

Financing Sustainability: A Study on Green Venture Capital and Impact Investing in Emerging Economies

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Abstract

This study examines the role of green venture capital and impact investing in promoting sustainable development in emerging economies. A structured narrative literature review of Scopus and Web of Science publications between 2015 and 2025 was conducted. Using a systematic screening procedure, 120 studies were initially identified, and 30 key studies were included for detailed analysis. The findings suggest that green venture capital and impact investing significantly contribute to renewable energy development, climate innovation, and sustainable infrastructure financing. However, emerging economies face regulatory uncertainty, financial market constraints, and limited ESG data transparency. The study proposes policy recommendations for strengthening sustainable finance ecosystems.

Keywords: *Green venture capital, impact investing, sustainable finance, ESG investing, emerging economies*

Introduction

Sustainable development has emerged as a central concern for policymakers, investors, and financial institutions due to increasing environmental challenges and climate change risks. Financial markets are increasingly expected to align capital allocation with sustainability objectives. Green finance and impact investing represent key mechanisms through which capital can be mobilized toward environmentally responsible projects.

Green venture capital supports startups developing clean technologies and sustainable innovations. Impact investing, on the other hand, seeks to generate measurable social and environmental outcomes alongside financial returns. Together, these mechanisms play an important role in addressing global sustainability challenges.

Literature Review

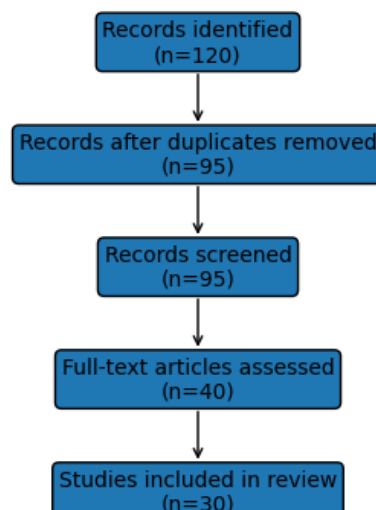
Recent studies highlight the growing importance of sustainable finance in addressing climate change and environmental risks. Green finance initiatives have been associated with increased investment in renewable energy, improved environmental governance, and stronger ESG performance. Researchers emphasize that venture capital investments in clean technologies can accelerate innovation and support the transition toward low-carbon economies.

Methodology

This study adopts a narrative literature review methodology. Academic databases including Scopus and Web of Science were searched using keywords such as 'green finance', 'impact investing', 'ESG investing', and 'sustainable venture capital'. The search period covered publications from 2015 to 2025.

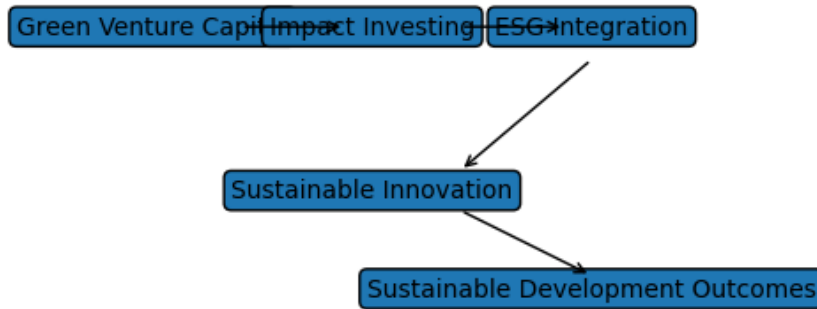
A total of 120 articles were initially identified. After removing duplicates and screening titles and abstracts, 95 articles remained. Full-text screening resulted in 40 eligible studies. Finally, 30 studies were included in the review based on relevance and methodological quality.

PRISMA Flow Diagram



Conceptual Framework

The conceptual framework proposes that green venture capital and impact investing promote ESG integration, which in turn stimulates sustainable innovation and long-term development outcomes.



Summary of Key Studies

Author	Year	Focus	Key Findings
Friede et al.	2015	ESG performance	Positive relationship between ESG and financial performance
Flammer	2021	Green bonds	Green bonds improve environmental performance
Krueger et al.	2020	Climate risk	Investors increasingly consider climate risks
Serafeim	2020	Impact investing	Social impact can generate financial value
Bolton & Kacperczyk	2021	Carbon risk	Investors price carbon risk
Dyck et al.	2019	Institutional investors	CSR influenced by institutional ownership
Fatemi et al.	2018	ESG and firm value	Higher ESG linked to firm value
Gillan et al.	2021	Corporate responsibility	CSR integrated into governance strategies
Renneboog et al.	2008	Socially responsible investment	SRI affects portfolio performance
Albuquerque et al.	2019	CSR and risk	CSR reduces firm risk

Discussion

The review indicates that sustainable finance mechanisms have expanded rapidly in recent years. Green venture capital supports early-stage innovations in clean technologies, while impact investing channels capital toward socially beneficial projects. However, challenges such as regulatory uncertainty, limited market depth, and insufficient ESG disclosure continue to affect sustainable investment ecosystems in emerging economies.

Policy Implications

Governments should establish clear regulatory frameworks for sustainable finance, promote public-private partnerships, introduce standardized ESG reporting requirements, and encourage venture capital investment in climate technologies.

Conclusion

Green venture capital and impact investing represent transformative financial mechanisms capable of mobilising capital toward sustainable development. Strengthening sustainable finance ecosystems requires coordinated action among governments, financial institutions, and investors.

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