Journal of Research Administration
Society of Research Administrators International

GREEN FINANCE ASSOCIATED FOR SUSTAINABLE DEVELOPMENT

Tran Anh Quang
University of Labor and Social Affairs, Hanoi, Vietnam

Abstract
In today's context, sustainable development is becoming a global trend, with the world moving towards "greening" activities such as green growth, green finance, green accounting, and green bonds. Green finance is a crucial tool for promoting a sustainable business environment by integrating environmental and social factors into business decision-making and financial reporting. This article highlights the role of green finance in helping businesses adapt to sustainable development trends, from resource management to minimizing negative impacts on the environment and society.
Keywords: *Green finance, sustainable development*

1. INTRODUCTION

Sustainable development is becoming a common global trend, with the world moving towards "greening" activities such as green growth, green bonds, green accounting, and green finance. Sustainability is not only related to protecting the environment but also to building a business platform that benefits both the environment and society. According to global research, green finance is considered an essential tool for addressing the influence of the natural environment on the economy and is seen as a direction for transformation towards sustainable development and a green economy.

In recent years, green finance has been recognized as a vital component of a country's green growth strategy. It provides environmental information in addition to general information about the production and business situation of enterprises, forming a basis for enterprises' environmental protection obligations. This helps reduce environmental and public health risks while improving financial performance at the enterprise level. Consequently, the development and application of green finance has become a necessity for countries, including Vietnam. However, how to effectively apply green finance remains an ongoing issue.

2. OVERVIEW OF GREEN FINANCE

In recent years, many studies have discussed green finance. According to Chowdhury (2013), green finance consists of financial policies that create incentives for businesses and consumers to change their production and consumption behaviors to be more environmentally friendly. The European Investment Bank (EIB) defines green finance as financial services provided for economic activities supporting environmental improvement, climate change mitigation, and more effective financial use. These activities include financing, operations management, and risk management of projects aimed at environmental protection, energy saving, clean energy, green transportation, and green construction.

The United Nations Environment Program (UNEP) defines green finance as solutions for sustainable development and climate change adaptation through financial products and services provided by financial institutions. In other words, green finance aims to increase financial flows from various sources (banks, microcredit, insurance, and investment) for sustainable development and climate change adaptation priorities, effectively resolving negative environmental and social externalities. Funded projects not only focus on profit but also generate environmental benefits, requiring greater accountability.

According to UNEP, compared to previous approaches, green finance solutions involve multidimensional coordination between the government, businesses, and the public. The government plays a crucial role in applying, regulating, and orienting green finance solutions in various ways. At the national level, public finance solutions can be promoted through changes in legal frameworks, harmonization of public finance solutions, and strengthening green finance solutions across different fields. Local governments play a significant role in adjusting financial decision-making processes of businesses, promoting private sector attention to environmental aspects, and increasing investment in clean sectors and green technology.

The Green Finance Program indicates a worldwide trend with the participation of international financial organizations, governments, and financial systems. With commitments to bring net emissions to zero by 2050 and reduce methane emissions by 2030, the need for countries to invest in environmentally impactful projects will grow. Therefore, green finance plays a critical role in each country's sustainable development goals.

3. BENEFITS OF GREEN FINANCE

The green growth strategy from the perspective of the Government of Vietnam aims to restructure and perfect economic institutions towards more effective use of natural resources, improving economic competitiveness through technological innovation and economic tools. This approach contributes to climate change response, poverty reduction, and sustainable economic development. Green growth essentially equates to sustainable growth, meeting current needs without compromising future generations' ability to meet their needs. Although a new field, green finance has already achieved positive results. Applying green finance brings numerous benefits:

For Businesses:

- Creating competitive advantage: Green transformation helps businesses cope with challenges from climate change and resource depletion, creating competitive advantages. By adopting green transformation strategies, businesses can not only mitigate risks associated with climate change and resource depletion but also harness these challenges to create competitive advantages. Sustainable practices lead to cost savings, regulatory compliance, market differentiation, innovation, financial performance, and enhanced employee and customer engagement. These factors collectively contribute to a stronger, more resilient business poised for long-term success.

