Chapter 6
Green Investment Sustainable Finance and Green Economics Growth

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ABSTRACT

This chapter presents a scientifically grounded exploration of the interdependencies between green investment, sustainable finance, and green economic growth, examining these topics through the lens of ecological economics, financial innovation, and environmental policy. It critically examines the integration of sustainability considerations into capital markets via instruments such as green bonds, ESG-aligned portfolios, and climate-risk-adjusted financial models. Emphasis is placed on the role of regulatory frameworks, institutional investors, and multilateral agencies in mainstreaming green finance across global and regional economies. Also, evaluates macroprudential approaches, carbon pricing mechanisms, and disclosure standards that facilitate the internalization of environmental externalities and support systemic transition to low-carbon economies. Finally, highlights the transformative potential of sustainable finance to drive structural economic change, promote resilience, and ensure long-term alignment with planetary boundaries and the Sustainable Development Goals.

1. INTRODUCTION

In line with the global climate strategy, many countries are planning to reach net-zero carbon emissions by 2050. This commitment requires a large investment

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in the energy and technology sector, and public money from all over the world needs to be leveraged to support the global financial sector. Several financial sector stakeholders are taking steps to enhance the attractiveness of green financing and ensure it does not redirect capital aimed at green projects that actually undermine the sustainability of economic activity (Tariq et al., 2024). Organizations have large asset bases and internal and external debt portfolios and have an economy-wide perspective, both in terms of their investment and financing activities and the wider implications of potential market failures from the degradation of the environment. Financial services are critical enablers for the transformation of Europe to a sustainable economy, such as by channeling investment into sustainable projects and managing associated risks (Kasturi et al., 2024).

The finance sector's role includes the assessment, pricing, and sustainable finance product offers that help align with economic activity's resources and risks. In general, markets and financial intermediaries have a key role to play in allocating resources toward a more sustainable economic structure in accordance with the goals set by government actions by both internalizing environmental externalities influencing market pricing signals and fostering innovation in clean technologies and by promoting a financial system that is more attentive to the long-term performance and sustainability of economic activity. A sustainable economy must also generate a high overall added value, and the strengths of extra sustainable development. The advancement of economic and social cohesion must be ensured in this highly progressive transformation (Chen & Zhang, 2024). In other words, Europe must achieve sustainable development to deliver the well-being its citizens deserve without leaving anyone behind.

Nowadays, an increasing number of states and multilateral organizations are giving more and more importance to the institutions and the economic processes that promote responsible investment and civil engagement. Green investments concern all the actors that use savings for the advanced realization of investments in securities or to start projects in every part of the world, transferring capacity from households, individuals, or collectives that supply savings to those individuals or collectives that assume documents representing savings for a period (Wojewska et al., 2024). About six hundred operators work in the world of sustainable and responsible finance, and a good estimate is that their trends manage about 600 billion euros and that their net profits are around 80 billion euros. Green economics belongs to the theory of welfare economics. The conventional view of economic growth affirms the right of future generations to an economy without damage, that is to say, to an economic dynamic that assures today the satisfaction of the needs of tomorrow. The interest that the definition pursuant to the green economy process has gained today appears in micro, micro, and macroeconomics, both relevant to macroeconomics, with social and economic consequences (G. Liu & Liang, 2024).

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