

The Green Economy and Inclusive Growth: A Systematic Literature

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Abstract

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This study explores the evolving nexus between the green economy and inclusive economic growth through a systematic literature analysis of peer-reviewed publications from the last five years. The green economy has emerged as a transformative framework aimed at addressing pressing environmental challenges such as climate change and resource depletion while simultaneously promoting social equity and economic inclusion. Findings from the literature reveal that green investments in sectors like renewable energy, sustainable agriculture, and green infrastructure have the potential to generate employment, reduce poverty, and improve access to essential services, particularly in developing countries. Additionally, green finance mechanisms, such as green bonds and public-private partnerships, are recognized as critical enablers for financing inclusive transitions. However, the transition to a green economy faces significant challenges, including institutional limitations, unequal policy outcomes, and risks of exacerbating social exclusion. Inclusive governance, equity-focused policy design, and international cooperation are thus identified as crucial to ensuring that green economic transitions are just and sustainable. This study contributes to the academic discourse by synthesizing key themes, identifying gaps, and offering insights for policy development that align environmental sustainability with social justice imperatives.



1. Introduction

In recent years, the concept of a green economy has gained significant prominence as a strategic framework to address the dual imperatives of sustainable development and inclusive economic progress. This approach seeks to tackle the pressing environmental challenges of the 21st century such as climate change, biodiversity loss, and resource depletion while also promoting a more equitable distribution of economic benefits across different segments of society. A green economy, by definition, is one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. It promotes a paradigm shift away from conventional growth models that are heavily reliant on fossil fuels and linear resource use, toward a model characterized by low-carbon, resource-efficient, and socially inclusive economic systems.

This evolving economic paradigm not only underscores the need for environmental sustainability but also places social justice and inclusivity at its core. By integrating sustainability into economic planning and policy, the green economy seeks to ensure that growth does not come at the expense of environmental degradation or social exclusion. The transition to such an economy involves major transformations across sectors, including energy, transportation, manufacturing, agriculture, and finance. These transformations create new pathways for poverty reduction, green job creation, gender equity, and social cohesion, particularly when supported by inclusive policies and equitable institutional frameworks.

The intersection between the green economy and inclusive growth has increasingly captured the attention of scholars, policymakers, and development

practitioners. A growing body of research suggests that green investments particularly in sectors like renewable energy, sustainable agriculture, waste management, and green infrastructure not only help mitigate environmental impacts but also serve as engines of economic opportunity and social development (Barbier, 2017). These investments can drive employment creation, enhance productivity, and uplift marginalized communities by improving their access to sustainable livelihoods. Moreover, the green transition is often accompanied by broader improvements in access to essential services such as clean water, electricity, public transportation, and climate-resilient infrastructure, all of which are key enablers of inclusive and resilient development.

However, realizing the full potential of the green economy to support inclusive growth is not without its challenges. The transition requires significant policy coordination, financial investment, and institutional capacity particularly in developing countries that may lack the resources or governance structures to implement green initiatives effectively. In some cases, the design and implementation of green policies risk reinforcing existing inequalities if the needs of vulnerable groups are not adequately considered. For example, the imposition of carbon taxes or the phasing out of fossil fuels could disproportionately impact low-income populations unless accompanied by compensatory mechanisms or inclusive transition strategies (Späti et al., 2021). Therefore, achieving a truly inclusive green economy calls for deliberate efforts to align environmental sustainability with social justice and equity.

Given the growing complexity and urgency of these interrelated issues, it is critical to undertake a comprehensive and systematic assessment of existing academic literature on the subject. This paper conducts a systematic literature analysis to explore the scholarly discourse surrounding the green economy and its connection to inclusive growth. By reviewing peer-reviewed studies published over the last five years, the study aims to uncover prevailing themes, theoretical frameworks, methodological approaches, and empirical findings that shape our current understanding of this nexus. The analysis also seeks to identify research gaps and practical implications that could inform more effective and inclusive policy designs moving forward. Ultimately, the findings of this study contribute to the ongoing dialogue on how economies can grow in ways that are both environmentally sustainable and socially inclusive in the context of global development.

