

A Descriptive Study of Role of Green Finance in Linkage of Sectoral Development and their Driving Forces through Private Sector Banks: Vision India 2047

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ABSTRACT

As, the planet faces the challenge of climate change therefore there is a need of significant shift of incorporating green finance into the economy. In 2047, India will complete its 100 year of democracy and the major goal is to become the developed nation from developing one. The green finance is one of the fastest growing industries. This paper aims to study the role of green finance in the development and growth of different sectors and their driving forces through banking sector. There is a target of achievement of sustainable goals by 2030 and become the \$4.5 trillion economy by 2040. The fiscal landscape and financial sector are evolving drastically and act as an engine for the economy. Although, worldwide limited researches have been explored in the area of environmental responsibility in developing nations. The research paper focused on the holistic approach of other disciplines such as management process, marketing and finance with the alignment of banking sector and sectoral development. The paper emphasised on the major holistic dimensions of growth through banking sector. The paper studies the foremost benefits and outcomes of green recovery and their significant contribution to the achievement of environmental goals through urbanisation and industrialization. This study is based on secondary data and descriptive in nature. The primary objective of the study is to find the pavement of way for the initiatives in green infrastructure in various sector through banking system and the analysis of various challenges that creates hurdles in the economic growth. The findings offer compelling evidence for policymakers, financial institutions and sectoral development as green financing may result in more robust financial system.

Keywords: Green Finance, Sectoral Development, Sustainable Development Goals, Vision India 2047.

Introduction

Green Finance means investment in environmental dimensions, clean energy and green technologies. Sustainable Development Goals helps in aligning the public sector financing decision making with the boosting green financing in multiple industries. The dynamic changes in national regulatory structure and harmonizing the public financial incentives based on green economies, blue economies and increasing investment in green bonds, sustainable natural resources and other measures related to climate change.

The major areas of green finance are:

- Empowering environment through public sector.
- Emphasize the financial mechanism through public-private partnerships.
- Enhancement of community enterprises through micro credit.

Green finance helps in channelizing the funds to environmentally friendly projects. It drives the sectoral development in a more sustainable way. Banking sector is the backbone of the economy as it

works as catalyst for economic activity for various projects such as business projects, households, private sector projects, PPPs (Public Private Partnerships).

Financial system of the country is going through drastic changes due to continuous changes in the regulatory framework, varying needs of the customers and robust changes in governmental policies. Banking sector is the catalyst of development of the other sectors. The progress of banking sector of India depends on the three pillars:

- Governance
- Efficiency
- Growth

These pillars explore the increasing access of banking service and its performance, examines the upgradation of technology for operational efficiency and governs the regulations to ensure the reliable banking environment.

VISION INDIA 2047, is a comprehensive approach by covering all citizens (Youth, Poor, Women and Farmers). The aim of the country becoming the global powerhouse by 2047 along with embracing the cultural heritage. It determines the strategies for sustainable development through green recoveries and consciousness towards environment.

Review of Literature

Mahida, R. G. (2024): The paper studies the initiatives of Viksit Bharat and futuristic approach of Indian economy. It also studied the challenges and prospects of transformative India and key areas of Amrit Kaal period. The researcher used the qualitative thematic analysis to evaluate the policies and strategies. The paper examines the measures of Industry 4.0 and Artificial Intelligence for landscape of global economy by focusing on trade dynamics and collaborations globally. The study also addresses the climate change and innovative ecosystem.

Yu, M et al. (2022): This paper studies the electrical industry and how it affects energy efficiency (EE) in developed and developing nations are essential in creating a future route that will result in self-sustainable energy consumption. The data had been collected from 2008 to 2018 in order to guarantee EE in both advanced and emerging countries. This study uses the data for the analysis of development (DEA) approach to examine the roles of sustainable investments and its impacts. The results show that advanced and rising economies have a lower degree of EE (0.44), and that only seven countries save energy using DEA, in which West Asia and North Africa being the greatest energy savers.

Rahman et al. (2022): In this article researcher examines the distinct factors which affects the green finance initiatives of the organisation and emphasizing on the managerial and environmental factor of Bangladeshi banks. This research paper works on the systematic meta-analysis approach. Second, this study highlights how crucial green finance is to reaching the SDGs for developing nations, which are particularly sensitive to the effects of climate change and global warming.

Rout S and Sahoo S (2021): The paper studied the India's position in green initiatives towards the achievement of sustainable goals. The researchers examine the impact of green initiatives on the economy, banking and development of agencies. The paper concludes that there is management system for the managing the technological risk and credit risk. It also concludes that instant need of regulatory framework by the RBI.

