



THE ROLE OF FINANCIAL INSTITUTIONS IN PROMOTING GREEN INVESTMENT

Mr. Darshan P¹, Mr. Yatish Gowda KR², Mr. Shivaraju A³

^{1,2,3}Student at Harsha institute of management studies

ABSTRACT

This paper examines how financial institutions play a crucial role in encouraging green investment, which is essential for furthering climate change mitigation and sustainable development. The flow of cash into environmentally conscious enterprises is facilitated by financial institutions using a variety of strategies, including eco-friendly financial instruments, sustainable loans, and green bonds. This abstract describes the multifaceted role of financial institutions in advancing green investment. Green investment is defined as investment in projects that provide economic benefits while promoting a sustainable environment. Financial institutions play a pivotal role in promoting green investment, leveraging their influence on market regulations and monitoring policies to address climate change and environmental degradation. The study looks at how these organizations help green sectors flourish, promote international environmental goals, and have an impact on the shift to a low-carbon economy. The main obstacles to the broad adoption of green financing are also identified, including the financial risks, regulatory complexity, and low investor knowledge that financial institutions must contend with. Insights on the tactics and legislative frameworks needed to strengthen financial institutions' support of sustainable investments are the goal of the study. The study looks at how these organizations help green sectors flourish, promote international environmental goals, and have an impact on the shift to a low-carbon economy. It also outlines the main obstacles to the broad use of green financing that financial institutions must overcome, including complicated regulations, low investor knowledge, and financial hazards. To improve the role of financial institutions in encouraging sustainable investments, the findings are intended to shed light on the necessary policy frameworks and methods.

KEYWORDS: Green Finance, Financial Institutions, Eco-Friendly, Low-carbon economy, Policy Framework.

INTRODUCTION

Green investment is an eco-investing where investors are made in companies that support or provide environmentally friendly product and service Eco investment may be consider socially responsible investment and is the practice of investing only in those companies which satisfy certain moral or ethical criteria Green investment" refers to using public and private funds to purchase products and services that benefit the environment, such as preserving ecosystem diversity and repairing climate harm. This investment serves society's three primary duties of preserving the environment, conserving resources, and upholding fairness and justice. It is also morally right and consistent with an ecological civilization. The objective of a circular economy also incorporates green investment. It combines and coordinates the benefits of the economy, environment, and society to accomplish long-term social and economic development and create a harmonious society. By minimizing their activities' negative environmental effects, such as energy use and carbon emissions, firms can win and keep the legitimacy and support of interested parties [23]. The annual report highlights the company's environmental concerns and reflects this strategy. In the end, society and its stakeholders decide the effects of green investment. Meanwhile, green investments contribute to a peaceful society that works toward the goal of the circular economy. By integrating and coordinating the positive impacts on the economy, environment, and society, the aim is to promote sustained social and economic development. Green investments can also help businesses gain and maintain the confidence and support of stakeholders. This is achieved by reducing energy consumption and greenhouse gas emissions, which minimizes the negative impact of the company's operations on the environment. Green investment is begun in the 1960 and 1970s, early socially responsible investment is driven as social consideration and later in 1980 environmental activism and policy is raised and later raise of economy or ESG in 1990 and 2010 global climate initiatives, in today green investment has a core component of the financial landscape.

Meaning of green investment

Green investment refers to the allocation of financial resources to projects or components or companies that focus on sustainable practices and environmentally friendly technologies and the conservation of natural resources. The goal of green investment is to support business and generating income and contribute positively to the environment and conservation of natural resources. Green investment refers to investing activities aligned with environmentally friendly business practices and the conservation of natural resources with ultimate aim to generating income. Financial institutions play a crucial role in developing green investment and financial institutions is an organization that collect money from individual investors and use that money in investing in financial assets such as stock, bonds, and bank deposits loans etc. financial institutions are intermediaries of financial market which facilitate financial transactions between individuals investors to financial consumer.

