Sustainable financial services as a tool for sustainable economic development

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Abstract. The author reviewed the essence and role of sustainable financial services, emphasised the main aspects of the introduction of sustainable financial services, and provided a chronology of the introduction of global climate initiatives. Due to the fact that in many countries the level of development of "green" finance is still relatively low and further development requires efforts at the level of governments, financial institutions, investors and the public, the author emphasises the need to focus on promoting the development of a sustainable financial system, which will further contribute to solving environmental problems and achieving sustainable development goals. The author also touched upon the factors that influence the degree of development of "green" finance in different countries of the world and noted that in developed and developing countries there is a striking contrast in the use of "green" financial instruments and it is natural. It is undeniable that "green" financial instruments are a significant help in solving the problem of concentration of financial resources for active implementation of green economy principles. Consequently, governments are taking all measures to stimulate green capital to accelerate the achievement of sustainable development goals.

1 Introduction

The essence and role of sustainable financial services lies in their ability to deliver sustainable economic, social and environmental development. The key aspects of sustainable financial services are:

1. Green finance: one of the key aspects of sustainable financial services is the development of green financial instruments and investments. Green finance aims to finance projects and businesses that promote sustainable environmental development and combat climate change. Green finance includes investments in renewable energy, energy efficient technologies, low-emission infrastructure projects and transport improvements, as well as ecosystem conservation and restoration projects.

2. Social investment: sustainable financial services also include financing projects and programmes aimed at improving social conditions and ensuring social justice. Social investments include support for education, health care, poverty alleviation, support for vulnerable groups and other social initiatives.

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3. Risk management: sustainable financial services emphasise the management of environmental, social and governance risks. Investors and financial institutions take these risks into account when making decisions about investments and financial services.

4. Transparency and accountability: sustainable financial services involve transparency and openness about the use of funds and the results of financial transactions, as investors and customers demand information about the social and environmental aspects of investments and financial products.

5. Innovative development: sustainable financial services foster innovation in the financial sector, which includes the development of new financial products and instruments that are oriented towards sustainable development and alignment with social and environmental goals.

6. Education and awareness: Sustainable financial services also include educating and informing clients and the public about the importance of sustainability and social responsibility in financial activities.

7. Stakeholder engagement: Sustainable financial services take into account the interests and views of different stakeholders, including customers, investors, governments and society at large.

When conducting research on sustainable financial performance, it is important to rely on indicators that measure and evaluate the achievement of sustainability goals:

1. Environmental and social investment criteria: Sustainable finance considers environmental and social criteria when making investment or financing decisions. Criteria may include a project's environmental impact, social justice, level of corporate responsibility, etc. Assessment may include:

2. Amount of funding for sustainable projects: this indicator reflects the total amount of funding allocated to sustainable projects or programmes. Includes investments in renewable energy, infrastructure improvements, water management, education, health and other sustainable initiatives.

3. Green asset ratio: this indicator reflects the share of sustainable assets in a financial organisation's total portfolio of investments or assets. Includes green bonds, sustainable funds, investments in companies with sustainable practices, etc.

4. Social and Environmental Impact: An assessment of the real social and environmental impact of sustainable financial operations and investments. Includes improved living conditions, reduced pollution, support for vulnerable groups and other social and environmental benefits.

5. Investor engagement: an indicator reflecting the involvement of investors and customers in taking an active stance on sustainability and social responsibility. A high level of investor engagement reflects the credibility and investment attractiveness of sustainable finance.

6. Innovation and development: measures innovation and development in sustainable financial products and services. Innovation contributes to the development of sustainable financial solutions that meet the challenges of sustainable development.

7. Supporting the UN Sustainable Development Goals: Measures support and contribution to the UN Sustainable Development Goals through sustainable financial practices and investments.

2 Materials and methods

In the process of the research the system approach, evolutionary approach, approaches of the theory of sustainable development were used. The methods of analysis and synthesis, grouping and comparison were used as a methodological technique of the research.
3 Results and discussion

The degree of green finance development in different countries around the world can vary significantly depending on a number of factors, such as economic conditions, government policies, investor interests and public awareness. Some countries, especially developed countries, are actively introducing and supporting green finance instruments and strategies, while others may be less active in this area. Developed countries such as Germany, USA, Sweden, France, Netherlands and Switzerland have a high level of green finance development and are leaders in this field. They actively use green investments, green bonds, green indices and other mechanisms that support sustainable development and environmental responsibility.

At the same time, interest in green finance is growing in developing countries such as China, India and Brazil, and governments and investors are introducing various measures to support sustainable development and green finance.

However, the level of development of green finance is still relatively low in many countries, and further progress requires efforts at the level of governments, financial institutions, investors and society. It is important to continue efforts to develop a sustainable financial system that contributes to addressing environmental challenges and achieving the Sustainable Development Goals. The chronology of global climate initiatives can be illustrated as follows (Table 1).