Research Methodology

The data has been collected from the secondary sources such as magazines, books, articles, newspaper, research paper, thesis and websites. The research paper is a comprehensive study and thorough analysis of the body literature. The social, legal and administrative obstacles impede green finance are the main emphasis of this research, along with possible pathways for expansion.

Objectives of the Study

- To study the role of Green Finance in the development of various sectors and their driving forces through banking sector.
- To study holistic approach of management process, marketing and finance in various sectors.
- To identify the benefits and outcomes of green recovery and how it helps in achievement in environmental goals.

- To explore the opportunities and hinderances of Green Finance and modern consciousness of climate change.
- To offer compelling evidence for policymakers, financial institutions and sectoral development.

Significance of the Study

Green finance acts as influential agent for the growth of economy for the developed and developing nations. Being the multi-faceted industry, it is problematic to set the statutory framework for compel and standardize the code of ethics. There is a broader variety of examples that shows the linkages between finance and environment around the globe. But stakeholders seek the banking industries as the profit maximization prospect. The association between green finance and different sectors through banking framework has been buoyed empirical and descriptive perspectives.

Green finance not only supports the environmental perspectives but also helps in the growth and development of developing nations. It also gives the tangent of globalisation and internationalisation. Although it majorly impacts on sustainability and environmental causes. The study intends to make a significant contribution to the knowledge of green finance by utilizing insights from secondary sources and literature to inform stakeholders and policymakers effective approach for encouraging sustainable investments.

Analysis of the Study

Green Finance enables the establishment of infrastructure, notably energy projects. Financial institutions tend to prioritize fossil fuel projects over green ones due to related risks and poorer returns. To achieve sustainable development goals, new financial policies and instrument, such as green bonds, green banks, capital market instruments, fiscal policy, green banking systems, financial technologies and knowledge, and community-based green funds, needs to be adopted.

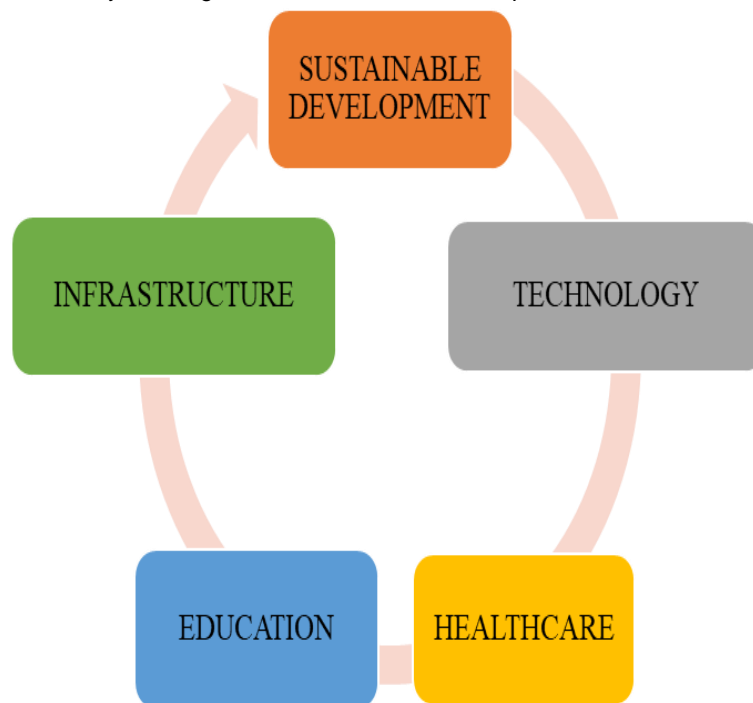


Figure: Holistic Development

Trends of Growth of Sectors

In recent years, substantial changes have been noticed on India's position on preservation of the environment and sustainability. Green finance plays an important factor in linking the financial investment with environmentally beneficial initiatives. Unfortunately, historically it believes that sustainable development could jeopardize the profits.

- **Agriculture Sector**

As majority of population depends on agriculture for employment purpose and this sector significantly contribute to the country's GDP. It is primary source of income to the farmers of the country specially the small-holder-based and helps in improve their per capita income as compared to non-agriculture sector population.

