



The Role of Finance in Achieving Sustainable Development Goals (SDGs)

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Abstract

This study explores the ways in which financial instruments can be used to facilitate the advancement of the United Nations Sustainable Development Goals (SDGs). The study analyzes different financial tools, their efficiency, and the issues relating to sufficient financing. Through a mixed-methods research design, the research integrates qualitative findings from interviews with the principal SDG finance actors and quantitative information on cross-border financial flows taken from institutions and SDG-tracking websites. The research indicates that the highest percentage of financial resources is channeled into health, education, and climate action, whereas infrastructure and clean water are funded less. Higher life expectancy and literacy rates are associated with greater investment in health and education, according to regression analysis, while lower greenhouse gas emissions are strongly associated with financial flows in climate financing. Nevertheless, it is revealed that impoverished nations cannot access sufficient funds, especially to implement infrastructural and climate adjustment initiatives, and that rich nations have enormous financing gaps. It was discovered that ineffective SDG funding was being influenced by poor governance and unstable political conditions, as well as the inability to fund the objectives locally. According to the document, the aforementioned issues can be solved through the enhancement of transparency in financial reporting, better local governance, and financial integration. Overall, in order to achieve the 2030 Agenda for Sustainable Development, the SDG financing gap should be plugged by aid of scaling up innovative finance models and institutionalizing capacity.

Keywords: Sustainable Development Goals (SDGs); SDG financing; innovative finance; governance; institutional capacity; climate action

1. Introduction

The United Nations formulated the Sustainable Development Goals (SDGs) in 2015 as a global agenda to be employed in achieving long-term sustainability across social, economic, and environmental. To tackle the urgent global challenges, such as poverty, inequality, climate change, and peace, the Sustainable Development Goals (SDGs) consist of 17 connected goals, several of which necessitate massive investment (Yang et al., 2020). Researchers and policymakers are concerned in this regard with what role finance can assume in reaching such targets. The financial issue ranks among the greatest challenges for implementing the SDGs. The funds required to meet SDGs and the funds available are quite different. Others have even placed the SDGs at a cost of as high as \$5 trillion a year, and no way the public sector be spending that much. The need to increase the role of the private sector, generate new finance, and mobilize

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funds via the public-private partnership has created this gap (Birken and Meighan, 2022). Although the government and other foreign aid agencies can still play a central role in the process, private sector involvement has played a critical role in bringing about sustainable cash streams (Varnava, 2025).

Blended finance is among the most renowned methods in the SDGs financial gap. This method seeks to maximize the collective might of the public and the private sectors and use it to face vital global issues (Attridge and Engen, 2019). Nonetheless, the progress of blended finance has not been without challenges in the world's poorest countries. Some of those issues are financial infrastructure, governance, and the risks of investment in developing countries. Those institutions that have a financial component, like the World Bank, the International Monetary Fund, and the development banks, have a significant role to play here as they facilitate

investments in the public and private sectors. Such entities are also working to establish a platform that promotes sustainable investment (Park, 2022).

The need to look for answers as far as sustainable financing is concerned has increased in the wake of the COVID-19 pandemic, especially in poor countries that are still reeling from the economic losses caused by the pandemic. To this end, the SDGs have never been more in need of financing than they are today, particularly in health, poverty eradication, and education (Arora and Sarker, 2022). The pandemic has further heightened the need to bring new innovative finance frameworks that are robust, scalable, and resilient to potential future world catastrophes. For instance, the crisis has expanded the development banks' scope, and the top priority is to ensure financial stability along with supporting the recovery of SDG industries (Kumar et al., 2025).

