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Study on Green Marketing in Financial and Capital Market Growth

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Abstract

In recent years, the term 'green marketing' has risen in prominence. Green customer's needs are recognizedby the companies across the world and they are trying to meeting these opportunities profitably which boost FinTech, Financial and Capital Markets growth. Today protection of the environment gaining importance and it is noticed by every sector in the world. Here there is no exception for financial services sector. At present 'GO GREEN' is the one of the important approach following by financial institutions and capital market sectors. Green approach which is adopted by the various financial and capital services includes insurance, banking, stock brokerage and consumer finance companies and so on.The study is descriptive of this research paper and the content has been collected from secondary data sources like books, journals, websites, and newspapers to discuss importance of green marketing in financial and capital market growth.

Literature Review

The history of India's capital market spans back 200 years, initially established under therule of the East India Company. Besides being one of the oldest across the globe, vital to the self-image as an independent nation was the establishment of a constitution, providing the basis for putting a secular and democratic republic in place. To date, it has invigorated civic rights, an active Supreme Court and a largely independent press. Ever since the nation ushered in a burst of economic reforms starting in the early 1990s, India's financial markets have undergone a metamorphosis which has posted impressive growth across several dimensions (ASIFMA, 2017, p. 7) and made India the world's fifth largesteconomy with an annual GDP of nearly US-$ 3 billion (IMF, 2019). Besides economic liberalization, the enormous population remains the greatest challenge, as only a small fraction of Indians has benefited from the economic boom so far, but the majority is still living in abject poverty (Gaikar, 2015, p. 22). While focusing upon rapid economic growth, the country's leaders have neglected the duty to mandate socially and environmentally sustainability actions, making India one of the nation's most significantly affected by anthropogenic climate change (Awasthi, 2018). It is, therefore, in urgent need of a national green financing strategy, raising and leveraging both domestic and international

financial flows from public, private and non-profit sectors on sustainable developmentpriorities (Jha&Bakhshi, 2019, p. 3798).India's policymakers have repeatedly committed their responsibility in aligning the country's economic growth mission with environmental protection (GIZ & SEB, 2018, p. 80). On these grounds, various domestic public and private sector organizations have launched green financing initiatives1, addressing monetary gaps in achieving sustainable economic development. The implementation of a national plan to pursue the climate change actions India consented to in the Paris Agreement requires more than US-$ 2.5 trillion2 between 2015 and 2030 (Government of India, 2015), necessitating driving innovations across banking, insurance, investment products and financial instruments as well as the financial system's capacity and readiness to respond to the sustainable development goals (Robins & Choudhury, 2014, p. 3). Here, green bonds play a pivotal role, enabling inclusive, resilient and cleaner economic growth while creating environmental benefits simultaneously (Jha&Bakhshi, 2019, p. 3798). Alike regular bonds, green bonds are fixed-income securities used to raise capital from investors through the debt capital market. Typically, the bond issuer raises a fixed amount of capital, the principal, from investors over a set period of time, the maturity, provides fixed periodic interest payments, called the coupon, and repays the principal amount at maturity. But contrariwise, the proceeds of green bonds are earmarked towards financing green projects exclusively. The designation as green is applied by the issuer, a public or private entity via its inclusion in a green bond index, or via a tag on analytical tools widely used in financial markets (OECD, 2015, p. 5; Murphy, 2020).Since India's central bank, RBI, issued the first circular on banks' decisive role as to CSR and sustainable development, stressing their responsibility of incorporating human rights and environmental concerns into corporate activities (RBI, 2007), important steps and progressive measures for facilitating sustainability within the country's financial sector have been taken3 (India Advisory Council, 2016, p. 33). The initial green financing actions were undertaken without a definition of what constitutes a green bond or of the process to be followed in place, but in 2017, SEBI set out the country's green bond framework.
India was further able to expand the issuer base from multilateral development banks to government-backed entities and private sector banks. Nowadays, the majority of green bonds issued are even verified by auditors, renewable energy consultants, or second opinion providers. But green bond projects are slanted towards energy goals, and international investors still remain absent. And eventually, India's green financial market has not been able to sustain its growth.

