

A Study On Progress And Challenges Of Green Finance In Madurai District

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Abstract

Green finance represents a positive shift in the global economy's transition to sustainability through the financing of public and private green investments and public policies that support green initiatives. Internalizing environmental externalities and lowering risk perceptions are two of green finance's major goals in order to promote investments that have a positive impact on the environment. Banks, institutional investors, and international financial institutions, as well as central banks and financial regulators, are some of the main players advancing the growth of green finance. To assist the greening of the financial system, some of these entities employ policy and regulatory measures for various asset classes, such as priority lending requirements, below-market-rate finance through interest-rate subsidies, or preferential central bank refinancing possibilities. By issuing green bonds, green equity, and green debentures, green finance has attracted a lot of interest in the current financial market. It fosters a culture of conservation and safeguards the natural resources for the benefit of coming generations. The objective of the paper is to analyze the profile of the respondents and analyze their opinion, progress and challenges of green finance in Madurai district.

Keywords: Green finance, sustainable development, Institutional investors

INTRODUCTION:

The funding of public and commercial green investments as well as public policies that support green initiatives, green finance represents a positive turn in the global economy's transition to sustainability. Internalizing environmental externalities and lowering risk perceptions are two of green finance's primary goals in order to promote investments that benefit the environment. Banks, institutional investors, and international financial institutions, as well as central banks and financial regulators, are some of the main players advancing the growth of green finance. To assist the greening of the financial system, some of these entities employ policy and regulatory measures for various asset classes, such as priority lending requirements, below-market-rate finance through interest-rate subsidies, or preferential central bank refinancing possibilities. Public budgets will fall considerably short of the necessary funds, despite estimates of the actual financing requirements for green projects varying significantly between different sources. Due of this, a significant quantity of private funding is required. However, the ability to raise capital for green investments has been constrained by a number of microeconomic issues, including difficulties internalizing environmental externalities, information asymmetry, a lack of adequate analytical capacity, and an unclear definition of what is meant by "green." Long-term green investments have maturation gaps compared to savers' and - more crucially - investors' very short time horizons. Additionally, there hasn't always been coordination between financial and environmental policy measures. Furthermore, a lot of governments don't make it obvious how and how much they support the green transition. The following actions are essential in order to boost the flow of private funding for green investments. Designing an ecosystem that supports green finance, including the business climate, the rule of

law, and the investment regime, comes first. Second, a clearer definition of green financing is required. Third, transparency norms and regulations would encourage the creation of green financing assets. Voluntary principles and rules for green finance need to be put into practice and monitored for all asset classes, including bank credits, bonds, and secured assets. Fourth, financial and regulatory incentives must be added to voluntary recommendations because they may not be enough. Fifth, as has been done in China, financial, environmental, and regulatory policies should be better coordinated.

IMPORTANT ACTORS AND THEIR INSTRUMENTS

Banks, institutional investors, international financial institutions (IFIs), regulatory agencies, and central banks are only a few of the key financial intermediaries and organizations advancing the greening of the financial system. Since the legal and regulatory environment establishes the foundation for the financial system, regulatory agencies and central banks in particular can have a significant impact on how quickly the financial system becomes more environmentally friendly.

BANKS

Because they make up a sizable portion of the global financial assets, banking system assets are crucial to the functioning of the international financial system. Developing nations and emerging markets in particular have put in place a number of policies to mobilize funding for sustainable development and to mainstream green finance in the financial sector (Alexander, 2014). These policies include prerequisites for priority lending and financing at below-market rates through interest-rate subsidies. These actions, nonetheless, come with dangers because they might lead to improper use of funds. Additionally, these actions might result in financial issues (UNEP, 2015). These hazards need to be considered when creating these measures.

INSTITUTIONAL INVESTORS

It is generally agreed that institutional investors, such as pension funds, sovereign wealth funds, and insurance companies, must provide a significant portion of the billions of dollars required to finance green initiatives. This investor group, however, faces a number of obstacles, including the fact that green investments typically aren't included in the pertinent benchmarks of rating agencies because they lack the track record necessary to receive a rating. Additionally, a lack of suitable green projects makes large-scale green expenditures generally impractical. In general, even while institutional investors are prepared to engage in long-term and sustainable initiatives, the current regulation frequently forbids them from doing so or only permits it in very limited circumstances.

INTERNATIONAL FINANCIAL INSTITUTIONS

Pioneering effort is required for investments in green products and projects to be significantly scaled up. IFIs can help the transition to a greener economy in three key ways. First, they play a pioneering role in experimenting with novel methods of funding sustainable development, such as voluntarily pledging to consider potential investments' carbon footprints and climate risks when making investment decisions using hypothetical "shadow prices" for carbon. Second, IFIs may play a significant role in the mobilization and rerouting of institutional and private finance for green initiatives by offering cutting-edge tools like green bonds. Last but not least, IFIs are destined to join a coalition of green financiers in order to change global financial governance so that it supports sustainable development (Linden berg, 2016). Applying the same criteria for green finance in order to prevent "green washing" is difficult because IFIs frequently have distinct goals and tools.