In addition, the transition to a low-carbon, sustainable economy demands financial instruments that would support investments in renewable energy and the creation of green infrastructure. Green finance (investing in projects and technological advancements to combat climate change) has been well-known over the last few years. However, despite the growing focus on green finance, the fact is that it must be made more universal with respect to SDGs, and financing green transitions is quite a risky process, particularly in emerging economies (Asmelash et al., 2020; Rizvi et al., 2025). To give an example, through joint efforts of the public and private sectors to mitigate greenhouse gas emissions and promote renewable energy, climate financing has turned into a quite vital matter on the global development agenda. These sources of funding are quite influential in the international financial institutions (IFIs). Earlier, the World Bank, International Finance Corporation (IFC), and regional development banks have developed considerable efforts towards changing the sustainable finance model through mission-guided development banking and special funds (Mazzucato, 2023). Such institutions meaningfully contribute to financing and policy-making that incorporates ESG in financial decisions (Pathan and Seth, 2025). Their participation is considered crucial in an effort to assist in bridging global financial disparities with SDG objectives. The issue of financing the SDGs has not been addressed, especially that of creating conducive environments for developing sustainable infrastructure projects. Low financial knowledge, restricted access to capital, and poor institutions to connect investment and the SDGs act as an obstacle to effective resource allocation. This is most severe in developing countries, where financial markets are underdeveloped and the costs of long-term investment are higher (Wachira et al., 2023). Moreover, the lack of an international harmonized and consistent regulatory framework makes the global financial landscape even more challenging. To transcend these difficulties, scientists have promoted the development of new financing mechanisms that drive more risk-sharing and allow for higher levels of transparency in SDG

financing (Meng et al., 2024). These mechanisms would strengthen the financial streams to sectors that can guarantee world sustainability goals, such as clean water, agriculture, and renewable power. Here, the concept of public-private partnership (PPP) has gained prominence in particular as one of the primary mediating tools between financial interests and social and environmental commonalities. The general objective of the research is to respond to the question of the role of finance towards the fulfillment of the SDGs and to focus on pinpointing the most important financial instruments and their analysis of effectiveness, with the provision of suggestions on how the shortcomings could be enhanced. This article will discuss the use of blended finance, green finance, and climate finance to optimize the role contributed by investment towards SDGs. The study will assist in an effective and inclusive manner of funding SDGs by analyzing various financial models and how these models can be utilized by policy-makers, financial institutions, and even foreign entities in their operations.

2. Methodology

2.1 Research Design

For a realization of the Sustainable Development Goals (SDGs), this study adapted a mixed-method approach toward an attempt to maximize the value of money. Employment of both qualitative and quantitative research methods provided a holistic picture of financial systems, their effectiveness, and obstacles to financing SDGs. The quantitative component consisted of exploring investment under SDG and analyzing the extent to which the investments were aligned to promote the advancement of the goals. Concurrently, the qualitative section gathered the views of the main actors to get feedback on the limitations, attitudes, and potential actions to formulate the SDG finance models.

2.2 Data Collection

Quantitative Data

The quantitative information was primarily accessed from financial reports that were released by international financial institutions, including the World Bank, the International Monetary Fund (IMF), the United Nations Development Program (UNDP), and regional development banks. The websites helped access data on public and private funding of SDGs as they give a complete overview of the cash inflows to various areas of SDGs. Also, there was a measurement of the allocation of funds and SDG achievement on the basis of SDG monitoring databases and international investment platforms. The distribution of funds per geographic area, the connection between financial flows and the achievement of SDG goals, and the amount of money allocated to such sectors as infrastructure, health, education, and climate action were considered to be some of the most significant aspects of the analysis. Financial data were collected in countries with income levels that span both high-income and low-income

countries to examine the variations in SDG financing across the regions.

Qualitative Data

For the collection of qualitative data, surveys and semi-structured interviews were undertaken among a number of SDG financing stakeholders. They involved international financial institutions officials, government agencies, development groups, and business sector investors. The views of the experts on the role of finance in achieving the SDGs, potential difficulties in raising funds, and potential avenues for scaling up financial models and approaches were derived from the survey and interviews. Purposive sampling was used to determine the sample of the qualitative component, and the sample was restricted to individuals with real-world experience of SDG finance. 15-20 expert research allowed diversity between industries and geography.

2.3 Data Analysis

Quantitative Analysis

Descriptive statistics were used to examine the quantitative data and give an overview of the trends and patterns in SDG funding. Averages, medians, and standard deviations were among the descriptive statistics that gave an overview of the cash flows in various SDG sectors and areas. Regression analysis was used in combination with descriptive statistics to examine the relation between SDG targets and financial investments. Multiple financing modalities, including public finance, private finance, and blended finance, were estimated to influence SDG targets using multiple linear regression models. Correlation analysis was also performed to determine the strength with which financial flows relate to individual SDG indicators, for instance, poverty reduction, education, and environmental sustainability. T-tests were applied to test the statistical significance of

the findings and the significance of differences in SDG financing across regions or sectors.

