

# SMART Journal of Business Management Studies

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## EDITORIAL

### GREEN FINANCE FOR SUSTAINABLE DEVELOPMENT IN INDIA

To place the Indian economies onto a sustainable development, pathway requires an unprecedented shift towards green finance. The financial sector in India will have to play a central role in the green transformation. Green finance is defined as comprising "all forms of investments or lending that consider environmental effects and enhance environmental sustainability". Important aspects of green finance are sustainable investment and banking, where investment and lending decisions are taken based on environmental screening and risk assessment to meet sustainability standards, as well as insurance services that cover environmental and climate risk.

All investments need to be sensitive to environmental, climate and associated policy risks. The financing of sustainable infrastructure requires new approaches for mobilising and intermediating long-term finance in India. Integrating environmental and social considerations into lending decisions and product design is an important step towards a green economy in India. The funding of energy efficiency, renewable energy and sustainable infrastructure requires new concepts and new financial instruments which are adapted to local circumstances. Green banks, green bonds and appropriate regulatory frameworks are to be developed and introduced in a coordinated framework.

The financial authorities in India have already started to take concrete steps as listed below to align the financial system with sustainable development.

Year	Steps
2007	Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting – Role of Banks
2011	Ministry of Corporate Affairs: National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business
2012	Securities and Exchange Board of India (SEBI): Annual Business Responsibility Reporting
2014	SEBI: Infrastructure Investment Trusts (InvIT) Regulations
2015	Reserve Bank of India: Priority Sector Lending – Targets and Classification Indian Banks Association: National Voluntary Guidelines for Responsible Financing
2016	SEBI: Guidelines for the Issuance and Listing of Green Bonds
2017	SEBI: Disclosure Requirements for Issuance and Listing of Green Bonds

To successfully align the financial system with sustainability goals, financial governance should target the following goals:

- Raising awareness among regulators and market participants in the financial sector for environmental and climate risks.
- Developing capacities in the financial industry for environmental risk analysis and management through knowledge-building and sharing.
- Building up the capacities in the financial industry needed to develop sustainable financing practices and new lending instruments for financing sustainable projects such as renewable energy.
- Enhancing transparency through ESG disclosure requirements.
- Providing incentives, where needed, to banks and NBFIs for the financing of green projects.
- Supporting the development of new market segments such as the green bond market or climate risk insurance.
- Developing long-term, local currency refinancing sources for banks to enable them to extend long-term credit.

To achieve above goals, a dialogue among all relevant domestic stakeholders is needed. Public financial institutions, including central banks, development banks and public pension funds have to play an important role in developing and promoting the adaption of new green financial products.

The Thirtieth Issue (Vol.15 No.2) of the SMART Journal of Business Management Studies consists of ten articles, written by authors of repute, on different themes of contemporary relevance. I hope readers would find the Journal academically challenging and strategically stimulating.

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