

TITLE : GREEN FINANCE AND ITS RELEVANCE AND IMPORTANCE IN THE MICRO SMALL MEDIUM ENTERPRISE SECTOR FOR SUSTAINABLE DEVELOPMENT

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Abstract

This article analyzes the feasibility and importance of green finance for micro, small and medium-sized enterprises. Because micro, small and medium enterprises play an important role in contributing to India's GDP. According to the report, India's MSME sector has given a major boost to the economy. Over 63 million MSMEs spread across the country contributed 30.5% to India's GDP in FY19 and 30% in FY20. Unlike large corporations, small and medium-sized enterprises have contributed to rural industrialization with low capital costs. This sector has contributed significantly to the country's socio-economic development and complements large-scale industries. Small and medium-sized enterprises account for more than 40% of India's total exports, manufacturing accounts for 6.11% of GDP, and services account for 24.63% of GDP. The significant differences achieved by the sector have led the financial sector to question whether the sector will Join green finance. A company can bring about significant changes in history, but it can also secure the future of other companies. Investment in green finance leads to sustainable development, which guarantees the longevity of the business and generates income and profits. This article will essentially address the fact that the SME sector understands the relevance and importance of green finance that can lead to sustainable development. Green finance is critical to modern business. Today, every business must invest in environmental programs and make the environment a better workplace. Since the environment plays an important role in investment and growth, the company has several factors, including green finance, that not only help the company grow, but also protect the environment for sustainable development.

Keywords: Green Finance, MSME, Environment, Sustainable Development

1. Introduction:

In today's world, when everyone expects to live forever, sustainable development has become a major problem that address people's current need without sacrificing the needs of future generations. The notion was created about a quarter-century ago to reconcile economic, social, and political issues dynamics of social and ecological systems (IUCN, 1980). It is impossible to guarantee long-term progress. Without making good use of available funds, green finance is a word that refers to a method of financing that is environmentally friendly.

To ensure Sustainable Development, environmentally friendly funding methods must be used. Green finance, according to Wang & Zhi (2016), is "a phenomenon which combines the world of finance and business with environmentally friendly behaviour". Green finance is thought to be an important topic in sustainable development since it is impossible to achieve long-term sustainability without ensuring proper and environmentally friendly money management. Because of the importance of these fundamental concepts in today's world, this research was done to provide a detailed conceptual understanding of the relevance and importance of green finance in micro, small and medium enterprises.

Green finance is a broad topic that encompasses a significant portion of an economy's whole financial system. It is clearer from Dr. Nannette Lindenberg's proposed definition, in which the researcher stated that Green Finance encompasses of three aspects i.e., financing of the public and private green investments, financing of public green policies, and the green financial system. A no. of green financial products is being used throughout the world and many strategies are being used to keep up with the environment, this paper will put light on the relevance and importance of green finance in the MSME sector, and the factors influencing them. Also, it will put forth some important measures to overcome the lag of green finance in the MSME sector.

2. Statement of the Problem:

With the increase in usage of all the natural resources for the development of the country and the world, there is a dire need of maintaining all the resources. With the help of green finance, the establishment of sustainability in the industries will lead to great empowerment of society. Therefore, this paper will analyze the importance and relevance of green finance in micro, small and medium enterprises which will lead to sustainable development.

3. Objectives of the study:

1. Understand the relevance and importance of green finance in the MSME sector.
2. Analyze the factors for the non-relevance nature (if any).
3. Suggest the best possible actions for the establishment of green finance for sustainability.

4. Scope of the study:

The study on MSME sectors can be conducted in a general marketplace where micro, small and medium sector enterprises work. This is a huge marketplace in India as it covers up to 74% of the general market. The time duration to collect the data will take approximately 3 to 4 weeks.

5. Hypotheses:

H0: The level of knowledge on green finance is directly associated with the enterprises participating in separate investments for green finance.

H1: The level of knowledge on green finance is not directly associated with the enterprises participating in separate investments for green finance.

6. Methodology:

The study is based on a descriptive research method

Data Collection tools and techniques:

Primary data were collected through a structured questionnaire from more than 250 MSMEs .The responses were evaluated based on the Likert scale with five points will be used to measure the depth of their knowledge about green finance. Secondary data will be collected by using content analysis in google scholar, different articles published by the ministry of finance, the government and various websites collection of data.