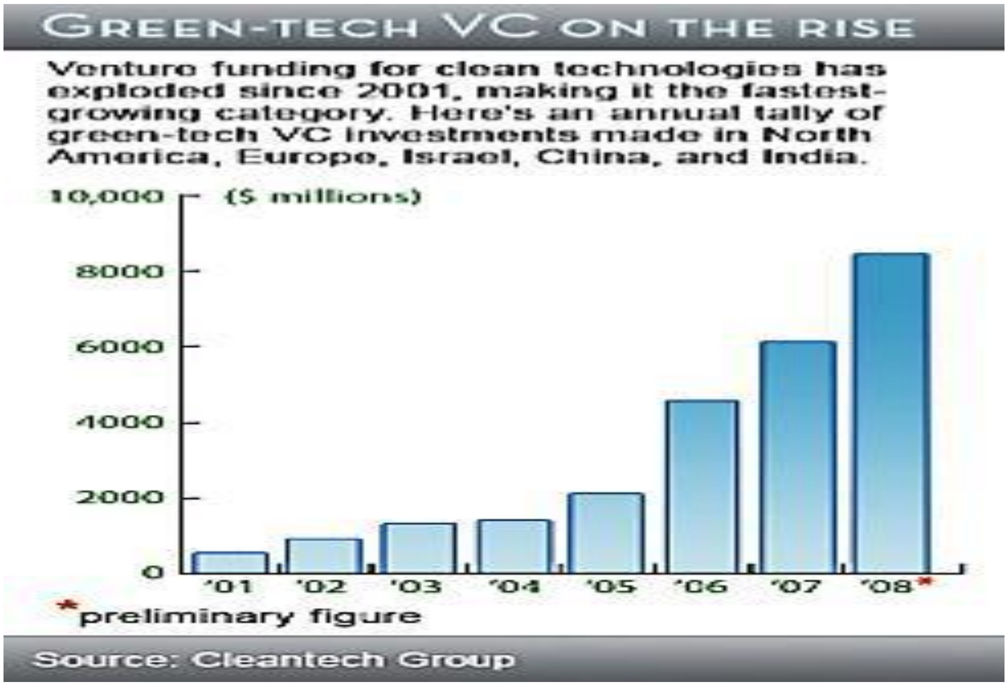
Introduction to Green Marketing

Through the years, the concept of greenmarketing has never been defined properly (Kangis, 1992). Grove *et al* (1996) consider a vast number of diverse marketing decisions that constitute green marketing, reviewing a number of researchers and emphasizing that all four P ' s of the traditional marketing mix should be ' green ' . They refer to the development of products that consume low energy and the associated pricing policies, communication strategies and distribution systems that may be followed. Peattie and Charter (1999) attempt to define green marketing and consider it as 'the holistic management process responsible for identifying, anticipating and satisfying the requirements of customers and society, in a profitable and sustainable way'. In the bank marketing literature, the definition of green marketing is similar to that of other industries. Evangelinos*et al*(2009) suggest that green marketing refers to the development of new, ' green ' financial products, such as loans that finance cleaner technology, and environmental strategies, such as energy efficiency and waste management programmes, that improve banks ’ environmental performance and reputation.Businesses benefit from green marketing wherein general trends of transparency, connectivity, and increased awareness of sustainability issues add to the overall value of marketing messages. Sustainability-oriented goods and services are becoming expected and demanded in a world more openly involved with environmental concerns. Trends accentuating sustainability as a valued business strategy may also expose companies accused of “green-washing”, or attempting to make themselves appear green while not conforming to green standards. For these companies that participate in green-washing, consumer backlash is the best deterrent. Businesses should incorporate actual green programming, rather than compromise brand value and consumer confidence. Currently, green marketing can be an excellent opportunity to gain market footholds and expand your consumer base. In the future, green marketing will be a necessary aspect of the business world. Exemplary of green marketing and sustainable business concepts, Whole Foods Market has enjoyed double digit growth in an otherwise flat grocery market. It is critical to note that the economy is *turning* green, not *adding* green. The difference between turning and adding is essential to future business growth, into which marketing is incorporated. Turning green accentuates a market that is increasingly dependent and expecting of sustainability oriented business models. What this does not entail is starting with a traditional business model and tacking on a green department. Consumers are increasingly demanding business models that incorporate sustainability and green action throughout management and personnel. As a result, even municipalities are incorporating green into their structure. In 2009, the Pittsburgh City Council added a supplement to Pittsburgh Zoning Codes stating that new city buildings or renovations to city-owned buildings in excess of $2 million and City of Pittsburgh building over 10,000 square feet must conform to LEED Silver standards on the U.S. Green Building Council’s LEED Green Building Rating System. As an end result, sustainability and green trends are not flashes in the pan. They are palpable and have the wherewithal to withstand shifting consumer interests. Most importantly, green marketing and the incorporation of sustainability within a business model allows for market adaptation and effective capturing of the consumer audience.

