assessed that worldwide green financing in green foundation will reach to $40 trillion in the proximity of 2030. Green finance is the principle of green credit. Green finance is a investment that promotes environmentally-positive activities, such as the purchase of ecologically-friendly goods and services or the construction of green infrastructure.

As the precarious connected to ecologically destructive products rise, green finance is becoming a conventional phenomenon. It expands access to environmentally-friendly goods and services for enterprises and individuals.

2. Objectives of the Study
In this paper green financing is depicted in a few profound elements. Green financial products and services turn into a basic piece of the sustainable management of relations.
- To identify the challenges faced in implementing green finance.
- To understand the phenomenon of green finance through a systematic review.

3. Methodology
The present study is mainly based on the secondary results of the researchers on global green financing. It is based on quantitative research phenomenon. Researcher has taken an attempt through our work on initiates of green finance in the developing country like India.
The research paper is descriptive in nature. The data is collected from secondary sources collected through various published sources such as journals, reports, research articles and websites.

3.1 Review of Literature
Kumar et al. (2022)define the green finance (GF) economy as “a financial gateway of resources for the protection of the environment and CE,” suggesting that the market economy would allocate resources to publicly appropriate economic development drivers through social investment.

Goel (2016) concluded that India has a great potential to create a green infrastructure needed for green finance by overcoming the barriers and creating awareness among the corporate citizens. IFC (2016) this analysis shows that a lot of work has been developed by different actors to gain traction regarding incentivizing and also measuring green finance. It proves that it is possible to roughly estimate green finance flows through private financial institutions.
However, it also highlights that further work is needed to make green finance more accountable and visible. Only a better understanding of the status quo of green finance will allow for a thorough analysis against policy targets and to derive implications for multinational organizations, national governments and regulators, the private financial sector, and data providers and standard setters.

Lindenberg (2014) suggests that green finance comprises: 1) Finance of green investments in environmental product and services and prevention of damages to the environment and to the climate; 2) Financing of public green policies that encourage the implementation of environmental projects and initiatives; and 3) Green financial system that deals especially with green investments.

Jha & Bhome (2013) conducted an empirical study on steps taken to go green, to check the awareness of bank employees, associates and general public on green banking issues by primary data collection from 12 bank managers, 50 bank employees and 50 general customers. The researchers found that online banking, green loans, power saving equipment's, green credit card, use of solar and wind energy and mobile banking were the widely adopted banking strategies.

4. Concept of Green Finance

There is no benchmark meaning of green financing. Green finance is characterized as money related assistance for green development, which decreases ozone depleting substances (Green House Gases)and air poison discharges essentially.

Climate change has become the economic issue and is likely to remain for numerous years. Globally, government, investors, corporations are starting to take actions to respond to the climate crisis with a particular focus on de-carbonization strategies. Moving to a de-carbonized economy is going to require an miraculous level of new capital investment, particularly in the form of green finance, to support activities to diminish green house gas emissions and to help corporations adapt to the collision of climate change.

Therefore, there is an acute need to enhance the ability of the financial system to deploy private capital for sustainable investment. Financial institutions are accountable for being lenders, ensuring financial inclusion and serving customers and their supply chain and business model meet the sustainability calibre.

Green development demonstrates as development make through the amicability between the economy and the earth. Fund in modern and financial development with the diminishment of ozone harming substance emanations and other ecological contaminations are green finance.

Green fund covers the change of the regions of natural exploitation, For example, air contamination, water contamination and shortage, family leftover, deforestation, and loss of open space and loss of biodiversity. It must be eco-accommodating and can add to impoverished easing. It is a key way to deal with the monetary part in the change procedure towards low-carbon and asset accomplished economies, and with regards to adjustment to environmental change.

