

## INSTITUTIONAL PRINCIPLES OF GREEN BANKS FUNCTIONING

### **KHUTORNA Myroslava,**

*Doctor of Economic Sciences, Professor,  
Professor of the Department of Finance and Accounting,  
Territorially separated structural unit  
“Cherkasy Educational - Scientific Department of  
Ivan Franko National University of Lviv”  
ORCID ID: <https://orcid.org/0000-0003-0761-3021>*

### **ANDREIKIV Tetiana**

*Ph. D. in Economics, Associate Professor,  
Department of Finance, Economic Security, Banking and Insurance,  
Lviv University of Trade and Economics, Ukraine;  
ORCID ID: <https://orcid.org/0000-0001-5353-248X>*

### **VYSOKA Maryna,**

*chief specialist of the retail sales department,  
AB "UKRGASBANK"*

### **MARUHA Oleksandra,**

*Student of Bachelor's degree,  
“Cherkasy Educational-Scientific Department of  
Ivan Franko National University of Lviv”*

**Abstract:** *The global experience of the peculiarities of the formation of the institutional environment of green banking has been studied. It is substantiated that the formation of the international institutional environment is largely based on the achievements of national financial sectors. The basic aspects of the formation of the institutional environment for the development of green financial intermediation in Ukraine are outlined. The principles of operation of green banking have been developed.*

**Keywords:** *green banks, institutional environment, sustainability, principles.*

One of the defining features of the modern economic system is its social and ecological orientation, i.e. orientation towards ensuring the prerequisites for the sustainable development of society. At the same time, it is the financial and credit sector, first of all, in the form of banks, that is able to take a leading place in the implementation of socio-ecological

projects. Let us emphasize that environmental responsibility of business entities is currently becoming not only an image characteristic of business, but also a way of creating "advantages of the future". This trend has not bypassed the sphere of financial intermediation. Thus, the empirical experience of the development of the financial sector of

developed economies testifies to the fact of the formation of the segment of green finance, which, in turn, is characterized by a set of specific tools, mechanisms and institutions, as specialized subjects of such relations. At the same time, the full development of such institutions is impossible without the development of the appropriate institutional environment, without the formation of which, in our opinion, it is impossible to stimulate the emergence of green, and even more so, sustainable banks. We believe that relying exclusively on banks with traditional business models in this matter in anticipation of their proactiveness in the development of the green banking segment is overly optimistic. In the best case, banks in response to modern eco-trends will develop green banking as one of many business directions, but not the main one.

In view of the above, the purpose of this scientific article is to study the foreign experience of the formation of the institutional environment of green banking and outline the key positions that should be taken into account in domestic practice.

For quite a long time, the business industry of banks and ideas of sustainable development were defined as incompatible and impossible to implement in their activities. Moreover, the business logic of financial intermediation separated individual actions and responsibility for possible harmful outcomes in economic, social and environmental contexts. It would seem that attempts to create incentives for responsible and long-term oriented behavior in relation to sustainable development are at odds with real market incentives aimed at obtaining short-term, individual and maximum benefits.

Based on the study of foreign experience in the formation of the institutional environment for the development of green banking, it is proved that the national financial regulators are the pioneers in the development of the institutional foundations of green banking and in the further development of a sustainable financial sector. In turn, the formation of the international institutional environment is largely based on the achievements of national financial sectors.

Green banking as a type of business model of the bank must function on the following principles: environmental friendliness, responsibility for the damage caused, proactivity, integration into the ecosystem of the implementation of environmental programs at various levels and in the fields of knowledge, the formation of corporate environmental awareness and the development of an ecological culture in the bank, systematicity.

In terms of the establishment of the domestic green banking institute, the following priority tasks include: improvement of corporate governance in banks from the point of view of implementation of the methodology of taking into account environmental factors at all levels of management decision-making; development of requirements for bank environmental risk management; establishment by banks of criteria for evaluation and selection of projects for financing, taking into account their impact on ecology; ensuring that banks disclose information about the impact of their activities on the environment; integration of climate aspects into the system of ensuring their financial stability. Along with these priorities, we

also consider it expedient to introduce a number of fiscal incentives that would encourage the participation of banks in the implementation of social and environmental projects and the development of sustainable financing in general.

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