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IMPORTANCE OF CAPITAL MARKET PARTICIPANTS IN THE TRANSITION TO A GREEN ECONOMY

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Abstract. *This article studies importance of capital market participants in the transition to a green economy, the importance of green financial instruments and their types. The role of green investors in the capital market, the functions of capital market participants in the transition to a green economy, and the share of green bonds in the international green bond market by type are analyzed. Based on the analysis, relevant conclusions are given.*

Keywords: *financing, economy, green economy, capital market, green financial instruments, bonds, green bonds, green financing, capital market participants, green investor.*

INTRODUCTION

Today the concept of a green economy is becoming a priority for most countries. The transition to a green economy aims to combine environmental and economic and financial sustainability. The capital market plays an important role in this process, as it serves to harmonize economic growth and environmental protection. In providing the financial resources necessary for the transition to a green economy, the capital market helps to create a sustainable economic system by bringing together the private and public sectors. Financial instruments such as green bonds, blue bonds, green funds encourage investors to invest in environmental projects. The capital market also serves as an important tool for assessing environmental risks and identifying the prospects for a green economy. By supporting green investments, capital market participants contribute to ensuring financial and environmental sustainability. Along with governments and international organizations, the role of capital market participants in stimulating such investments is increasingly increasing. The issue of developing effective ways to achieve these aspects indicates the relevance of studying the role of capital market participants in the transition to a green economy.

LITERATURE REVIEW

The transition to a green economy depends to a large extent on the activities of various capital market actors, including investors, businesses and regulators, and their development strategies. In particular, within the framework of sustainable finance and investment strategies, these actors play a key role in creating governance systems and incentives that are consistent with environmental sustainability goals.

Recent research has highlighted the importance of sustainable finance mechanisms. This is reflected in the research on the development of financial markets and the transition to a green economy policy. B. Naqvi et al. argue that "the development of financial markets can be a crucial policy choice for the G7 economies to promote a successful green transition"[1]. The authors find that strong market structures allow for a more efficient allocation of resources to sustainable projects. "Sustainable financial instruments such as green and blue bonds are emerging as tools that not only attract investment but also demonstrate the issuers' commitment to long-term environmental responsibility" [2]. Using these financial instruments, companies can raise funds to finance projects that reduce emissions and contribute to global sustainability. As the main producers and consumers of the economy, companies are increasingly aligning their business strategies with sustainability goals. This alignment is reflected in the introduction of green technologies and practices that are necessary to solve the complex problems associated with the transition to a green economy. P. Söderholm notes that "the inherent challenges that technological change poses to achieving sustainability must be adequately financed in order for this process to fully realize its potential" [3]. Companies that effectively implement green practices not only contribute to environmental goals, but also increase their competitiveness in capital markets, thereby attracting responsible investors.

Investors are crucial to the development of sustainable finance, as their decisions can significantly influence business behavior. The growing interest in green investments partly reflects a shift in investor sentiment, driven by a growing understanding of the risks associated with climate change. J. Yan and M. Haroon highlight the effectiveness of financial mobilization in resource markets and the need for private and public capital to achieve a green recovery. They argue that "financial markets are not only responsible for the provision of capital, but also play a critical role in improving the environmental performance of various assets" [4]. This investor-led movement is strengthened by the active promotion of sustainable investment guidelines, which encourage companies to make the necessary changes to meet the changing demands of stakeholders.

The role of regulators in the context of capital markets for sustainable finance cannot be ignored. Regulators should provide guidance and support to enhance the effectiveness of green financial instruments. L. Zhao et al. have highlighted "the importance of supporting policies that create an enabling environment for green bonds, highlighting them as an important tool for economic recovery and investment in energy efficiency" [5]. Regulatory clarity is important for building investor confidence, which in turn encourages wider participation in green investments. In addition, the effectiveness of regulatory efforts can be monitored by encouraging companies to integrate environmental concerns into their business models and thus align their business strategies with broader sustainability goals.

N. Liu et al. have studied the coordination between green finance and the green economy, showing how comprehensive policies can lead to sustainable development. They have emphasized the need for holistic strategies that bring together the contributions of diverse stakeholders in capital markets, from public administrators to private investors. [6] This collaboration demonstrates the effectiveness of mixed capital market participation in achieving green goals, creating a fertile ground for innovative financing methods tailored to environmental sustainability.