Table 1. Global Climate Initiatives

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>2015</td>
<td>Global - At the UN Climate Change Conference (COP21), countries signed the Paris Agreement.</td>
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<tr>
<td>2019</td>
<td>EU - The European Commission (EC) presented the EU Green Deal, an ambitious decarbonisation plan to reach net zero by 2050.</td>
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<td>2020</td>
<td>EU - The EU Taxonomy Regulation defined what economic activities are considered &quot;green&quot; by contributing to one of the six environmental objectives: 1) climate change mitigation, 2) climate change adaptation, 3) protection of water, 4) transition to a circular economy, 5) pollution prevention, and 6) biodiversity &amp; ecosystems.</td>
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<td>2021:</td>
<td>Global - At COP26, over 190 countries adopted the Glasgow Climate Pact, which requires countries to revisit and strengthen their 2030 emission reduction targets, and update their Nationally Determined Contributions (NDCs) in 2022 to better align with the Paris Agreement.</td>
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<tr>
<td>2022:</td>
<td>EU - The EC unveiled its REPowerEU plan aimed at improving energy security and fast forwarding the energy transition.</td>
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<tr>
<td>2022</td>
<td>China's latest 5-year plan (its 14th) encourages more optimised renewables development.</td>
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In turn, the ESG instruments market is a segment of the financial market that deals with investments that focus on incorporating environmental, social and governance (ESG) factors into the investment decision-making process. These tools and strategies help investors and financial institutions integrate sustainability and responsibility to society and the environment into their portfolios [3,4,5]. ESG tools include (fig.1):

| ESG Indexes: | US - The Biden Administration designated $2.8 billion to strengthen domestic battery supply chains, supporting the development of EVs.\(^\text{13}\) |
| 2022: | US - The Inflation Reduction Act - signed into law by President Biden on August 16 - provides about $386 billion in energy and climate spending over 10 years, with related tax incentives up about $265 billion from the prior run rate. |

**Sources:** [1,2].

ESG instruments are becoming increasingly popular among investors and financial institutions as they help not only to achieve financial goals, but also to have a positive impact on society and the environment. The market for ESG instruments continues to grow as

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**Fig.1. ESG tools**

- **Green Bonds**: Bonds, the funds from which are used to finance projects with a positive impact on the environment and sustainable development.
- **Socially Responsible Investments (SRI)**: Investments in companies that adhere to socially responsible practices take into account social factors, such as employee rights, diversity, and community relations.
- **Investments based on management criteria**: This is related to the analysis of the company's management activities, including corporate governance, ethics and transparency.
- **Green loans**: Loans provided by companies to projects that comply with strict environmental standards and pass green certification.
- **Sustainable funds**: Funds specializing in investments in companies that comply with the ESG principles.
- **ESG indexes**:
  - Indexes compiled on the basis of ESG-criteria assessments of companies, which allows investors to track the performance of sustainable companies.
sustainability and responsibility to society become increasingly important aspects in the financial sector.

In 2021, the share of GSS+ issuance reached a record high of more than $1 trillion and accounted for 5 per cent of the global bond market. However, challenging macroeconomic factors in 2022 contributed to a decline in debt volumes across the board. In 2022, GSS + issuance maintained its 5% share of the global bond market despite challenging conditions, resulting in volumes falling to USD 863.4 billion.

Green bond issuance accounted for just over half of labelled issuance in 2022, issuing US$487.1 billion. Sustainability bonds totalled US$166.4 billion, social bonds US$130.2 billion, SLBs US$76.3 billion, while transition bonds totalled just US$3.5 billion (fig.2).

Fig. 2. Climate bonds [1,2]

2020 was a year of successful debuts for the Russian ESG market. For example, perpetual green bonds, social bonds and Eurobonds were issued for the first time, as well as green bonds under new, stricter rules. In 2020 and 2021, a total of nine new bond issues took place, verified not only in accordance with ICMA principles and VEB.RF methodological recommendations, but also according to the amended listing rules of the Moscow Exchange, totalling RUB 134 billion. So far, by target use, the sustainable market leader is clean transport (76%), as well as the expansion of socio-economic opportunities for the population (15%). From 28 November 2022, Russian companies will be able to issue new types of bonds. The first type is adaptation bonds, the second is linked to sustainable development goals, and the third is climate transition bonds. They are stipulated by amendments to the Securities Issue Standards.

With adaptation bonds, companies have the opportunity to raise funds to transform their business as they transition to a low greenhouse gas emission economy. These are targeted bonds. The company must use the financing received for specific projects, the criteria for which are approved by the Government.

Issuers of bonds linked to sustainable development goals may use the raised funds to solve any general corporate tasks. The company undertakes to achieve the key indicators stated at the time of issuance. If the company fails to do so, investors are paid an increased return.
Climate transition bonds are also not targeted. But the issuer must present a science-based strategy for changing its operations to transition to a low-carbon economy and mitigate climate change.

4 Conclusion

To conclude the study, it is worth noting that one of the main challenges in achieving global sustainable development goals at the moment is the financial gap between the required and actually realised capital investments. To address this problem, national authorities around the world are taking active steps to mobilise private green capital. It is also worth noting that conditions need to be created so that environmental action can be combined with sustainable economic impact, which is facilitated by sustainable financial services. Governments are taking steps to encourage the development of green finance to help mobilise financial resources to support economic transformation in the area of green technologies [6,7].

References