Chapter 24
Climate Change and Entrepreneurial Financing

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ABSTRACT

Entrepreneurs in emerging and developing economies face many challenges curtailing their ability to finance and grow their business ventures. Climate change provides new opportunities for entrepreneurs to gain access to finance and contribute toward more climate-resilient economies. The objective of this chapter is to outline the dimensions of entrepreneurial financing that are sensitive to levels of climate change with emphasis on the financial services sector's role in reacting to these changes. An analysis of current extant literature will be explored, and evidence supporting effective entrepreneurial financing will be used to develop a theoretical framework for climate change and entrepreneurial financing to foster a more climatic conditions-sustainable economy. The literature in this chapter indicated the need for establishing the impact of climate change on entrepreneurial financing in the financial services sector in order to provide recommendations that can direct funding more effectively towards climate-resilient activities and a more climatic conditions-sustainable economy.

INTRODUCTION

Access to financing is critical to the survival and development of SMMEs, and it is one of the main challenges that entrepreneurs in South Africa and other developing countries face (Panda & Dash, 2014). According to Fankhauser et al. (2016), climate change cannot be resolved until all developed and emerging countries make substantial investments in low-carbon technology and climate-resilient activities. As a result, access to financing has emerged as a critical component of climate change reform.

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Furthermore, debt financing is challenging to obtain since developers are seen as a high-risk credit entity. This is due to a shortage of concrete collateral as well as a track record comparable to that of seasoned entrepreneurs (Jha & Mittal, 2020). Interest rates, according to Janse van Rensburg et al. (2011), are the average cost at which interest is charged on lent money: the proportion of the borrowed sum. Furthermore, inflation can be described as a continuous, rapid price rise, as calculated by the Index, generally the Consumer Price Index (CPI), over a certain time span, normally months or years, which can be expressed in the currency's correspondingly decreasing purchasing power (Bryan, 2020). Lower interest rates make it possible for businesses to gain access to money and wealth (Jere et al., 2015).

However, emerging-market financial markets are marked by high interest rates, which raise the initial capital expenditure pressure on urban low-carbon investment as opposed to access to financing for the same investment in a developing world (Causevic & Selvakkumaran, 2018). Chirambo (2018), on the other hand, contends that climate finance modalities should be used to encourage entrepreneurship and minimize youth unemployment in addition to strengthening climate change mitigation and narrowing the energy access gap. As a consequence, in order to boost access to resources, expand green energy deployment, encourage entrepreneurship, and decrease youth unemployment all at the same time, municipal government structures would need to implement local plans that highlight these entrepreneurial opportunities (Chirambo, 2018; Nhamo et al., 2020).

THE CORE ELEMENTS OF ENTREPRENEURIAL FINANCING

Entrepreneurship, according to Zimmerer, Scarborough, and Wilson (2005), can be described as the formation of a new enterprise in the face of difficulties and complexity in order to prosper, as well as the pooling of required resources to capitalize on identified opportunities. Based on this definition, Kearney, Hisrich, and Roche (2008) claim that entrepreneurship necessitates being innovative, risk-taking, and pragmatic. Entrepreneurship may also be described as a mindset that prioritizes opportunities over money. It is a process by which individuals search resources regardless of the resources they currently employ (Thurik & Wennekers, 2004).

Usually, friends and family funds are the primary source of finance for small and medium-sized companies in India, followed by private money lenders and the unorganized financial market, where funding conditions are still vague and interest rates are also very high. Moreover, in most situations, lenders prefer to look at the company's productive track record over the last three years, and it is apparent that small and medium-sized companies are not in a position to do so due to numerous reasons such as bookkeeping asymmetry, the family-owned nature of the industry, and lack of knowledge and experience to tap the right kind and source of funding, all of which exacerbate the difference (Jha & Mittal, 2020).

Conventional Entrepreneurial Financing

Inflation, according to (Bryan, 2020), can be described as a steady, rapid price increase, as determined by the Index usually Consumer Price Index (CPI), over a fixed duration generally measured in months or years, which can be expressed in the currency's correspondingly declining purchasing power. Inflation has been seen to have an effect on the production of SMMEs (Jere, Jere, & Aspeling, 2015). As a consequence, as the real valuation of buyers' money decreases, consumers invest fewer, which has an

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