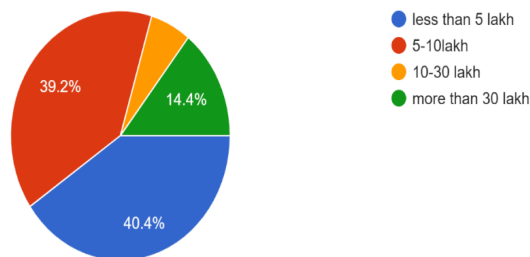
Data analysis: Data analysis will be done using SPSS & AMOS

7. Data Analysis:

In this study, a total of 250 responses have been collected to get interpretations about the MSME sector's indulgence in green finance.

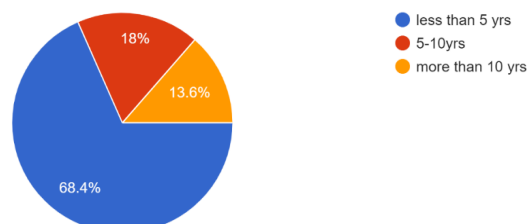
7.1 Net worth of the companies:

What is the Net worth of the company?
250 responses



7.2 Age of the companies:

How old is your company/org?
250 responses

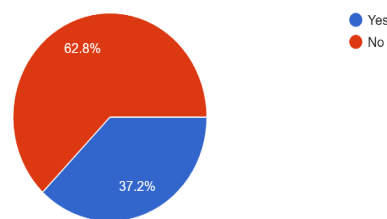


Interpretation:

Fig. 3.1 and Fig. 3.2 describe the net worth of the companies/organisations and the age of the companies. This section will help the study understand how much income each business makes in the MSME sector, this section will help us understand if the medium enterprises are making the most for green finance or if the micro and small organisations are also trying to be investible for green finance. Fig. 3.1 shows there is a participation of micro and small companies by 40% and 39.2% respectively, while the medium enterprises take up a total of 20.4% of the total collection of data. Fig 3.2 shows most of the participating company's age is less than 5yrs i.e., micros are a total of 68.4%. This chart also shows the participation of small and medium enterprises by 18% and 13.6% respectively.

7.3 Knowledge of Green Finance

Do you know about Green finance?
250 responses

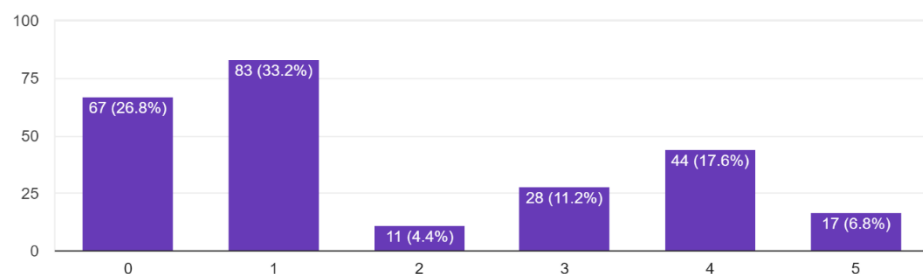


Interpretation:

In this paper we can see most of the people i.e., 62.8% have chosen “No” as their response to their awareness about green finance, this shows that the concept of green finance is not much relevant to the Micro and Small companies/organizations. We can also observe that 37.2% people have chosen “yes” which shows that some small and medium enterprises make sure to integrate green finance in their business.

7.4 Level of Knowledge on green finance

How much do you know about Green finance? Rate it on a scale of 0-5
250 responses



Interpretation:

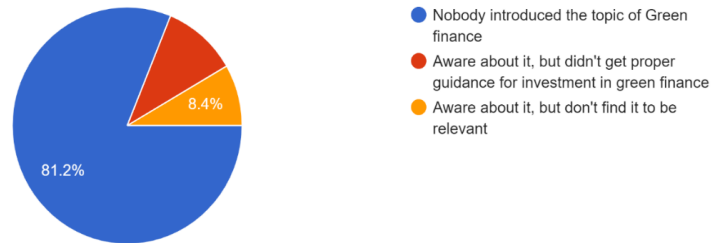
In this study maximum number of enterprises i.e., 33.2% have voted 1/5 regarding their level of knowledge on green finance whereas 26.8% have voted 0/5 around 11.2% enterprises have mediocre knowledge regarding green finance we can also observe that

17.6% and 6.8% enterprises have voted 4/5 and 5/5 respectively which shows that they have competent knowledge regarding green finance.

7.5 Reason of having low level of knowledge on green finance

If your answer was 3 or less. Please state the reason.