CENTRAL BANKS AND REGULATORY AUTHORITIES

In addition to IFIs, central banks and other regulatory authorities could encourage more sustainability in the financial

markets by putting in place the necessary laws and rules. They are especially needed to help the transition to a greener economy (Alexander, 2014). Because the existing financial system is mostly driven by short-term yields, one of the most important issues that financial regulators may assist in solving is a chronic investment deficiency for long-term and sustainable projects. The inclusion of climate risks in banking stress tests and standards of due diligence for banks and financial institutions may have an impact on general investing behavior. In addition, because green financial practices have greater costs, green financial standards and regulations help prevent competitive distortions. The Financial Stability Board (FSB) is an essential international actor in controlling environmental hazards in addition to financial sector regulators and central banks. By coordinating the creation of regulatory, supervisory, and other financial sector policies, this institution takes on the responsibility of promoting global financial stability. The G20 Finance Ministers and Central Bank Governors gave the FSB the task of bringing together representatives from the public and private sectors to evaluate the financial sector's contribution to the green transformation and to analyse financial stability in light of the green transformation.

GREEN FINANCE PRODUCTS

<p>Retail Finance</p> <ul style="list-style-type: none"> • Green Mortgage • Green Home Equity Loan • Green Commercial Building Loan • Green Car Loan, Credit Card 	<p>GREEN FINANCE</p>	<p>Corporate /Investment Finance</p> <ul style="list-style-type: none"> • Green Project Finance • Green Securitization • Green Venture Capital & Private Equity • Technology Leasing • Carbon Finance
<p>Asset Management</p> <ul style="list-style-type: none"> • Fiscal Fund (Treasury Fund) • Eco Fund, Carbon Fund • Cat Bond (Natural Disaster Bond) • Eco ETF 		<p>Insurance</p> <ul style="list-style-type: none"> • Auto Insurance • Carbon Insurance • Catastrophe Insurance • Green Insurance

OBJECTIVES:

- To present the profile of the respondents and analyses their opinion on Greenfinance.
- To analyses the progress and challenges of green finance.
- To give suggestion on the basis of findings.

MEHTODOLOGY:

The study is mainly based on primary data. Necessary information for the study was collected through questionnaire. The sampling techniques are adopted for 75 sample respondents. Secondary data for the study were also collected from published and unpublished work on the related topics, economic survey, journals and newspapers.

FRAMEWORK ANALYSIS:

The data were analyzed by using appropriate statistical techniques such as percentages analysis, Garret Ranking, Intensity value were used to analyze the data.

PROFILE OF THE SAMPLE RESPONDENTS:

The sample respondents are classified on the basis of age, education qualification, occupational status, monthly income of the family.

Table : 1 Profile of the Sample Respondents

Profile	No of Respondents	Percentage
Age		
25-35	30	40
35-45	25	33
45-55	20	27
Education qualification		
Primary	15	20
High School	20	27
Diploma	6	8
Graduate	24	32
Other	10	13
Occupational Status		
Profession	27	36
Business	22	29
Salaried	15	20
Others	11	15
Monthly Income		
Up to 20000	28	37
20,000-30,000	27	36
Above 30,000	20	27

It is shown from the above table 1, it was inferred that 40% of the respondents are belong to the age group of 25-35, 33% of the respondents are belong to the age group of 35-45, 27% of the respondents are belong to the age group of 45-55.

It was inferred that 32% of the respondents are Graduate, 27% of the respondents are High school, 20% of the respondents are primary, 13% of the respondents are others, 8% of the respondents are Diploma.

It was inferred that 36% of the respondents are belong to Profession, 29% of the respondents are belong to Business, 20% of the respondents are belong to Salaried, 15% of the respondents are belong to Others.

It was inferred that 37% of the respondents are belong to the income level Up to 20000, 36% of the respondents are belong to the income level 20000-30000, 27% of the respondents are belong to the income level above 30000.

Table: 2 General Issues of Green finance

General Issues	No of Respondents	Percentage
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Current Knowledge about green finance		
Seminar	12	16
Magazines	22	29
Periodicals	14	19
Organisation	11	15
Others	16	21

From the above table 2, it was observed that 16% of the respondents have current knowledge about green finance through seminar, 29% of the respondents have current knowledge about green finance through magazines, 19% of the respondents have current knowledge about green finance through Periodicals, 15% of the respondents have current knowledge about green finance through organization, 21% of the respondents have current knowledge about green finance through others.