Study on GM Contribution in Financial and Capital Market Growth

Final consumers can encourage greening of businesses by rewarding environmentally responsiblefirms through market demand, preferences for green goods and services, and willingness to paypremium prices for environmentally responsible products. Likewise, firms are motivated to green theirpublicity and lobbying for more stringent regulations by environmental consumer groups. Demand forenvironmentally friendly products is expected to increase in the future as younger generations mature,alongside increasing market share for green businesses in the future. These transactions, however,are hampered by asymmetric information about the environmental attributes of products and theenvironmental impact of enterprises.This is leading to a rise in eco-labeling and certification to provide third-party credibility to products andfirms, which, in turn, can be effective in building market share for green businesses. Governments needto develop standards and national labeling programs, which are based on established environmentalbenefits and with robust verification schemes, transparent standard-setting processes, and scientificvalidation. Mandatory labeling has been shown to increase awareness about labels and their attributesmore than voluntary labeling, which may influence consumer preferences in the long run. However,even with growing demand for certified green goods, SMEs are limited in their technical, financial, andorganizational capacity to assess their suppliers and their production system, as well as to transformtheir products and processes into more environmentally sound ones to obtain an eco-label. Providingtechnical assistance and financial support for these enterprises to obtain a credible label of environmentalquality for their products and grow their market size can help channel the incentives provided by greenconsumers to greening SMEs in developing countries.Supply chain pressures can also drive green business development. Market demand for environmentalgoods, services, and technologies from downstream buyers or businesses is also expected to grow. Thisis leading to the rise of MNCs who self-regulate and implement strict global environmental standardsinstead of adopting weaker standards of the host country, therefore promoting greener business practicesin developing countries while still improving profits.5 Pressure on MNCs from environmental interestgroups, non-governmental organization (NGOs), and domestic regulations in their home countries, aswell as from downstream consumers in developed countries, are persuading MNCs to green their supplychains. This has led many upstream businesses located in Asia to adopt environmental managementsystems and make process and product modifications to reduce their environmental impacts. Oneindicator of this is the rising share of ISO certificates issued to companies in Asia, particularly in the PRC.Demand for products that are produced in an environmentally responsible manner is also emanatingfrom export markets and leading export-oriented firms located in Asia to seek certification and Eco labelingfor their products as an international trade strategy.However, relying on green supply chain pressures to spur green business development has its challenges,including high compliance and implementation costs (especially for domestic firms in developingcountries), quality and effectiveness concerns of third-party certification programs, and dependenceon whether the product is covered by an effectively enforced international environmental agreementor a free trade agreement. This suggests that much global economic activity with major environmental impacts may not be affected by green supply chain pressures, and developed country governmentsor consumers can apply limited pressures on upstream firms to address environmental problems. Inaddition, many SMEs, which predominantly contribute to economic activity in developing Asia, haveshown limited response to green supply chain pressures, as they lack resources and capacity and are lesslikely to see its immediate benefits due to serving markets that are less concerned about environmental issues. Governments can play an active role in encouraging green supply chain management, such as through public procurement policies that incentivize domestic SMEs to adopt greener practices.Capital markets can spur greening of businesses through two mechanisms. First, capital markets canreward green businesses relying on traditional sources of capital through lower financing costs. Byfollowing responsible environmental management practices, green businesses are less at risk of liabilities,boycotts, and negative publicity that can hurt market value. Empirical evidence shows that capitalmarkets do react to information disclosure about environmental performance of firms in the UnitedStates (US), and firms with poor environmental performance experience lower stocks market returns and lower market value.6 Firms that are socially responsible have higher credit ratings and are likely toraise capital with greater ease.7 Second, capital markets can develop new green financial instruments—such as green bonds, green credit, and green insurance—to encourage financial investments in projectsthat protect the environment and enable innovation and investment in green technologies. Long-termfinancing is key to set up environmental good industries that are often in their infancy, with marketbenefits that may take many years to materialize as these they compete with mature conventionalindustries. While only a small percentage of Asian financial institutions factor environmental, social, andgovernance factors into their lending or investment decisions, green and sustainable investments byfinancial institutions in the region has been growing steadily. A hindrance to green finance and capital in the regionis insufficient disclosure requirements that address environmental or long-term systemic risk factors.By establishing uniform standards for labeling bonds as “green” and developing capacity in the financialindustry for environmental risk analysis, green finance can be used more effectively as an enabler ofgreen business development.