191 responses



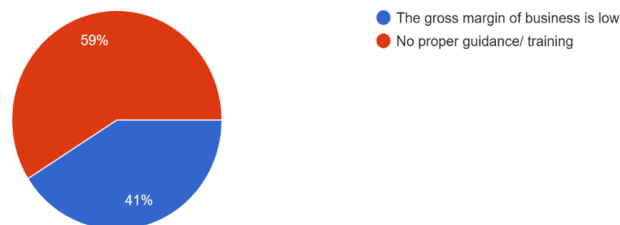
Interpretation:

Among the enterprises who have voted 3/5 regarding their level of knowledge on green finance a large number of enterprises i.e., 81.2% stated that nobody introduced them to the topic of green finance. We can also see that among these enterprises, 10.4% state lack of proper guidance for investment in green finance as their reason for low level of knowledge regarding the same and 8.4% enterprises among these didn't find green finance relevant

7.6 Reason of green finance being irrelevant

If you are aware about green finance, why is it irrelevant to you?

39 responses



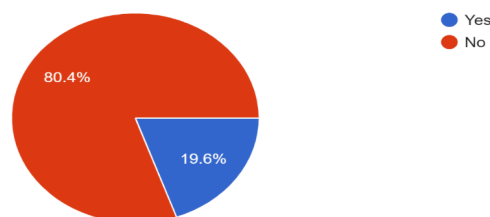
Interpretation:

Among the enterprises who find green finance irrelevant, the majority i.e., 59% state a low gross margin of business as a cause for irrelevancy whereas 41% state a lack of proper guidance and/or training as a cause for the irrelevancy of green finance.

7.7 Information on separate investments in the environment

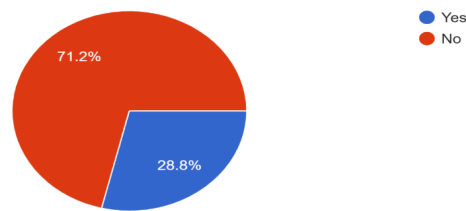
Do you have separate investments which contribute to environment?

50 responses



7.8 Information on enterprises participating in environmental programs:

Does your company participate in any environmental programs?
responses

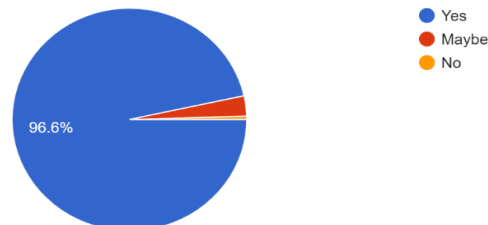


Interpretation:

Fig. 3.7 and fig. 3.8 shows the participation of micro, small and medium enterprises in green finance. Fig. 3.7 shows that most enterprises i.e., 80.4 % do not have separate investments that contribute to the environment whereas the rest i.e., 19.6% have separate investments for the same. On the other hand, Fig. 3.8 shows that a large number of enterprises i.e., 71.2% do not participate in any environmental programs whereas 28.8% participate in environmental programs. We can conclude from these 2 figures that most enterprises do not participate in green finance.

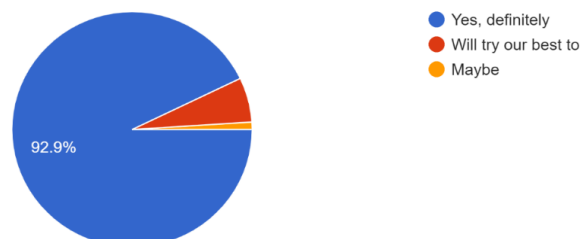
7.9 Views on participation in green finance if net worth was more

Would you have invested/participated in green finance for sustainable development, if your net worth was more than 30 lakhs?
204 responses



7.10 Views on participation in green finance if provided with necessary aids

If the aids, information and guidance will be provided, Will your company participate and contribute to green finance which will lead to sustainable development?
196 responses



Interpretation:

Fig. 3.9 and fig. 3.10 shows the enthusiasm of micro, small and medium enterprises towards green finance if provided with adequate guidance and resources. Fig. 3.9 shows that almost everyone i.e., 96.6% would have participated in green finance for sustainable development, if their net worth was more than 30 lakhs whereas a very small portion i.e., 3.4 % would not have invested in green finance even if their net worth was more than 30 lakhs. Similarly, fig. 3.10. demonstrates that if adequate aids, information, and guidance is provided, a large number of enterprises i.e., 92.9% would have participated and contributed to green finance which will lead to sustainable development whereas a minority of enterprises i.e., 7.1% would not participate in green finance even after proper guidance and resources is provided to them. We can conclude from these 2 figures that almost all enterprises are enthusiastic about participating in green finance if proper guidance and resources are provided to them.

7.11 Hypothesis Testing:

H0: The level of knowledge of green finance is not directly associated with the enterprises participating in separate investments for green finance.