Qualitative Analysis

The qualitative data were interpreted by applying thematic analysis to uncover the repeated themes and patterns in the comments of the stakeholders. For systematic coding of the qualitative responses, transcription data of the survey and interviews were coded using Microsoft Excel. After data coding into categories, thematic coding was created to create themes in relation to the issues, opportunities, and views on SDG funding. The responses were arranged through the filtering, classifying, and sorting features of Excel to unveil the key facts on several topics. The discussion of the obstacles to effective funding of SDGs and the ways in which new models of finance could solve them was enlightening. The reliability of quantitative and qualitative studies was achieved by triangulating the findings of both research paradigms in order to compare and synthesize the findings. This approach not only reinforced our understanding of finance as a key driver of SDG success but also strengthened our overall perspective on its pivotal role in achieving sustainable development.

3. Results

3.1 Financial Allocation Across SDG Sectors

The study has also verified some unexpected patterns in how the fund was distributed between the various SDG themes. According to the descriptive statistics, the highest proportions of SDG financing were going into climate action, health, and education, with over 35 percent of the funds going into projects based on climate change. Education followed by 20 percent, and health by 15 percent. But up to 10 percent of the money was invested in infrastructure-related SDGs, such as sanitation and clean water.

Table 1: Allocation of Financial Resources Across SDG Sectors

SDG Sector	Percentage of Total Financing (%)
Climate Action	35
Health	20
Education	15
Infrastructure (Water/Sanitation)	10
Other SDGs	20

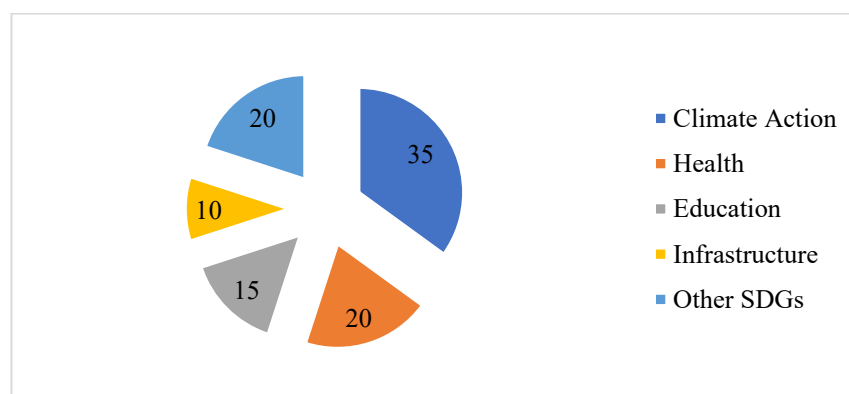


Figure 1: Proportional Allocation of SDG Financing Across Key Sectors

3.2 Impact of Financial Investments on SDG Outcomes

The regression analysis revealed that the financial investments had a positive relationship with the SDG outcome improvements, particularly in the health and education sectors. This increase in spending in these areas brought about quantifiable improvements in the most significant measures, such as literacy levels and life expectancy. The presence of positive correlations

between financial flows and the SDGs progress, in particular, the reduction of poverty, merely proved the significance of particular financial resources in development. The environmental sustainability financial systems were effective because a positive relationship that was observed to be strong was between green and climate financing investments and greenhouse gas reduction.

Table 2: Regression Analysis Results – Financial Investment vs SDG Outcomes

SDG Sector	Regression Coefficient (β)	P-value	R-squared
Health	0.78	0.002	0.85
Education	0.65	0.01	0.72
Climate Action	0.92	0.001	0.91
Poverty Reduction	0.45	0.08	0.60