Table: 3 Challenges of Green Finance

Statement	5	4	3	2	1	Intensity score	Mean Score	Rank
Information asymmetry at the capital markets	3 (15)	4 (16)	27 (81)	24 (48)	17 (17)	177	1.56	X
Lack of analytical tools and expertise in identification and assessment of green projects risks.	5 (25)	4 (16)	20 (60)	19 (38)	27 (27)	166	2.21	VIII
Poor green project selection and management	2 (10)	3 (12)	11 (13)	27 (54)	32 (32)	141	1.88	IX
Inadequate analytical capacity of issuers and investors	10 (50)	12 (48)	21 (63)	15 (30)	17 (17)	208	2.77	II
Ecological externalities	2 (10)	7 (28)	27 (81)	17 (34)	22 (22)	175	2.33	V

Absence of common definition of green finance and lack of international standards	11 (55)	2 (8)	12 (36)	19 (38)	31 (31)	168	2.24	VII
Absence of regulatory and legal framework directly related to green finance.	7 (35)	8 (32)	11 (33)	22 (44)	27 (27)	171	2.28	VI
Public financial source will be insufficient to finance the green transformation	14 (70)	7 (28)	26 (78)	17 (34)	11 (11)	221	2.95	I
Lack of generally accepted green definition and maturity mismatch	11 (55)	10 (40)	12 (36)	23 (46)	19 (19)	196	2.61	IV
Insufficient correlation of targetsof sustainable growth with priorities of national investment policy	10 (50)	6 (24)	23 (69)	20 (40)	16 (16)	199	2.65	III

From the above table 3 ,it shows that score given by Challenges of Green finance such as Public financial source will be insufficient to finance the green transformation stands with the intensity score of 2.95, Inadequate analytical capacity of issuers and investors stands with the intensity score of 2.77, Insufficient correlation of targets of sustainable growth with priorities of national investment policy stands with the intensity score of 2.65, Lack of generally accepted green definition and maturity mismatch stands with the intensity score of 2.61, Ecological externalities stands with the intensity score of 2.33, absence of regulatory and legal framework directly related to green finance stands with the intensity score of 2.28, absence of common definition of green finance and lack of international standards stands with the intensity score of 2.24, lack of analytical tools and expertise in identification and assessment of green projects risksstands with the intensity score of 2.21, poor green project selection and management stands with the intensity score of 1.88, Information asymmetry at the capital markets with the intensity score of 1.56.

Table: 4 Project Developments in Green Finance

Projects	1	2	3	4	5	Total score	Average score	Rank
Renewable energyand energy efficiency	18 (1422)	17 (1105)	13 (741)	12 (588)	15 (630)	4486	897.2	I
Biodiversity conservation	15 (1185)	12 (780)	16 (912)	17 (833)	15 (630)	3155	631.6	IV
Circular economy initiatives	16 (1264)	14 (910)	12 (684)	19 (931)	14 (588)	3113	622.6	V
Sustainable use of natural resourcesand land	13 (1422)	16 (1105)	15 (741)	18 (588)	13 (630)	3323	664.6	III
Pollution prevention and control	13 (1422)	16 (1105)	19 (741)	9 (588)	18 (630)	3320	664	II

From the above table 4 ,it shows that project developments in green finance first rank given to Renewable energy and energy efficiency, second rank given to Pollution prevention and control, third rank given to Sustainable use of natural resources and land, fourth rank given to Biodiversity conservation,fifth rank given to Circular economy initiatives

SUGGESTION:

- funding initiatives to reduce waste production and recycle garbage into composts or other products
- Boost financial support for all green projects.
- Setting up green projects and facilitating their replication; creating grassroots awareness among rural populations
- Plant trees everywhere you can, encourage developers to build environmentally friendly structures, invest in eco-friendly products, and boost the use of microfinance to create environmentally friendly items with extremely cheap interest rates.
- funding for solar lighting, rainwater collection, and other renewable energy sources.

CONCLUSION:

In place of many difficulties, green finance represents a considerable advancement. Public policy is quickly making green finance a top issue. In this study, we examine how green finance has evolved in the Madurai area. Our results show that public awareness has improved to some extent. According to existing research, improved information management systems and more coordination among stakeholders may help pave the path for sustainable long-term economic growth by reducing the information asymmetry around green projects. The globe is currently battling COVID-19 and its effects on the expansion of the world economy. Undoubtedly, reviving the world economy is the current policy challenge. However, the epidemic has also given all parties involved the chance to reconsider the long-term environmental sustainability of the political, financial, and operational methods they have so far chosen. Green finance is unquestionably a significant tool that may support such a transition to sustainable economic growth.

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