H1: The level of knowledge of green finance is directly associated with the enterprises participating in separate investments for green finance.

Familiarity about Green Finance * Separate investments Crosstabulation				
Count				
Yes		Separate investments		Total
		No		
Familiarity about Green Finance	No opinion	0	67	67
	Not at all familiar	0	83	83
	Slightly familiar	0	11	11
	Moderately familiar	1	27	28
	Very familiar	36	8	44
	Extremely familiar	12	5	17
Total		49	201	250

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	179.948 ^a	5	.031
Likelihood Ratio	176.454	5	.050
Linear-by-Linear Association	127.798	1	.076
N of Valid Cases	250		

a. 2 cells (16.7%) have an expected count of less than 5. The minimum expected count is 2.16.

Result of hypothesis testing:

Since the P value is 0.031 which is lesser than 0.05, therefore, the null hypothesis is rejected, and the alternative hypothesis is accepted. Hence, the level of knowledge of green finance is directly associated with the enterprises participating in separate investments for green finance.

8. Findings:

- The age and net worth of the enterprises has a direct engagement with the understanding of the concept of green finance.
- The bigger the firm is the more the enterprises are able to recognize the importance of green finance in today's world and how much relevance it can create in sustainability.
- Rarely any Micro and small enterprises participate in environmental activities and participate in green finance. One of the main reasons of non-participation of this segment is that they have very low-profit margin in their business, also their scalability is low.
- The small businesses have very low knowledge of green finance, they have never heard of the term of green finance. This shows that the lack of knowledge of green finance can be filled by providing necessary information training from the government end.
- The Low net worth of businesses can also perform certain environmental activities, even if don't have separate investments. Any sort of environmental practice made in daily enterprises activity can make a change, therefore can increase the sustainability of the business for the long run and will also protect the environment.
- The fact that green finance can make up a huge difference in the forthcoming generations in the suitability of the business and environment is unknown to many of the micro, small and some of medium enterprises. Therefore, providing proper training, and giving aid to MSME can give a boost to green finance in India.

9. Conclusion:

Micro, Small and Medium Enterprises (MSMEs) have contributed significantly to the Indian economy and employment. India's 63 million small and medium-sized enterprises account for over 45% of industrial production, over 40% of exports and over 28% of GDP. The industry employs approximately 111 million people. MSMEs require little capital to start but generate a lot of employment. To achieve the Sustainable Development Goals, we must focus on alternative pathways for equitable participation and reduce economic inequality, taking into account national contexts of resource extraction and inequality. This requires India to build a system that appropriately localizes and decentralizes the production of goods and services and considers economic efficiency, environmental sustainability and social equity in business decisions.

Environmentally responsible micro, small and medium-sized enterprises (MSMEs) businesses that operate based on the principles of resource conservation, resource efficiency and waste management are key to creating a green and inclusive economy. At the grassroots level. Anecdotal evidence suggests there are no statistics on what percentage of MSMEs fall into this category and how these figures vary across sectors and states, with most MSMEs being green in nature and design and those seeking to leverage them. A more environmentally friendly way. Business transaction. Achieving

high levels of sustainability requires significantly more green finance opportunities for the SME sector.

10. Suggestions:

Over the last decade, a growing number of solutions to help overcome these constraints have been developed.

1. State-owned financial institutions (PFIs). Public financial institutions (PFIs), such as state-backed banks, have often been the first to fill the financial gap in the SME market. From creating clean technology venture funds to targeted green lending programs, the Montreal group has developed a variety of debt and equity financing solutions.
2. Commercial banks and stakeholders Banks have strengthened their commitment to sustainability across all lending portfolios.
3. New initiatives such as the Positive Impact Principles can help small businesses close the funding gap. However, there is a lack of transparency about how banks are responding to the specific sustainable financing needs of small and medium-sized enterprises.
4. Green bonds provide a variety of financing options for small and medium-sized businesses, including the issuance of green bonds by banks that collect loans to small and medium-sized businesses, the securitization of small and medium-sized business loans into asset-backed securities, and the issuance of mini-bonds by small and medium-sized businesses. Green bonds offer the additional benefit of increasing market transparency.
5. There is an increasing number of assets dedicated to investment products sought by companies that deliver social, environmental and financial returns. Both growth-stage companies and traditional small and medium-sized businesses often leverage traditional private equity and venture capital financing strategies.
6. Adequate support and training for all entrepreneurs in the small and medium-sized enterprise sector is critical to ensure that businesses recognize and understand the importance and relevance of green finance.

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