


Chapter 6


Government's Initiative to Promote Sustainable Finance and Addressing ESG Issues

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ABSTRACT

In recent years governments worldwide have highly focused on sustainable finance to have an overall growth of the economy while addressing Environmental, Social, and Governance (ESG) issues as a long-term strategy towards a green economy by reducing carbon footprints and ensuring long-term financial stability. This paper analyses key regulations that the government and various financial institutions have set up for multiple companies to reshape markets and grow the economy. It also reflects various impacts of certain agreements that have happened universally and their importance. The information is collected by getting insight from the documents, press releases, and other information sources released on government sites and other reliable sources. Also, considering various case studies it examines how countries have implemented ESG policies (with its prime focus on India). Moreover, this paper helps to find any gaps in these regulations designed by the government. It finds out the impact of these policies on the overall economy and makes people aware of Government releases.

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INTRODUCTION

Sustainability is one of the terms that has gained importance in the past few years and since then has been a place of primary concern for corporations, policies, and discussions worldwide. The United Nations Brundtland Commission 1987 defined sustainability as meeting present needs without compromising on the needs of the future generation and the availability of all the resources (United Nations 1987). According to the UNEP (United Nations Environment Programme) report sustainability is an integration of Environmental, social, and economic factors. Sustainability is a balance of using natural resources in such a way as to avoid resource depletion and social inequalities (United Nations Environment Programme, 2011).

Sustainable finance has risen from sustainability, which refers to best financial practices that focus on investing in bonds, stocks, or other sources, including environmental, social, and governance factors for long-term stability in the country's economy. UNEP even argues that one should reallocate their investments to more factor-intensive sectors like renewable energy, sustainable agriculture, and low-carbon technology. The problem with the economies is that for years and years, most of their resources have been allocated to fossil fuels, real estate, and other financial products which don't specifically deal with products with limited life and led to the depletion of many natural resources (United Nations Environment Programme [UNEP], 2011). Therefore, has raised the environmental risk of many nations. Governments have been aware of these concerns following a string of events that pointed to the depletion of natural resources, such as the closure of several units because there were no raw materials available, and the detrimental effects this had on the nation's economy. This made many countries' governments conscious of this happening around the countries and started to work on many green and sustainable finance measures to transition themselves into a green economy and create various jobs in this segment. European Union also suggested that sustainable finance plays an important role in the world's transition towards net zero as the government finances more money towards carbon-neutral projects (European Union, 2020). Also, according to the World Economic Forum, more the sustainable a business is more returns are provided to the investors (World Economic Forum, 2021).

Sustainable finance includes ESG factors that include the Environmental factor to mitigate the climate risk and promote sustainable resources; social factor involves human and animal rights, whereas governance comprises management, employee relations, and compensation practices. ESG (environment, social, and governance) is a view of seeing sustainability beyond just environmental issues. People now have become increasingly concerned about ESG issues so, embedding sustainability in business is a priority for executives and investors in situations like today's business landscape. Stock markets have always traditionally mirrored public sentiment, and

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