

## Sustainable Finance for Viksit Bharat- A Study on Policy Perspective

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DOI: 10.62823/IJARCMSS/8.2(II).7450

### ABSTRACT

*India that is Bharat, has witnessed many milestones in the journey of seventy eight years as an independent nation and rebooted itself with a strong slogan “ Viksit Bharat” to make India a developed and progressive state by the year 2047 through accomplishing the sustainable development in every sphere. But the targets of sustainable development require a huge amount of sustainable finance which is still at the rudimentary stage. India owed its commitments to achieve the targets of sustainable development like net zero emissions by the year 2070 on one side and bucked up its belt to make the nation Viksit Bharat by the year 2047 that incarnates researchable gaps between the policies and the objectives. It is therefore ruminated to pen this paper with three broad objectives of analysing the trends of sustainable finance in India, finding the regulatory lacunae of sustainable finance and assessing the perceptions of stakeholders on the role of sustainable finance in holding true the doctrine of Viksit Bharat.*

**Keywords:** Sustainable Finance, Sustainable Development and Viksit Bharat.

### Introduction

Indian policy makers own the credit and credibility of professing the slogans and penetrating them deep into the hearts of citizens to accomplish the targets of the state. For instance the slogans spelt out in the late sixties of twentieth century like “Gareebi Hatao” and “ Jai Jawan-Jai Kisan” have shown an impeccable impact on the electoral mandate and also generated a kind of preparedness among the stakeholders to navigate the actions. “*Viksit Bharat*” is one of such prominent doctrines advocated by the leaders of the day that promises to create better tomorrow and make India a developed nation by the year 2047 which is just two decades away from now. Therefore, it is very required to identify the key result areas and extend the financial aid to materialise the targets which could bring a quantum change in the living standards of the people.

The living standards or the quality of life under the aegis of “*Viksit Bharat*” must be free from pollution, provide access to the quality healthcare and education at affordable cost and grant an equal opportunity to access the resources of the nation, which establish an explicit relationship between the sustainable development and “*Viksit Bharat*.” The promises owed by the policymakers like quality education might be achieved with the existing trends of budgets being allocated by the state, but the promise of creating sustainable environment with reduced emissions is the most difficult task to be executed by the state. Because, the state has to strike a balance between the ever-increasing population and never increasing natural resources, and simultaneously strengthen the supply side economies of the nation, which eventually degrades the ecological standards unless the Green technologies are fostered. The adoption of Green technologies and other sustainable practices requires a huge amount of sustainable finance. The Reserve Bank of India has estimated that India needs investments worth Rs 86 trillion by the year 2030 to create a strong base for sustainable development which could go beyond the estimations by the year 2047 which is the stipulated year for making the notion “*Viksit Bharat*” a reality. Therefore, there is a dire need for the country to re-engineer the existing financial eco system and re calibrate the domain of sustainable finance. But the question that led to the incarnation of this paper is

whether such re calibration efforts are made by the state and how far they shall suffice to meet the targets? The answer to this question can be sought to after reviewing the literature on sustainable finance in India as summarised below and adroitly linking the same to the slogan "*Viksit Bharat*."

### Review of Literature

**Bharathi Bhushan (2020)**<sup>1</sup> has examined in her paper that the commitments made by India in the Paris Conference on climate change were not bolstered by the regulatory aspects of climate finance. She argued in her paper that commitments shall remain lame promises if they are not aptly financed and executed by the state. However, this argument can not be generalised as India owed its commitments to sustainable development goals to be achieved by the year 2030 whereas, such goals were contemplated only in the year 2015. **Brijlal and Mohan Das (2020)**<sup>2</sup> have stated in their paper that India has initiated policy set up process immediately after owing the commitments which shall be a continuous process. They further argued that sustainable finance is altogether a new domain and requires to be regulated in isolation to the traditional finance which requires time for any democratic state.

**Manjulatha Kaithan (2021)**<sup>3</sup> has expressed in her study that the term sustainable finance is a complex term and requires universally acceptable taxonomy which is not feasible for any single country to develop such taxonomy. She revealed in her paper that the countries including India which have extended their commitment for achieving the sustainable development goals must form a joint action group to develop the taxonomy of sustainable finance and develop uniform regulatory framework. Because the flow of investments across the borders shall be an obvious phenomenon to convert the gaps of sustainable investment portfolios into lucrative opportunities.

