4 Synergizing Sustainability and Equity: The Role of Green Finance in Promoting Financial Inclusion

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Abstract

Environment Sustainability and social equity is the new mantra for an economy's survival. The global world is now moving from the concept of rapid growth to long term sustainability. Building strategies that bring sustainability and encourage equity is the new pathway to a country's growth and survival. The ever growing complications due to environmental degradation, change in climate and societal inequalities have made it important for economies to adopt a cohesive and unified growth strategies that will lead to environmental sustainability as well as social equity. Here Green finance and financial inclusion have emerged as two complementary, powerful practices and enablers to bring inclusive and sustainable growth. This study attempts at exploring and highlighting the interconnections and link between Green finance-sustainability- financial inclusion and social equity. The paper adopts a descriptive methodology. The study is descriptive in nature. It is an attempt to gain insights in the concept, dimensions and elements of Green finance and Financial Inclusion. It also attempts to understand how Green finance and financial inclusion together can lead to a more sustainable and equitable economy. This research proposes and argues that Green finance- a paradigm approach to environmental sustainability is most effective when it leads to inclusion of socially weaker population, bringing about financial inclusion and social equity for all. The findings show that green financial initiatives such as green microfinance, digital green banking and renewable energy financing can considerably increase financial access for lower income population and also encourage environmentally responsible behaviour. Moreover, the integration of financial inclusion within Green finance frameworks contributes to poverty reduction, income generation and livelihood enhancement thereby strengthening the broader goals of sustainable development.

Keywords: Green Finance, Financial Inclusion, Sustainable Development, Social Equity, Inclusive Growth, Environmental Sustainability.

Introduction

Fast industrialisation, environmental ruin, climate change and many such adversities in the current scenario has come as a great warning to the overall development and growth in the global world. Economic growth in-itself is no longer considered the prime indicator of an economy’s national progress, rather sustainability has emerged as a dominant principle guiding an economy’s and the worlds development policies. Thus all strategies and policies that promote sustainability are accepted and encouraged by the governments and the society at large. Green finance leading the path to financial inclusion is one such long term strategy. This paper is an attempt to reinforce the same so as to propel an economy towards the path of sustainability with social equity.

Objectives of the Study

This study aims to explore the relationship between sustainability and social equity by showing the inter-connectedness of Green finance to financial inclusion for equitable and inclusive development. The specific objectives of the study are as follows:

- To understand the concept and elements of Green finance
- To study and comprehend the dimensions and components of Financial inclusion.
- To highlight the interrelationship between Green finance and Financial inclusion.
- To gain insights from the role of Green finance in bringing Financial inclusion in achieving sustainability goals.

Research Methodology

The study adopts a descriptive and conceptual research methodology. The data has been collected through secondary data sources. The secondary data sources include information collected from books, academic database, various online sources, financial reports, Business sustainability and responsibility reports (BSRS), some government reports and publications in journals and other data bases. The paper is an attempt to highlight the importance of encouraging sustainability with social equity. For an economy to grow in a balanced approach the benefits of growth should trickle down to the lowest level of the pyramid and thus, Green finance policies should be linked and connected to such strategies that lead to Financial inclusion and equity for all. This paper is an attempt to reinforce this fundamental concept. The discussions and interpretative analysis in the paper relies on thorough analysis of data so as to bring out the interrelationship among sustainability, Green finance, and financial inclusion. Relevant reports has been referred to for understanding financial inclusion and sustainability frameworks.

Green finance is simply giving loans or making investment that contributes to environment friendly activities. It means putting money toward projects, activities, and initiatives that protect the environment, save natural resources, reduce the effect of climate change and promote sustainability. Green finance is financing those activities that help the environment while also ensuring economic development. Green finance integrates financial growth with sustainability.

It means that manufacturing units, production units, banks, investors consider carbon emission figures, climate risk, impact on pollution, and the environment impact before taking any financial decision. It aims at bringing a balance between financial gains and environmental protection investments. The various elements of Green finance are-

- **Green Bonds:** These are financial instruments issued by institutions, corporates or by governments to raise money for environmentally sustainable activities. Green bonds does attract investors that are conscious and aware of environmentally friendly projects and contribute towards building a green infrastructure some examples for example clean transportation building environment friendly waste management system less carbon emission energy efficient buildings systems that could preserve water wastage and development long term renewable energy. Green bonds are the fund raiser for approved green projects which offer periodic interest payments the investors are reported about the environmental outcomes and projects progress India is increasingly promoting sovereign green bonds for sustainable infrastructure financing
- **Finance to Combat Climate Change:** Climate Finance these are funds given within objective to develop strategies to minimise and to adjust to climate change some of these include disaster management projects flood control projects reducing Greenhouse gas emissions etc
- **Green Loans:** Sustainable loans are given to fulfil or to pursue sustainable environmentally friendly activities for example making a developing green building making electric vehicle developing or installing solar energy systems
- **Carbon Finance:** Carbon finance means using financial tools to reduce the greenhouse gas emissions specially carbon dioxide it is meant to provide incentives to various organisation to reduce their carbon emissions. The objective or Carbon Finance is to establish limits on greenhouse gas emissions for industries the organisations are incentivised to develop wind energy projects convert waste to energy projects use more energy efficient Technology and their by earn Karbonn credits. (A carbon Credit represent 1 metric ton of carbon dioxide removed from the atmosphere)

