



A Market Analysis of Potential Investment in Green Bonds and its Contribution to Sustainable Development

Sadhana Tiwari

Sharda School of Business Studies, Sharda University, Greater Noida INDIA

Email Id: sadhanahi@rediffmail.com

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ABSTRACT: Since 1880, there has been an average annual increase in the ambient temperature of about 0.8° Celsius, which is what causes global warming. As a result of continued climate change, ocean water has become more acidic, and rising carbon levels have encouraged the development of green bonds. These bonds designed to benefit the environment. As people's understanding of sustainable development has expanded. The amount of money received through the selling of Programs that support the use of renewable energy sources, the growth of agriculture, fisheries, and poultry, as well as clean transportation, afforestation, the preservation of biodiversity, moderate fossil fuel consumption, and the slowed rate of global warming are funded with the help of green bonds. Studies show that some investors look for green bonds that give a fixed income as well as environmental protection and decision-making that takes into account positive societal effects or environmental benefits. The economy must embrace and promote the growing trend of green bonds. The principal of green bonds is paid out regularly to investors, and interest is paid when the bond matures. Bonds issued by corporations' bear dividends. The World Bank's support for green bonds, the impact Indian green bonds have on Indian investors, and other topics are covered in this essay. An analysis of SBI's 2019 "green bonds" is provided in this essay. This essay makes an effort to give a comprehensive overview of the benefits and potential of green investments in order to assist sustainable development. There is a brief list of projects that were started using green bonds. This study includes a number of illustrations to support the global and Indian green bond issues. The issuance volumes for 2021, 2020, and 2019 are shown on this page. It has been suggested how the money raised by green bonds in 2021, 2020, and 2019 will be used for various purposes.

KEYWORDS: Green bonds, Sustainable development, socially responsible investments, World Bank, and Indian investors

1. INTRODUCTION

Due to an increase in environmental disasters, habitat loss, and biological consequences having a bigger impact on humans, sustainable development has drawn more attention. Nations have taken steps to enhance the environment in order to safeguard future generations against climatic catastrophes (Jafar et al., 2022; Okręglicka et al., 2023). As people become more aware of ecological imbalances and climatic conditions, "Green Bonds," a capital market instrument whose revenues are only used to finance green operations, were created. Nonprofit organisations called Green Projects work to save the environment and the

planet's resources (Tiwari et al., 2022). Green bonds are the main source of finance for environmental activities. Businesses are moving forward with investments in green projects as a result of the growing benefits of sustainable development. Green bonds are designed to collect funds for the creation of environmentally friendly programmes that bolster environmental protection and battle global warming. The monies might be used to achieve 17 sustainable development goals, including eradicating poverty, ensuring food security, enhancing education, lowering gender inequality, and preserving clean water and sanitary systems, according to the World Bank. Additionally, these profits are used to protect both terrestrial and marine ecosystems (R. K.



Verma & Bansal, 2023). Although they lacked the necessary knowledge, Swedish pension funds wished to assist environmental initiatives. Following the issuing of its bonds in November 2008 had approached. As per the Climate Bonds Initiative (Park, 2019), the businesses are conducted ethically and sustainably in India, Energy derived from renewable resources that may be used to the manufacture, distribution, and production of commodities (Gautam & Mittal, 2022).

- Maximizing energy-saving techniques including smart grids, centralised heating, and energy storage
- Pollution control and prevention

Additionally crucial are the preservation of terrestrial and marine biodiversity as well as the development of sustainable ecosystems.

2. OBJECTIVES

- To be aware of global green bond issues.
- To investigate the effects of India's green bond offerings.
- To talk about various World Bank-funded projects in India.
- SBI's green bond issuing case study.

3. PARIS AGREEMENT (Dec 12, 2015)

A worldwide framework is provided by the Paris Agreement to protect future generations from harmful climatic changes (Flammer, 2019). It is a deal with the UN that intends to redirect funding toward development and adaptation strategies that are more climate resilient. It becomes effective on November 4, 2016.

Its long-term objective is to lower the risk a It is related to green bonds, which aim to make similar climatic and environmental improvements. Monitoring is done for both financial benefits and environmental effects (Baker et al., 2018). Natural calamities have led to a dramatic increase in socially responsible investing. Due to the emphasis on corporate social responsibility, green bonds have emerged. Socially responsible investments include those that are moral, long-term, environmentally friendly, and socially aware. Investments in social responsibility and corporate social responsibility are connected and impact of climate changes by regulating the average world temperature.

