NURTURING A SUSTAINABLE FINANCIAL FRONTIER: EXPLORING PROSPECTS AND HURDLES IN FORTIFYING CORPORATE GOVERNANCE WITHIN THE GREEN FINANCE SECTOR

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ABSTRACT

Robust corporate governance stands as the cornerstone of every corporate entity and financial institution. It functions as the mechanism responsible for overseeing the organization's operations and safeguarding the interests of its stakeholders. Given the growing significance of environmental and social concerns, safeguarding investments becomes paramount to ensure sustained growth and to allure prospective clients. The banking and finance sector is the backbone of the financial flow of the economy. However, the harm to the environment is mostly done through these economic activities. To curb this issue, the concept of 'green finance' is introduced, which is a novel concept that aims to ensure environmental and economic sustainability. Apart from this, 'green finance' is efficient enough to maintain sound corporate governance in the financial institution as the interplay between ESG standards and financial market value creates a positive impact on the banking governance. In light of the same, this article is an attempt to highlight the amalgamation of green finance and corporate governance in the finance sector with a specific focus on the opportunities and hurdles while achieving the said target. Firstly, the article highlights the basic understanding of the concept of green finance along with its need in the finance sector. Secondly, the article presents an overview of the ESG standards and the role of green finance in promoting sound corporate governance in the finance sector and whether the concept of green finance is beneficial in practical aspects. Thirdly, the article analyses the growth of green finance in the global market. Fourthly, the effective steps and opportunities to strengthen corporate governance for a greener financial sector are discussed. Lastly, the potential barriers which can act as hurdles in achieving the said goal have been discussed.

Keywords: Green finance, corporate governance, financial sector, environment, and Basel Committee.

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INTRODUCTION

In the 21st century, climate change is the biggest environmental challenge that the world is facing today. Apart from this, the increase in greenhouse gas emission, CO2 depletion, environmental degradation, and various other socio-environmental issues are declining and hampering the country's quality of life and economic growth. It is important to tackle these issues and present a solution to this complexity. Correspondingly, the international agreements and protocols established comprehensive global frameworks to facilitate the critical and important aspects of sustainability and climate action.

Global initiatives like the Paris Agreement, Sustainable Development Goals, and UN Framework Convention on Climate Change (hereinafter, 'UNFCCC') have collectively set up various goals and meaningful efforts to tackle the environmental challenges.[1] In accord with the prevailing worldwide agreement regarding environmental preservation, climate change mitigation and the imperative of realising the United Nations Sustainable Development Goals (hereinafter, 'SDGs') by 2030 green finance has been propelled into the spotlight. This growing consensus underscores the increasing importance of sustainable financial practices in addressing global challenges and promoting a more sustainable future.[2]

The concept of green finance can be easily connected to socio-environmental issues or environmental challenges, but the term 'sustainability' is not restricted to environmental sustainability. It is important to note that 'sustainability' can be widened enough to also include economic sustainability.[3] At times, the pivotal banking sector, which plays a crucial role in a nation's financial vitality, raises concerns about its environmental impact.[4]

A completely novel concept in finance has surfaced that integrates economic and environmental sustainability and is suitably referred to as 'green finance.' This ground-breaking strategy aims to balance economic activity with ecological stewardship, addressing

[1] Carmen Shih, Andrzej Gwizdalski and Xin Deng, 'Building a Sustainable Future: Exploring Green Finance, Regenerative Finance, and Green Financial Technology' (2023) Nanyang Business School Research Paper, No. 23-18 <https://ssrn.com/abstract=4449096> accessed 26 August 2023.
[2] Mohammad Abul Kalam Azad and others, 'Revisiting the Current Status of Green Finance and Sustainable Finance Disbursement: A Policy Insights' (2022) 14 (14) Sustainability 8911 <https://dx.doi.org/10.3390/su14148911> accessed 24 August 2023.
[3] Sajeewani Jayathilake, 'Impact of Green Financing for the Corporate Governance in the Banking Industry' (2019) 12 (11) OIDA IJSD 23 <https://ssrn.com/abstract=3571734> accessed 26 August 2023.
[4] JPMorgan Chase & Co, '2021 Environmental Social & Governance Report' (*JPMorgan*, 10 May 2023) <https://jpmorgan.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/jpmc-esg-report-2021.pdf> accessed 23 August 2023.

the urgent need for environmental stewardship while providing economic security.[5] Green finance is an important step towards a more sustainable future where financial institutions are key players in establishing a society that is both ecologically responsible and economically sound.

The objective of this article is to examine the concept of the greener finance sector and its interlink with corporate governance. The article also attempts to highlight the opportunities and potential barriers while reinforcing the principles of corporate governance in the greener financial sector.

The article is bifurcated into the following parts: *firstly,* the concept of greener finance is explained along with the importance of corporate governance in the said sector so as to maintain the climate and environmental risks; *secondly,* the status of green finance on global scale; *thirdly,* the opportunities and probable steps are highlighted to strengthen the corporate governance in the greener financial sector; *fourthly and lastly,* the potential barriers are discussed while incorporating effective corporate governance in the green finance sector.

UNDERSTANDING THE CONCEPT AND NEED FOR GREEN FINANCE IN THE FINANCE SECTOR

Green finance is a novel concept in the modern financial market. However, there is no standard and internationally agreed definition for the same. The term 'green finance' can be bifurcated into two words, i.e., 'green' and 'finance',[6] wherein the term 'green' is concerned with the conservation of environmental resources and the process through which the natural resources can be preserved for the future generation or new sources of the resources can be generated. On the other hand, the term 'finance' encompasses a comprehensive management of financial resources, including both monetary assets and currencies. This multifaceted process involves activities such as budgeting, investing, borrowing, and tracking financial transactions, all aimed at optimizing the allocation and utilization of funds within an individual, organization, or economy. Therefore, it can be interpreted that the term green

[5] Kai Wang and others, 'Internet Finance, Green Finance, and Sustainability' (2019) 11 (14) Sustainability 3856 <http://dx.doi.org/10.3390/su11143856> accessed 20 August 2023.
[6] Sandeep Kumar Rawat and Anu, 'Recent Advances in Green Finance' (2020) 8 (6) IJRTE 5628 <https://ijrte.org/wp-content/uploads/papers/v8i6/F9980038620.pdf> accessed 29 August 2023.

finance interlinks the finance sector with the environmental conservation and economic benefits.[7]

According to the United Nations Environment Programme (hereinafter, 'UNEP'), green finance is a principle which ensures that the level of financial flow from banks, public, private, and non-profit organisations deliver greater accountability and equal opportunities to manage environmental and social risks.[8] Every nation, regardless of its economic development status, should actively pursue green financing. Projections indicate that from 2012 to 2030, the cumulative global investment in green finance is expected to reach an impressive $40 trillion. This underscores the universal commitment to sustainability and the vast opportunities in green financial markets.[9]

As per a United Nations Press release, climate change is the biggest threat modern humans are facing today.[10] As human activities such as the burning of fossil fuels, deforestation, and industrial processes persistently drive enduring alterations in temperature and weather patterns, the repercussions of climate change loom as a substantial threat. This threat extends not only to the environment and society but also to the global economy.