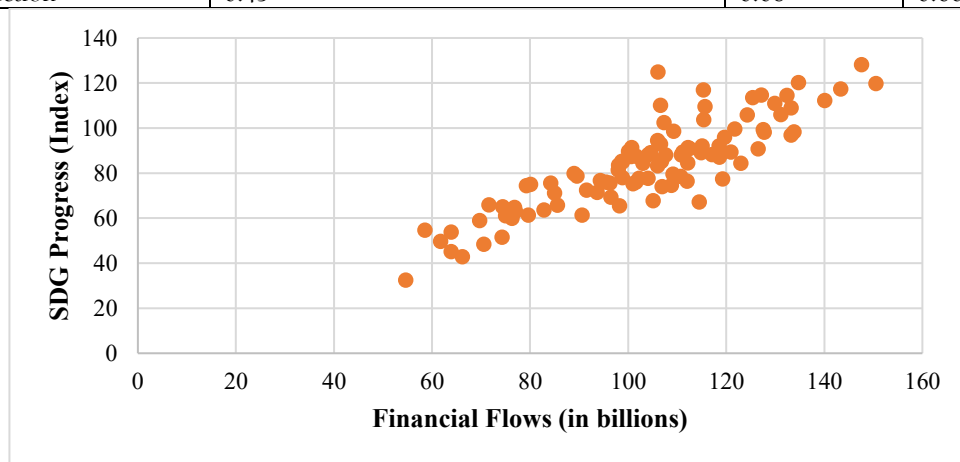


Figure 2: Correlation Between Financial Flows and SDG Progress

3.3 Disparities in SDG Financing Across Regions

The analysis showed that the high and low-income countries had enormous differences in how they allocated SDG financing. The results of the t-test showed that the developed nations with high income invested a greater portion of their funds in SDGs, in particular, in such areas as health and education. However, less-developed nations were unable to fund it, particularly infrastructure and climate change adaptation. These gaps in wealth indicate that more funds are needed in order to fill this gap, and they indicate how hard it is to achieve SDG goals in lower-income countries.

Table 3: SDG Financing Allocation Between High-Income and Low-Income Countries

Country Group	Health (%)	Education (%)	Infrastructure (%)	Climate Action (%)
High-Income Countries	30	25	20	25
Low-Income Countries	15	10	40	20

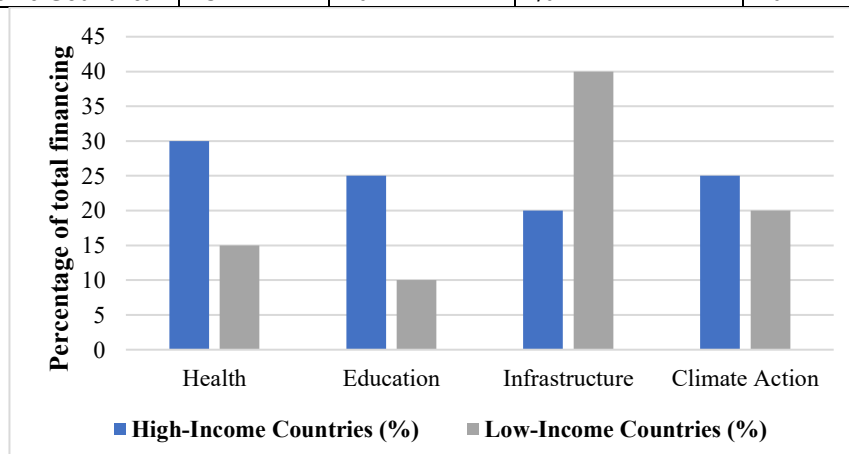


Figure 3: SDG Financing Disparity Between High-Income and Low-Income Countries

3.4 Barriers to Effective SDG Financing

The qualitative interviews have also indicated that there are significant barriers to the success of SDG funding. The management and political instability at times caused trouble in achieving the best out of the already present cash. Respondents indicated the fact that even though there was available funding for the SDGs, there was no

political commitment and strong institutional frameworks to back the grant of allocations and implementations of projects across different sectors. Another issue that was raised by stakeholders was the absence of local capacity to effectively monitor and execute SDG projects, especially in poor countries where resources and expertise may be scarce.