- Adding business value: Green finance enhances portfolio value by attracting environmentally conscious investors and customers, leading to several key business benefits:

Investor Attraction: Companies can access a broader base of investors who are focused on sustainable investments.

Customer Loyalty: Businesses can attract and retain customers who prioritize sustainability.

Reputation and Brand Value: Engaging in green finance enhances the company's reputation and brand value.

Financial Stability and Risk Management: Green finance contributes to long-term financial stability and better risk management.

Market Innovation and Expansion: Green finance opens up new market opportunities and fosters innovation.

By incorporating green finance into their strategy, businesses can not only improve their environmental impact but also achieve significant economic and competitive advantages.

- Enhancing economic prospects: Green finance contributes to economic growth, job creation, and attracting investment in green projects. Green finance significantly enhances economic prospects by contributing to economic growth, job creation, and attracting investment in green projects. Integrating green finance into their economic strategies, countries and businesses can drive sustainable development, create jobs, and ensure long-term economic resilience.

For the Environment:

- Encouraging environmentally friendly activities: Green finance plays a crucial role in encouraging environmentally friendly activities by supporting renewable energy projects, promoting efficient resource use, and enhancing environmental protection. Green finance encourages environmentally friendly activities by providing the necessary funding and incentives for renewable energy projects, efficient resource use, and environmental protection. By directing financial resources towards these areas, green finance not only helps mitigate the impacts of climate change but also promotes sustainable development and environmental stewardship.

- Promoting sustainable development: Green finance plays a vital role in promoting sustainable development by helping businesses transition to sustainable models and encouraging green lifestyles among individuals. Green finance promotes sustainable development by providing the financial resources and incentives needed for businesses and individuals to transition to sustainable models and lifestyles. By driving these changes, green finance not only supports the fight against climate change but also fosters a sustainable economy and society, ensuring long-term environmental and economic resilience.

- Responding to climate change: Green finance is instrumental in responding to climate change by mobilizing resources for various climate change mitigation and adaptation activities. By effectively mobilizing resources for these activities, green finance plays a pivotal role in addressing the multifaceted challenges posed by climate change and ensuring a sustainable and resilient future.

For the Economy:

- Job creation: Green finance fosters job creation by supporting projects that generate employment opportunities across various sectors. By creating a wide range of job opportunities, green finance not only supports economic growth but also fosters a sustainable transition to a low-carbon economy.

- Attracting investment: Green finance significantly attracts investment by appealing to investors who prioritize environmental and social issues. The growing market for green finance offers numerous opportunities for investors seeking sustainable and ethical investment options. By appealing to these factors, green finance continues to grow, attracting a diverse range of investors and driving capital towards sustainable development projects.

- Minimizing risks: Green finance indeed plays a crucial role in mitigating risks associated with climate change and environmental pollution. By integrating environmental considerations into financial decision-making processes, green finance contributes to building a more sustainable and resilient economy, reducing risks for businesses, communities, and investors alike.

For Society:

- Improving quality of life: a cleaner environment and a stable climate have profound positive effects on human health and quality of life. By prioritizing environmental sustainability and climate resilience, societies can create healthier, more resilient communities and improve the overall well-being of present and future generations.

- Reducing inequality: Green finance indeed has the potential to contribute to reducing inequality by providing access to financial services and green infrastructure, particularly for marginalized and underserved communities. By prioritizing equity and social inclusion in green finance initiatives, societies can work towards a more sustainable and equitable future, where all individuals have access to the resources and opportunities needed to thrive.

- Promoting community development: Green projects not only contribute to environmental sustainability but also play a significant role in promoting community development by improving both the material and spiritual aspects of people's lives. By integrating environmental sustainability with community development goals, green projects can have a transformative impact on the material and spiritual lives of local communities, creating more resilient, vibrant, and inclusive societies.

4. ACHIEVEMENTS AND DIFFICULTIES IN APPLYING GREEN FINANCE

Vietnam has begun to pay attention to and implement action plans to launch and develop green finance, achieving certain milestones. The legal framework for green finance began to take shape when the Prime Minister approved the national action plan on green growth for the period 2014-2020 in 2014. On October 1, 2021, the Government issued Decision Decree No. 1658/QD-TTg approving the National Strategy on Green Growth for the period 2021-2030, with a vision to 2050. The goal of green growth is to promote economic restructuring associated with innovating growth models, achieving economic prosperity, environmental sustainability, and social equity, moving towards a green, carbon-neutral economy, and contributing to the goal of limiting global temperature rise.