2. Literatur Review

The concept of the green economy has evolved significantly over the past decade, increasingly viewed as a comprehensive strategy for promoting both environmental sustainability and social equity. Several studies have explored the theoretical underpinnings and practical implications of the green economy in achieving inclusive growth. According to Gough (2021), the green economy must be aligned with principles of social justice to ensure that the benefits of environmental transitions are distributed equitably. He emphasizes that environmental policies must account for socio-economic inequalities to avoid creating new forms of exclusion during green transitions.

Moreover, empirical research has highlighted the potential of green sectors to generate employment and reduce poverty when appropriately supported by policy frameworks. For instance, D'Amato et al. (2020) discuss how investments in circular economy practices such as recycling, resource recovery, and eco-design can contribute to both environmental protection and inclusive job creation, especially for low-skilled workers. These findings support the notion that environmental and economic objectives can be mutually reinforcing if integrated effectively.

The role of green finance has also become increasingly important in the literature. Studies such as that by Taghizadeh-Hesary and Yoshino (2020) point to the necessity of mobilizing financial resources toward green projects, particularly in developing countries where the infrastructure gap and environmental vulnerability are most severe. They argue that green bonds, concessional loans, and public-private partnerships can bridge the financing gap while fostering inclusive development outcomes.

From a policy perspective, the effectiveness of green economy initiatives in promoting inclusivity is highly dependent on governance mechanisms. Zhironkin and Cehlár (2018) critically examines the governance structures behind green economy policies and warns of the risks of “greenwashing” if transparency, accountability, and local participation are not prioritized. Without inclusive governance, the green transition could reinforce power imbalances and marginalize vulnerable groups.

In addition, the link between the green economy and social well being has been explored through the lens of the Sustainable Development Goals (SDGs).

Hickel (2019) argues that mere economic growth, even if labeled “green,” is insufficient to guarantee human development and social inclusion. He calls for a deeper transformation of economic systems, one that decouples well-being from GDP growth and places environmental limits at the center of development planning. The literature underscores that while the green economy holds significant promise as a driver of inclusive growth, its success hinges on how policies are designed, financed, and implemented. Equity-oriented strategies, inclusive governance, and targeted support for vulnerable populations are key to ensuring that the transition to sustainability does not exacerbate existing inequalities but instead becomes a pathway toward shared prosperity.

3. Methods

This study employs a systematic literature analysis approach to explore the relationship between the green economy and inclusive growth within the academic discourse. This method was chosen for its structured, transparent, and replicable process in identifying, analyzing, and synthesizing relevant studies. A systematic approach enables the researcher to map out conceptual frameworks, empirical findings, and policy implications in a comprehensive and evidence-based manner (Snyder, 2019).

Relevant literature was collected from well-established academic databases such as Elsevier, Google Scholar, and ScienceDirect, with a publication range limited to the last five years to ensure the inclusion of recent and high-quality research. The search process used a combination of relevant keywords and Boolean operators,

such as “green economy and inclusive growth,” “sustainable development and social equity,” and “green finance and employment OR poverty reduction.” Only peer-reviewed journal articles written in English, available in full text, and explicitly discussing both the green economy and inclusive growth were considered.

The inclusion criteria required articles to provide conceptual or empirical discussions on the intersection between green economic policies and inclusive development. Meanwhile, exclusion criteria ruled out conference papers, book chapters, articles focusing solely on environmental or social aspects in isolation, and those with inaccessible full texts. The selected articles were analyzed using content analysis, in which key information such as research objectives, methods, findings, and conclusions was extracted and thematically coded. Recurring themes were then grouped into broader categories, including green job creation, green finance mechanisms, poverty reduction, governance and institutional frameworks, and challenges in policy implementation.

