

Green Finance for Sustainable Development in Pakistan

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Abstract

Over the past few decades, technological advancements have caused various environmental issues. To contend with them, the concept of Green Finance was introduced which envisages that both public and private sectors should establish linkages between technological development, innovation, and the greening of the economy to explore untapped opportunities for economic growth. Subsequently, every country has focused on establishing green finance policies. However, the processes associated with following the new methods of financing in developed countries are easier to follow when compared with developing countries. The State Bank of Pakistan has recently introduced green banking policies with an aim to reduce the vulnerability of banks from risks arising from the environment, fulfill their responsibility for protecting the environment, and to provide financing to transform the economy. This article analyses the green finance mechanism for sustainable development in Pakistan by exploring the supply side of the green banking approach, which includes various issues faced by banks/DFIs, and the demand side, which refers to the compliance of green banking practices by the borrowers. It also reviews the policies that developing countries have implemented to initiate Green Finance and report that China and India are far better at formulating and implementing green banking practices. However, Pakistan is in the early stages of developing and formulating its Green Banking Strategy and this study provides suggestions for the implementation of such practices.

Keywords: Green Finance, Supply & Demand Side, Banking Sector, Fossil Fuels, Ecological Inequality.

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