

THE DEVELOPMENT OF GREEN BANKING THEORY

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Abstract: *The banking sector plays an important role in economic growth and environmental protection through the development of environmentally sustainable and socially responsible institutions. Change is the need for a clock to survive in all areas. Banks can provide significant leadership for the necessary economic innovations that provide new opportunities for financing and investment policies.*

Key words: *Green banking financial products, sustainable development, Green Banking, commercial banks, UN Sustainable Development Goals.*

Introduction

Aligning with global standards to enhance transparency. At present, the international community is forming a broad consensus on the importance of consistent, sustainable disclosure standards. ABC is a signatory to the UN Principles for Responsible Banking and continues to explore more accurate methods for climate risk stress testing and carbon accounting to keep up with international disclosure recommendations like the ISSB standards.

In addition to disclosing its own ESG information based on global standards, ABC encourages its peers and clients to adopt the same approach to foster a more transparent disclosure environment [1,3].

The 17 SDGs are an urgent call to action. All stakeholders, including government, public sector, banks and other private sector players, must step up dialogues, take more coordinated measures and jointly work for global green growth.

Analysis and results

Creating a nature-positive future is an urgent call and a common goal of humanity. According to the World Meteorological Organization, 2014-2023 was the warmest 10-year period, while 2023 was the warmest year observed in the past 174 years. Climate change is a “crisis multiplier” closely related to more extreme weather events like droughts, floods and fires, which will have devastating effects on human society and add to the vulnerability of the global economy [4,15,18].

To tackle these challenges, all stakeholders should take action to pursue a green, low-carbon, and sustainable development path. The banking sector is indispensable in this transition process, tasked with mobilizing financial resources to advance climate and nature agendas. However, two significant challenges persist.

Greater consensus and alignment are required. Political attitudes towards sustainability and environmental, social and governance (ESG) goals have not yet reached a common ground, resulting in further divergence among key jurisdictions. Promoting transition finance will be much more challenging under an uncertain policy framework. Greater consensus and alignment are needed among the international community to achieve the UN Sustainable Development Goals (SDGs).

Funding for a sustainable transition is insufficient. According to the Institute of International Finance, the global community should invest \$8 trillion every year to achieve net-zero emissions but last year’s figure was only \$2 trillion. The public sector should take the lead to bridge the gap and better catalyze private sector investment, while the financial industry should contribute more resources [11,13,17].

Ultimately, the best way to bank responsibly is to leave unscrupulous big banks for more ethical alternatives. Socially responsible eco banks are much more likely than

their traditional counterparts to be transparent about their investments and lending policies. Most of them will have commitments to not invest in fossil fuels, weapons manufacturers, and private prisons. With a green bank account, you'll have access to environmentally-friendly products that help you grow your wealth and reduce your climate footprint.

Research Methodology

Supporting the sustainable development of agriculture

Agriculture is an important source of carbon emissions. The Climate Change 2023 Synthesis Report by the Intergovernmental Panel on Climate Change shows that about 22% of net global greenhouse gas emissions came from agriculture, forestry and other land use.

Born to support agriculture, ABC keeps enhancing support for sustainable agriculture through eco-friendly farming, water-saving irrigation, modern seed industry, rural industries and rural infrastructure.

The Tala Shoal area of Qinghai Province in northwestern China is one example, which used to be the Gobi Desert. ABC allocated financial resources to support the solar photovoltaic (PV) power generation and animal husbandry, transforming the area into a healthy ecosystem.

Now, Tala Shoal is commonly pictured as a mass of solar panels with sheep grazing on the grass underneath them – a picture of green power generation, sustainable herding and ecological restoration [12,15].

The Chinese government put forward the “green development concept” in 2015. This concept emphasizes harmonious coexistence between humans and nature, including industry restructuring, pollution prevention, ecological protection, low-carbon development and resource conservation. It provides systemic guidance for promoting green transition of economic and social development.

The financial sector is the engine that drives economic growth. Commercial banks play a significant role in supporting green development. By the end of 2023, the balance of China's green loans reached \$4.24 trillion, an increase of 36.5%, lent mostly by commercial banks [11,18,20].

Conclusion

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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