

GREEN FINANCE

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Green finance includes all the activities taken by private and public parties such as business, banks, governments, international organizations in developing projects with sustainable impacts through financial instruments. Or green finance provides the financial tools required by finance agents to increasingly generate activities with positive background. Further, this is considered as infrastructure of green growth. This concept of green mainly focus environmental protection through sustainable utilization of scarce resources. It leads towards projects which reduces environmental risks and which optimally uses of social and environmental resources. This concept is essential for growth of economic. To develop and promote the green growth. Several green financial products and services have been developed by the organizations. With the competitive environment, the success of the measuring of green initiative has become one of the essential needs in the economy. Just implementing green finance is not sufficient. To get the maximum, it is important to measure the success with the time period. Hence, by considering the current trends and needs of the industry in green finance, this study seeks to explore what Green Finance concept is, the way it processes and the specific products under this concept. Further, this report is enriched with methods of measuring the performance of Green Finance. Also author will consider the opportunities, positive side and challenges of this concept. Finally this chapter will provide the exploratory recommendation and conclusion on Green Finance. According to the findings, it has been discovered that green financing identifying the importance of environment and its contribution to the society, also this concept seeks to improve the quality of the human life as well. Through this concept it leads to reduce the environmental risk and finally to ensure the sustainability development. Hence, there is an empirical need in identifying and processing this concept of Green finance.

Introduction

Green finance is an emerging concept which lead more on environmental protection and benefits to the environmental. According to the Gitman and Zutter (2017), finance is the science and art of managing money at both individual and business level. Based on different people and opinions, this concept could be considered as a mean of preserving the planet, an incentive of finance or some time both together. Also this concept has been considered as an environmental friendly manner. Basic objectives to be achieved by implementing the green finance are;

- To implement and secure the funds for green growth.
- To build a fund or attract investment on build and sustain the green infrastructure.
- To development of new financial products with low carbon.
- To set the carbon markets for environmental friendly products.

What is Green Finance

Green Finance can be defined as financial support given in order to reduce greenhouse gas has emission and pollution of environmental (Parvadavardini & Nagarajan, 2016). With now days, when taking decisions regarding the day to day business practices, the concept of green financing have been taken in to the consideration. But due to the failures of several institutes, this concept has not been processes as expected. These failures may include inadequate disclosure of environmental, society and weak environmental risk management. In financing, Green is not just a concept. It plays a major role in the industry. When it comes to the financial systems, this concept promotes green transformation of economics. Also this concept promotes Green economy through green growth. When considering these two concepts together, the concept of green economy could be define as economy which is led by the private and public sector investments which reduces carbon emission. Also this will help to reduce the environmental pollution. In other hand, green economies enhances the efficiency of the resources and prevention the loss of biodiversity. Secondly, green growth could be explained as a strategic approach which leads to establish green policies and procedures in order to achieve economic growth with minimum impact to the society.

How Green Finance works?

The concept of Green finance is broader concept than it seems. “Green” and “Finance” are two contradictory words. Green finance incorporates the aspect of non-financial in to financial aspect. In 1990, environmental aspects have been taken in to consideration when taking decisions on finance. These projects influences the shape of the organizational activities in many way. Mainly, this concept leads to cover the improvements or minimizing the areas such as pollution, scarcity of air and water, disposal of industrial and household water etc. Under the green finance, reducing the emission of greenhouse gases also major concern. Thus, several mechanisms have been emerged, which aim at reducing the emission of greenhouse gases through environmental friendly technologies and this mechanism (Wang & Zhi, 2016) To successful implement the green financing, following mentioned strategies are needed to be implemented.

- Introducing a policy for this concept
- Increase the amount of investment in both sectors of private and public.
- Implementing new projects that are suitable for green finance.
- Promoting this Green financing through cooperate agents.

Concepts relating to the Green finance

Concepts in green finance mean, some interrelated concepts in green finance. Climate finance is the one of the mostly related concept to the financial actions taken by the business parties for adaption to the climate change. Under this climate finance, large scale projects are required for low emission and reduction the consumption of non-renewable energy sources (Sony, Ferguson, & Beise-Zee, 2015). Sustainability reporting is the concept which moderates the concept of green financing. This concept refers feeding the annual report of a specific company and its information regarding economic, environmental, social and corporate governance in the organization (Gallhofer & Haslam, 1997). Hence, through analyzing this concepts, it indicates that climate finance directly relates to green financing and suitability reporting is indirectly relates to this green finance concept.