Conventional financial practices have frequently come under scrutiny for their role in exacerbating these challenges, as they often provide funding to companies engaged in environmentally harmful or socially irresponsible activities.[11] Addressing the consequences of climate change necessitates substantial investments in sustainable ventures.[12]

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7 Sandeep Kumar Rawat and Anu, 'Recent Advances in Green Finance' (2020) 8 (6) IJRTE 5628 <https://ijrte.org/wp-content/uploads/papers/v8i6/F9980038620.pdf> accessed 29 August 2023.

8 United Nations Environment Programme, 'Green Financing' <https://unep.org/regions/asia-and-pacific/regional-initiatives/supporting-resource-efficiency/green-financing> accessed 4 September 2023.

9 Sharif Mohd and Vijay Kumar Kaushal, 'Green Finance: A Step towards Sustainable Development' (2018) 5 (1) MUDRA: Journal of Finance and Accounting 59 <https://researchgate.net/publication/326738586_Green_Finance_A_Step_towards_Sustainable_Development> accessed 3 September 2023.

10 United Nations, 'Climate Change 'Biggest Threat Modern Humans Have Ever Faced', World-Renowned Naturalist Tells Security Council, Calls for Greater Global Cooperation' (United Nations Press Release, 23 February 2021) <https://press.un.org/en/2021/sc14445.doc.htm> accessed 5 September 2023.

11 Hugues Chenet, Josh Ryan-Collins and Frank van Lerven, 'Finance, climate-change and radical uncertainty: Towards a precautionary approach to financial policy' (2021) 183 Ecological Economics <https://sciencedirect.com/science/article/pii/S092180092100015X> accessed 29 August 2023.

12 Organization for Economic Co-operation and Development, 'Investing in Climate, Investing in Growth' – (*OECD*, June 2019) <https://read.oecd-ilibrary.org/economics/investing-in-climate-investing-in-growth_9789264273528-en#page4> accessed 1 September 2023.

Consequently, there is a growing imperative for more environmentally conscious financial mechanisms, thus culminating in the emergence of green finance.[13]

Green finance is an innovative approach that seeks to channel resources into investment projects that align with both environmental sustainability and social responsibility. This financial framework is driven by the recognition that traditional finance models have not only contributed to environmental degradation but have also fallen short in addressing the pressing need for sustainable development. In essence, green finance is an instrument to achieve the target of net-zero emissions and other climate-related goals with investments to enable decarbonization and innovation across all sectors of the economy.[14]

ESG STANDARDS

Green financing and sustainable banking are evolving concepts in the world of finance. They stand for a fresh method of funding that is centred on environmental responsibility and sustainability. Green finance/sustainable finance is all about making ethical and responsible decision making in business and investment. It places a central emphasis on adhering to Environmental, Social, and Governance (hereinafter, 'ESG') criteria, particularly in the realms of asset management and corporate strategy. These ESG standards are increasingly being sought after by customers, employees, and investors, as they hold companies accountable for their impact on the environment, their social responsibility, and their commitment to good governance practices.[15]

In today's business landscape, sustainable finance represents a fundamental shift towards responsible and conscientious financial decision-making. It reflects a growing awareness that companies must not only strive for profitability but also demonstrate a commitment to addressing environmental challenges, fostering social well-being, and upholding transparent and ethical governance structures.[16]

[13] Hee Jin Noh, 'Financial Strategy to Accelerate Green Growth' (2018) ADBI Working Paper Series No 866 <https://adb.org/sites/default/files/publication/452656/adbi-wp866.pdf> accessed 6 September 2023.
[14] Jean Pesme, 'Moving from ambition to action toward a greener financial system' (*World Bank Blogs,* 2 June 2021) <https://blogs.worldbank.org/psd/moving-ambition-action-toward-greener-financial-system> accessed 4 September 2023.
[15] Satander, 'What are Sustainable Finance and ESG' (11 July 2023) <https://santander.com/en/stories/what-are-sustainable-finance-and-esg#:~:text=Sustainable%20finance%20is%20all%20about,and%20investors%20demand%20of%20companie> accessed 20 August 2023.
[16] Sajeewani Jayathilake, 'Impact of Green Financing for the Corporate Governance in the Banking Industry' (2019) 12 (11) OIDA IJSD 23 <https://ssrn.com/abstract=3571734> accessed 26 August 2023.

Sustainable finance is driven by the recognition that businesses and investments should align with the broader goals of sustainability and societal welfare. It is a response to the demands of various stakeholders, including consumers who prefer friendly and socially responsible products and services, employees who seek purpose-driven organizations, and investors who are increasingly integrating ESG factors into their decision-making processes.

Incorporating ESG principles into asset management and corporate strategy is not just a trend but a strategic imperative in the contemporary financial landscape. Companies that embrace sustainable finance not only mitigate risks associated with environmental and social issues but also enhance their long-term resilience and reputation. Ultimately, sustainable finance is a catalyst for positive change, fostering a more ethical, equitable, and environmentally conscious approach to business and investment.[17]

DOES ESG ADD VALUE TO THE COMPANIES AND FINANCE SECTOR?

From a sustainable development perspective, it is very important that enterprises start focusing on environmental protection and limited use of resources so that they can develop long-term businesses which are beneficial from the perspective of both the market and the environment. With green and environment-friendly corporate practices having a view of long-term development, the corporates can obtain long-term returns.