Table 1: Types of Green Bonds

Revenue Bond	The most effective method of funding green initiatives
Project Bond	The most efficient approach to finance environmental initiatives (s)
Securitization Bond	The most advantageous choice for funding green project portfolios
Covered Bond	Best option for projects that are eligible and included in the covered pool

Loans	The ideal choice for eligible projects or those secured by qualified assets
Other debt instruments	The ideal option for projects that qualify

4. REVIEW OF LITERATURE

In her essay on corporate green bonds, Caroline Flammer (Boston University) employs the Tobin's Q measure of firm worth. The textual analysis of company reports is how the LT-index (long-term index), which evaluates long-term value, is created. He argues that Tobin's Q disproves the idea that a firm that has not been treated might be more profitable or have better development possibilities. The 368 corporate bonds he summarised have an average value of \$308 million, and 69% of them have independent third-party verification.

We examined the advantages of green bond placements for companies and the relevance of green bonds in changing the present economic system into one that is more ecologically friendly and better able to combat climate change, according to the report's authors (Gautam & Mittal, 2022b;Verma et. al. 2020). The market's response to the introduction of green bonds has been positive.

Tan et al. (2022) argues that there is a pressing need for financial mitigation and that major efforts are required to assure the future's smooth functioning in her article "Green Bonds: Key to Tackle Climate Change?"

Green bonds have made it possible for India to start protecting itself against climate change. There is a sizable market for green bonds in India. It is said that Indian investors are hesitant to promote sustainable development. The repercussions of climate change pose a severe threat to both society today and society tomorrow. Because it makes it simpler to finance green activities, green investment is essential to making a quick impact (Tiwari et al.,2022).

The article "The Enhanced Value of Green Bonds" by Ellis Piva states that there is a sizable market for green bonds and that they provide investors with additional returns that are comparable to those of conventional bonds (Kuchin et al., 2019). The market for green bonds is expanding quickly for reasons relating to climate change. Both issuers and currencies come in a wide variety. Market transparency increases as the risk attached to green bonds and the green bond market continues to reduce. A text "As public and corporate institutions' understanding of sustainability and climate change has increased, green bonds have become increasingly important, as evidenced by the introduction of green bonds (Zhou & Cui, 2019), a sort of ecological project financing. The Greenmarket has expanded significantly in size during the past few years. It aids in handling the substantial financial needs for implementing green initiatives successfully (Bhardwaj et al., 2022; Jafar et al., 2022). Discussion and Findings from VI

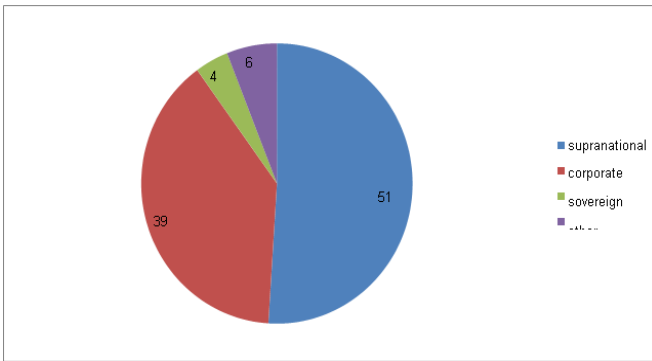


Fig 1 Green bond index composition by types of issuers

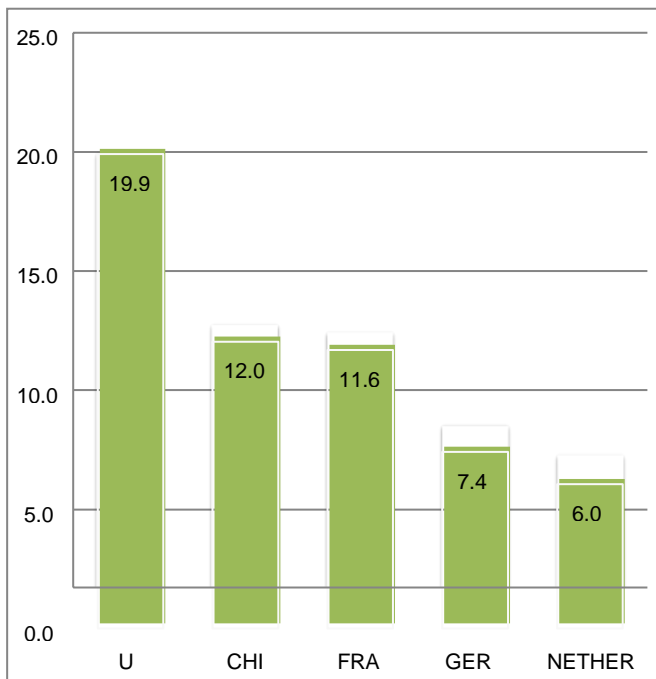


Fig 2 Country-wise issuance of green bonds in the world 2021

India-specific green bond development activities:

In May 2016, the Climate Bonds Initiative held a series of meetings in Mumbai and Delhi to evaluate the pipeline and potential for green bonds. In the context of ambitious projects developed in the following critical sectors, the sessions confirmed India's enormous economic potential.

- There will be 100 smart cities built by 2022, and 175 GW of renewable energy will be produced. Solar energy is expected to get a \$100 billion investment, with a 100 GW capacity. By 2030, energy consumption will have doubled.
- Huge infrastructure initiatives for streetlights, energy-efficient appliances, and rural water pumps.
- Building a network of waste-to-energy facilities around the country, paying for all electrically powered public and private vehicles, and supporting rooftop solar installations.
- Public and private transportation must be electrified, smart cities must be developed, affordable housing must be constructed, irrigation and water pumps must be improved, energy-saving practises must be put in place, and by 2030, energy demand must have tripled. The

conversations made it possible to estimate the amount of a significant transaction flow. (Source: Green Bonds - India Perspectives by Ram Prasad Bandi.) SBI's 2018–2019 green bond issue case study.

Totally owned by the Indian government is SBI. Several solar energy projects in India, like the Hyderabad metro rail project, were funded by its authorised Bonds (Moid, 2017).

With these earnings, 49 solar energy projects totaling 1300 MW would be developed, including the building of 32 wind turbines for captive power use—a first for the Indian banking industry.

- The bank offered special funding terms for a green energy project.
- There is a distinct incremental exposure limit for renewable energy.
- An aggregate subscription of \$1.6 billion has been given to the State Bank of India.
- When these bonds were graded, they received the lowest possible investment grade, BBB(EXP).

Results for 2019

- With a market share of roughly 33% in 2019 and a gradual decline to 20% in 2021 due to a growth in the Chinese green bond market
- Despite its declining global market share, the USA continued to dominate the market.
- In India, green bond issuance has increased dramatically. But from June to September 2019, India remained one of the top five Indian issuers.

Results in ,2020

- Creation of green bonds has increased by 3% overall since 2019.
- There were 625 issuers in total as of 2020, including 204 new issuers. In 2020, green bonds were issued by 44 nations, 8 of which were brand-new. India dropped out of the top 5 issuers on the market for green bonds.
- USA & China held the top two spots as usual.

Results 2021

- The issuance of green bonds has increased overall by 51% since 2020.
- There were 496 issuers in total as of 2021, including 292 new issuers.
- In 2021, green bonds were issued by 51 nations, 8 of which were brand-new.
- 496 issuers produced 1788 green bonds.

China's market share climbed by roughly 4% from 2019-2020 and 5.96% from 2020-2021, while the USA maintained its top spot with no change in its market share.

5. CONCLUSION

Using green bonds is a novel way to address issues brought on by climatically changing conditions. Green bonds not only have the potential to have an influence on the environment, but also provide stable income in the form of interest. Our investigation builds on research in climate oriented finance that shows upward trend towards green bonds experiencing when they have a new entry in markets

(Gupta et al. 2022; Jafar et al., 2022). A research paper has started by examining the history of green bonds both internationally and in the Indian market. Then, we just consider how the proceeds from the green bonds will be spent.

A instructive component is focused with the Indian green bond study, the first instructive component focuses on worldwide green bond research. The global green bond research includes the Indian green bond study. We compared the top 5 nations issuing green bonds globally side by side.

The statistical information relevant to the performance of green bonds during the preceding three years was thoroughly examined. A brief case study of the 2020 SBI green bond sale is presented in this essay.

Large institutional investors are becoming more and more aware of the financial risks related to the environment. Institutions and investors can benefit from green bonds' more detailed information, continual monitoring, and potential cost-benefit analysis. Overall, the article offers a succinct overview of green bonds and the market's current situation.

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