JEL Classification: G21; Q01; Q56; O16; E58

Zavadska Diana
Dr. Sc. (Econ.), Professor of the Department of Banking
Odessa National Economic University
Odesa, Ukraine

GREEN BANKING TO POWER THE CIRCULAR ECONOMY

The theses are devoted to the analysis of the circular economy and sustainable finance as key directions for sustainable development. An assessment of the interconnections between these concepts has been conducted. The features of implementing a circular economy through investments in new technologies and innovations aimed at reducing waste and increasing resource efficiency have been identified. It has been established that sustainable finance provides the necessary investments to support circular economy projects, including green banking and socially responsible investing.

Keywords: *circular economy, sustainable finance, green banking, socially responsible investing, sustainable development.*

The circular economy and sustainable finance are two important directions aimed at achieving sustainable development. The circular economy is a model of economic activity that seeks to reduce waste and make the most of resources. It involves transitioning from linear production and consumption to closed cycles, where resources are reused and recycled. Sustainable finance is a practice aimed at financing projects and companies that contribute to sustainable development. It includes green banking, social investing, and other forms of financing that have a positive impact on the environment and society [1].

The circular economy and sustainable finance are closely interconnected. The circular economy requires investments in new technologies and innovations that help reduce waste and improve resource efficiency. Sustainable finance can provide these investments, funding companies and projects that implement the principles of the circular economy.

With the gradual spread of sustainable development principles to the financial sector, a new concept has emerged "sustainable finance". According to the National Bank of Ukraine, sustainable finance is understood as "the integration of environmental, social, and governance (ESG) criteria into financial services to achieve sustainable development outcomes, including mitigating and adapting to adverse effects of climate change" [2].

The role of the National Bank of Ukraine in achieving Sustainable Development Goals, particularly Goal 9: Industry, Innovation, and Infrastructure "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation" is as follows: *creating conditions for the introduction of long-term sustainable lending instruments by banking and non-banking financial institutions, diversifying and increasing* *their volumes; developing regulatory and legal frameworks for sustainable finance; conducting informational and explanatory work; providing financial support* [3].

Green banking, as a modern trend, is considered a unique environmentally friendly business philosophy in the banking sector, promoting the use of resource-saving environmentally safe technologies and products to minimize environmental harm from the operational activities of financial institutions and to stimulate the implementation of environmental projects based on environmentally and socially responsible financing [1].

Thus, the banking sector can play an intermediary role between economic development and environmental protection, promoting environmentally sustainable and socially responsible investments. In such a "green" banking sector, a multi-level network of financial intermediaries is gradually forming, consisting, *on the one hand of newly created (functionally rather than organizationally) global, regional, and national green banks and development banks, and on the other hand, separate eco-financial divisions within existing commercial banks*.

According to the experience of leading countries, including Canada, the functioning of "green" banking as an integral type of banking sector activity based on the principles of environmentally and socially responsible financing serves as a practice. "Green" banks entail sustainable operations, sustainable lending, "green" products and services (continuous investments in electronic and telephone banking), and community activities.

It should be emphasized that "green" banking is implemented in two ways:

Firstly, as a bank management mechanism aimed at reducing environmental harm and costs due to the current operational activities of banks.

Secondly, as a mechanism for providing financial resources to stimulate environmental projects, the production of green technologies, ecological goods and services, or for developing activities for environmental conservation.

In conclusion, we note that the mechanism for providing financial resources represents a bank project financing mechanism, specifically a way of financing green projects, particularly of national significance (implementation of Sustainable Development Goal 9) [4]. The Development Bank is the main element of this mechanism.

References:

1. Haron, R., Md Husin, M., & Murg, M. (Eds.). (2020). *Banking and Finance*. IntechOpen. DOI: http://10.5772/intechopen.87329.
2. Політика щодо розвитку сталого фінансування на період до 2025 року. *Національний бак України*. URL: http://surl.li/udbxy (дата звернення: 30.04.2024).
3. 17 Цілей сталого розвитку. *Global Compact Network Ukraine*. URL: https://globalcompact.org.ua/tsili-stijkogo-rozvytku/ (дата звернення: 30.04.2024)
4. Zvieriakov, M.I., Zavadska, D.V. (2021). Formation of institutional model of project financing in ukraine. Naukovyi Visnyk Natsionalnoho Hirnychoho Universytetu. 2021, 3, 155-161. DOI: https://doi.org/10.33271/nvngu/2021-3/155.