ISSN 1533-9211

DOI 10.5281/zenodo.7446497

DOES GREEN FINANCE BECOMES ATTRACTIVE UNDER THE INCREASED CLIMATE CHANGE RISKS IN DEVELOPING COUNTRIES?

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INTRODUCTION

Climate change and environmental risks that have an impact on operation levels and production cycle, and as a result on employment levels sustainability and long-term income. Also, it is affecting the financial system stability through two types of risks: physical risk and transition risk (Centre of American Progress, 2022; Liu & Tang 2021). Physical risk assimilates the probability of that the inordinate climate phenomena and increased changes of climate to increase economic costs and abrasion financial assets cost and increase liabilities. On the other hand, transition risks represent that the process of transformation to low carbon economy leads to huge losses in the companies and sectors that their productions related to oil and production with an environmental interrelation, which accumulates credit risks and the increased banks' exposure to these risks (Liu & Tang 2021; Jordanian Financial Stability Report 2020). Thus, the expected risk management of climate change and the environmental factors on creditor banks portfolios requires that the control committees to take exceptional procedures including merge these expected risks and take them into consideration in the monetary and precautionary policies, which contributes of lead banks and financial committees to include these risks in their business paradigms and their investment, credit and risk policies. Additionally, abide the comprehensive and strict disclosures. Also, enable them to enhance the sustainable green finance gradually and systematically. Green finance can be presented as the products and financial services which take into consideration the economic benefits of financing other than the environmental benefits, through the best usage of resources in the process of financing decisions making, control processes, risk management and the transition to friendly environmental businesses.

Research Problem

Under the pressure of climate change risks, it becomes important to review the current business conditions. The economics face new challenge imposed by the climate change, and is a need to introduce new businesses criterion. This imposes challenges for countries and societies of how to control business economics in a way that ignoring this challenge.

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Research Objective

Developing countries did not catch up of dealing with climate change challenges. Due to the physical the transition risks of climate changes, developed countries suggests the concept of green finance as one of the solutions that mitigates this risk. This paper push literatures in developing economics upon the green finance solution in light of understanding this concept in order to apply it quickly to secure these economics.

LITERATURE REVIEW

Climate change phenomena can be defined as long term radical transition of temperature degrees and weather patterns, and noticeable change of nature phenomena in regard with the increased environmental deterioration. The climate change phenomena refer to the industrial activities which caused by the human element specially in developed countries. The importance of climate change risks increased as a result of its consequences on financial and economic stability, and many central banks oriented toward determining risks associated with climate change as systematic risks, and adapt the macroprudential policies to deal with these risks in order to reduce their effects (Jordanian Financial stability Report, 2020). Study by Desalegin & Tangl (2022) introduces that the green financing gap is observed because of low finance levels, poor green project selection/management, risk and return trade-off, and a lack of analytical tools and expertise in identifying and assessing green project risks. More specifically, regulatory issues have been observed as the main challenge in enhancing green finance. Therefore, they propose further studies to be conducted on how to enhance green finance for green investment that could deliberately affect green growth. Simultaneously, they noted what incentives could initiate private investors to make green investments, and what additional green financing methods should be introduced to fill the financing gap. Furthermore, Sharma et. Al, (2022) discussed the theoretical underpinnings of the constructs uncovered and identifies current research. they identified key topics in the field of green finance and suggest a four-part conceptual framework (goal, procedure, place, and perspective) based on the results of the thematic map. Another study by Wan et. Al, (2022) suggests that while the growth of green property financing is strongly and adversely connected to the industry's carbon dioxide emissions worldwide, this relationship is especially pronounced in emerging countries. And as several of them are currently experiencing fast and unrestrained population growth, which has led them to increase their levels of oil consumption. Measures aimed at sustaining this advancement during the COVID-19 epidemic are critical, since the crisis has reduced the accessibility of green funding, thus slowing, and even reversing, the progress made in the years prior.

CONCLUSION

As a result of these economic changes due to the climate change risks, and the new orientation toward green finance, emerging markets require to alignment this world economic changes. Emerging markets should recognize these risks and take procedures to get up in their businesses

ISSN 1533-9211

DOI 10.5281/zenodo.7446497

before facing huge losses. This supports the applying gradual transition the mitigates climate change risks.

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