Empirical research by L. Batrancea et al. shows that the transition to a green economy requires clear frameworks and cooperation between different stakeholders in the financial ecosystem. The results of the study show that "there is a great opportunity to improve the coordination of sustainable finance practices with effective accountability and reporting mechanisms throughout the investment chain. This will provide transparency for investors and entrepreneurs, instill confidence in the business of active enterprises, and increase investor confidence" [7].

According to S. Elmirzaev and N.Tursunova, "it is obvious that all the direct, indirect and total paths from the variables to each other are significant. In this way, human resource management policies have a greater effect on employees than organizational performance, and it can be concluded that human resource management through employees can affect the financial and overall productivity of the company" [8].

RESEARCH METHODOLOGY

This article uses research methods such as scientific abstraction, induction, deduction, analysis, and synthesis to study the role of capital market participants in the transition to a green economy.

ANALYSIS AND RESULTS

Capital market financial instruments play an important role in the transition to a green economy, as they help to provide the financial resources necessary to achieve environmental sustainability. First of all, green bonds are the main financial instrument for financing environmental projects. Through green bonds, states and private sector companies can attract the capital necessary to implement environmental projects. These bonds encourage investors to invest in climate protection and combating environmental risks. The possibilities of using green bonds are of great importance in the transition to a green economy, as they help to provide the capital necessary to finance green projects. Green bonds create opportunities for climate protection, increasing energy efficiency and developing renewable energy sources. These bonds provide financial resources for states and private sector companies to implement projects aimed at ensuring environmental sustainability.

By issuing green bonds, investors are given the opportunity to invest in sustainable and environmentally responsible projects. These bonds can also provide financial support to combat environmental risks. Issuing green bonds on the capital market contributes to environmentally sustainable development, and monitoring systems must be introduced for their effective operation. For the successful operation of green bonds, it is important to assess their benefits and social impact. Creating a system of transparency and reliable reporting in the process of developing green bonds increases investor confidence. The possibilities of using green bonds encourage states and private sector companies to make environmentally responsible decisions. Also, investing in green bonds becomes attractive through tax incentives and subsidies provided by states. Through green bonds, it is possible to achieve success in introducing new energy technologies and protecting the environment. They also make it possible to finance a wide range of investments aimed at ensuring environmental sustainability. Issuing green bonds strengthens cooperation between states and the private sector, especially in combating climate change. By introducing green bonds, it is possible to combine economic growth and environmental protection. Green bond support creates new business opportunities for financial institutions and banks. Innovative approaches in the development of these bonds, such as public-private partnerships and collaborations, increase investment. Green bond issuance is used to finance environmental projects that contribute to sustainable development. All of these are important steps in the transition to a green economy.