- **Green Banking:** Green banking simply incorporates and environmental responsibility into banking operations various banking operations like digital banking sustainable landing practices paperless transactions all help in promoting green banking initiative many banks in India has started financing solar energy projects electric mobility projects which also come within the preview of green banking
- **Green Mutual Funds:** Green mutual funds are those investment funds that invest in sustainable projects or sustainable organisations. Many companies are engaged in businesses of creating a better environment for tomorrow like waste management company sustainable Agriculture company clean technology companies. Any investment in these companies is called a green Mutual Fund. Allocating capital to companies engaged in solar wind hydro forms producing environmentally stable sustainable Technology or engaged in recycling of waste or its reduction are all come within the preview of green Mutual Fund

Thus, Green finance encourages investments in sustainable projects such as recycling and reduction of waste, water conservation projects, sustainable agriculture, and pollution control. Green financing initiatives such as microfinance, green loans, and climate-funding help in financial inclusion by providing easy access to finance for small farmers, small shop owners etc. these initiatives support small businesses, farmers, women entrepreneurs, and low-income households in adopting sustainable practices and income-generating activities

Now let us understand the concept of financial inclusion

What is Financial Inclusion?

Financial inclusion as defined by the World Bank means,” ensuring that individuals and businesses have access to useful and affordable financial products and services that meet their needs”. Financial inclusion basically refers to providing financial access to low income or vulnerable sections of the society. It includes providing credits, loans, pension facilities, insurance services, saving accounts etc. at affordable cost. The main objective of financial inclusion is to bring social equity by including the economically weaker sections of the society into the formal financial structure.

The main components of Financial inclusion are

- Access to loans that is providing loans to small businesses farmers to type tide over a difficult situation
- Access to banking- Opening saving accounts or current accounts for marginalised population
- Providing insurance for life health and crops
- Providing banking internet banking services to marginalised population

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The Government of India has many major initiative towards financial inclusion some of these are Pradhan Mantri Jan Dhan Yojana digital payment systems government benefits directly transferred into bank accounts of poor small loans given to margin life population. Financial inclusion is a very important practice to achieve social equity and sustainable development by promoting access to easy loans, teaching the digital payments system, providing pensions to old individual help in reducing poverty and improves empowerment.

Interrelationship between Green Finance and Financial Inclusion

Green finance and financial inclusion both are two sides of a coin. Both mutually support and reinforce each other. Green finance is aimed as providing easy access of funds for investment in environmentally sustainable economic activities. This easy availability of finance plays a very important role in bringing financial inclusion by extending this finance to small shop owners, small women entrepreneurs, small farmers, and more marginalised individuals of the population. These underserved individuals due to lack of collateral security or lack of knowledge or due to high rate of interest, could not get finance from any available formal sources. Thus, bringing financial inclusion to all the strata's of population and promoting overall social equity. While financial inclusion strengthens the reach and effectiveness of Green finance by assisting broader participation in sustainable development initiatives. The relationship between Green finance and financial inclusion becomes more important in developing economies, where large populations remain financially excluded. And industrial revolution makes the economy highly exposed to environmental degradation. Green finance becomes an environmental policy technique and an instrument of economic empowerment. On the other hand financial inclusion ensures that the benefits of green growth extends to marginalized and vulnerable communities. This creates opportunities for equitable participation in sustainable economic transformation.

The Role of Green finance in Promoting Financial Inclusion

There is an increasing need to promote financial inclusion along with sustainability. Green finance place a very important role in bridging this gap by providing easy access to Green loans, renewable energy credit, and green microfinance. It extends financial opportunities to vulnerable sections to participate in sustainable economic activities.