Following the government's direction, a system of legal documents and policies, including Decrees, Circulars, and Decisions guiding ministries, departments, branches, and the State Bank on green finance, has been established each year. Several steps have been completed, and regulations on many types of tools such as green bonds, green stocks, and green credits have been formulated. These regulations create conditions for businesses to mobilize domestic and international green capital. For instance, Decree No. 95/2018/ND-CP regulates government bonds and green local government bonds, and the 2020 Environmental Protection Law outlines the carbon market development roadmap. Additionally, Decree No. 08/2022/ND-CP, issued on January 10, 2022, details a number of articles of the Law on Environmental Protection and regulates the lists of projects eligible for green credit and the issuance of green bonds.

The Vietnamese government has introduced policies and measures to encourage green credit, including preferential credits for businesses operating in the fields of environment, renewable energy, water treatment, and emission reduction. The development of the green finance market in Vietnam can be seen in the launch of green financial products such as green bonds, green loans, and green investment funds.

According to Nguyen Xuan Bac, Deputy Director of the Credit Department of Economic Sectors at the State Bank (2023), in the period 2017-2022, the system's outstanding credit balance for green fields has an average growth rate of over 23% per year. As of June 30, 2023, outstanding green credit loans reached nearly 528.3 trillion VND, accounting for about 4.2% of the total outstanding loans in the economy. Credit institutions have focused mainly on renewable energy and clean energy (45%) and green agriculture (31%). Most banks have established regulations on safety and sustainability control when financing investment projects, and requirements on environmental protection, energy conservation, and resource saving.

Regarding green bonds, Vietnam has issued five rounds of green bonds with a total value of 200 million USD as of October 2022. These bonds primarily fund renewable energy projects, water, waste management, and agriculture.

The green stock market in Vietnam is still in its early stages. Efforts have been made to encourage businesses to focus on sustainable development. Notably, the Ho Chi Minh City Stock Exchange announced the publication of the VNSI index basket (Viet Nam Sustainability Index) on July 18, 2022, including 20 stocks with the highest sustainable development potential on the market.

With the trend of sustainable development, large investment funds are especially fond of investing in projects that meet ESG (Environmental, Social, and Governance) standards. Businesses selected to join the VNSI index will have the opportunity to access large investment capital from abroad for sustainable development.

Some Existing Limitations

Therefore, the implementation of green finance in Vietnam today will encounter many difficulties and challenges, specifically:

- In terms of institutions, Vietnam has many laws and legal documents related to supporting businesses to invest in green finance, such as the Law on Environmental Protection, Law on Land, and Law on Energy Conservation. However, institutions and policies mainly operate at the central, single-sector level. Policies are issued slowly, do not keep up with the general progress of science and technology, and have not resulted in clear changes. Many policies are insufficient to motivate businesses to invest in green finance.
- Lack of information and evaluation standards: The green bond market is still in the development stage and lacks its own information channel, as well as common standards for evaluating the environmental performance of sponsored projects. This

makes it difficult for investors to access information and accurately assess the sustainability and environmental impact of projects.

- Liquidity in Vietnam's green finance market is still relatively low. Green finance markets are often smaller and less liquid than traditional markets, leading to higher transaction costs and less flexibility for investors. On the demand side, due to limited awareness of green finance, many investors are not interested in this product. The lack of organized investors participating in all segments of the credit market, stocks, and green bonds results in a lack of professionalism and attractiveness in the market for international investors. Additionally, the market supply is limited due to a lack of green projects and not many issuing organizations. Furthermore, when market liquidity is low and information is not readily available, it is difficult for potential buyers in the market to connect with potential sellers, leading to market inefficiency. Reality shows that the growth motivation of the green finance market in Vietnam from 2015 up to now mainly comes from the policy orientation of the State Bank and the Ministry of Finance, rather than from the market.
- Green credit is currently mainly focused on large credit institutions. Green credits involve complicated procedures and unclear regulations, making it difficult to borrow capital to implement green projects. Deploying green credit requires a large amount of capital, a long investment time, and a complex appraisal process, while financial efficiency is not high, as the main goal of commercial banks is profit.