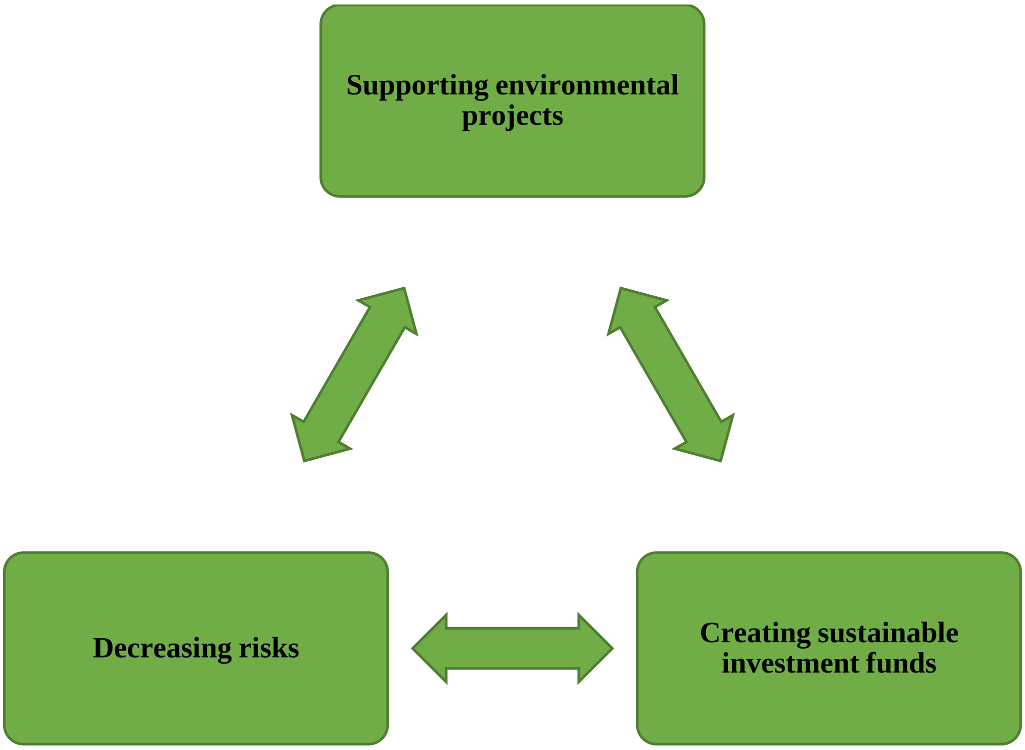

Figure 1. The role of green investors in the capital market
Source: Author's work

Green investors bring the principles of environmental sustainability to the capital market. They create sustainable sources of financing through green bonds and ESG funds. This helps investors develop companies that are adapted to climate change. Their investments direct market participants to environmental innovations. Green investors are investors whose investment activities are based on the principles of environmental sustainability. They direct capital to environmentally friendly projects, green technologies, and companies that strive for sustainable development. The role of green investors in the capital market is manifested in a number of aspects (Figure 1).

The functions of capital market participants in the transition to a green economy are performed by entities at different levels (Figure 2). Regulators set sustainability standards and rules. Financial institutions provide environmental financing services. Governments develop green policies and introduce preferential tax systems. Companies develop sustainable business models and investment strategies. They also issue green financial instruments. Investors invest in these financial instruments. This process determines the important role of the capital market in the transition to a green economy. All participants must cooperate with each other. A green economy is the key to sustainable development. Therefore, these functions must be implemented consistently.

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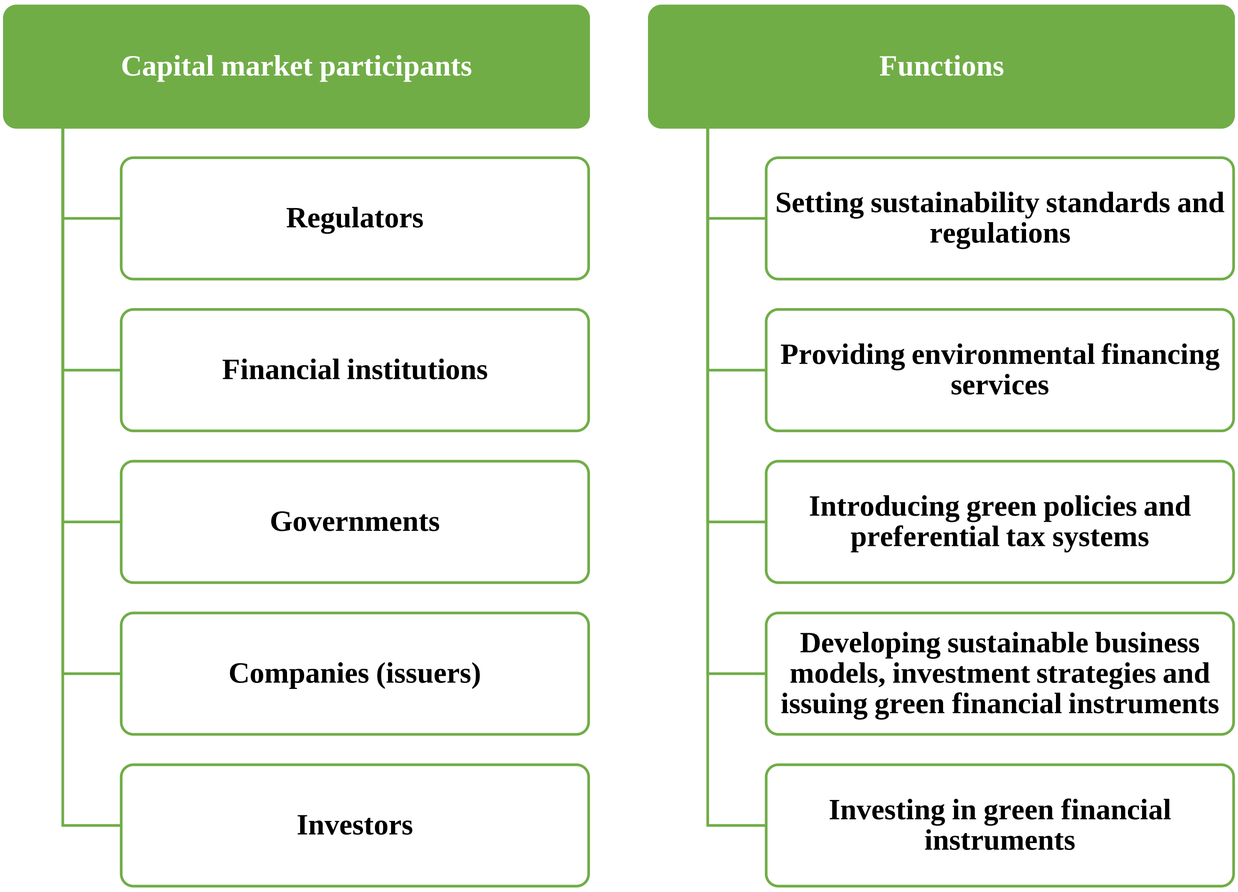

