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Commentary

The Impact of Green Finance and Green Consumption on Sustainable Economies: A Comparative Study of Lebanon and UAE

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1. Introduction

The urgency of climate change and environmental degradation has pushed economies worldwide to adopt sustainable financial practices. Green finance and green consumption play a crucial role in achieving long-term economic sustainability. While some nations, such as the United Arab Emirates (UAE), have successfully implemented green finance policies, others, like Lebanon, struggle due to economic and regulatory constraints. This opinion paper argues that green finance and green consumption are critical to building resilient and sustainable economies, but their effectiveness depends on strong governance, financial stability, and public engagement. The comparative study of Lebanon and the UAE illustrates the different pathways toward sustainability and highlights the challenges faced by developing economies.

As global economies face the dual challenges of climate change and resource depletion, the need for a sustainable economic model has become more pressing than ever. In fact, the Sustainable Development Goals introduced by the Department of Economic and Social Affairs in March 2016 prompted many countries to adopt new strategies prioritizing green growth or sustainable economies (Dmuchowski et al., 2021). The overarching vision of global economies remains centered on achieving sustainable economic development, a goal increasingly linked to the shift from traditional GDP measurement to green GDP. In recent years, research on green growth has gained momentum, emphasizing the importance of integrating environmental considerations into economic progress (Anwar et al., 2024).

Transitioning toward a green growth model necessitates robust financial support, highlighting the role of green finance and green consumption in fostering a more sustainable economy (Liu et al., 2020). Hence, sustainable economic development requires balancing economic growth with environmental stewardship, and two key mechanisms facilitating this transition are green finance and green consumption. Green finance involves the allocation of financial resources to projects that support environmental sustainability, such as renewable energy, green infrastructure, and energy-efficient technologies. Green consumption, on the other hand, refers to consumer behaviors that prioritize environ-

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mentally friendly products and services, reducing waste and carbon footprints at the individual level (Xu and Zhu, 2024).

Green finance encompasses a wide range of financial instruments and strategies, including green bonds, sustainability-linked loans, and impact investing. These financial tools help redirect capital towards low-carbon projects, sustainable agriculture, and clean energy initiatives (Al-Afeef et al., 2024). Similarly, green consumption plays a critical role in sustainable economies by influencing market demand. Consumers who prioritize eco-friendly products encourage businesses to innovate and shift towards sustainable production methods. Examples include purchasing electric vehicles instead of gasoline-powered cars, choosing biodegradable packaging over plastic, and supporting businesses with sustainable supply chains (Hasan and Hossain, 2022). The rise of sustainable fashion, for instance, has led to a shift from fast fashion towards circular economy practices such as upcycling and recycling fabrics. Similarly, consumer awareness about food sustainability has increased demand for organic and locally sourced products, reducing the environmental impact of food production and transportation (Xu and Zhu, 2024).

Consequently, the purpose of this paper is to argue that both green finance and green consumption are essential for achieving sustainable economies. These mechanisms work in tandem: green finance enables large-scale structural changes by funding sustainable projects, while green consumption drives market demand for eco-friendly products, encouraging businesses to innovate. By examining Lebanon and the UAE, two nations with starkly different approaches to green finance and green consumption, this study highlights best practices and provides recommendations for Lebanon to improve its sustainability efforts. The significance of expert opinions in shaping economic policies on sustainability cannot be overstated. By analyzing the challenges and successes of green finance and green consumption in both Lebanon and the UAE, this opinion paper contributes to the ongoing discourse on sustainable economies by providing a comparative analysis of green finance and green consumption between these two nations. The analysis results highlight the necessity of adaptive policy frameworks, cross-border financial cooperation, and the role of consumer behavior in achieving sustainability. Policymakers, financial institutions, and environmental advocates can use this analysis to design targeted interventions that bridge the gap between economic growth and environmental responsibility. Recognising that one-size-fits-all solutions do not work, this comparative study underscores the importance of context-specific strategies tailored to each nation's financial and economic realities.

The remainder of this paper is structured as follows: First, a brief literature review will provide an overview of existing research on green finance, green consumption, and their role in sustainable economies. Next, a comparative analysis will explore the differences between Lebanon and the UAE regarding policies, investment trends, and consumer behaviors. This will be followed by a discussion on policy interventions and their impact on market dynamics. Finally, the conclusion will summarize the key findings and present recommendations tailored to Lebanon's context.

2. Green Finance and Economic Sustainability

Recent research underscores the role of green finance and green consumption in promoting sustainability by steering consumptions and investments toward energy-efficient and low-carbon emissions (Al-Afeef et al., 2024). In this context, on the one hand, and according to (Liu et al., 2020), green finance significantly enhances green economic development efficiency, ensuring that industries focus on innovation, energy conservation, and reduced emissions. Indeed, green finance has been shown to drive technological progress and structural economic changes by redirecting investments from high-pollution sectors to sustainable alternatives. On the second hand, green consumption, as emphasized by Hasan and Hossain (2022), complements these efforts by creating market demand for sustainable goods and services. When consumers prioritize eco-friendly options, businesses and industries respond by adjusting their supply chains, production processes, and long-term strategies. Additionally, Xu and Zhu (2024) highlights how policies supporting green finance and green consumption contribute to a circular economy, where resources are used efficiently, and waste is minimized.

