The Role of Banking Services in Green Financing of Tourist Enterprises

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ABSTRACT

The article summarizes the theoretical and methodological approaches to the definition of "green" finance, and on this basis identifies the structure of green finance for the world economy. It explains how "green" investments in tourism can boost economic growth and create more jobs by increasing resource efficiency and reducing negative impacts on the environment.

KEYWORDS: *green finance, green economy, green credit, green bond, ecotourism, green projects.*

Introduction. At present, in the context of modernization of the country's economy, it is especially important to introduce new methods of infrastructure and innovative development of various sectors of the economy, their financing methods. The financial system, which is one of the tasks of efficient redistribution of monetary resources, plays an important role in this process. Banks and non-bank financial institutions have great investment potential to finance environmental and social projects. As green finance is a relatively new activity for banks and financial companies, monetary regulators and national financial institutions and organizations are only in the process of creating bias norms, rules and recommendations in this sphere. This research topic is related to the general trends and problems of the world economy, in particular, its financial system in the context of ensuring global sustainable development.

Against the background of the rapid growth of the world's population and the growth of the world's gross domestic product, a catastrophic decline in natural capital is taking place. All of this could lead to a reshaping of the world economy, taking into account profound social, economic and environmental changes, according to UN forecasts. This means that such negative consequences can be prevented only if global sustainable development and the transition to a green economy are ensured. It is the financial sector that is capable of sustaining these qualitative changes in such conditions.

The issue of "green" finance is now integrated into all areas of human activity around the world. Most international organizations incorporate an environmental component into their spheres of activity based on the problem of achieving objective reality and balanced sustainable development [1].

Literature review. Different definitions of green finance in modern literature can be found. Thus, according to the UN Environment Program, the goal of green finance is to increase the level of financial flows from the public, private and non-profit sectors to sustainable development priorities. An important component of this process is to control social and environmental risks, obtain appropriate commercial benefits, and at the same time have a positive impact on the environment [2].

The G20 Research Group on Environmental Finance defines green finance as "an investment that contributes to environmental benefits in the broadest sense of environmental sustainability". Green finance also includes a perception of risk to make environmental protection a priority and to increase green investment and reduce funding that harms the environment [3].

Nannette Lindenberg[1], Gretchen Daily, Katherine Ellison[2], Richard L. Sandor[3], Carl Burkart [4], Jin Noh Hee[5], and others have addressed global “green” financial problems in their research. Despite the fact that a lot of research is being conducted on various aspects of sustainable development of the world economy in terms of financial resources, the emergence of new tools for "green" financing of the dynamics of the world economy is still insufficiently developed.

Due to the lack of established terminology, authors of scientific and practical works are not always able to distinguish between ecological / green and sustainable finance. Green finance, therefore, can often be understood as financing, which involves taking into account not only environmental but also management and social impacts, which allows it to be defined as sustainable. Sources of green financing can be bank resources, resources of other financial institutions, non-financial commercial institutions, individuals, government and non-profit organizations.

From the point of view of the theory and practice of "green" financing, "green" financing is a special type of financing that is clearly focused on the implementation of "green" projects, "green" modernization of relevant production facilities. All sources of "green" financing have one common feature - the targeted use of funds received from them for the needs of the "green" economy. However, a variety of tools can be used to facilitate the implementation of “green” financing, namely: “green” taxation system, incentives, fines, bank loans, and more. Thus, we can conclude that there are different methodological approaches to defining green finance. Green finance promotes environmental impact and enhances environmental sustainability, while at the same time providing activities to reduce the environmental and climatic risks of global economic development. Also, the topic of "green loans" is currently the most common among foreign scholars, but local experts pay little attention to this topic.

Canadian authors Yujun Kui, Sean Geobey [4], and others believe that green credit is a bridge that connects environmental protection areas with financial institutions, while green finance is generally seen as a solution to environmental problems and resource management.

The authors L.Yu.Andreeva, N.G.Vovchenko, T.V.Epifanova, A.A.Polubotko [5] suggest that subsidizing the green lending system will help to more effectively manage environmental costs in the development of rules for the transition to a green economy. The authors also note that Russia should start developing its own green lending instruments to ensure economic stability due to the negative volatility of hydrocarbon fuel prices.

There are many types of green loans currently offered by banks. The Credit Market Association divides green loans into two main types:

- loan for projects and services for environmental protection and waste reduction;
- loan to emerging strategic sectors.

However, banks often introduce additional products and services to meet the specific needs of their customers. The actual classification of green loan products varies between banks.

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[1] Lindenberg N. Definition of Green Finance. German Development Institute, April 2014. 3 p. Available at: https://www.die-gdi.de/uploads/media/Lindenberg Definition green_finance.pdf.

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[5] Jin Noh Hee, Financial Strategy to Accelerate Innovation for Green Growth (2010).

Analysis and results. While green finance as a financial market segment is still in its infancy, financial instruments such as green loans, green bonds, green investment funds and green stock indices are growing rapidly. Experts estimate that by 2030, the world will spend about $ 93 trillion on green projects, which will require the widespread use of appropriate financial instruments[6]. Sustainable financial products have been thriving for a long time, and for good reason: green financial products not only offer great opportunities for big profits, but they also allow investors to invest their money in higher goals - to change the state of the economy and society for the better. How does all this work and why are small and large investors investing more in sustainable financial products? 50% of the funds of institutional investors in Europe are already directed to green financial products. There are other benefits that are important to investors: green finance is a less risky form of investment than others. Studies have shown that green businesses are more resilient to crises.