LITERATURE SURVEY

As the primary component of the research project, the literature review aids in comprehending the previous research conducted on the subject, serves as the foundation for the formulation and analysis of the research problem, and helps us understand the extent and constraints of previous studies. It also provides insight into the areas that previous researchers have not addressed.

The Aditya Rahmana: The goal of this study is to identify background information and pertinent issues in bank green finance. Green finance products are necessary in the post-COVID-19 era, but studies to synthesize summarized identify green finance for future research and formulation of policies in the banking sector are necessary. According to this report, certain nations have adopted green financing. Aditya Rahmana In the post-COVID-19 era, green finance products are necessary; however, research has been done to synthesize and summarize green finance for future studies and policy formulation in the banking sector. The goal of this study is to identify background information and pertinent issues in bank green finance. This study discovered that some countries have implemented green finance.

Ozili, Peterson K.: This study examines the body of knowledge regarding green finance. It highlights key concepts in green finance, including the role of financial institutions and regulation in advancing green finance through technology and policy. The results demonstrate that green financing has the capacity to significantly impact the environment.

Keerthi B. S.: Examine current developments, obstacles, and prospects in green finance in India. Expand on the research on green job creation and concluded that sustainable, equitable agricultural and rural prosperity are necessary. This can be accomplished through key initiatives such as efficient credit support services and creative thinking.

Soundarrajan Paravadavardini E.t.: at This paper examines green finance as the central component of low-carbon growth that links environmental improvement and economic growth in the financial sector. It concludes that green finance is the way of the future and that Indian banks should keep playing a role in change with an overall focus on three factors: people, planet, and profit.

Sushma B. S.: The features of green insurance and green banking are reviewed in this article. As a component of green finance, green bonds also assess the prospects and obstacles for green finance in developing nations such as India, using the body of existing research to gain an understanding of how green finance may be an effective sustainability instrument.

Sharif Mohad, et al.: At The purpose of this paper is to examine the current literature on green finance and the potential applications of green finance in India. Green finance is described as the financial assistance for green development and is the means of achieving the contract between the economy and nature.

OBJECTIVE OF THE STUDY

- To analyze the role of financial institutions in promoting green investment
- To Identify the challenges faced by financial institutions in promoting green investment

RESEARCH METHODOLOGY

The study is limited to secondary sources of knowledge and data. The available standard literature, which includes cited journals, articles, books, periodicals, newspapers, and so on, is completely relied upon for secondary sources of data and information. The study is limited to secondary sources of knowledge and data. The available standard literature, which includes cited journals, articles, books, periodicals, newspapers, and so on, is completely relied upon for secondary sources of data and information.

Role of Financial Institutions in Promoting Green Investment

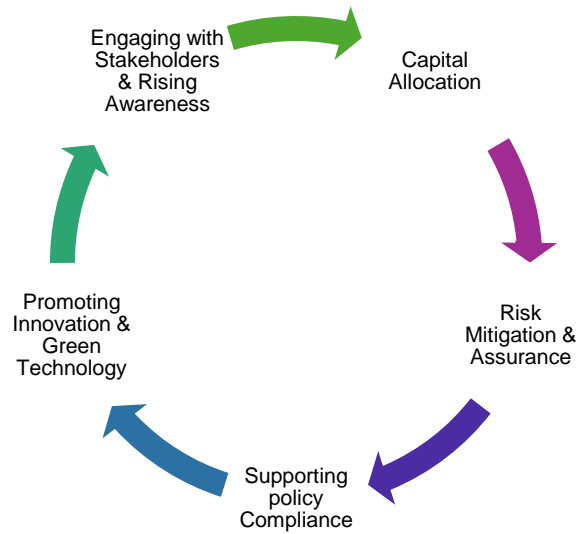
Financial institution place a crucial role in driving green investment which are essential for combating climate changes and sustainable development and green investment has gained significant attending in recent era which involves directing funds towards sustainable project on technology is critical for addressing climate changes and conserving natural resources towards economic growth that with environmental growth financial institution include banking and non-banking financial institutions act as a key players in this transition by channeling capital to Green investment for sustainable business project More ever financial institution helps bridge the gap between private and public sector offers in achieving Global sustainable targets green investment not only manage environmental risk but also contribute to building resilient it will help for environmental social economic benefit across different sectors and regions Green finance reflect the financial institution operations moving behind profit generation to consider the environmental and social invest choice throat various financial product like green Bond green mutual fund exchange trade fund green private equity and venture capital impact investing and carbon Credit upset funds dedicated to the sustainable development these institution play Same major role in growth of ecosystem and renewable energy agriculture and eco-friendly in first structure and also encourage business to Adobe sustainable