According to the stakeholder theory, companies that adeptly manage their relationships with all stakeholders are more likely to achieve success. This theory posits that companies should be accountable not only to shareholders but also to creditors, employees, suppliers, customers, government, community, and the environment.[18] Emphasising external corporate governance to maximise stakeholders' overall interests leads to higher growth and benefits for companies. For instance, satisfied employees exhibit higher motivation, while contented suppliers provide higher-quality raw materials. This enables a company to cultivate a favourable reputation, thereby fostering performance improvement.[19] Research highlights the significance of corporate charitable donations in consumer-sensitive industries, as they contribute to future income. Additionally, timely disclosure of information through

[17] Victoria Ebel andAppian, ‘Green finance vs. ESG: What’s the difference?’ (*Appian*, 29 March 2023) <https://appian.com/blog/acp/finance/green-finance-vs-esg.html> accessed on 2 September 2023.
[18] Alan S Gutterman, ‘The Environment as a Stakeholder’ (*SSRN*, 25 June 2023) <https://dx.doi.org/10.2139/ssrn.4484408> accessed 8 March 2024.
[19] A B M Sohel Mahmud and others, ‘Exploring the factors affecting Job Satisfaction among Sub Assistant Agricultural Officers in Dinajpur District, Bangladesh’ (2024) 42 (3) AJAEES 48 <http://dx.doi.org/10.9734/AJAEES/2024/v42i32377> accessed 7 Mach 2024.

announcements is crucial for companies to attain short-term success. Through Environmental, Social, and Governance (ESG) disclosure, companies can effectively enhance transparency, thereby reducing information asymmetry and bolstering investor confidence in long-term investments.[20]

THE CURRENT STATE OF GLOBAL GREEN FINANCE

Green finance, on a global scale, is steadily gaining momentum as an essential tool in combating climate change. Governments, financial institutions, and businesses worldwide are increasingly embracing sustainable investment practices to address environmental challenges. Initiatives such as green bonds, sustainable loans, and investments in renewable energy projects are becoming mainstream, thereby reflecting a growing commitment to environmentally responsible finance.[21] For instance, this paper analyses the trend of Green Finance in the countries of Singapore, the United States and the European Union.

SINGAPORE

The Singaporean government recognises the pivotal role of green finance in expediting the transition to a sustainable economy, which is essential for achieving net-zero emissions. In line with this vision, the Monetary Authority of Singapore (hereinafter, 'MAS') initiated its Green Finance Action Plan in 2019, aiming to position Singapore as a global hub for green finance. This plan focuses on four key priorities, namely, enhancing the financial sector's resilience to environmental risks, cultivating green financial solutions and markets to foster a sustainable economy, leveraging technology to facilitate efficient and trustworthy flows of sustainable finance, and developing expertise and capabilities in sustainable finance.[22]

Furthermore, the government announced in the 2022 Budget its commitment to issue up to $35 billion worth of green bonds by 2030.[23] MAS introduced the Singapore Green Bond Framework in June 2022 to guide public sector green bond issuances according to

[20] Silvia Carnini Pulino and others, 'Does ESG disclosure influence firm performance?' (2022) 14 (13) Sustainability 7595 <https://doi.org/10.3390/su14137595> accessed 7 March 2024.
[21] Rohit Agrawal and others, 'Adoption of Green Finance and Green Innovation for Achieving Circularity: An Exploratory Review and Future Directions' (2023) 14(4) Geoscience Frontiers <https://sciencedirect.com/science/article/pii/S1674987123001366> accessed 8 March 2024.
[22] Monetary Authority of Singapore, 'Jurisdiction: Singapore Authority: Monetary Authority of Singapore (MAS)' (*Sustainable Insurance Forum*) <https://sustainableinsuranceforum.org/wp-content/uploads/2020/11/Singapore-Monetary-Authority-of-Singapore-MAS.pdf> accessed 8 March 2024.
[23] Monetary Authority of Singapore, 'Singapore Green Bond Framework Introduced for Upcoming Inaugural Singapore Sovereign Green Bond Issuance' (9 June 2022) <https://mas.gov.sg/news/media-releases/2022/singapore-green-bond-framework-introduced-for-upcoming-inaugural-singapore-sovereign-green-bond-issuance> accessed 9 March 2024.

internationally recognised standards. Additionally, MAS launched the Green and Sustainability Linked Loan Subsidy Scheme to assist corporations, regardless of size or location, in accessing green and sustainable financing.[24]

Singapore is also actively constructing a comprehensive ecosystem for green and transition finance to support Asia's journey towards achieving net zero emissions. This includes initiatives to enhance environmental risk management in the financial sector, provide grants for issuing green and sustainability-linked loans and bonds, facilitate the establishment of a robust carbon credit market in Asia, and address data challenges through technological solutions like an ESG registry and disclosure platform.[25]

UNITED STATES

The United States has reaped the rewards of contributing to the development and refinement of what many consider to be the world's most prosperous and inventive economic system. With American markets maintaining their prominence in global finance, businesses from the US have a track record of effectively expanding their proven practices abroad. Consequently, there exists an opportunity to promote the adoption of sustainable finance practices from the US in other nations, which could foster both financial prosperity and societal advancement.[26]

The example of Bank of America's environmental business initiatives illustrates the United States' practice of green finance, with commitments to financing low-carbon activities, promoting renewable energy, and addressing environmental concerns. This reflects a broader trend of businesses integrating sustainability into financial activities, contributing to both environmental stewardship and economic growth.[27]

EUROPEAN UNION

As per the European Green Deal, the EU aims to achieve climate neutrality by 2050 (European Commission, 2019). This ambitious transformation necessitates significant

[24] David Koehne, 'Green Hub: Sustainable Finance Hub Singapore' (*The Legal 500*) <https://legal500.com/global_green_guide/sustainable-finance-hub-singapore/> accessed 9 March 2024.
[25] ibid.
[26] United Nations Environment Programme, 'The state of sustainable finance in the United States' (2016) <https://wedocs.unep.org/handle/20.500.11822/9828;jsessionid=96D37F718222829F132D8FE3263428D0> accessed 9 March 2024.
[27] Bank Of America, 'Our commitment to environmental sustainability' <https://about.bankofamerica.com/en/making-an-impact/environmental-sustainability> accessed 10 March 2024.

investments from both the public and private sectors.[28] The EU estimates that around €350 billion of additional investment per year in the energy sector alone will be required until 2030 to meet the target of reducing emissions by 55%.[29]

In order to finance the Green Deal, the EU Commission has announced plans to invest a total of €1 trillion in the green transformation of the European economy. These funds will be sourced, among other means, from the 2021-2027 Multiannual Financial Framework (MFF) and the Next Generation EU fund, with a combined total of €750 billion. However, despite this substantial investment, there remains a significant financing gap of at least €2.5 trillion, primarily reliant on private sector contributions.[30] This highlights the necessity for appropriate regulatory frameworks and incentives to further encourage Environmental, Social, and Governance (ESG) investments.

