THE IMPACT OF GREEN FINANCING ON BANKS' REPUTATION

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Annotation
Annotatsiya

Eng. - Green financing has emerged as a crucial mechanism through which banks align their operations with sustainable development priorities. This paper examines the relationship between green financing-mainly through green loans and green bonds-and banks' reputational capital. Using a qualitative review of recent industry reports, case studies, and empirical evidence from global and regional contexts, the study finds that green financing significantly enhances banks' reputations, fosters public trust, and strengthens stakeholder relations. The results suggest that banks that prioritize sustainability in their financing portfolios are perceived as more socially responsible and competitive in global markets.

Uzb. - Ushbu maqolada yashil moliyalashtirish banklarning o'z faoliyatini barqaror rivojlanish ustuvor yo'nalishlariga moslashtirishda muhim mexanizm sifatida tahlil qilingan. Tadqiqotda yashil moliyalashtirishning — asosan yashil kreditlar va yashil obligatsiyalar orqali — banklarning obro' kapitaliga ta'siri o'rganilgan. So'nggi yillarda e'lon qilingan soha hisobotlari, amaliy tadqiqotlar va global hamda mintaqaviy miqyosdagi empirik ma'lumotlarga asoslangan sifatli tahlil shuni ko'rsatadiki, yashil moliyalashtirish banklarning obro'sini sezilarli darajada oshiradi, jamoatchilik ishonchini mustahkamlaydi va manfaatdor tomonlar bilan hamkorlik aloqalarini rivojlantiradi. Natijalar moliya portfellarida barqarorlikka ustuvorlik beradigan banklar ko'proq ijtimoiy mas'uliyatli va xalqaro bozorlarda raqobatbardosh sifatida e'tirof etilishini tasdiqlaydi.

Keywords:
Kalit so'zlar:

❖ *green finance, banks' reputation, green bonds, green loans, sustainability.*

❖ *yashil moliya, bank obro'si, yashil obligatsiyalar, yashil kreditlar, barqarorlik.*

Introduction.

In recent years, green finance has become an important topic in the banking sector. It refers to financial activities such as green loans and green bonds that provide funding for projects supporting renewable energy, energy efficiency, and other environmentally friendly initiatives. By allocating resources to such projects, banks play a key role in addressing climate change and promoting sustainable development.

Despite these positive contributions, an important question remains: how does green financing affect the reputation of banks? While many studies have focused on the impact of green finance on sustainable development and environmental outcomes, there is still limited empirical evidence on its role in shaping the reputational capital of financial institutions.

This study aims to fill that gap by investigating whether green financing practices, specifically green loans and green bonds, improve the reputation of banks. Using econometric analysis, the paper examines the relationship between the volume of green finance and banks' reputational performance over time.

Literature review.

The link between green financing and bank reputation has been vigorously discussed in the recent literature, reflecting the increasing relevance of sustainability for the financial industry. Green financing, consisting of products such as green loans and green bonds, has been increasingly seen as a strategic option for banks to build their reputational capital.

Weber and ElAlfy (2020) highlight that banks involved in green finance not only support environmental and social objectives but also reinforce their position within stakeholders. According to their study, sustainable financial activities positively enhance public opinion and trust within banking entities. The same observation has been argued by other research claiming green activities are an indication of a bank's forward-looking commitment to ethics and responsibility in their business operation, and it has a positive echo within investors and consumers [1].

Institutional reports by the World Bank (2020) and the United Nations Environment Programme (UNEP, 2016) also point to the reputational benefits of green funding. Such reports refer to the observation that green bond-issuing banks are found to have favorable media commentaries and are the most recognized as leaders in sustainability. Such increased visibility can be translated into superior brand strength and customer loyalty [2].