To ensure validity, only articles from reputable academic sources were included, and all selection procedures were applied consistently and transparently. For reliability, the coding process was systematically documented and reviewed to minimize potential researcher bias. Through this approach, the study aims to provide a meaningful synthesis of the current academic understanding of how the green economy contributes to inclusive growth and to offer practical insights for future research and policymaking.

4. Results and Discussion

The systematic literature review reveals a strong and growing scholarly consensus that the green economy presents a viable pathway to achieving both environmental sustainability and inclusive economic growth. A consistent theme across the analyzed studies is the transformative potential of green investments particularly in renewable energy, sustainable agriculture, circular economy, and green infrastructure in driving employment generation and reducing socio-economic disparities. For instance, Shirley et al. (2019) demonstrate that investments in renewable energy have a statistically significant impact on rural job creation and energy access in Sub-Saharan Africa, offering a dual benefit of environmental improvement and poverty alleviation.

Another prominent finding concerns the role of green finance as a catalyst for inclusive growth. Green bonds, sustainability-linked loans, and other climate aligned financial instruments are increasingly being used to fund projects that not only reduce carbon emissions but also provide economic opportunities to marginalized communities (Flammer, 2021). These financial tools are especially effective when deployed in developing countries with targeted social objectives, such as improving access to clean water or building climate-resilient infrastructure. However, researchers emphasize that such financial mechanisms must be supported by regulatory frameworks that ensure transparency and accountability to avoid elite capture or misuse (Naidoo & Fisher, 2020).

In terms of governance, the findings indicate that institutional quality and inclusiveness are crucial determinants of the success of green policies. Inclusive

governance defined by participatory decision-making, decentralization, and respect for local knowledge has been shown to enhance the legitimacy and effectiveness of environmental initiatives. For example, local led waste management projects in Latin America have proven more sustainable and socially equitable than top-down approaches due to the empowerment of community stakeholders.

The review also highlights critical challenges. While the green economy framework is gaining traction, disparities in institutional capacity, funding access, and technical expertise between countries and regions threaten to widen existing inequalities. As noted by Kime et al. (2023), poorly designed or regressive green policies such as blanket carbon pricing without redistribution mechanisms can disproportionately burden low-income households. Therefore, deliberate policy design that includes compensatory measures (e.g., energy subsidies for the poor or social protection schemes) is necessary to ensure that transitions do not exacerbate social exclusion.

Finally, the analysis shows that while there is increasing alignment between the green economy and the Sustainable Development Goals (SDGs), the operationalization of this alignment remains uneven. While countries like Costa Rica and Denmark have successfully integrated green economic principles into national development planning, many developing nations remain constrained by fiscal limitations and competing development priorities (Steinberger et al., 2020). Thus, international cooperation, capacity building, and knowledge transfer are vital to accelerating a truly global transition toward inclusive green growth.

In summary, the reviewed literature confirms that the green economy holds immense promise for fostering equitable development, but its realization depends on nuanced, context-sensitive strategies that prioritize social justice alongside environmental goals. To move forward, future research should explore the long-term social impacts of green transitions, especially in vulnerable communities, and assess the effectiveness of inclusive governance models across different political and cultural contexts.

5. Conclusion

The green economy offers a compelling framework for reconciling environmental sustainability with inclusive economic growth. As evidenced by recent literature, strategic investments in renewable energy, sustainable agriculture, green finance, and climate-resilient infrastructure have the potential to reduce poverty, create equitable employment, and enhance access to basic services, particularly in developing countries. However, the transition to a green economy is not without its challenges. Institutional capacity gaps, financing limitations, and the risk of social exclusion in policy implementation underscore the need for inclusive governance and equity-centered strategies. To ensure that green transitions do not reinforce existing inequalities, it is essential to adopt participatory policy designs, strengthen regulatory frameworks, and implement compensatory mechanisms for vulnerable populations. Moreover, international collaboration and knowledge sharing will play a pivotal role in bridging global disparities and promoting a just transition. Ultimately, realizing the promise of the green economy requires a

deliberate alignment between environmental goals and social justice imperatives, making inclusivity not just an outcome, but a core principle of sustainable development planning.

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