Green financial products

- Green bonds
- Green mutual fund
- Green exchange traded fund
- Green private equity and venture capital
- Impact investing

➤ Carbon credit and offsets

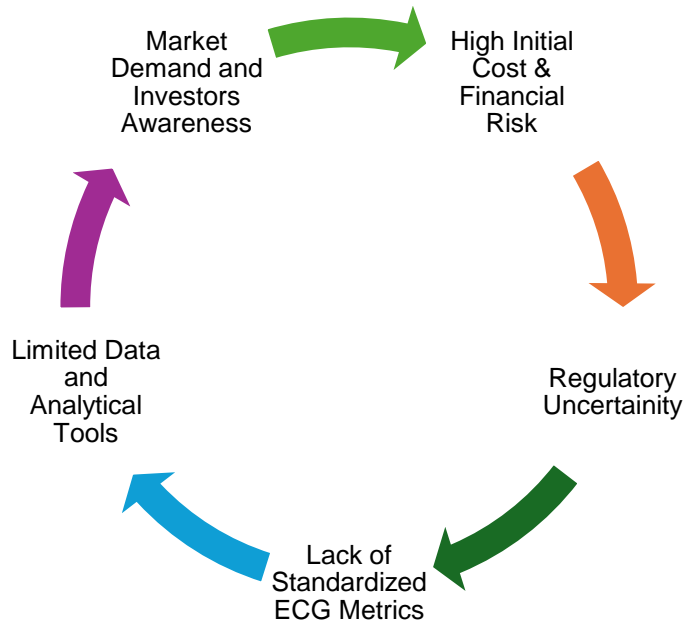
These above all are the Green financial products offered by the financial institutions to the general public and investment companies and other institutional investors for sustainable developments and growth of Eco-ecosystem.



These above all are the role of financial institutions influence with sectors and projects receiving fundings and their commitments to green investment through capital allocation, risk mitigation and assurance, supporting policy compliance, promoting innovation and green technology, engaging with stakeholders and rising awareness to green investment remains vital for transitioning to a low-carbon economy and achieving long term sustainability.

Challenges Faced by Financial Institutions in Promoting Green Investment

Financial institution faces numerous challenges in promoting green investment as well as financial institutions under pressure to support green investments that foster sustainable growth. It is focus on financing eco-friendly projects and agriculture, energy-efficiency techniques and it is long term resilience as well as financial risk and lack of standardized ESG metrics.



While financial institutions play a critical role in promoting green investment, but they face challenges or obstacles such as financial risk, regulatory uncertainty, lack of standardized ESG metrics, limited data analytical tool, investors awareness addressing these challenges is essential to encourage green investment for the sustainable and resilient economy.

CONCLUSION

Green investment has been boosting to improve the environment and promoting economic growth. Financial institutions believe that every small 'GREEN' step taken today would go a long way in building a greener future and that each one of them can work towards a better global environment.

In India there has not been much initiative in this regard by banks and financial institutions. They are not as green as foreign banks. As initially, these commitments will cause a huge financial burden for Indian. The RBI and the Indian government should play major role and formulate green policy guidelines and financial incentive.

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