PROMOTION OF CORPORATE GOVERNANCE IN THE FINANCE SECTOR THROUGH GREEN FINANCE

Corporate Governance is the foundation stone of any business entity. Typically, the shareholders appoint the boards of directors and other authorised persons to maintain the business and affairs of the company, wherein the main target is to ensure sound corporate governance in the organisation.[31]

Originally, the concept of corporate governance was restricted to satisfying the needs and interests of shareholders and maximising the profit, however, eventually, the concept evolved to include the triple bottom line (TBL), which incorporates the three dimensions of performance, i.e., environmental quality, social welfare and justice, and economic prosperity.[32]

This understanding reveals a strong interplay between corporate governance, environment, and economic prosperity. This provides strong support to the argument that corporate

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[28] European Commission, 'The European Green Deal' <https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en> accessed 10 March 2024.
[29] Volker Bruhl, 'Green Finance in Europe – Strategy, Regulation and Instruments' (2021) 56 Intereconomics 323 <https://intereconomics.eu/contents/year/2021/number/6/article/green-finance-in-europe-strategy-regulation-and-instruments.html> accessed 9 March 2024.
[30] ibid.
[31] Mr Deepankar Sharma and Mr Amit Yadav, 'Corporate Governance Ratings: Effect on Compliance Norms' in Dr Ashu Maharshi (ed), *Corporate Governance: Emerging Economies* (1st edn, VidhiAagaz-Inking Your Brain 2020).
[32] Timothy F Slaper and Tanya J Hall, 'The Triple Bottom Line: What is it and How does it Work?' (2011) 86 (1) Indiana Business Review 4 <https://ibrc.indiana.edu/ibr/2011/spring/article2.html> accessed 27 August 2023.

governance is not merely concerned with the maximisation of the interests of shareholders and financial lucrativeness; rather, it is equally and comprehensively concerned with the sustainable approach of the market where there is a balance of interests of a vast number of stakeholders (for example, shareholders, customers, suppliers, employers, local communities, civil society, and non-governmental organisations).[33]

When examining the impact of green finance practices on corporate governance in the banking industry, it becomes clear that there's a tangible connection. Green finance not only adds value to businesses but also enhances long-term profitability and market value.[34] As the banking industry acts as a crucial intermediary between the private and public sectors, the adoption of green banking practices has significant implications. It elevates the industry's value by aligning with sustainability goals, making it apparent that green finance has a discernible impact on corporate governance in the banking sector.

STRENGTHENING CORPORATE GOVERNANCE FOR GREENER FINANCIAL SECTOR: EFFECTIVE STEPS AND OPPORTUNITIES

In the financial sector, there has been a growing awareness of the urgent need to strengthen corporate governance procedures with a focus on fostering environmental sustainability. This necessity results from a heightened awareness of the financial sector's considerable environmental effect and its potential to help slow global warming and promote a more sustainable future. Enhancing corporate governance for a more sustainable financial sector is not only morally required; it is also a strategic requirement that supports the global movement towards sustainability.

BASEL COMMITTEE ON BANKING SUPERVISION

The Basel Committee on Banking Supervision is an International Group of Bank Regulatory Bodies. To advance financial stability and safeguard the interests of depositors and other stakeholders, it primarily focuses on establishing global banking standards. The importance of environmental and climate-related risks within the banking industry has been acknowledged by the Basel Committee despite its primary goal and focus on banking

[33] Cecilia Mark-Herbert, Julia Rotter and Ashkan Pakseresht, ‘A triple bottom line to ensure Corporate Responsibility’ in Per G Berg (ed), *Timeless Cityland* (Baltic University Press and SLU University (Uppsala) 2010).

[34] Sajeewani Jayathilake, ‘Impact of Green Financing for the Corporate Governance in the Banking Industry’ (2019) 12 (11) OIDA IJSD 23 <https://ssrn.com/abstract=3571734> accessed 26 August 2023.

regulation.[35] Climate change has wide-ranging economic and financial implications, which is why the central banks and the financial authorities are participating actively in the promotion of a sustainable global economy.[36]

The Existing International Supervisory Guidance, i.e., Basel Committee's Core Principles for Effective Banking Supervision and the Corporate Governance Principles for Banks, provide for the effective framework in which the banks and the supervisors could take initial steps to achieve the target of sound corporate governance arrangements for the greener financial sector.[37]

KEY ASPECTS

The rapid growth of green and sustainable finance sectors in recent years has been promising for addressing climate change. However, these efforts have largely focused on what can be termed 'pure green' activities, which are closely associated with achieving a near-zero or zero-carbon economy. Unfortunately, these pure green activities represent only a small fraction, estimated to be less than 8% of the global economy.[38]

The problem is that the larger range of investments required to achieve a thorough transition to a low-carbon economy has not received the same level of support. This comprises of expenditures and activities made by industries and businesses that produce large amounts of greenhouse gas emissions.[39] Many of these organisations struggle increasingly to align themselves with sustainability objectives and legal constraints.

The pivotal issue at hand is how to enable these sectors and businesses to access the financing they need to undergo the critical transition towards achieving net-zero emissions. Without adequate support and a well-structured framework for transition finance, they may encounter various challenges and potential negative consequences. These challenges can range from

[35] Bank for International Settlements, 'The Basel Committee – overview'<https://bis.org/bcbs/> accessed 28 August 2023.
[36] Bank for International Settlements, 'Climate change and green finance' <https://bis.org/topic/green_finance.htm> accessed 28 August 2023.
[37] Pietro Calice and Ezio Caruso, 'Strengthening corporate governance for greener financial sector' (*World Bank Blogs,* 22 April 2021) <https://blogs.worldbank.org/psd/strengthening-corporate-governance-greener-financial-sector#:~:text=Banks'%20boards%20might%20need%20to,in%20the%20relevant%20business%20lines> accessed 14 August 2023.
[38] Tiara Azarine and Laura Eboa Songue, 'Sustainable Finance: A transition framework to reach the SDGs' (*Sustainable Finance Hub*) <https://sdgfinance.undp.org/news/sustainable-finance-transition-framework-reach-sdgs> accessed 25 August 2023.
[39] Christian Haas and others, 'Deep uncertainty and the transition to a low-carbon economy' (2023) 100 Energy Research & Social Science <https://sciencedirect.com/science/article/pii/S2214629623001202> accessed 20 August 2023.