It will soon be clear which companies in Europe are truly “green” and therefore environmentally sustainable: The European Union is working to develop standards for “green bonds” to classify environmentally sustainable securities. The tourism sector has a significant impact on environmental sustainability and contributes to global greenhouse gas emissions, and is also an important source of financial revenue for biodiversity conservation. Wildlife tourism accounts for 7% of world tourism, a segment that grows by about 3% annually. A total of 14 countries in Africa will benefit from entry fees to protected areas, about $ 142 million[7].

Climate change and investment in low-carbon infrastructure and research can lead to tremendous economic growth and create millions of new jobs: by 2050, 42 million jobs can be created from renewable energy alone[8]. Green economy models for the tourism sector show that the greatest potential for increasing resource efficiency lies in SO2 emissions, where business is expected to improve by 52% as usual, followed by energy consumption (44%), water consumption (18%) and clean waste disposal (17%). Such a transformation is in line with changes in consumer demand, which are projected to be actively developed in the next decade.

According to forecasts, mountain, natural, cultural-historical and adventure tourism will actively develop in the next 10 years. According to the Swedish Tourism Association, interest in hiking and mountain tourism has increased by 300 per cent. Global ecotourism costs are projected to grow faster than the industry’s average growth rate. However, the tendency to invest in sustainability, social and environmental responsibility can be observed, as a rule, among large hotel operators. Therefore, it is necessary to develop appropriate taxation and subsidy policies to encourage investment in energy efficiency and resource efficiency, which will actually bring huge returns in the short term. A green tourism strategy cannot be successfully implemented without the right laws and regulations or the right governance structure to control them. Legislation will need to protect the environment, limit potential harmful development, control harmful practices, and encourage healthy behavior. Appropriate taxation and subsidy policies need to be developed to encourage investment in sustainable entrepreneurship. We can use tax incentives and subsidies to encourage green investment in the construction of sustainable buildings.

Subsidies may be provided for the purchase of equipment or technology that reduces waste generation, increases energy and water efficiency, maintains biodiversity (payments for environmental services), and strengthens ties with local firms and civil society organizations. A mutual barrier to investing in greener or more sustainable tourism is also a lack of understanding and recognition of the value created for companies. Environmental and social investments remain

6 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52018DC0097
7 UNWTO
8 International Renewable Energy Agency, “Global Renewables Outlook: Energy transformation 2050, edition: 2020”, 2020, available at https://www.irena.org//media/Files/IRENA/Agency/Publication/2020/Apr/IRENA_Global_Renewables_Outlook_2020.pdf

relatively new and outside major financial markets. Without information, knowledge and tools, “greening” would be almost impossible. The transition to a green economy has the potential to achieve sustainable development and eradicate poverty, and enable the goal to be achieved quickly and efficiently. One of the directions of the "green" economy is the trend of "green", "responsible" tourism.

One of the most important components of the emerging global market is the developing "green" banking system, which will gradually define a multi-level "network" of financial intermediaries. These include, on the one hand, global, regional and national “green” banks and development banks established from scratch, and, on the other hand, separate eco-financial divisions and “green” development banks established within existing commercial banks. The most important tool of the segment under analysis is green credit.

In accordance with the Resolution of the President of the Republic of Uzbekistan dated October 4, 2019 "On approval of the Strategy of the Republic of Uzbekistan for the transition to a" green "economy for 2019-2030", a government strategy for the years has been developed. It identified issues of supporting "green" investments, in particular, "green" lending, activating the private sector in financing projects for the transition to a "green" economy, as well as encouraging the banking system for "green" investments.

Lending operations in the system of Uzpromstroybank on the basis of this mechanism are carried out in cooperation with the World Bank. In 2018, Green Bank also took a special place in the transformation program developed by the Bank with the support of consultants from the International Finance Corporation and the European Bank for Reconstruction and Development. To date, the bank has financed 20 "green" projects in three phases totaling $ 91 million[9].

Economic recovery measures, investments and recovery plans, including through multilateral development banks and financial institutions, can have a positive impact on tourism development, supporting sustainable tourism infrastructure and renewing it to be carbon-neutral and sustainable in the long run. An innovative approach and leadership in the field of sustainable investment and finance will allow the sector to make effective use of its achievements and strengthen its strategic position in relation to financial institutions. The latter will be more inclined to support transformational measures to increase resource efficiency and attract green investment in tourism development projects.

Conclusions and suggestions. There is a need to develop reliable and transparent definitions, standards and classifications of green finance to manage financial allocations and investments. It also needs to expand and improve its ability to assess, manage and publicly disclose information on financial risks associated with climate change. With the soon-to-be-introduced green criteria for state-funded investment projects, it is necessary to take a similar approach to private investment, creating a favorable business environment, including legal and institutional support, and lucrative business opportunities. It is necessary to increase the capacity of public finance to encourage private investment by further expanding the capacity of public financial institutions: for example, increasing lending powers and co-financing.

The globalization of green finance is an objective process that is consistent with and encouraged by global reforms and is a new stage in the development of the modern global financial system. A distinctive feature of the process under analysis is the formation of a global market for “green” financial instruments and the innovative nature of the initiatives and national practices of countries with emerging and emerging markets, the balanced and regulated development of the global market

[9] https://bank.uz/news/o-zsanoatqurilishbank-o-zbekistonda-yashil-iqtisodiyotni-qo-llab-quvvatlamoqda4444

for green financial instruments can lead to the solution of a number of global financial, economic and "green" problems.

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