In recent times, agriculture sector of India has perceived the drastic deviations in respect of technology upgradations, management processes, government policies and market management transformation. The government flagship initiatives such as **MSP** (Minimum Support Price) and **PSS** (Price Support System). **Digital Agriculture Mission** is one of the policies of government with the support of Agri Stack, it will generate the digital identity of 11 crore farmers. Correspondingly, **E-NAM (electronic-National Agriculture Market)** platform has reportedly trade approximately INR 3.19 lakh crore and 1389 registered mandis with 1.77 crore farmers and 2.53 active traders in 4 union territories and 27 states.

The role banking sector in India for promoting the growth of mainstream agricultural community with alignment of financial inclusion and fostering the accessible credit and loan system. Digital banking products such as DBT (Direct Benefit Transfer) to the beneficiary account earlier covered 28 schemes now broadened to 314 schemes and also compels the farmers to customizable solution.

- **Manufacturing Sector**

Manufacturing sector is the core part of the country's economy. India is enriched in sources of raw material, cost-effective labour and valuable expertise in entrepreneurship and manufacturing. Since, last decade various government policies and strategies helps in transforming the Indian trading pattern to **global manufacturing hub**. Around 45% of India's export through **MSMEs**, **PLI** (Production Linked Incentivisation Scheme with sanctioned amount INR 1.97 lakh crore, **Stand-Up India** with allocation INR 40,600 crores for empowering women entrepreneurs, **Goods and Service Tax** (GST), **Make in India campaign**, for promotion of indigenous industries **Semiconductor Mission** to achieve USD 109 billion by 2030 and **Startup India** with 1,57,066 registered startups. are the flagship initiatives which ultimately attracts the foreign investment and boosts the international trade with eight crucial industries:

- Coal Industry
- Crude oil Industry
- Natural gas Industry
- Refinery products Industry
- Fertilisers Industry
- Steel Industry
- Cement Industry
- Electricity Industry

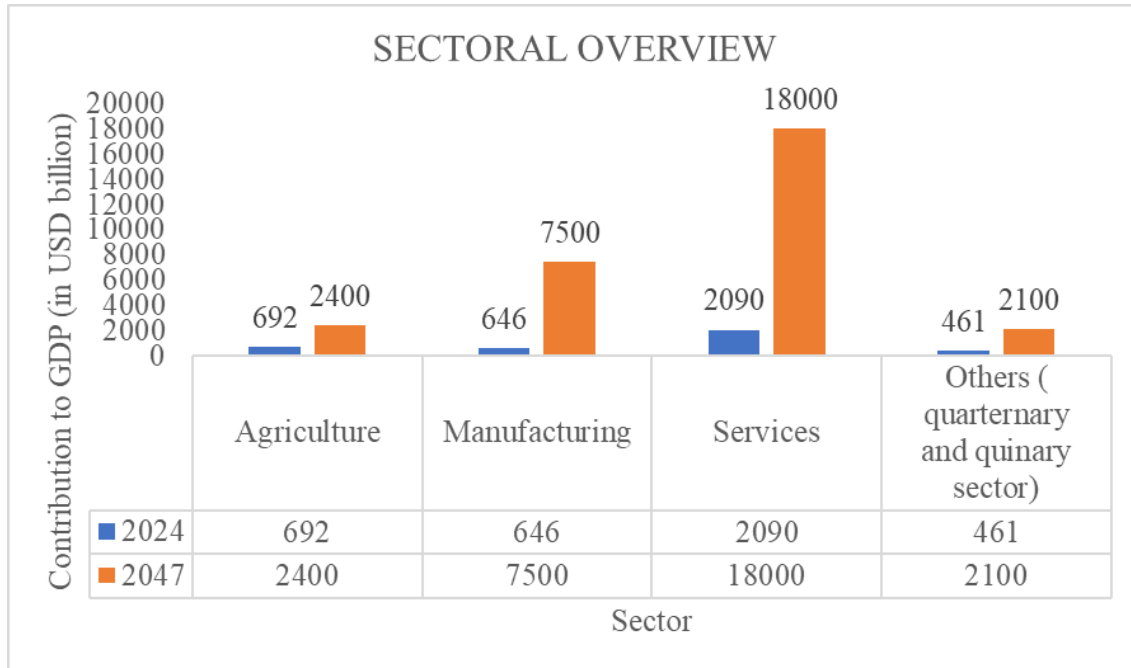
- **Service Sector**

Service sector is one of the major contributors to GDP of India and hub for the employment opportunity to major portion of the population. The performance of sector depends on the equilibrium of the following factors:

- Healthcare
- Education
- Hospitality
- Tourism
- Healthcare
- E-commerce
- Entertainment
- Digitalisation
- Others

There are various schemes under this sector to enhance the opportunities for the employment such as:

- **Pradhan Mantri Kaushal Vikas Yojana (PMKVY)**
- **National Apprenticeship Promotion Scheme (NAPS)**
- **National Policy on Skill Development and Entrepreneurship (NPSDE)**



Source: India Budget, DD NEWS

The above graph stated the contribution of key sectors to GDP in the year 2024 and aim of achievement of GDP through various sectors by the year 2047. In 2024, GDP was USD 3.88 trillion with aim of achieving the USD 30 trillion by 2047 that is almost nine times the current GDP. Furthermore, the Per capita income is USD 2698 in 2024 and by the year aim is to realize USD 18181 by the year 2047. These three are the key sector for the strengthening the roots of the economy of the India.

Driving Forces

• Opportunities

▪ Sustainable Banking and Finance Network

It is a significant network for the focused sustainable finance projects. The aim of SBFN is to provide advance finance for sustainable industry associations and regulated the building capacity. It provides resources and assistance to its member. For emerging economies fosters the sustainable financial sector with administration of social risk and channelize the fund towards projects which are planet friendly.

▪ AI (Artificial Intelligence)

The placement of AI in green finance along with banking segment promotes in transforming the investor and institution approach towards sustainability. It helps in reliable assessment of Climate Risk, analysis of ESG (Environmental, Social and Governance), Fraud Detection, issuance and tracking of Green Bonds, Risk Management and enhance the transparency in investments.

▪ Robotics

The combination of robotics and green finance creates wonders in the growth of the economy as it enhances the operations, supports the clean energy, improves monitoring of environment, innovation driven and decision will be practical in nature.

- **Internet of Things**

IoT may become “eyes and ears” for green finance investments transparency and for availability of data for more channelizing the funds in planet friendly projects and impedes the system to better reporting and monitoring of ESG. It optimizes the technology for better use of resources and minimize the wastages.

- **Big Data Analytics**

Big Data Analytics helps in analysing the vast datasets and concludes the predictions and monitoring of environmental information regarding its management. It also tracks the record of pollution levels, impact of climate change and deforestation. It also predicts the futuristic trends and optimize the resources through data driven information.

- **Research and Development (R&D)**

R&D and green finance are complimentary to each other as both supports each other. It supports the green investments by providing capital, encouraging innovation and mitigating the risk. It promotes the potential and reliability of the sustainable projects.

- **Challenges**

- **Unawareness and Insufficient Capacity Building**

The one of the major challenges faced by green finance in India is non familiarity with the concept, principles and its benefits to the planet. Unawareness and insufficient capacity building creates hinderance in the development of green economy. Lack of trained personnel and expertise in ESG criteria slow down the pace of adoption.

- **Lack of Regulatory Framework**

Due to diversifying framework of policies for green finance among the globe it creates imbalance of knowledge in stakeholders although there is consistent regulatory system for “Green Bonds” and for “Clean Energy”. But their regulation is unaligned within the sectors leading to absence of standardization.

- **Unavailability of Data**

The unavailability of data for the general citizens results in inaccessibility of benefits of green finance. The redundancy of information and knowledge of initiatives creates the hinderance in the evolution of financing.

- **Inappropriate Assessment of Risk**

Due to inappropriate framework, the assessment of risk is a problematic process results in lack of confidence of investor. Stakeholders often believe that investment in green finance is riskier than conventional investment that leads bad decision making.

- **Limited Financial and Economic Support**

Another challenge is the initial costs of green projects are certainly high as compared to traditional projects and payback period is also more. The economic support from the government such as subsidies, tax benefits and interest-free loan is insufficient henceforth, it reduces the interest of the stakeholders.

Conclusion and Discussion

Altogether banking sector is the key of progress of other sectors in the economy. Banking sector is the pipeline for the connection of the other sectors in the economy. The developing nations stand to gain by emphasizing the adoption of green financing by their banks and other financial institutions. Furthermore, it helps in overcome the bottlenecks of the government policies and strategies, introduction of novel reforms in the system with orientation of sustainable aims. Moreover, it upscale the labour force laws, mitigate the risk of supply chain, reduction in complexities of markets and finance with the enhancement of research and development. The driving forces compels industrial expansion, technological advancements and identification of focus areas for government. The growth of the sector fosters conducive environment for the development of youth's skills and encourages investment in the economy and facilitate the “Vision India 2047”. “Vision India 2047” is Viksit Bharat in which there is collective contribution of each and every individual and sector. The emergence of green finance with the support of banking system in the key sectors is the need of the hour.

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