environmental concerns, such as continued emissions and environmental degradation, to economic hurdles, such as limited access to affordable and reliable clean energy sources. Furthermore, the transition could also have social implications, including the potential for job displacement and broader societal impacts. A disorderly and uncoordinated shift towards sustainability could exacerbate these issues, leading to unintended negative outcomes.[40]

The creation and execution of an effective framework for sustainable finance are crucial to addressing these issues and advancing a more orderly and equitable transition to a sustainable and climate-aligned economy.[41] A framework like this would aid in bridging the gap between conventional financial models and the developing sustainability landscape. Businesses and sectors would receive crucial support from it as they negotiate the challenges of the transformation process.

This framework for transition finance should aim to not only facilitate capital allocation but also ensure that the transition is carried out in an environmentally responsible, socially inclusive, and economically sustainable manner. By doing so, it can help mitigate transition risks, create a more stable and predictable environment for industries in flux, and ultimately contribute to a successful global transition to a net-zero emissions economy.

The following are the key aspects that ensure the proper implementation of the objectives of the Basel Committee and net-zero emissions economy:

ENVIRONMENTAL RISK ASSESSMENT AND DISCLOSURE

Climate change is bringing significant changes in the operations and management of corporations. The increment in awareness of the environmental and societal damage caused by climate change has forced corporations to think about their governance structure and ultimately, restructure it.[42]

The integration of environmental risk assessment and disclosure in the governance framework of any corporation can help in achieving long-term sustainable goals. The Indian statutes like the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure

[40] Mohamed Farghali and others, ‘Social, Environmental, and Economic Consequences of Integrating Renewable Energies in the Electricity Sector: A Review’ (2023) 21 Environmental Chemistry Letters 1381 <https://doi.org/10.1007/s10311-023-01587-1> accessed 15 August 2023.

[41] Ma Jun and Akiko Terada-Hagiwara, ‘Transition Finance is Critical to Address Climate Change’ (*Asian Development Blog*, 5 September 2022) <https://blogs.adb.org/blog/transition-finance-critical-address-climate-change> accessed 25 August 2023.

[42] Umakanth Varottil, ‘The Role of Corporate Governance in Addressing Climate Change: The Case of India’ (2010) 2(3) USALI East-West Studies <https://usali.org/asia-pacific-symposium-essays/the-role-of-corporate-governance-in-addressing-climate-change-the-case-of-india> accessed 17 August 2023.

Requirements) Regulations, 2015 (LODR Regulations) mandate and put an obligation on the companies and their directors to assess the climate risk and make disclosures accordingly.[43]

Governance structures should ensure that these risks are factored into decision-making processes and risk management strategies. For instance, the Annual General Meeting (AGM) report should carry the detailed factors which are responsible for affecting the financial position of the company, such as the physical risk, climate change risk, etc. Having such disclosures in the AGM report of the company can help in managing and strategising these risks and ultimately help in making a better decision for the company.

In furtherance to the same, the Regulation 34(2)(f) of LODR Regulations signifies a fundamental shift in corporate reporting and accountability standards. It goes beyond mere financial disclosures to achieve demands in a manner that is both sustainable and safe, i.e., disclosure of the efforts to reduce carbon footprint, conservation of natural resources, and promotion of natural resources.[44]

This adjustment in reporting standards reflects a growing understanding that businesses must play a substantial role in solving societal issues, including climate change and environmental degradation. Investors, customers, and regulators are increasingly evaluating a company's total impact on the environment and society based on corporate disclosures. As businesses work to satisfy these expectations and make a constructive contribution to a more sustainable and secure society, this transparency not only promotes trust but also brings positive changes.

ACCOUNTABILITY OF THE BOARD

Corporate boards play a central role in setting the strategic direction of financial institutions. To promote sustainability, boards should include members with expertise in environmental and sustainability matters. To address the climate and environmental-related risks, the presence of supervisory authorities helps in the execution of tasks like setting up an internal strategic roadmap, raising awareness, increasing capacity within the organisation, supervision, and assistance in embedding resources.[45]

[43] Companies Act 2013, s 166 (2); Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, reg 34(2)(f).
[44] Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 reg 34(2)(f).
[45] Network for Greening the Financial System Technical Document, 'Guide for Supervisors Integrating climate-related and environmental risks into prudential supervision' (May 2020) <https://ngfs.net/sites/default/files/medias/documents/ngfs_guide_for_supervisors.pdf> accessed 16 August 2023.

Additionally, in Section 166(2) of the Companies Act 2013, the director of a company is obligated to act in good faith and best interest of the company and its shareholders, which compels the director to accept the responsibility toward the company and identify and implements the best strategies to address the risk of climate change.[46] Henceforth, the board should be committed to providing a framework for these risks and emphasising the ways in which these risks can directly or potentially affect the financial stability and cash flow of financial institutions. In a nutshell, this focus underscores the critical link between various risks, such as climate change, economic instability, or market volatility, and their potential to create significant challenges for the solvency and liquidity of financial institutions.

TRANSPARENCY AND REPORTING:

Transparency is a cornerstone of effective governance for sustainability. It operates as a framework that guarantees transparent and ethical management practices while upholding accountability to a diverse array of stakeholders. This, in turn, nurtures trust between corporations and their customers, employees, and investors, and bolsters enduring partnerships with suppliers and other crucial business associates.[47]

Embracing sustainability across all facets of their operations is imperative for companies seeking long-term growth and prosperity. Sustainability should not be relegated to a mere jargon, rather it must be ingrained in the very culture of the organisation. From high-level strategic planning to the day-to-day minutiae of business processes, sustainability considerations should underpin every decision and action.

One vital dimension of this integration involves forging resilient relationships with stakeholders and investors from a sustainability perspective. Companies that prioritise transparency in their sustainability efforts stand to enhance their reputation and financial performance.[48] In an era where corporate social responsibility garners heightened attention, businesses are increasingly under scrutiny for their environmental and societal impact.

[46] Umakanth Varottil, 'The Role of Corporate Governance in Addressing Climate Change: The Case of India' (2022) 2(3) USALI East-West Studies) <https://usali.org/asia-pacific-symposium-essays/the-role-of-corporate-governance-in-addressing-climate-change-the-case-of-india> accessed 17 August 2023.