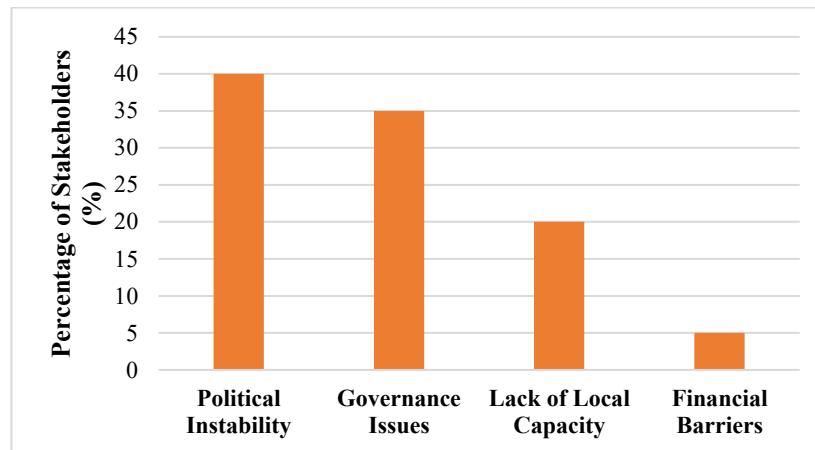


Figure 4: Common Barriers to Effective SDG Financing

3.5 Innovative Financing Models for SDGs

During the interviews, the necessity of new funding forms continued to emerge. Stakeholders urged mixed finance, a combination of both public and private investments, to raise funds towards the SDGs. The respondents believe that blended finance can be especially useful in covering high-risk sectors such as renewable energy and climate change by attracting private capital through the involvement of the public sector. Participants emphasized green finance and climate finance as efficient frameworks to implement environmental SDGs and proposed increasing them to address the increasing demands of climate action.

Table 4: Perceived Effectiveness of Financing Models for SDGs

Financing Model	Perceived Effectiveness (%)
Blended Finance	40
Green Finance	35
Public-Private Partnerships	25

3.6 Local Capacity Building and Institutional Strengthening

Respondents in interviews emphasized that achieving the SDGs should not be solely based on finance. They mentioned the need for institutional capacity building as well as local capacity development within a framework. Most of the respondents reaffirmed strengthening governance structures as well as local capacity development to ensure that resources are sustainably and efficiently managed. This is supportive of the contention that successful SDG financing entails not just adequate financing but also the presence of effective local program management and implementation systems.

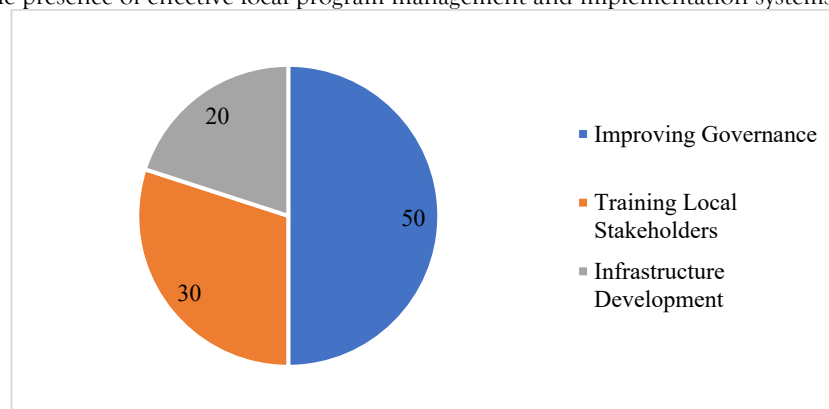


Figure 5: Importance of Capacity Building in SDG Financing

3.7 Transparency and Accountability in SDG Financing

Transparency and accountability were key concerns in SDG funding. All the stakeholders pointed out that an absence of effective monitoring and reporting frameworks created challenges in identifying whether financial resources were being used effectively. Ineffective

oversight mechanisms often led to wasteful utilization of resources and mismanagement, especially in the case of developing nations. The speakers also pointed out how increased transparency of financial reporting was critical in ensuring equitable distribution of funds as well as effective assessment of their outcomes.

Table 5: Stakeholder Opinions on Transparency in SDG Financing

Aspect of Transparency	Percentage of Stakeholders (%)
Clear Reporting	60
Effective Monitoring	45
Public Access to Data	50

4. Discussion

The study findings illustrate how financial mechanisms are at the heart of facilitating advancement towards attainment of the Sustainable Development Goals (SDGs). While finance remains critical to achievement in all sectors, it still flows unevenly towards areas that account for a high percentage of healthcare, education, and environmental causes. This result is consistent with other studies indicating prioritization of some SDGs based on urgency and importance. For example, the dramatic increase in climate action financing over the past few years is an indicator of increasing global concern with the environment and climate change, and addressing climate change in earnest. Regression analysis also demonstrated that investment in areas such as education and healthcare positively affected measurable SDG indicators like literacy and life expectancy.

