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PROBLEMS AND PROSPECTS OF GREEN FINANCING DEVELOPMENT

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Abstract: This article examines the current problems and prospects of green financing development in the context of global environmental and economic changes. The role of green investments in ensuring sustainable economic development, reducing negative environmental impacts, and stimulating environmentally responsible business is analyzed. Special attention is paid to international experience in implementing green financing mechanisms, as well as existing obstacles to the development of environmentally oriented financial instruments. The article concludes that it is necessary to improve state policy and expand investment support for environmental projects.

Keywords: green financing, sustainable development, green investments, environmental economy, financial policy, ESG, climate risks.

Introduction: The modern development of the global economy is accompanied by increasing environmental problems related to climate change, environmental pollution, and depletion of natural resources. Under these conditions, the concept of sustainable development becomes particularly important, as it aims to achieve economic growth while maintaining environmental balance. One of the main instruments for implementing this concept is green financing.

Green financing is a system of financial mechanisms aimed at supporting projects in the fields of ecology, energy saving, renewable energy sources, and reduction of carbon emissions. In recent years, interest in environmentally oriented investments has significantly increased from both governments and the private sector.

Main Part: The Essence and Importance of Green Financing

Green financing includes a wide range of financial instruments such as green bonds, environmental loans, sustainable investment funds, and government subsidy programs for environmental projects. The primary purpose of these instruments is to attract capital for financing projects that contribute to environmental improvement.

The importance of green financing is determined by the fact that it contributes to:

- development of environmentally friendly technologies;
- reduction of greenhouse gas emissions;
- improvement of energy efficiency;
- formation of a sustainable economy;
- stimulation of innovative activities.

Currently, many countries are actively implementing environmental financing strategies. The leaders in this field are the countries of the European Union, the United States, and China, where large-scale programs supporting the green economy are being implemented.

Main Problems of Green Financing Development

Despite the active development of green financial mechanisms, several serious problems hinder their effective functioning.

First of all, one of the key problems is the insufficient level of legal and regulatory frameworks. In many countries, there are no unified standards for determining environmentally sustainable projects, which complicates the assessment of investment efficiency.

Another important issue is the high level of investment risk. Environmental projects often require significant initial investments and are characterized by long payback periods, which reduces investor interest.

A significant obstacle is also the lack of awareness among financial market participants about the advantages of green financing. Many companies and investors do not possess sufficient knowledge in the field of ESG approaches and sustainable investment.

Additional problems include:

- shortage of qualified specialists;
- limited government incentives;
- weak development of the green bond market;
- lack of a transparent environmental reporting system.

Prospects for Green Financing Development

The prospects for green financing development are largely associated with strengthening international cooperation in combating climate change. In the coming years, further growth in green investments and expansion of environmentally oriented financial instruments are expected.

One of the most promising directions is the development of the green bond market. This instrument allows attracting significant financial resources for the implementation of environmental projects while providing investors with stable income.

The introduction of digital technologies into the field of green financing is also of great importance. The use of artificial intelligence, blockchain technologies, and digital platforms contributes to increasing the transparency of financial operations and improving investment management efficiency.

In addition, government support plays a crucial role in the development of green financing. The provision of tax incentives, subsidies, and guarantees can significantly increase the investment attractiveness of environmental projects.

For developing countries, the growth of green financing may become an important factor in economic modernization, improving energy efficiency, and enhancing environmental conditions.

Conclusion: Thus, green financing is one of the most important tools for ensuring sustainable economic development under modern conditions. Despite existing problems related to insufficient regulation, investment risks, and limited financial resources, the prospects for the development of this area remain highly significant.

Effective development of green financing requires improvement of the legislative framework, expansion of government support, enhancement of financial literacy among market

participants, and active implementation of innovative technologies. The implementation of these measures will ensure the transition to a more sustainable and environmentally oriented model of economic development.

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