[47] Network for Greening the Financial System Technical Document, 'Guide for Supervisors Integrating Climate-elated and Environmental Risks into Prudential Supervision' (May 2020) <https://ngfs.net/sites/default/files/medias/documents/ngfs_guide_for_supervisors.pdf> accessed 16 August 2023.

[48] Geetika Chhatwal, 'From Obscurity to Clarity: How Transparency Revolutionizes Sustainability Reporting' (*Kadence International*) <https://kadence.com/en-us/from-obscurity-to-clarity-how-transparency-revolutionizes-sustainability-reporting/> accessed 6 September 2023.

Demonstrating a sincere commitment to sustainability through transparent reporting and information sharing is not just a moral imperative but also a strategic necessity.

For instance, in March 2023, the Securities and Exchange Board of India (SEBI) introduced an ESG category of mutual funds. This move comes in response to the growing demand for responsible and sustainable investment options in the financial market. Asset management companies in India can now launch more than one ESG fund, and as reporting on such parameters improves, the increased rigour and transparency will boost investor confidence.[49]

STAKEHOLDER INTERESTS

Effective corporate governance should facilitate meaningful engagements with stakeholders, including customers, shareholders, regulators, and civil society.[50] A company striving to enhance its governance standards can achieve this by fostering and enhancing its relationships with both internal and external stakeholders within the corporate sector. In today's intensely competitive market environment, Corporate Social Responsibility (CSR) emerges as a potent tool, particularly in the age of social media.[51]

In such a competitive landscape, corporations are acutely aware of the need to satisfy stakeholder expectations. This is achieved through various means, including offering increased employee incentives, prioritising safety measures in production processes, and demonstrating a commitment to environmental protection. By doing so, corporations can effectively manage conflicts with stakeholders and mitigate potential risks that might disrupt their day-to-day operations.

According to the social exchange theory, trust within the corporate-stakeholder relationship needs to be both established as well as maintained. This sustainability arises from corporations actively engaging in societal responsibilities, thereby instilling a greater sense of responsibility among their employees. Consequently, this contributes to a stronger rapport between the corporate sector and its workforce, which is undoubtedly a valuable asset. This

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[49] Bhavya Singh, 'SEBI Introduces New Category Of Mutual Fund Schemes For Environmental, Social And Governance ("ESG") Investing And Related Disclosures' (*Live Law*, 23 July 2023) <https://livelaw.in/news-updates/sebi-introduces-new-category-of-mutual-fund-schemes-for-environmental-social-and-governance-esg-investing-and-related-disclosures-233423#:~:text=SEBI%2FHO%2FIMD%2FIMD,options%20in%20the%20financial%20market> accessed 16 September 2023.

[50] OECD, 'G20/OECD Principles of Corporate Governance' <https://oecd.org/corporate/principles-corporate-governance/> accessed 16 September 2023.

[51] Keke Bai and others, 'Stakeholder-Centered Corporate Governance and Corporate Sustainable Development: Evidence from CSR Practices in the Top Companies by Market Capitalization at Shanghai Stock Exchange of China' (2023) 15(4) Sustainability 2990 <http://dx.doi.org/10.3390/su15042990> accessed 15 September 2023.

robust mutual relationship not only bolsters trust but also aids corporations in defining and advancing their strategic objectives by gaining a deeper understanding of their shortcomings.[52]

In essence, nurturing harmonious relationships with both internal and external stakeholders, underpinned by a commitment to CSR is pivotal for businesses striving to elevate their governance standards. This proactive engagement not only enhances trust but also fortifies the bonds between corporations, employees, and other stakeholders. Ultimately, it paves the way for companies to set and achieve strategic objectives while navigating the intricacies of the modern corporate landscape.

ESG FACTORS

Environmental, Social, and Governance (ESG) factors should be integrated into investment and lending decisions. The integration of ESG factors into investment and lending decisions signifies a commitment to responsible and sustainable finance. It acknowledges that financial success should not come at the expense of environmental degradation, social inequality, or poor governance. By harmonising ESG criteria with financial metrics, we can create a financial system that is not only profitable but also equitable, environmentally responsible, and ethically governed, ensuring a more sustainable and resilient global economy.[53]

REGULATORY COMPLIANCE

Financial regulators and policymakers should play a pivotal role in shaping the governance landscape for sustainability. They can introduce regulatory frameworks that mandate disclosure of environmental risks, set sustainability standards, and incentivise green investments. For instance, the Companies Act, 2013, SEBI guidelines, the Ministry of Corporate Affairs, and the Bombay Stock Exchange have carried out various activities to affirm eco-friendly nature and upsurge green finance in the Indian financial market.[54]

EDUCATION AND AWARENESS PROGRAMS

[52] Tahniyath Fatima and Said Elbanna, ‘Corporate Social Responsibility (CSR) Implementation: A Review and a Research Agenda Towards an Integrative Framework’ (2023) 183 Journal of Business Ethics 105 <https://link.springer.com/article/10.1007/s10551-022-05047-8> accessed 15 September 2023.
[53] Santander ‘What are sustainable finance and ESG’ (11 July 2023) <https://santander.com/en/stories/what-are-sustainable-finance-and-esg#:~:text=Sustainable%20finance%20is%20all%20about,and%20investors%20demand%20of%20companie> accessed 20 August 2023.
[54] Priya Garg, ‘Presenting a Critique of Green Financing in India’ (*IndiaCorpLaw*, 14 May 2018) <https://indiacorplaw.in/2018/05/presenting-critique-green-financing-india.html> accessed 12 September 2023.

Education and awareness programs play a pivotal role in bridging the knowledge gap within the financial sector regarding environmental considerations. By equipping stakeholders with the necessary expertise, these programs empower financial institutions to navigate the challenges and opportunities presented by environmental sustainability effectively. Consequently, a greener financial sector not only mitigates risks but also contributes to a more sustainable and responsible global economy.[55]

POTENTIAL BARRIERS AND POSSIBLE SOLUTIONS

The financial industry presents green finance with a number of major obstacles and hurdles as it attempts to fund initiatives and projects that advance environmental sustainability. The following challenges could have a substantial impact on the development and efficacy of green financing initiatives:

NO STANDARD DEFINITION OF GREEN FINANCE

A major barrier to the implementation of green finance is the lack of a proper definition of green finance in India. Though there are efforts taken by various international bodies, such as UNEP and the United Nations, to define the term, the Indian finance sector is not equipped to accelerate the growth of green investments and bonds.[56]

The establishment of a precise and standardised definition for green finance would play a pivotal role in expediting the advancement of financial products and services tailored to environmental sustainability. Such a formal definition serves as a catalyst for innovation within the financial sector.