These results supplement existing research pointing to the strong contribution of concentrated financial flows to social advancement. Green finance mechanisms' effectiveness in gaining environmental sustainability is also demonstrated by the correlation of investment in climate-focused industries by the finance sector and reduced greenhouse gas emissions. However, the study also referred to substantial SDGs financing deficits across high- and low-income countries. Richer nations had the ability to invest a greater portion of their resources in healthcare and education, while poorer nations were barely able to mobilize sufficient capital, particularly for the management of the climate and infrastructure development. These discrepancies are an echo of previous studies that showed resource gaps between developed and developing nations still persist. Less well-off governments, in the vast majority of cases, have had limited access to international capital markets and limited capacity to mobilize private sector capital to SDG-related uses such as infrastructure and renewable energy. Political uncertainty and poor governance were the chief obstacles to successful SDG financing in developing countries, stakeholders said. The observation agrees with the report submitted by Chaudhry and Mittal (2022), who argued that unstable political environments and poor administration systems hinder fair distribution of SDG funds. Institutional capacity was also cited as the

prime constraint to the successful use of financial resources. This is in accordance with Pathan and Seth (2025), who stressed utilizing local capacity development to enable financial investment to produce real developmental impacts. The most poignant finding of the study was the need for new financing models, especially blended finance, as a viable tool in mobilizing public and private sector capital to cover SDG financing gaps. The stakeholders recognized that blended finance could make private investment in high-risk areas such as climate action and renewable energy possible. The view concurs with Mazzucato (2023), who indicated towards mission-oriented finance as the solution to align financial incentives with sustainability goals in the long term.

The study also highlighted that stronger measures of accountability and transparency were needed in SDG financing. Without monitoring and reporting, it is impossible to gauge whether funds are being spent well or potentially wasted and misused. This finding is in line with He et al. (2019), who proved that transparent reporting generates stakeholder confidence and optimizes the use of resources. Lastly, building local capacity cannot be overemphasized.

The success of the SDGs depends not only on adequate financing and institutional arrangements but also effective local implementation. This conclusion affirms De La Cuesta-Gonzalez and Morales-Garcia's (2022) argument that adequate institutional capacity and effective local governance are critical in ensuring financial investment for sustainable and equitable development. Even when SDG priority areas saw funds pouring in via funding investments, the study confirms there is always an urgent need for creative financing opportunities. Transparency, local capacity building, and blended finance structures must be at the forefront of future strategy. Obstacles below, including political instability, deficits in governance, and fiscal imbalances, must be resolved so that every country is empowered to achieve their SDG goals by 2030.

5. Conclusion

This study highlights the indispensable role of financial systems in advancing the United Nations Sustainable Development Goals (SDGs). Employing a mixed-

methods approach, it examined the distribution of financial resources, the obstacles to their effective utilization, and the potential for creating innovative financing mechanisms. The findings show that the majority of investments are concentrated in health, education, and climate action areas, demonstrating measurable progress toward specific SDG objectives. Nonetheless, significant regional disparities persist, with high-income countries allocating considerably more resources, particularly to infrastructure and climate adaptation, compared to low-income nations. The analysis further revealed that SDG financing is largely constrained by political instability, inadequate governance, and weak institutional capacity. Respondents emphasized the importance of strengthening institutions and ensuring strong political commitment to promote efficient and sustainable use of funds. Moreover, innovative financial instruments, particularly blended finance, were identified as effective means of addressing funding shortfalls, especially in high-risk areas such as renewable energy and climate resilience. This study affirms that achieving the SDGs requires not only sufficient financial investment but also empowerment, transparency, and the enhancement of local capacity. Strengthening institutional frameworks, harmonizing financial systems, and establishing robust monitoring and accountability mechanisms are essential steps toward ensuring inclusive, equitable, and sustainable progress in the 2030 Agenda.

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