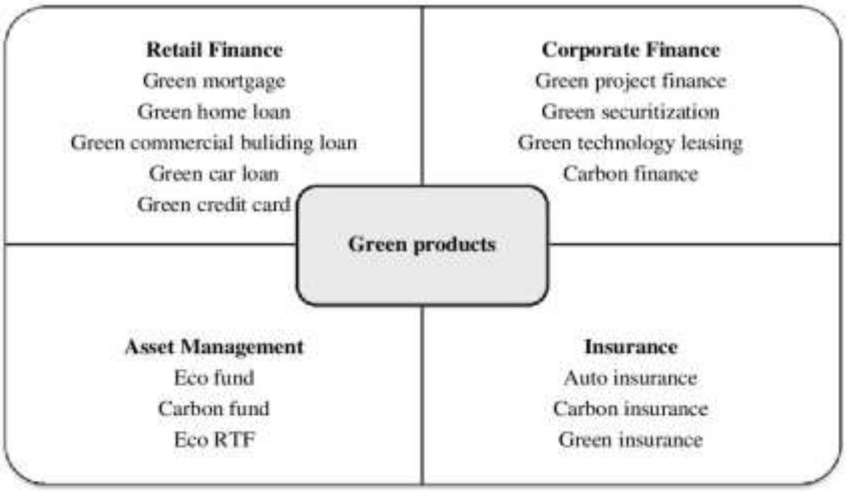
5. How green finance performs

Green businesses and alterations are all at various levels of development, in this way, requiring peculiar levels of subsidizing from various cradle of capital.
There are by and large three sources: residential open fund, worldwide open back and private part back. Residential open back signify to the immediate subsidizing by a legislature while worldwide open fund alludes to subsidizing from universal associations and multilateral advancement banks; private segment fund comprises of both local and global financing sources.

Green financing can be assorted in various routes through different supposition structures.

Green fund is a center piece of low carbon green development since it interfaces the money related industry, ecological change and monetary development: "One missing connection amongst 'knowing' and 'doing' in the progress to green industry is 'green back'.

6. Products of Green finance



Some of the current financial tools used towards green financing are:

- **Green bonds:** Green bonds have become a favoured choice to finance projects with environmental benefits that are clean power, low carbon transport and energy efficient buildings. Green bonds are likely to be a backbone of the green finance revolution.

- **Green equity funds**: A green equity fund is a organized and structured investment vehicle that selects investments based on a commitment to a green investment strategy. This allows investors to pool their capital to chase an agreed investment strategy. Green equity funds have been used extensively to assist investment in renewable energy over the past 15 years.

- **Green loans:** Green loans are loans directed at advancing environmental sustainability and are similar in nature to green bonds.

7. Challenges of Green Finance in India

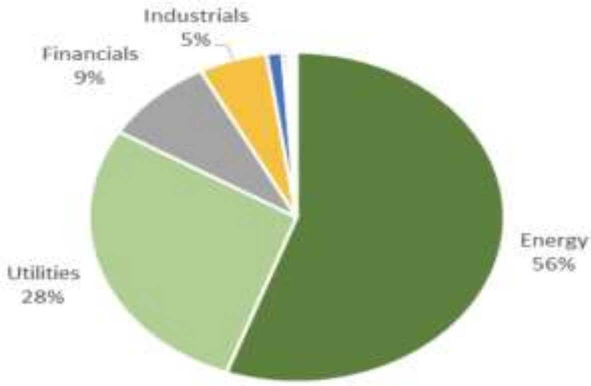
- **Improvements in general enlightenment**

There is a deficiency of data for evaluating the awareness regarding green finance from accepted sources. In this context, Google can be a powerful tool for acknowledgement of the pattern of google searches made in different locations at different point in time. It helps to understand the interest on a given topic, based on the number of searches done.

This removes the bias caused due to the variation in overall search activities on Google across time. Evidence based on Google Trends propose an increase in awareness in green finance and its role in sustainable economic development.

- **Green lending**

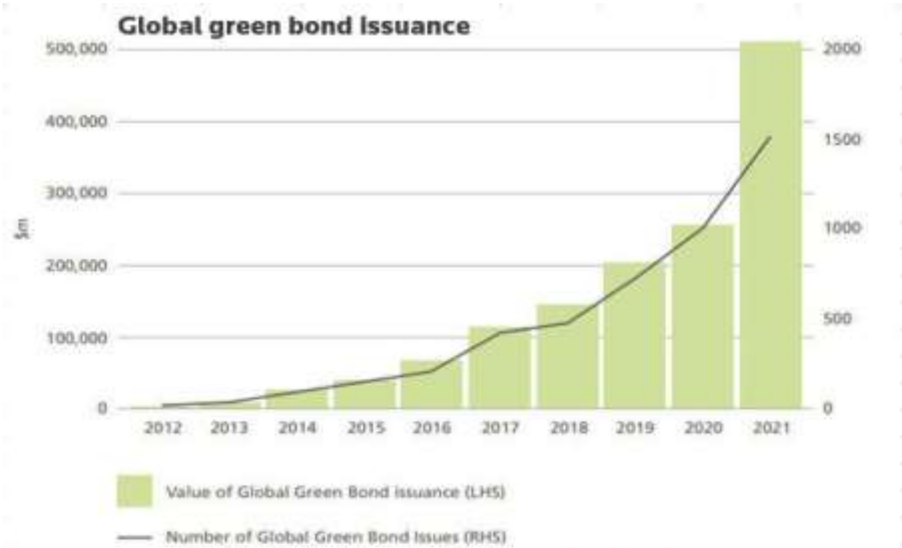
For the data on bank lending to the sustainable projects move to the accepted sources such as Database on the Indian Economy by the Reserve Bank that accommodate publicly available data on policy rates, sum totalled credit and key financial ratios relating to Scheduled Commercial Banks.