By providing clear parameters and criteria for what constitutes 'green' in financial terms, it empowers financial institutions to craft and offer a broader range of investment products and services that align with sustainability goals. Investors and depositors, armed with this clarity, can confidently identify and choose financial vehicles that support their environmental values and objectives.

[55] Sanat Rout and Sadananda Sahoo, 'Green Finance: The Future of Sustainable Banking in India' (2021) 5 (1) Interscience Management Review 28 <https://researchgate.net/publication/358287615_Green_Finance_The_Future_of_Sustainable_Banking_in_India> accessed 11 September 2023.

[56] Labanya Prakash Jena and Dhruba Purkayastha, 'Accelerating Green Finance in India: Definitions and Beyond' (*Climate Policy Initiative*, June 2020) <https://climatepolicyinitiative.org/wp-content/uploads/2020/07/Accelerating-Green-Finance-in-India_Definitions-and-Beyond.pdf> accessed 10 September 2023.

The ripple effects of these improvements in financial products, risk assessment, and reporting are felt across the financial sector, ultimately resulting in a swifter and more robust acceleration of green finance. As both awareness and demand for sustainable investments grow, a formal definition becomes an indispensable tool for aligning financial activities with environmental objectives, contributing to a more sustainable and environmentally conscious global economy.[57]

IMPLEMENTATION

Efforts made by regulatory bodies like the Reserve Bank of India (RBI) and other entities to promote green finance in India have primarily taken the form of advisory guidance. However, a notable absence of mandatory regulations or obligatory reporting requirements for financial institutions could potentially pose implementation challenges.[58] This situation echoes the initial phase of introducing corporate governance norms for companies, which began as guidelines and were subsequently transformed into obligatory regulations to ensure compliance.

The absence of legally mandated rules and reporting mechanisms might create ambiguity for financial institutions. While guidance provides a framework for sustainable financing, it may not guarantee consistent adherence across the sector. The evolution from voluntary guidance to mandatory regulations could be instrumental in fostering a more consistent and accountable approach to green finance.

Furthermore, India faces specific challenges in the implementation of prevailing environmental legislation by environmental authorities.[59] This could potentially complicate the task for banks when assessing the environmental feasibility of a project or a company seeking green financing. The reluctance or inability of authorities to take legal action against companies or projects for violations of environmental laws does not necessarily provide a definitive endorsement of their environmental suitability for green financing purposes.

In essence, the absence of rigorous enforcement and clear legal consequences for environmental law violations may create uncertainty for financial institutions when evaluating the environmental impact of their investments. It could be challenging to rely

[57] ibid.
[58] Priya Garg, 'Presenting a Critique of Green Financing in India' (*IndiaCorpLaw*, 14 May 2018) <https://indiacorplaw.in/2018/05/presenting-critique-green-financing-india.html> accessed 12 September 2023.
[59] Ashish Verma, 'Law of Environment In India: Problems And Challenges In Its Enforcement' (2021) 6 (2) Research Ambition: An International Multidisciplinary e-Journal 17 <https://redalyc.org/journal/7039/703973419003/html/> accessed 16 September 2023.

solely on the absence of legal action as an indicator of a project's or company's environmental viability.

Ultimately, the aim is to create a robust and consistent framework for green finance in India that encourages sustainable investments, while also addressing the complexities associated with evaluating environmental viability. Achieving this balance will be pivotal in promoting green finance and fostering a more sustainable financial sector in the country.

RISK OF GREEN WASHING

It is a common practice to create environmental awareness amongst the consumers and investors, but there have been practices by corporations wherein they build a deceitful, false impression, and misleading statements to their consumers and investors regarding their eco-friendly practices and green funds. This practice is commonly known as 'Green Washing'.[60] It is considered a fraud because, in the name of the green revolution, the companies are prioritising their capital and profits.

In the history of Indian corporations, there have been several notable instances that exemplify the insidious nature of greenwashing. One of the most infamous cases is the Bhopal gas tragedy, where Union Carbide, an American multinational, downplayed safety concerns and environmental risks, resulting in a catastrophic industrial disaster with severe ecological consequences. The Swachh Bharat Abhiyan, India's nationwide cleanliness campaign, has also witnessed instances of greenwashing, with some entities falsely claiming their involvement and contributions to the initiative for reputational gains. The HCL case is another example of greenwashing, where a prominent Indian corporation faced allegations of exaggerating its environmental commitments and practices to attract environmentally conscious investors and stakeholders.[61]

One of the underlying issues exacerbating greenwashing in India is the relative immaturity and lack of robust regulation within the Indian financial market. This inadequacy can make it challenging to discern genuine green bonds and investments from those that are misleading. Addressing greenwashing requires concerted efforts from regulatory authorities, corporations, and vigilant consumers and investors. Stricter regulations, transparent reporting standards, and stringent penalties for deceptive practices can act as deterrents. Meanwhile, consumers

[60] Merriam Webster, 'Greenwashing' <www.merriam-webster.com/dictionary/greenwashing> accessed 14 September 2023.
[61] Julia Freytag, 'Challenges for Green Finance in India: An Analysis of Deficiencies in India's Green Financial Market' (Master's Thesis in Business Administration I, UMEA University 2020).

and investors must exercise due diligence, critically examining the environmental claims made by corporations and demanding verifiable evidence of their sustainability efforts.

INSUFFICIENT GOVERNMENT POLICIES

The Indian government's stance on promoting bank financing for green projects has been somewhat ambiguous and lacking a clear strategic direction. Unlike other aspects of environmental regulation, where the National Environmental Policy (NEP) has provided explicit policies, concepts and standards, there is a notable absence of comprehensive guidance or directives regarding the role of financial institutions in advancing environmental sustainability.[62]

While the NEP has outlined various environmental policies and frameworks, it does not offer specific guidance on how financial institutions should integrate these policies into their operations and investments. This gap in policy and regulation creates uncertainty within the financial sector, as banks and other financial institutions are left to navigate the complex landscape of green finance without clear mandates or guidelines from the government.

