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Green Finance Mechanisms For Natural Resource Management

Parekh Neena Jaydev[1]

[1]Assistant Professor, Swami Sahajanand College of Commerce & Management, Affiliated to Maharaja Krishnakumarsinhji Bhavnagar University, Bhavnagar, Gujarat-364002, India

Abstract:

As the world faces increasing environmental challenges, the need for sustainable natural resource management becomes paramount. Green finance mechanisms offer innovative solutions to address these challenges by promoting sustainable practices while ensuring economic viability. This research paper aims to explore the various green finance mechanisms that can be employed for effective natural resource management. The paper provides a comprehensive overview of different financial instruments, such as green bonds, sustainable investment funds, carbon pricing mechanisms, and payment for ecosystem services, along with case studies that highlight their successful implementation. By analysing these mechanisms, this paper proposes recommendations for policymakers and stakeholders to promote sustainable natural resource management and achieve a greener future.

Key Words: Green Finance mechanism, natural resource management, investment fund

Introduction:

Green finance has become very important in the literature to address both of these factors due to the widespread global actions on climate change and overheated greenhouse gases Aldakhil et al. (2018). Also with regard to the adoption of the UN Sustainable Development Goals and other climate-based agreements, these factors make them more relevant and debatable.

Trade openness has traditionally had a positive effect on natural resources around the world. However, trade barriers and policies that prevent trade in natural resources lead to a decline in the amount of natural resources in countries and economies. The Asian Development Bank (ADB) played a significant role in this regard, designing and implementing various projects to ensure the quality of environmental sustainability and the growth of environmental sustainability not only in the Pacific, but also in the Asia-Pacific region.

ADB's efforts have included climate change financing. This project is jointly implemented by the Global Environment Facility (GEM) and ADB, driving the economy forward towards green finance and openness.

The openness of trade in natural resources between countries and the use of green finance can significantly reduce harmful ecological footprints and factors, so that overall environmental quality and sustainability can be improved and strengthened, with the primary objective of increasing economic growth and promoting greening of economies. (Aydin et al., 2020). To this end, the main objectives of the study are:

The openness of natural resource trade and the promotion of green finance will lead to a reduction in water, air and soil pollution. These will also lead to a reduction in greenhouse gases and emissions. This will lead to improvements in the quality of energy efficiency using natural resources as well as the associated benefits and adaptation to climate change. According to the findings of the study, it is necessary for organizations in China to initiate various green projects to achieve sustainable development goals. With the help of green financial bonds and carbon market instruments, green banks and green financial instruments, fiscal policies and regulations will contribute positively and significantly to environmental sustainability and development. (He, 2019)

Literature review:

Sharif Mohd et al (2018) examined the role played by green finance as a solution to achieve harmony between the environment and the economy and also discussed the various available green finance instruments and sustainability initiatives in India and opined that India has great potential to create a green the infrastructure needed for green finance.

Parvadavardini Soundarrajan et al (2016) described green finance as a key component of linking low carbon growth, financial industry, environmental improvement and economic growth and concluded that sustainable finance is the future and Indian banks should continue to play the role of an agent of change with an overall focus on the three P's: People, Planet and Profit.

Dr. Karthrin Berensmann et al (2016) discussed the role of the main actors driving the development of green finance, including banks, institutional investors and international financial institutions. The researchers concluded that the degree to which ambitious climate and sustainability goals can be achieved will depend to a large extent on the determination with which the aforementioned actors drive the development of green finance forward.

Finance as an effective tool for sustainability:

By financing projects that aim to achieve sustainable development, green finance helps create harmony between the environment, finance and development. It thus helps to protect natural resources, supports the use of renewable energy sources, and thus tries to limit human use of the environment. Thus, it functions as an effective tool to achieve the goals of sustainable development

Areas covered by green finance:

Green banking:

It deals with the support of ecological practices through banking activities. Green banking helps protect the environment and thus contributes to the well-being of nature and the financial sector. It works by integrating technological improvements, changing stakeholder expectations and operational innovations.

Indian banks providing green banking services to their customers are State Bank of India, Punjab National Bank, Bank of Baroda, Canara Bank, ICICI Bank Ltd, DFC Bank Ltd, Kotak Mahindra Bank, Induslnd Bank, YES Bank, HSBC Group, IDBI, etc.

Green insurance:

The insurance industry is a member of the green financial sector family and thus plays a significant role in achieving sustainability goals. Although the insurance industry has not been directly involved in environmental degradation and has nothing to do with the framework regulations on these issues, it acts as the backbone of green finance by providing information related to risk management and significantly reducing the risks associated with its various strategies. and its underwriting business.

Advantages of green financing:

1) Efficient energy management: In the framework of green financing, various incentives are provided for the installation and use of renewable energy sources and the financing of projects aimed at reducing energy waste. In this way, efficient energy management can be achieved.

2) Environmental protection: Since the main aspect of green financing is the financing of projects aimed at sustainable development, environmental protection is an integral part of financing. So this concept will help to reduce the level of pollution, adapt to climate change, mitigate the depletion of ozone layer, preserve biodiversity etc. which are very necessary for the survival of living organisms.

3) Improves reputation: As an increasing number of stakeholders want to contribute to society through their investments and thereby do their work in the area of social responsibility, they will prefer companies that work for the benefit of the environment. Even the government provides incentives for environmentally friendly projects. Green financing will therefore help organizations build and improve their reputation in the long term.

4) Helps attract FDI: Environmental concerns are growing worldwide. As a result, when investing in domestic companies, foreign investors will evaluate projects in terms of social costs and benefits. Issuing green investment products will thus attract foreign direct investment to our country.

Conclusion:

Sustainable development is the need of the day, green finance as an effective sustainability tool is gaining importance in the current scenario. Investors think about risk and returns, they are increasingly responsible towards society. Increasing awareness of the need for nature conservation and increased funding for green projects has opened up a wide range of green finance opportunities. Policymakers, researchers, environmentalists, government, investors and financial institutions must work together to clearly define the concept of green finance. A proper regulatory framework needs to be set up to evaluate green projects, thereby ensuring that investors are not deceived in the green label. India as a developing country should focus on renewable energy generation, conservation of natural resources, efficient energy management, climate acceptance and other environmental issues with the help of green finance. It can therefore be concluded that green finance will function as an effective tool for sustainable development if properly managed.

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