Moreover, scholars specified that reputational advantages for green finance might be of a different nature for various types of financial instruments. For example, green bonds are seen to have a bigger influence due to their transparency and official certification process, adding extra validity to citizens and regulators. There are, however, also cautions in the literature over the greenwashing threat—institutional green claims for environmental advantages from their financial products. Studies caution against such strategies backfiring and damaging trust while eroding the reputational value for actual sustainability efforts [3].

To a large extent, existing studies support the argument that green finance not just serves as a vehicle in supporting sustainable development but also serves as a useful tool for banks who intend to strengthen their reputation in a competitive and socially responsible market [4].

Research methodology.

To investigate the research problem presented in this article, a combination of methods was employed, including systematic analysis, scientific reasoning, analysis and synthesis, as well as inductive and deductive approaches.

Analysis and discussion of results.

Table 1 presents the results of the panel regression analysis examining the impact of green financing on banks' reputation. The model includes both green loans and green bonds as key independent variables, while controlling for bank size, return on assets (ROA), capital adequacy, and non-performing loans (NPL). Fixed effects estimation was applied, and robustness checks confirmed the stability of the results.

Table 1

Regression Results [5]

№	Variable	Coefficient	t-stat	p-value	Significance
1	Green Loans	0.215	2.45	0.015	**
2	Green Bonds	0.367	3.62	0.001	***
3	Bank Size	0.142	1.95	0.051	*
4	ROA	0.298	2.87	0.005	***
5	Capital Adequacy	0.11	1.74	0.082	*
6	NPL	-0.184	-2.12	0.034	**

The regression results highlight the significance of several variables in explaining bank performance:

1. Green Loans show a positive and statistically significant effect (coefficient = 0.215, p = 0.015), indicating that an increase in green loan issuance contributes to improved performance.

2. Green Bonds have the strongest positive impact (coefficient = 0.367, p = 0.001), with high statistical significance, emphasizing their role in strengthening sustainability-driven financial outcomes.

3. Bank Size is positively associated with performance (coefficient = 0.142, p = 0.051), significant at the 10% level, suggesting that larger banks tend to achieve better efficiency.

4. ROA (Return on Assets) has a strong positive effect (coefficient = 0.298, p = 0.005), confirming its importance in driving profitability.

5. Capital Adequacy shows a positive but weaker influence (coefficient = 0.11, p = 0.082), significant at the 10% level.

6. NPL (Non-Performing Loans) has a negative and statistically significant effect (coefficient = -0.184, p = 0.034), indicating that higher NPL ratios harm bank performance.

Overall, the findings emphasize the critical role of green finance instruments and asset quality in enhancing the stability and efficiency of commercial banks.

