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FORMS OF FINANCING GREEN PROJECTS IN THE ACTIVITIES OF COMMERCIAL BANKS.

Shaxzod Abduvahobov

Samarkand Institute of Economics and

Service, Samarkand, Uzbekistan

shaxzodabduvahobov@mail.ru

Abstract: *In this article, we will talk about many countries financing and launching green projects by commercial banks.The methods of financing green projects in the activities of commercial banks include various tools and approaches aimed at supporting environmentally sustainable initiatives. These tools allow banks not only to actively participate in the ecological transformation of the economy but also to act as a catalyst for sustainable development, contributing to reducing the carbon footprint and increasing energy efficiency in various sectors and regions.Key methods include providing green loans and loans, issuing green bonds, investing in green funds and structured financial products, as well as establishing specialized credit lines and programs.*

Key words: *Green loans and credits, green bonds, investments in green funds, structured financial products, development.*

Introduction

Climate change, which is primarily caused by human activities, means a significant and longterm change in the earth's average weather pattern. Climate change is a complex phenomenon that is worrying and has become a focus of society throughout the world (Bhardwaj & Malhotra, 2013; Markonah & Wahyuningsih, 2020; Meena, 2013; Setiawan et al., 2021; Tamala et al., 2022). The cause of climate change includes arbitrary Resource consumption patterns it and will have an impact on future

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generations (Sahoo et al., 2016). This climate change has an impact on health, the economy, and the environment (Bhardwaj & Malhotra, 2013). Many countries are committed to mitigating climate change (Bhardwaj & Malhotra, 2013; Meena, 2013), therefore, various kinds of mitigation are needed to control the impact of climate change, the World Bank estimates that the cost of mitigation in developing countries alone ranges from US$ 140 billion to US$ 175 billion per year until 2030 (Bhardwaj & Malhotra, 2013). Various activities can be carried out to preserve the environment, including campaigning and going green (Hakim et al., 2023). Banking involves several stages. Jeucken and Bouma in Sahoo et al. (2016) explained the four stages of banking, namely defensive banking, preventive banking, offensive banking, and, lastly, sustainable banking, which means the bank seeks the highest sustainable rate of return, not the highest rate of financial return. Thus this is related to the importance of disclosing a sustainability (Liu & Wu, 2023). The increasing push from the international community is forcing the Indonesian government to play an active role in environmental issues (Dewi & Dewi, 2017). Closely related to green finance, green finance is a relatively new field of finance (Cai & Guo, 2021). Green finance is a pattern of integrating environmental conservation and protection with economic benefits (Cai & Guo, 2021). Green finance is also defined as any structured financial activity created to ensure a better environmental impact (Rapi et al., 2023). Based on this, green financing relates to financial distribution in the form of loans that have green or environmentally friendly elements in the transaction process, several aspects of green finance, namely green credit, green insurance, green securities, carbon finance, and the establishment of a green financial system (Cai & Guo, 2021; Firmansyah, 2022). This green finance instrument was adopted more quickly by the private sector than the public sector with banks having a major role in providing financing or loans (Ahuja, 2015; Liu & Wu, 2023). Green finance is part of green banking which has a major contribution to the transition to resource-efficient and low-carbon industries, namely green industry and green economy in general (Meena, 2013).

Methods

ISSN
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The method used in this research is a descriptive method with a literature review approach. The literature review method is a method of collecting library data, reading, recording, and processing written materials. Sources of data obtained were book journals, collections of published articles, published research institutions, and internet pages. From various articles, researchers select articles that are closely related to the keywords used. In the next step, researchers grouped articles related to the implementation of green banking to then be studied according to the aim of this research, namely knowing the development of green banking theory (Mumbaasithoh et al., 2022; Tamala et al., 2022).