Green finance plays a pivotal role in underpinning green industries and fostering the progression of a green and sustainable economy. According to Jiang et al. (2020), green finance directs social capital towards industries prioritising energy efficiency, low carbon emissions, and environmental friendliness, thereby spurring technological innovation and industrial transformation. By channeling investments into environmentally sustainable sectors, green finance improves economic resilience, reduces pollution, and promotes long-term economic stability.

2.1 Green Consumption and Market Transformation

Green consumption plays an equally critical role in fostering economic sustainability by shaping market dynamics. Hasan and Hossain (2022) argue that consumer demand for eco-friendly products incentivizes businesses to adopt sustainable practices, leading to the proliferation of green technologies. For instance, multinational corporations like Unilever and Nestlé have responded to consumer pressure by reducing plastic packaging, investing in renewable energy, and adopting carbon-neutral supply chains. Nike's "Move to Zero" initiative and Tesla's market expansion are prime examples of companies leveraging green consumption trends to gain competitive advantages (Niyazbekova et al., 2024).

Xu and Zhu (2024) highlight that government policies promoting green consumption, such as tax incentives for energy-efficient appliances and subsidies for electric vehicles (EVs), significantly alter consumer behavior strengthening economic sustainability. For example, Norway's aggressive EV incentives—including tax exemptions, free tolls, and priority lanes—have resulted in over 80% of new car sales being electric. Likewise, China's New Energy Vehicle policy has propelled domestic and global demand for EVs, driving the success of companies like BYD and NIO (Dondisch and Montanez, 2023). Hence, studies indicate that consumers are more likely to purchase products with clear sustainability credentials, reinforcing the business case for green production. However, without strong policy support and consumer awareness campaigns, green consumer habits may remain niche rather than becoming mainstream economic drivers. This challenge is evident in developing countries, where limited disposable income and weak regulatory enforcement hinder large-scale green consumption adoption (Fareniuk, 2024).

2.2 The Synergy Between Green Finance and Green Consumption

The relationship between green finance and green consumption is mutually reinforcing. When financial systems allocate capital to sustainable enterprises, these businesses can develop and market eco-friendly products, thereby fostering green consumption. Conversely, increased consumer demand for green products pressures firms to secure green financing to innovate and remain competitive (Anwar et al., 2024). Studies by Fareniuk (2024) suggest that economies with strong green finance mechanisms tend to exhibit higher green economic development efficiency due to the interplay between investment flows and consumer behavior. This synergy underscores the need for integrated policies that align green finance and green consumption to maximize sustainable economic outcomes. Governments, financial institutions, and businesses must collaborate to develop regulatory frameworks, financial incentives, and public awareness campaigns that foster a holistic green economic transition.

2.3 Highlighting the UAE's Approach to Green Finance and Green Consumption

Green finance has emerged as a crucial mechanism to foster sustainability and mitigate climate change by directing financial resources toward environmentally friendly projects. Countries worldwide are integrating green finance into their economic agendas to promote sustainable development. UAE has implemented significant measures to enhance green finance and green consumption, aligning with its vision for a sustainable economy. Key national initiatives include the UAE Green Agenda 2030 and the UAE Net Zero by 2050 Strategic Initiative, which drives sustainable investment and environmental responsibility.

Indeed, the UAE has introduced several financial instruments to promote green investments. In 2021, the UAE issued its first green bond, aiming to finance projects that offer environmental benefits. Additionally, the Abu Dhabi Global Market has established a sustainable finance framework to encourage companies to adopt sustainable practices. The UAE Central Bank has also implemented policies to promote green lending, supporting projects aligned with environmental sustainability. Similarly, it has enforced stringent Environmental, Social, and Governance (ESG) regulations, requiring listed companies to disclose their sustainability practices. The Sustainable Finance Framework, introduced in 2021, aligns with international sustainability reporting standards and encourages financial institutions to integrate ESG considerations into their investment decisions (Shaheen, 2020).

Moreover, the UAE government has launched initiatives such as the "UAE Energy Strategy 2050," aiming to increase the contribution of clean energy to 50% of the total energy mix by 2050. Policies incentivizing green consumer behaviors include subsidies for electric vehicles, regulations on single-use plastics, and the promotion of sustainable tourism through eco-certification programs. It has also fostered partnerships between government bodies and private enterprises to drive sustainable finance and consumption. For instance, the "Dubai Clean Energy Strategy 2050" encourages investment in renewable energy projects, while initiatives like the "Green Business Network" support companies in adopting sustainable production methods (Maghelal et al., 2022). The UAE's proactive measures to enhance green finance and green consumption exemplify a model for integrating economic growth with sustainability. By leveraging policy frameworks, financial instruments, and consumer incentives, the UAE is positioning itself as a leader in green economic transformation, aligning with global sustainability goals.