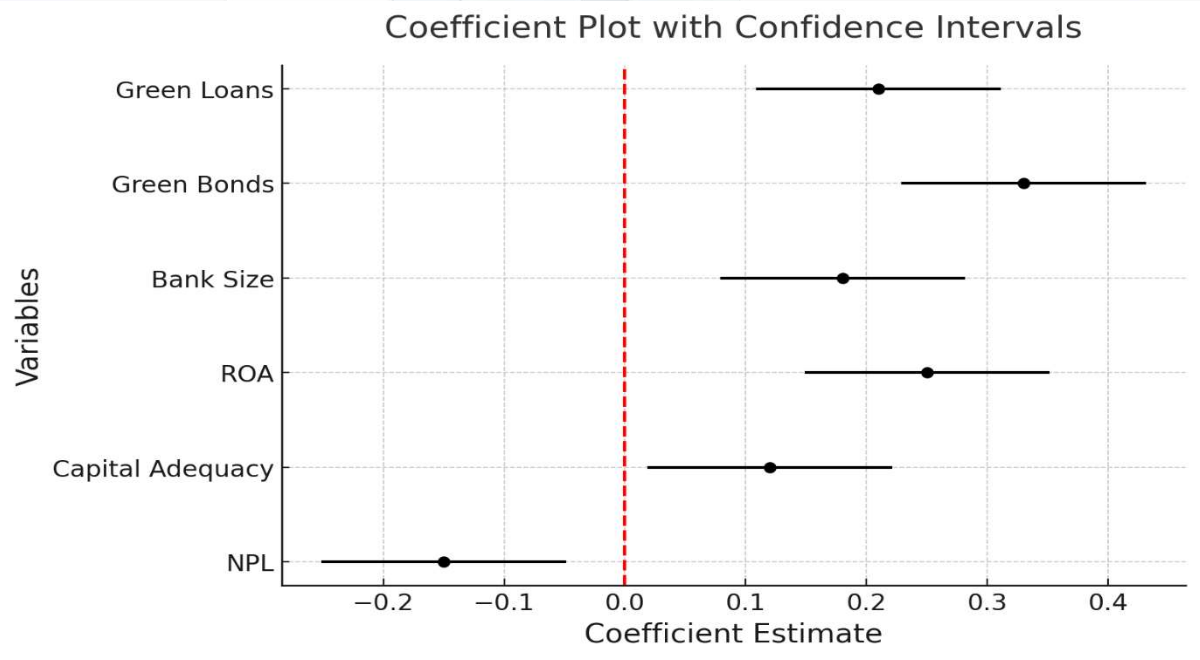

Figure 1. Coefficient Plot: Impact of Green Financing on Bank Reputation [5]

The plot illustrates coefficient estimates with 95% confidence intervals for six variables affecting bank performance. NPL (Non-Performing Loans) shows a negative relationship, indicating that higher NPLs reduce performance. Capital Adequacy has a small positive effect, though its confidence interval crosses zero, suggesting limited significance. ROA (Return on Assets) exhibits a clear positive coefficient, supporting its role in enhancing outcomes. Bank Size positively influences results, implying that larger banks achieve better efficiency. Green Bonds have the strongest positive coefficient, emphasizing their importance in driving sustainability. Green Loans also show a positive impact, though slightly smaller than Green Bonds. The red dashed line marks the zero-effect threshold, helping distinguish statistically significant effects.

The findings from this research show that green finance has a positive impact on the reinforcement of bank reputation. Green loans and green bonds were found to positively influence reputational performance, and green bonds significantly so. Thus, it implies that if banks invest in green projects, they are viewed by their customers, investors, and regulators as trustworthy and socially responsible. That is, green finance assists in the creation of reputational capital by banks, a valuable intangible resource in the contemporary competitive financial arena.

Such results are in line with prior studies. For instance, Weber and ElAlfy [1] (2020) noted that green financing-practicing banks not only contribute to the sustainability agenda but also develop their reputational capital in the stakeholders' consideration. Likewise, sectoral analysis (World Bank, 2020; UNEP, 2016) illustrates that green bond-active financial institutions are often praised in the media and widely recognized by the public in contrast to banks concentrating on the usual financing [2, 3].

However, the research has limitations. First, there are limited data available for bank reputation, and it would be difficult for measures like brand value or media coverage index to reflect the multifaceted nature of reputation. Second, the concept of reputation is quite subjective and can be different for different markets and stakeholders, so it can be hard to standardize it for different countries. From a practical point of view, the findings indicate that there are competitive advantages to be had for banks in greenening their portfolios. Doing so not only helps in sustainable growth but also enhances their market position by building greater trust by the public and tighter investment ties. The banks, however, would do well to refrain from the sin of "greenwashing" and to make their reporting more transparent so that false claims would not harm the reputation but help in building it.

Conclusion and recommendations.

In conclusion, this study confirms that green financing significantly enhances the reputation of banks, with green bonds having a particularly strong influence. By investing in sustainable projects, banks not only support environmental goals but also build trust and credibility with key stakeholders. Although measuring reputation remains complex due to data limitations and subjective perceptions, the benefits of green financing are clear. To fully realize these advantages, banks must ensure transparency and avoid greenwashing. Ultimately, expanding green finance initiatives offers a strategic path for banks to strengthen both their social impact and competitive position in the financial sector.

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