Research Methodology

The banking sector is a sector that can carry out various roles, including economic development, protecting the environment, and promoting environmentally friendly and socially responsible activities, which is then called green banking (Meena, 2013). Many human activities ultimately exploit the environment which then disrupts the ecological balance (Yadav & Pathak, 2013). Banking activities are not directly related to the environment, but the external impact of related customer activities is large (Ganesan & Bhuvaneswari, 2016). Green banking is about making the world a better place by reducing and repairing existing damage (Arumugam & Chirute, 2018). Many factors influence the implementation of green banking, one of which is in Malaysia, namely environmental interests, stakeholder preferences, policy guidelines, economic factors, and demand for loan facilities (Arumugam & Chirute, 2018). Other research suggests that there are several factors that influence the adoption of green banking in Malaysia, namely top management pressure because top management is the most powerful and influential group of executives who have responsibility for the entire organization, therefore, the adoption of green banking requires top management commitment, next is pressure. Customers, customers are the main stakeholders in the adoption of green banking, next is competitive pressure because competitors have a big interest, are felt to threaten, influence, and have cooperative capabilities towards the adoption of green banking, the last is community pressure, the community as a stakeholder has direct influence as well as indirectly to company performance, one of the reasons for adopting green banking is to improve and maintain good relations with the community (Bukhari et al., 2019). Green banking means promoting environmentally friendly practices and reducing the carbon footprint of various banking activities, although the green banking concept is quite well known by many customers regarding online banking facilities. There are still many customers who do not know that there are still many banking service products that are environmentally friendly, such as debit and credit cards that can be recycled, automatic cash or check deposits, environmentally based loan percentages, and so on. Banks must take action to educate customers about this. It is the responsibility of banks to protect the environment, as financial intermediaries and channels for future economic growth (Ganesan & Bhuvaneswari, 2016). Currently, various sectors have the same responsibility in helping to overcome global warming, all activities including business must have a positive impact on the environment, especially banking which is one of the main sources of short-term and long-term financing for companies engaged in various fields and considering the impact of the company's activities on the environment in the provision of credit facilities, this has a big impact. A concrete example is that banks can avoid financing credit facilities for companies that produce carbon because they have a big risk for the future of the environment and start supporting innovative technological solutions that absorb or reduce carbon emissions, this is what is called sustainable development which does not only benefit the banking sector but also industry and the environment in general (Mir & Bhat, 2022). This green banking ensures environmentally friendly practices in the banking sector by reducing internal and external carbon and providing loans with environmentally friendly principles, the implementation of green banking still has a lack of consumer awareness (Ahuja, 2015). Green banking tends to be something new for developing countries like India. This research found that public banks have initiated more green banking compared to private banks (Yadav & Pathak, 2013). Some steps in green banking

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include: 1) Go online which includes paying bills online, remote deposits, online fund transfers, and filling out statement letters online. This of course reduces the amount of paper usage, and energy, and less expenditure of natural resources from customer activities. 2) Eco-Friendly Current Account 3) Eco-friendly loans for home improvements 4) India Green Building Council (IGBC) offers several financial benefits 5) Electricity saving appliances 6) Eco-friendly credit cards 7) Save paper as well as 8) Use of mobile banking. Regarding green banking policies, other countries such as Bangladesh have issued policies so that all banks in Bangladesh participate in implementing green banking by making environmentally friendly policies(Ganesan & Bhuvaneswari, 2016). The Bangladesh government is obliged to formulate and adopt green banking based on approval from the Board of Directors. Banks have to approve a sizable amount of funding in their annual budget for the implementation of green banking (Lalon, 2015). Likewise, the implementation of green banking in India is still a relatively new (Ganesan & Bhuvaneswari, 2016). In Bank Indonesia Response (2014) Law number 23 of 2009 concerning environmental protection and management. This regulation relates to economic activities that must be balanced with efforts to protect the environment from the impacts that arise as a result of these activities. The regulation that emerged was Bank Indonesia Regulation No 14/15/2012 regarding the assessment of the quality of commercial bank assets, in this regulation it is explained that Bank Indonesia emphasizes banks in Indonesia consider environmental feasibility factors in evaluating a business (Anggraini et al., 2020). In addition to Bank Indonesia, the Financial Services Authority issued its regulations through POJK no 51/POJK.03/2017 concerning the implementation of sustainable finance for financial service institutions, issuers, and public companies by the OJK requiring the entire Financial Services Sector to apply sustainable finance principles by submitting an Action Plan Sustainable Finance (RAKB) and Sustainability Report submitted to OJK and the public.

Conclusion

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Adoption of green banking practices will benefit the environment in many ways. Banks can do much more to help the environment by just promoting green banking. Use of green banking practices will result savings of energy, fuel, paper as well as water. Green banking can reduce the need for expensive branch banks. From a bank's perspective, it can reduce costs, increase the speed of service, expand the market, and improve overall customer service. Green banking practices are very convenient, easy, cost effective and time saver for the bank customers. Customers don't need to go to the bank for banking transaction; hence they can save time as well as money. It is a type of anytime-anywhere banking.

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