3. Comparative Study: Lebanon vs. UAE

One of the most notable examples of green finance in the UAE is the Masdar initiative, which has transformed Abu Dhabi into a hub for renewable energy and sustainable urban planning. Masdar City, a model for low-carbon living, has attracted significant foreign investments through green bonds and sustainability-linked loans, setting a precedent for other nations. Similarly, the UAE Green Fund, launched in 2016, provides financial assistance to renewable energy projects, reducing reliance on fossil fuels (Maghelal et al., 2022).

In contrast, Lebanon's green finance efforts are limited to sporadic initiatives, such as the Lebanese Center for Energy Conservation promoting small-scale solar energy projects. However, due to the lack of institutional financial backing, such initiatives remain fragmented and underfunded (Pandita et al., 2024).

On the consumer side, the UAE has implemented awareness programs and incentives for sustainable living. The government actively promotes electric vehicle (EV) adoption through subsidies and tax breaks, while large retail chains offer discounts on eco-friendly products. In Lebanon, despite some grassroots environmental movements advocating for green consumption, financial constraints and economic instability limit the average consumer's ability to make sustainable choices (Beainy et al., 2023).

Accordingly, the UAE's government-driven approach has proven effective in integrating green finance with green consumption. Subsidies for electric vehicles, tax breaks for renewable energy projects, and stringent regulations on corporate sustainability reporting have created a robust ecosystem for green economic growth. These policies ensure that financial incentives align with consumer behaviors, reinforcing the transition to a sustainable economy. In contrast, Lebanon lacks comparable policy interventions. Financial incentives for green investments are minimal, and regulatory oversight remains weak. Strengthening governance, offering targeted subsidies for green consumer products, and introducing tax breaks for sustainable businesses could help bridge this gap (Beainy et al., 2023).

To provide a comparative perspective on the state of green finance and sustainability efforts in UAE and Lebanon, Table 1 below highlights key aspects, including financial policies, investments, consumer awareness, and policy effectiveness.

4. Conclusion

As global economies grapple with the challenges of climate change and resource depletion, the transition towards a sustainable economic model has become imperative. This paper has demonstrated that green finance and consumption are interdependent mecha-

Table 1: A comparative Perspective on the State of Green Finance and Sustainability Efforts in UAE and Lebanon.

Aspect	UAE	Lebanon
Green Finance Policies	Well-developed with green bonds, ESG integration, and green banking regulations	Limited due to economic instability and lack of regulatory support
Investment in Renewable Energy	Significant investment in solar, wind, and sustainable projects	Minimal investment with reliance on traditional energy sources
Consumer Awareness	High due to government campaigns and incentives	Low due to economic hardships and lack of awareness
Government Incentives	Strong subsidies, tax incentives, and green regulations	Limited support with few financial incentives for green initiatives
Corporate Responsibility	Many firms integrate sustainability in business models	Few corporations adopt sustainability due to financial constraints
Policy Effectiveness	Effective policies supporting both finance and consumption	Weak policy framework lacking enforcement mechanisms

Source: (Author, 2025)

nisms essential for building sustainable economies. The integration of green finance and green consumption serves as a pivotal mechanism in balancing economic growth with environmental stewardship. By facilitating investments in renewable energy, green infrastructure, and sustainable technologies, green finance ensures that financial flows align with long-term sustainability goals. Meanwhile, green consumption fosters demand for environmentally friendly products and services, incentivising businesses to adopt sustainable practices.

The UAE has emerged as a leader in green finance, with well-developed frameworks, significant investments in renewable energy, and strong government incentives driving sustainability. In contrast, Lebanon faces challenges such as economic instability, limited regulatory support, and low consumer awareness, hindering the widespread adoption of green finance initiatives.

Henceforth, Lebanon should begin by developing a comprehensive green finance strategy that includes establishing regulatory frameworks to promote green banking, introducing green bonds, and attracting sustainable investments. Alongside this, enhancing consumer awareness is crucial—government-led initiatives, in collaboration with private enterprises and NGOs, should focus on educating the public about the advantages of green consumption. Strengthening public-private partnerships is also essential; Lebanon can look to the UAE's example by incentivising businesses to adopt sustainable practices and invest in green technologies. Additionally, implementing policy reforms such as tax incentives for green investments, subsidies for renewable energy, and the introduction of sustainability-linked financial instruments can help drive systemic change. Finally, encouraging green innovation by supporting research and development in green technologies will not only open new economic opportunities but also position Lebanon more competitively within the global green economy. By implementing these measures, Lebanon can transition toward a sustainable economic model. Learning from the UAE's successes and tailoring strategies to Lebanon's unique challenges will ensure a more resilient and environmentally conscious economy.

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Conflict of Interest

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