Green finance and financial inclusion both share a complimentary relationship. Green finance provides funds for sustainable environmentally activities while financial inclusion leads to phenomena of equal financial opportunities for each section of society. Green finance provides affordable financial products that helps all sections of society to participate in sustainable development for example a farmer is able to install solar powered irrigation system through easy green loans

The role of Green finance in Financial inclusion is as follow:

- **Green Microfinance:** Green finance provides microfinance to small businesses, women entrepreneurs who does not have access to a banking system they provide micro credit for small environmental activities like finance for developing solar lantern or organic farming. Rural household face many problems due to limited banking infrastructure and far away geographic location green microfinance provides affordable access to financial to finance for biogas plants solar power water pump reducing their energy cost and improving in income generation. Green microfinance institutions provide small loans at low interest, flexible repayment system and thus help to financially include marginalised population. Further, it encourages the rural household to open savings account thus, creating a financial identity and leading to Greater financial inclusion. In conclusion, small ticket loans, saving bank accounts and sustainable livelihood support under the umbrella of green microfinance helps the under privileged to become part of the formal financial system thereby reducing poverty and leading to greater social equity
- **Green Renewable Energy Financing:** Green finance provides access to technology which help in renewing energy to the small business owners or farmers. Energy systems often remain inaccessible to rural population due to high installation cost and inadequate infrastructure however green renewable energy financing have led many low income households to open bank accounts and to gain an easy access to loans, thereby becoming financially connected. high infrastructure cost has always been the major drawback in case of renewal energy adoption but small energy loans, subsidize financing under the umbrella of Green finance have helped many to become financially included In the system. Solar irrigation, solar water pumps, women lead renewable enterprises all get easy access to finance under the umbrella of green renewal energy financing. Thus, serving as a link between sustainability and financial inclusion.
- **Green Finance and Women Empowerment:** Green finance also place a very important role in promoting women by financial inclusion. Green finance not only support sustainable development but it provides women with access to affordable financial Services. many green entrepreneurship opportunities include sustainability and inclusiveness. Often due to lack of collateral for loans, financial illiteracy women are left behind in the system of financial inclusions. Green finance by giving easy access to green loans provide a sustainable livelihood for women entrepreneur and thus empower them through cooperative societies, environmental entrepreneurship and sustainable livelihood programs. Thus, green financing helps in

environmental sustainability and also serves as a measure for gender equality and social equity

- **Green Finance and Self-Help Groups (SHGs):** Green finance brings financial inclusion by promoting self -help group financing in sustainable activities. Micro Enterprises and self help groups struggle due to lack of collateral and unstable income. Green finance provide them green microfinance, sustainable loans which help in financial inclusion of the small micro businesses and hence increase their productivity and environmental sustainable business activity at the same time.
- **Green Banking and Digital Financial Inclusion:** Green banking support sustainable financial banking and investment in sustainable financial activities which also involve improving access to banking services leading to financial inclusion. Traditionally, the banking system had physical branch visit, high paper cost as everything was done on paper while green banking, on one hand has reduced all that through paperless banking, electronic statement and on the other hand it has led to financial inclusion by combining all with mobile banking, now a bank account can be opened on the phone, money can be transferred from one mobile to another mobile, without the need of individuals to visit the branches thus, leading to financial inclusion of all the underprivileged. Digital banking platform enable many low income households to access Financial Services

Conclusion

In the modern world, sustainability and inclusiveness have become essential for economic development. A countries growth is not only measured by its Greenhouse gas emissions or reduce carbon footprints but also by the reduction in unemployment reduction in inequalities and the inclusive growth of the population True economic development of an economy takes place only when sustainable growth is achieved along with social and economic equity. Green finance plays a very important role in the same.

Although Green finance is mainly aimed at providing Finance towards sustainable or environmentally responsible investment however it indirectly leads to the far-reaching contribution of encouraging financial inclusion and social equity. Green finance extends financial inclusion by providing quick access to financial services to the marginalised groups of the population such as women entrepreneurs, rural population and small farmers. Green finance instruments such as green loans green banking a green microfinance Create opportunities for marginalised communities to participate and to be a part of financial system there by leading to their financial inclusion. Opening saving accounts, getting easy credit at low rates of interest, getting insurance protection for their crops, and subsidized financing for a new business goes a long way towards financial inclusion of the underprivileged population

Financial inclusion of women and their empowerment is also one of the main contributions of Green finance, due to gender inequality women always faced limited access to credit and many social restrictions. Green initiatives- provide easy access to funds to women self-help groups contributing towards eco-friendly activities. By supporting women entrepreneurs Green finance helps in gender equity and inclusive growth. Government have also played a very important role by promoting Green finance and thus, leading to financial inclusion and renovating the lives of millions of people by opening their first saving accounts, first mobile money transfers, and bringing about financial empowerment to all the strata's of the society.

Thus, in conclusion we can say that Green finance does not only lead to sustainability initiative but it also contribute to inclusive and equitable development by extending easy Finance to the marginalised population empowering the women and promoting sustainable entrepreneurship. Attaining sustainable growth is meaningful and valuable only when it is a accompanied by equality and inclusivity of all levels of population. Therefore we can say the integration of Green finance and financial inclusion brings about overall growth and economic development for an economy

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