**Mandeep Brar (2022)**<sup>4</sup> has conducted a cross-country analysis of India, EU and USA to understand the preparedness of the states to augment sustainable finance and concluded that the European Union is far ahead in designing the regulatory framework towards materialising sustainable finance. He expressed in his paper that EU also stands ahead of other countries in creating the institutional framework that represents a sound sustainable finance eco system. Brar also endorsed in his paper that India needs to accelerate the process of creating institutional framework and regulatory system to invite more foreign investments in to the portfolio of sustainable finance.

**Beerappa.K (2023)**<sup>5</sup> has studied the regulatory aspects of sustainable finance and opined that most of the countries including India have brought their central banks as well as the capital market regulators into the ambit of regulating and promoting sustainable finance. He examined the regulatory milieu of ten countries to draw his conclusion who suggested in his paper that there must not be a dual regulatory system for sustainable finance portfolios. However, this opinion can not be ratified by any state, because, Banks and portfolio investors have equal role to play in generating sustainable finance which necessitates both the central bankers and the market regulators to curb the portfolio.

**Prasun Luthra (2024)**<sup>6</sup> has expressed in his paper that most of the academicians and researchers are attributing prominence only to Green Finance and climate finance in the domain of sustainable finance though the term sustainable finance is a broader term that requires many other facets to be included in it. He went on to express in his paper that sustainable finance is required wherever the question of sustainability come to the fore, such as sustainable education, sustainable infrastructure and so on. Of course, this conclusion appears to have been logically drawn though much emphasis of sustainable finance is accorded only to the environmental financing.

**Gaps in Literature:** It is understood from the review of literature that most of the studies on sustainable finance are incongruent with each other though a fair amount of work has been done on regulatory and institutional aspects of sustainable finance. It is also observed that there is hardly any research that links sustainable finance to the prioritised slogan of the state "*Viksit Bharat*." Therefore, the following objectives are proposed to cement such gaps.

### Objectives of the Study

- Analysing the trends of sustainable finance in India
- Finding the drawbacks of sustainable finance eco system of India
- Assessing the perceptions of stakeholders on the role of sustainable finance in achieving the targets of *Viksit Bharat*

### Need for the Study

India that needs more than \$12 Trillion by the end of 2047 towards sustainable finance requires a robust institutional mechanism for sustainable finance, but it is left only with two decades of time to make the notion *Viksit Bharata* reality, unfortunately, the taxonomy of sustainable finance is not yet concretely developed that suits Indian requirements. This situation paves the necessity to study the policy perspectives and trends of sustainable finance to offer formidable conclusions on the role of sustainable finance in navigating India towards Vikasot Bharat.

### Research Methodology

The first objective reckons various facets of sustainable finance like the green finance, climate finance, carbon credits and impact investing to see the trends of each facet in the selected period of study. The second objective conducts a critical review on the policy decisions of the state to identify the drawbacks of existing eco system of sustainable finance in India and the third objective shall be accomplished with the help of primary data collected on Likert's Scale and interpreted using weighted average mean values of each statement.

### Sample Size & Period of Study

This paper considers the sample size of one hundred respondents to study the perceptions of stakeholders on sustainable finance and Viksit Bharat who are selected using the stratified random sampling method such that four strata namely, the academicians, Bankers, entrepreneurs engaged in sustainable business and free lance consultants shall be pooled in equal proportion to construct the sample frame of the study. The trends pertaining to sustainable finance shall be considered for a period of five years i.e. from 2019 to 2024 owing to the novelty of the constructs of sustainable finance in India.

### Trends of Sustainable Finance in India

The term sustainable finance indeed is a suite of complex financial instruments like the green bonds, sustainable AUM, climate bonds, ESG instruments etc, the trends of which are computed in the following table and compared with global average between 2019 and March 2024.

Table 1

S.No	Instrument	Global Markets	Growth	Indian Markets	Growth
1	Total sustainable finance	16.8	22.5	0.0195	6.65
2	ESG Assets Under Management	8.5	19.6	0.001176	2.4
3	Sustainable Debt Market	0.3140	19.25	0.00251	10.5
4	Green Bonds	0.0279	31,1	0.0035	7.2
5	Carbon Credits	0.0812	16.4	0.00354	16.8

Source: PWC Report on Sustainable Finance in India, 2024

It can be seen from table 1 that Indian share in global markets with respect to the sustainable finance is very meagre and sends an alarming signal, because sustainable finance is of dire need to ensure the economic growth without disturbing the environmental sustainability. The growth rate of all the constructs of sustainable finance, except that of Carbon credit segment is far and far below the global average growth rate. The only blessing in disguise remains in carbon credit segment where Indian growth is slightly higher than the global average, unfortunately, the carbon credit segment is only a short-term source and does not meet the long term sustainable financial requirements which are required to make India a state of Viksit Bharat.