5. SOLUTIONS FOR APPLYING GREEN FINANCE ASSOCIATED WITH SUSTAINABLE DEVELOPMENT

Currently, green finance plays an important role in shaping and promoting business activities and environmental management to ensure sustainable development. Below are some specific solutions for applying green finance associated with sustainable development:

On the management side:

- **Awareness and Implementation**: Proper awareness and practical application of green finance are necessary, especially considering the Party and State's policy of sustainable development and "greening the economy". Recognizing that the application of green finance is a mandatory requirement but requires a reasonable long-term roadmap.
- **Regulatory Framework**: Continuing to supplement and enhance regulations on green finance is needed. Vietnam should promulgate the Green Finance Law to establish a unified legal foundation for green finance activities. This law should clearly stipulate principles, criteria, standards, and procedures for issuing green bonds, green credit, green insurance, etc. Additionally, perfecting the legal

framework related to green finance is essential to ensure transparency and accountability in these activities. The state should take a leading role in developing green financial mechanisms and policies, promoting the market for green bonds, green stocks, green credit, and other green financial products. Prioritizing government investment and expenditure in green sectors and implementing policies to attract resources from economic sectors to invest in the green economy through tax incentives and other measures is crucial.

- **Standardization and Transparency**: Developing uniform criteria and standards for green securities and green credit across the market is essential. Strengthening the activities of green credit rating and valuation organizations, and ensuring transparency in green rating indicators is necessary. Focusing on developing domestic consulting organizations to provide independent assessment services for green projects using revenue from green stocks or green bonds is also important.
- **Involvement of Commercial Banks**: Promoting the participation of commercial banks in the green finance market as credit providers and green bond investors is vital. Commercial banks should establish rules for environmental and social risk management in credit granting activities, conduct environmental and social risk assessments, and apply environmental standards to funded projects. Facilitating access to green capital and deploying loans for green credit projects is necessary.
- **Incentives for Responsible Businesses**: Implementing policies to reward, encourage, and commend businesses for carrying out good social responsibilities will help propagate the application of green finance in practical activities. For example, enterprises demonstrating excellence in green finance over a period (typically around 5 years) could receive priority in tax reduction or deferral and preferential credit loans for feasible projects.

On the business side:

- **Perception Shift**: Businesses need to change their perception towards applying green finance in production and business activities. Recognizing green growth as a trend, businesses should develop strategies to green their activities, innovate technology towards green technology, and enhance social responsibility. This not only creates competitive advantages but also aligns with society's common goal of sustainable development and environmental protection.
- **Promotion and Training**: Further promotion, training, and dissemination of knowledge about policies, environmental and social responsibilities, and introduction of green financial products to the investing public are necessary. Ensuring information transparency related to green investment activities and green financial products will also promote demand for green finance.

- **Skill Enhancement**: Continuing to enhance and improve the quality of financial human resources to meet job requirements in the new context is essential. Currently, due to the limited popularity of green finance in businesses, finance departments mostly lack staff with knowledge of environmental finance or specialized environmental finance staff. Therefore, businesses need to focus on training and developing capacity for managers and employees in green finance and sustainable development.

By implementing these strategies, businesses and management can effectively utilize green finance to drive sustainable development and environmental stewardship.

6. REFERENCES

Chowdhury, Tasnim, Datta, Rajib, & Mohajan, Haradhan (2013). "Green finance is essential for economic development and sustainability," International Journal of Research In Commerce, Economics Management, 16 March 2013.

State Securities Commission (2021). Manual for issuance of Green Bonds, Social Bonds, and Sustainable Bonds. Asian Bonds Online.

EIB (2022). 15 years of EIB green bonds: leading sustainable investment from niche to mainstream. European Investment Bank.

EVNFC (2022). EVNFinance issues green bonds for sustainable development. EVNFinance.

ICMA (2021). Green Bond Principles Voluntary Process Guidelines for Issuing Green Bonds. International Capital Market Association.