

Chapter 9


Sustainable Finance and Investor Dynamics in Emerging Markets

Devesh Rajput

 <https://orcid.org/0009-0006-1811-9095>

Christ University, India

Aashima Jindal

 <https://orcid.org/0009-0003-9522-5404>

Christ University, India

ABSTRACT

This chapter examines the role of sustainable finance in emerging markets, focusing on the integration of Environmental, Social, and Governance (ESG) principles to promote economic growth and social impact. It discusses how ESG investments address challenges like poverty, financial inclusion, and climate change, while exploring factors influencing investor behavior and barriers such as data transparency and greenwashing. The chapter compares ESG adoption in developed and developing economies, highlights sector-specific trends, and emphasizes the importance of public-private partnerships and multilateral collaborations. It also explores sustainable finance's potential for social innovation, supporting gender equality, inclusive development, and green technologies, and advocates for improved transparency and impact measurement to build investor confidence.

DOI: 10.4018/979-8-3373-1404-4.ch009

Copyright © 2026, IGI Global Scientific Publishing. Copying or distributing in print or electronic forms without written permission of IGI Global Scientific Publishing is prohibited. Use of this chapter to train generative artificial intelligence (AI) technologies is expressly prohibited. The publisher reserves all rights to license its use for generative AI training and machine learning model development.

1 INTRODUCTION

Innovation in capital allocation is being driven by sustainable finance, which combines environmental, social, and governance (ESG) considerations in financial decision making. Its goal is to maximize financial returns while supporting activities that build prosperity, environmental stewardship and social equity. Beyond the traditional financial analysis, this approach includes consideration of such issues as climate change, social inequality, and ethical governance, which results in long term value consistent with sustainability principles(Zairis et al., 2024).

Key drivers of global growth and at the same time highly vulnerable emerging markets are shaping the future development. By 2050, almost 90 per cent of the projected 2.5 billion increase in urban population will be in these region(Goel et al., 2022). But because they rely on industries with big environmental impacts like manufacturing, mining and agriculture, they are more vulnerable to climate change and ESG issues. These markets lack access to sustainable financing and urgently need innovative financial mechanisms to bridge the development and sustainability gap.

1.1 Sustainable Finance: A Global Perspective

The momentum of sustainable finance has grown on a global scale as the importance of its potential to tackle urgent environmental and social challenges has become more widely recognized. Particularly, developed markets have become leaders in ESG integration. These regions are seeing the proliferation of sustainable financial products such as green bonds and ESG focused funds as institutional investors in these regions are incorporating ESG into their decision making processes. For example, the European Union has defined benchmarks in sustainable finance policy with its Sustainable Finance Disclosure Regulation (SFDR) that requires full ESG disclosure(Eriksson, 2024).

Emerging markets, while seeing a boom in sustainable finance activity, face major obstacles. This has been a positive trend in ESG adoption in these economies(Goel et al., 2022), as green bond issuance has grown. But difficulties remain in data quality, disclosure standards and regulatory consistency. To ensure sustainable finance thrives in these regions, further policy frameworks need to evolve to provide clarity, reduce risk and attract long term investments in line with global sustainability goals.

1.2 Why Do Emerging Markets Need Sustainable Finance?

Sustainable finance is well suited to emerging markets, which have their own specific economic, social and environmental needs. In these regions, there are massive funding gaps of \$2.5 trillion per year to close to meet the Sustainable Development

28 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/sustainable-finance-and-investor-dynamics-in-emerging-markets/391447

Related Content

Taking Off to Economic Growth and Uncovering the Impact of Electricity Consumption on Regional Development: Case Study for Cities With Airports in Türkiye

Enver Erdinç Dinçsoy and Muhammet Atlas Doan (2023). *Optimizing Energy Efficiency During a Global Energy Crisis* (pp. 36-50).

www.irma-international.org/chapter/taking-off-to-economic-growth-and-uncovering-the-impact-of-electricity-consumption-on-regional-development/330851

Evaluation and Importance of Business Ethics in Terms of Organizational Culture

Zafer Adiguzel (2024). *Research Anthology on Business Law, Policy, and Social Responsibility* (pp. 725-752).

www.irma-international.org/chapter/evaluation-and-importance-of-business-ethics-in-terms-of-organizational-culture/335731

"Future Is Yours": Motivating Online Learners in Higher Education Through a Package of Goods (in the COVID-19 Pandemic)

Shalin Hai-Jew (2023). *Handbook of Research on Revisioning and Reconstructing Higher Education After Global Crises* (pp. 34-84).

www.irma-international.org/chapter/future-is-yours/313884

Smart Homes, Smarter Parenting: Implementing Context-Aware IoT Access Controls for Child Safety

Hitesh Rawat, George Kurian, Priyanka Gupta and Alpesh Soni (2026). *Integrating Parental Consent and Child Engagement With Digital Protection Rules* (pp. 441-462).

www.irma-international.org/chapter/smart-homes-smarter-parenting/384746

Financial Sector Hyper-Automation: Transforming Banking and Investing Procedures

Siddanagouda Policepatil, Jaideep Sharma, Bhupendra Kumar, Deepankar Singh, Sabyasachi Pramanik, Ankur Gupta and Basha S. Mahabub (2025). *Examining Global Regulations During the Rise of Fintech* (pp. 299-318).

www.irma-international.org/chapter/financial-sector-hyper-automation/357488