### Critical Analysis of the Sustainable Finance Policy of India

It is very difficult to tender any critical review at this juncture, as Government of India has not yet framed a concrete policy framework on regulating the sustainable finance and instruments therein. However, the un woven efforts made by the Government in the recent past to streamline the sustainable finance environs enables us to interpret that, 1) the taxonomy of sustainable finance and its regulation requires more and wider consultations and expedite the framework of such taxonomy, because the year 2047, by which, India need to fructify the notion Viksit Bharat is not far to overshoot. 2) it is understood from the literature that ESG reporting is decided on the basis of stock market parameters of the companies, unfortunately, there are innumerable companies outside the ambit of stock markets and yet directly contributing to the degeneration of sustainable environment, such companies indeed are bigger than those which are listed in secondary markets. 3) India has made significant strides in promoting the carbon credits, but the carbon credit market in India still represents voluntary market and not the

compliance market which is a major set back in the policy framework of sustainable finance. 4) most of the components of sustainable finance requires regional and cross border cooperation as the terms like climate finance and green finance are fraught with the environs shared by more than one nation, but there is a clear lacuna instriking such packs with respect to the South Asian Region in which, India is a major stakeholder. 5) it is also understood from the literature that the state has fleetingly cited about sustainable finance in the Union Budget though the actual requirements of sustainable finance are far beyond the state allocations. 6) sustainable finance is a complex term which includes both equity and debt sources eventuating the involvement of both SEBI and RBI, but this dual control may slow down the flow of sustainable finance in the economy. Therefore, the policy framework must also emphasise on unified regulation of sustainable financial instruments. And finally it is not a bad idea for the state to reckon sustainable finance as the priority sector obligation for the state which directly impacts the quality of more than one billion lives.

### Perceptions of Stakeholders on the Role of Sustainable Finance in Fructifying the Nation “Viksit Bharat”

The perceptions gathered from one hundred respondents who are pooled from four different strata like academia, sustainable enterprises, Bankers and consultants has been analysed using the Likert's weighted average means and summarised below. The weights assigned from 1 to 5 on the scale indicates strong disagreement to the strong agreement respectively.

**Table 2: Perceptions of Stakeholders**

S.No	Statement	1	2	3	4	5	WAM
1	Increase in sustainable finance can mitigate climate change	10	12	12	32	34	3.68
2	Sustainable finance should be primacy over the conventional finance to achieve Viksit Bharat	25	17	11	31	16	2.96
3	Sustainable finance without regional pacts can achieve sustainable environment.	33	31	2	20	14	2.51
4	Viksit Bharat has nothing to do with non-economic factor like sustainable environment	41	32	0	10	17	2.3
5	Sustainable finance should become priority sector obligation of Banks.	13	11	0	35	41	3.8
6	The existing regulatory framework would suffice the regulation of emerging sustainable financial instruments	11	11	5	32	41	3.81
7	Sustainable finance helps achieving the social objectives like equal access to resources.	4	7	0	31	58	4.32
8	Green Finance has been dominating the constructs of sustainable finance	1	12	0	29	58	4.31
9	Viksit Bharat is a holistic notion requiring sustainability in every sphere	0	0	0	85	15	4.15
10	Viksit Bharat should be a sustainable doctrine and not a mere slogan.	0	1	5	41	53	4.46

It is evident from table 2 that there are mixed responses from the respondents who expressed divergent opinions on the novel proposals like the feasibility of making sustainable finance a priority sector obligation or the efficiency of the existing regulatory system to supervise the emerging sustainable financial instruments. However, there is an unanimous agreement among the respondents that *Viksit Bharat* is a holistic term and it should become a sustainable doctrine, as the weighted average mean obtained for such statement is more than 4.

### Conclusion

This paper is an unbiased endeavour made to see whether sustainable finance plays an impeccable role in holding true the doctrine of *Viksit Bharat* advocated by the leaders of the day and concludes that sustainable finance should be seen beyond the green washing and extend its scope to all the sectors to ensure sustainable development which is the quintessence of *Viksit Bharat*.

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