- **Green bonds**

Green bonds are the bonds issued by any inter-governmental groups or alliances, sovereign entity and corporate with the aim that the proceeds of the bonds are utilised for proposals classified as environmentally justifiable.

India started issuing green bonds following 2015. On February 12, 2020, the outstanding amount of green bonds in India was US$16.3 billion. India circulated green bonds of about US$8 billion.



India has maintained and acquired a favourable position compared to several emerging economies.

8. Green finance: Challenges faced

- Existing literature and experiences suggest that integrated policy approach in regards to green finance is gradually gaining momentum.
- In India, while there have been improvements in public consciousness and financing options, the major challenges could be false claims of environmental compliance, high borrowing costs, plurality of green loan definitions, maturity discrepancy between long-term green investment and relatively short-term interests of investors.
- The cost of issuing green bonds has typically remained higher than the other bonds in India.
- The challenges include lack of a clear definition, inability to internalize the externalities, maturity mismatch, poor institutional framework etc.

Government of India has accelerate its focus on green finance by introducing schemes which elevate green finance in different sectors such as electric vehicles, priority sector lending scheme, etc.
Even so, there exists numerous numbers of barriers in the development of green finance which should be resolved as soon as possible.

Recent government policies and incentives of green finance in India

- India's National Action Plan on Climate Change recommended that country must generate10% of its power from renewable energy resources by 2015 and 15% by 2020. India's installed power generation capacity of 2, 55,012.79 megawatt (MW), renewable power has a share of 12.42% or 31,692.14 MW which shows that there exists a huge scope for investment in this sector.
- The finance ministry has expanded the clean energy cess on coal by Rs.100 per metric tonne to fund clean environment initiatives. The scope of National Clean Energy fund (NCEF) has been enlarged to include financing and promoting clean environment initiatives and fund researches towards that end.
- The government has also recommended the use of renewable energy resources in railways sector. It includes use of CNG in train operations, setting up of water recycling plants, use of solar energy to highlight coaches, station buildings and platforms. There is also a proposal to change the design of locomotive cabin to reduce the noise level.
- The Ministry of New and Renewable Energy (MNRE) has revised its targets for energy capacity to 1,75,000 MW till 2022, comprising 1,00,000 MW solar, 60,000 MW wind and 10,000 MW biomass and 5,000 MW small hydro. These revised targets demand a huge investment.
- IFCI Ltd, SBI Capital Markets ltd and ICICI bank ltd to raise funds.
- Other initiatives on part of government includes its plans for developing a solar army, providing venture capital to ambitious solar power generation projects and assembling up of solar prostituting 20,000 MW over a period of five years.

Conclusion

Green finance is fast occurring as a priority for public policy. In this study we review the developments and challenges of green finance and our findings indicate that there have been some improvements in public consciousness and financing options in recent years. Existing literature propose that a reduction in the asymmetric information concerning Green Projects through better information management systems and augmented collaboration amongst stakeholders could pave their way towards sustainable long term economic growth.

However, the pandemic has also offered an opportunity to all stakeholders to re-evaluate about the policies, and financial and operational proposal strategies that they have embraced so far and espouse an perspective that is more environmentally sustainable in the long run.
Green finance is definitely an important mean that can facilitate such a shift towards sustainable economic growth.
Policymakers, researchers, government, investors, environmentalists and financial institutions have to work together to clearly understand the concept of green finance. A conventional regulatory framework has to be set to evaluate the green projects and thus to make sure that investors are not dodged in the label of green.
India being a developing country should focus on renewable energy generation, conserving natural resources, climate adoption, efficient energy management and other ecological issues with the use of green financing.
Thus, it can be concluded that green finance if accurately arranged and managed will work as an productive tool for sustainable development.

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