Figure 2. Functions of capital market participants in the transition to a green economy
Source: Author's work

Support for environmental projects involves investing in areas such as renewable energy, waste recycling, and green transport. The creation of sustainable investment funds serves to ensure the functioning of the capital market through green bonds and funds that comply with the principles of ESG (Environmental, Social, Governance). Risk reduction takes into account investment management issues with the aim of obtaining long-term profits, taking into account environmental risks. Green investment instruments contribute to sustainable economic development. They are aimed at protecting the environment and reducing environmental problems. Green bonds are one of the important tools for financing environmental projects. ESG funds increase social and environmental responsibility by investing in sustainable companies. Green investments are characterized by long-term profits and low risk. They develop renewable energy, waste recycling and environmental innovations. Green shares attract investors to environmentally sustainable businesses. These investments play an important role in combating climate change. Green venture capital helps finance innovative environmental technologies. In general, green investments serve not only to ensure economic profits, but also to ensure environmental sustainability.

Green funds are also an important instrument of the capital market, which help attract green investments. Through green funds, investors can direct their investments to environmentally responsible projects. ESG (Environmental, Social, Governance) criteria are also an important part of the capital market, as they allow them to assess the social and environmental responsibility of investments. Funds and financial instruments created on the basis of ESG create opportunities for investors to invest in sustainable and green projects. Green loans and green investment funds are also effective instruments of the capital market. Through green loans, banks and financial institutions can continue to support environmental projects. Green investment funds, in turn, create financial resources for the implementation of long-term environmental projects. Tax incentives and subsidies provided by governments to encourage green investments in the capital market are also important instruments. These incentives facilitate attraction to environmental projects and ensure financial stability. International organizations are also important in supporting green investment instruments and investments. International financial institutions, such as the World Bank, contribute to sustainable development globally by supporting green investments. Green capital markets can assess and financially analyze environmental risks, which will accelerate the transition to a green economy. Capital market financial instruments, including green bonds, funds and loans, will be an important tool in attracting investments necessary for environmental development. Improving capital market financial instruments in the process of transition to a green economy will allow for the reconciliation of economic growth and environmental sustainability. All green financial instruments available in the capital market create new opportunities for investors and encourage them to invest in green projects. Thus, capital market financial instruments play an indispensable role in the successful implementation of the transition to a green economy.

CONCLUSIONS AND PROPOSALS

Based on the study of the role of capital market participants in the transition to a green economy, the following conclusions and recommendations are formulated:

Firstly, it is necessary to expand the practice of green financial instruments, such as green bonds and blue bonds. The development of these green financial instruments in the capital market creates an opportunity to finance and expand projects that have a positive impact on the environment;

Secondly, it is necessary to create mechanisms to support ESG (Environmental, Social, Governance) investments in the capital market and sustainable companies. Attracting investments in enterprises based on ESG principles through the capital market will create preferential conditions for them and serve their sustainable development;

Thirdly, it is necessary to pay attention to encouraging green companies to enter the stock market. In the transition to a green economy, it is possible to achieve access to financial resources by integrating companies and startups that adhere to environmental principles into the capital market;

Fourthly, it is advisable to expand cooperation with international capital markets. By attracting global green investments and expanding cooperation with international financial institutions, the transition to a green economy will be accelerated and sustainable economic growth will be ensured.

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