One potential consequence of this lukewarm government initiative is that it may deter the growth of green financing by banks. In the absence of a well-defined regulatory framework and government support, financial institutions may be less inclined to engage in green projects actively. The uncertainty surrounding their role in promoting sustainability can act as a disincentive for banks to allocate resources to green initiatives.

Another relevant point to consider is the mandate of the Reserve Bank of India (RBI). The RBI's primary responsibility revolves around maintaining financial stability and ensuring the stability of pricing within the Indian economy. It does not explicitly involve addressing environmental issues or sustainability concerns. This further underscores the need for a clear government strategy that outlines the roles and responsibilities of various stakeholders, including financial institutions, in advancing green finance and sustainability.[63]

NO RELIABLE GREEN FINANCIAL POLICY FRAMEWORK

A significant challenge in our country stems from the absence of a coherent framework and aligned policies in the domains of environment, sustainability, and renewable energy. While India has issued numerous circulars, policies, and agendas addressing these critical areas,

[62] Priya Garg, 'Presenting a Critique of Green Financing in India' (*IndiaCorpLaw*, 14 May 2018) <https://indiacorplaw.in/2018/05/presenting-critique-green-financing-india.html> accessed 12 September 2023.
[63] ibid.

they often lack integration and synchronisation. This lack of alignment hampers the effectiveness of these initiatives.

For instance, India's 12th Five-Year Plan articulates a vision of rapid, sustainable, and inclusive growth, which is commendable. However, when we examine the environmental targets, a disparity becomes evident. These targets include ambitions such as increasing forest area by 1 million hectares annually, boosting renewable energy capacity by 30,000 Megawatts, and reducing emissions by 20 to 25 percent. Regrettably, these quantifiable standards are not firmly embedded or integrated into the overarching environmental goals and strategies.[64]

This disconnection between the broader development objectives and specific environmental targets creates a significant barrier. It hinders the country's ability to fully harness the potential of its green financial market.

To overcome this barrier and unlock the true potential of green finance in India, there is an urgent need for a more holistic and integrated approach. Policies and strategies should be harmonised, ensuring that environmental targets are intrinsically linked with the broader vision of sustainable and inclusive growth. This alignment will not only provide clarity but also create a more conducive environment for financial institutions and investors to actively participate in green initiatives.

CAPITAL CONSTRAINTS

Financial institutions exhibit a reluctance to allocate substantial investments into the realm of green financing, primarily due to the fact that this sector is still in a nascent and underdeveloped stage. Moreover, capital constraints further exacerbate this issue, as financial entities often allocate limited budgets to provide green financing to prospective borrowers. This constraint arises from the perception that green financing is an expensive and high-risk endeavour, largely attributed due to its focus on project and technology-based approaches. As a result, financial institutions grapple with the challenge of balancing the imperative for

[64] Md Kashif Ansari and Yukta Anand, ‘Green Finance In India: Trends and Challenges’ (2022) 2 (4) Hans Shodh Sudha 43 <https://hansshodhsudha.com/volume2-issue4/Manuscript%205.pdf> accessed 14 September 2023.

sustainability with the necessity of maintaining profitability, ultimately posing a significant obstacle to the growth of green financing when compared to conventional financing.[65]

At the heart of the hesitation exhibited by financial institutions lies the perception that green financing, while aligned with sustainable objectives, remains an uncharted territory with potentially higher risks. These risks emanate from the unique nature of green projects, which often involve cutting-edge technologies, renewable energy ventures, and environmentally conscious initiatives. The novelty of such undertakings translates to uncertainty in terms of returns and outcomes, dissuading financial institutions from making substantial investments.

The result of these dynamics is that green financing activities, if not appropriately managed, can become less profitable when compared to conventional financing options. The perceived risk and budget constraints may lead financial institutions to limit their exposure to green projects, prioritising more conventional and proven avenues for revenue generation. This cautious approach, while understandable, can ultimately stifle the growth and impact of green financing, slowing down the transition to a more sustainable and environmentally conscious financial landscape.[66]

To overcome these challenges, financial institutions must adopt a balanced and strategic approach. While it is essential to manage risk and allocate resources judiciously, financial entities should also recognise the long-term benefits of green financing. This includes potential for growth, enhanced brand reputation, and alignment with global sustainability goals. Moreover, collaboration with government bodies, international organisations, and environmental agencies can help financial institutions mitigate risks and gain access to expertise and resources in the green financing arena.

CONCLUSION

Environmental sustainability was the ancestor of the concept of green finance. It is widely acknowledged that the world has experienced a number of climate and environmental problems as a result of industrialisation. So many individuals are looking for answers for environmental sustainability as a response to environmental problems. The financial

[65] Abd Hadi Mustaffa and others, 'A Systematic Literature Review on Barriers to Green Financing Participation Worldwide' (2021) 13 (4) GBMR 66 <https://researchgate.net/publication/356541887_A_Systematic_Literature_Review_on_Barriers_to_Green_Financing_Participation_worldwide> accessed 15 September 2023.
[66] Riccardo Boffo and Robert Patalano, 'ESG Investing: Practices, Progress and Challenges' (*OECD*, 2020) <https://oecd.org/finance/ESG-Investing-Practices-Progress-Challenges.pdf> accessed 15 September 2023.

institutions that manage the economy's financial flow, such as banks, have a significant influence over its economic operations.

Giving importance to sustainable development and developing strong sustainability credentials, the Government of India is trying hard to accept green deposits, as the purpose of green finance is to ensure funds are utilised for energy efficiency, clean transportation, climate change adaptation, sustainable water and waste management, green buildings, and terrestrial and aquatic biodiversity conservation.

Green finance and other investment methods will receive standardised definitions and measurement frameworks as processes develop. The comparison and choice of funds and businesses will be improved by transparency in performance and effect assessment. It will be possible to fine-tune and increase transparency in a company's green credentials with the help of tighter reporting standards, stronger governance, and the use of technology to track emissions. This will boost investor confidence and allay concerns about greenwashing.

Furthermore, more education, standardisation, and transparency is required about the pertinent measures and their effects on financial success. Although green finance might not be the answer to solving environmental and social problems, it is crucial to encourage businesses to give these concerns top priority by promoting sustainable and responsible investment practices. Collaborations between the government, academia, and business are required, as are campaigns for new regulations and public-private partnerships. This will help accelerate the transition to a net zero economy by 2070.