Products of Green finance

Application of this concept is common and famous among the general public. But most of them are not aware about this concept and practical application of this concept and green financial products. As an example now a days business organization uses following products of green finance such as, Retail finance, Asset management, Corporate finance and insurance etc. These green financing products and projects shows that they play an immense role in sustainable development. The main identified features of green financing products are as follow;

- It leads to improve market share since the green product has a good quality.
- It leads to earn more profit and reputation to the company.
- It leads to identify new business opportunities and ideas.
- It cause to have an attention and customer loyalty towards the business.
- High employee satisfaction on the green financing products.

Practical implication of Green finance

When go through the existing literature in Asian context on Green Financing, it proves that the application of Green Financing is still at the premature stage and it implies that need a great attention for further improvements. However, in April 2019, Central Bank of Sri Lanka, has issued a road map for develop this concept of green financing. Sri Lanka is the first country which has appointed a Parliamentary Select committee on sustainable development of Green Financing. Under the Sustainable development Act No. 19 of 2017, it has been issued the regulatory framework for the national level sustainable environmental development. According to the report of Central bank – 2019, the president and the related ministers have mentioned that financial sector could play an essential role in development and accomplishment of key sustainable development in Green Financing.

Management Practices of Green finance

To manage the performance of Green finance, it is important to measure the performance. Since the concept of green finance is very much subjective, the management of the organization must implement some kind of measurement in order to measure the results. But there are some

difficulties in measure the performance since this is a subjective area and the emerging concept. Therefore, some kind criteria can be taken to consider the measurement of the sustainability of this area such as capability of risk bearing, degree of societal cost operating and degree of effective decision making practices etc.

Strength in Green Practices

Since this is an emerging concept in twenty first century, it is little bit difficult to argue on the current or expected success and performance of this concept (Chowdhury, Data & Mohajan, 2013). Therefore, identifying the strength of green finance is a must. Strength of green finance are;

- Developing ecofriendly infrastructures and technologies
- Creating competitive advantages of using this green financing
- Identifying the value to the business process by adding green finance.
- Creating success of the economy.

In addition to the above discussed strength, author has identified trends in green financing across several sectors and business world. Or it could be mentioned as emerging trends in green financing.

Carbon market – across the world, carbon goods are spreading speedily. As an example, European countries and Japanese banks use these carbon goods and it is great opportunity to Sri Lanka for doing future development under this area.

Green Pollution and Technology – there is a high need in innovative financing packages for a sustainable environmental technology.

When concern in retail banking and insurance industry, carbon products could be taken as big opportunity in green financing. Also green finance could be taken as strategy for link the business parties. By creating partnering with manufactures, suppliers and financial institutes could become familiar with the green products. Since this is an emerging trend, can identify profitable opportunities which leads to implement branding. Strategic business planers can use these opportunities for their business.

Challenges in Green Finance

Since this is an emerging concept, there may be challenges and author has identified basic challenges in green financing and those can be addressed in proper way.

Lack of awareness in green financing.

- Competitive business world.
- Investment and technological needs in producing green products.
- Uncertainty in producing green products.
- Difficulties in doing market researches on green product and green financing.
- Attitude barriers on green financing.
- Management decisions on green financing.

Recommendations

Today business parties are anxious on environmental pollution and protection environment for future generation. Hence, there are concerning on sustainable environment development. Through identifying the challenges, author has identified possible recommendations for effective green financing. First need to identify the possible green activities linking to the finance. Doing awareness programmes on green financing activities and encourage more investment and projects under this section. When concern on micro financing, encouraging small business parties and farmers on green financing under low interest rates will become an important factor. Also can introduce ecofriendly green financing products, increasing investment on rain water harvesting and solar power etc.

Conclusion

Since global warming is the major concern on these days, author has focused on the importance and main concepts on green financing. Under the environmental pollution, greenhouse gas and global warming also major topics. Also author has discussed the how green finance works and product categories which can be implement under this concept. Since this is an emerging concept, author has discussed new opportunities and trends in this green finance. Also there are challenges

under the green finance and author has discussed the ways can be implemented to transfer the challenges into opportunities.

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