Significance



Over the past 10 years, the market for organic produce has grown near 240%, while traditional foods markets have grown 33%. Additionally, traditional construction practices have fallen 17%, whereas green building practices have concurrently grown nearly 1700%. These numbers are quite indicative of the statement “The market is turning green, not adding green”. As markets shift, green products and services represent great opportunity. In her book, Jacquelyn Ottman states her belief that everyone is a green consumer. Under this guise, green consumer expectations will continue to rise, following growth patterns of the past decade, promptings business owners, companies, and corporations to focus on sustainability as a means to maintain a competitive edge. Those that do not conform to consumer demand will lose business and become irrelevant. No longer will green or sustainability be a niche market, but will become a pillar on which companies stand and consumers demand. Innovation will come in the form of sustainability and green business, yet only those businesses that adapt and conform will survive. Business to business merchants, meaning those within the supply chain, will find a benefit to green business as it helps reduce costs and maximize profits. Every aspect of the supply chain is open to green marketing and sustainability factors. Be it ingredients, materials, training, maintenance, or by-product conversion, green marketing allows for business growth by eliminating as much waste as possible. Efficiency in later business models helps maximize this waste elimination. As connectivity makes business more transparent, these elements of business become more available to public knowledge and open to scrutiny by the consumer. With this newly available information, consumer preference is much more open to change. As further incentive to implement green supply chain policies, the federal government is beginning to enact legislation to grant preference to green products and businesses. This legislation is referred to as being “Biopreferred”. This program was implemented by the Farm Security and Rural Investment Act of 2002 and enables the federal government and its contractors to give preferential treatment to green products within the supply chain. This means that should a business choose to become green, they would be more likely to gain federal business contracts providing goods or services. As a result, while there are social benefits to become green, financial benefits follow.Green business, commonly known as sustainable business, is a fast growing aspect of the business world wherein a triple bottom line is incorporated. Rather than a traditional bottom line consisting of the financial side of a business, the triple bottom line brings social, financial, and environmental concerns in establishing business practice. What the triple bottom line entails is an evaluation of the financial impact of a business decision, how that decision affects the society around the business, and whether or not the decision is beneficial or neutral to the environment. Having a business founded on the triple bottom line means a commitment not only to financial success, but to the success of the surrounding community and the environment. The focus is not solely on making money, but being socially and environmentally responsible. In terms of consumer preference, a product’s “greenness” is becoming a strong qualifier for consumer purchases. Although greenness isn’t the driving factor behind consumer purchasing, the result is that consumers want products that have chemicals that are safer in a home. Rather than purchasing a chlorine-based product from Clorox, consumers are able to purchase non-chlorine-based products that have the same use. This allows them to be confident in the effectiveness of the product, as well as the safeness.

Conclusion

Today market conditions are changing rapidly due to globalization of markets and severe competition. On the otherhand industries and firms are influenced by severe law suits and public policies. All these would affect the financialinstitution’s return on investment and capital market. Thus, the financial institutions have to play pro-active role while implementingthe green marketing practices. They have to force the firms and mandate the investment for environmentalmanagement, and work for sustainable development.

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