Chapter 1

Green Finance and Its Impact on Improving the Performance of Saudi Banks:
Case of a Sample of Saudi Bank Employees

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ABSTRACT

This study aims to measure and analyze the extent to which banks adopt green financing strategies and to show the extent of the impact of green financing in improving the performance of green banks as modern approach to banking in the Saudi banks. To achieve the research goal, a random sample of ten Saudi banks was selected. Then, a questionnaire was prepared and formulated by reviewing previous studies and was arbitrated by several specialized professors. The research sample was distributed to the senior management of each bank utilized in this chapter. From the empirical results of this chapter, the authors find a significant correlation between the dimensions of green finance and the performance of green banks in Saudi Arabia. Similarly, they demonstrate the presence of a significant effect of the dimensions of green finance on improving the performance of green. It was also found from the research that no bank mentions in its annual report any steps or initiatives it takes to implement green bank policies.

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1 INTRODUCTION

The issue of green finance is one of the modern and important topics that must be focused on, as it receives the attention of the international community and environmental protection organizations. The environment and the exploitation of these resources to serve the community and achieve economic wellbeing and reduce the adverse effects of human activities on climate change, global warming, and resource depletion (Beck and Demirguc-Kunt, 2006).

The financial sector can play a crucial role in building a stable and prosperous economy with the implementation of the principles of responsibility and accountability. This requires redirecting investments towards economic activities, that balance economic, environmental, and social objectives, in order to improve human wellbeing, and reduce the impact of global challenges, such as climate change, the absence of biodiversity, inequality, etc. In this sense, many analysts take a closer look at the “green economy”, which can contribute to promoting economic growth and achieving sustainability goals at the same time (Beck and Demirguc-Kunt, 2006; Yu et al., 2021; Melay et al., 2017).

The 2030 Agenda for Sustainable Development in Saudi Arabia and the Paris Climate Agreement represent key turning points in advancing global action to promote the transition towards a green economy and tackle climate change. Their implementation has contributed to the growth of environmental awareness and the integration of sustainability into the financial sector, which indicates a qualitative shift in the way financial intermediation is managed and monetary transactions are structured. On this basis, new environmental and climate-friendly, sustainable, and responsible investment products and financial instruments have been developed, including green bonds and green, sustainable, and responsible investment instruments (Corradini et al., 2014; Beladi et al., 2021).

According to UNDP estimates, an annual gap of $2.5 trillion is needed to achieve the SDGs, while implementing renewable energy solutions requires an additional net investment of $1.4 trillion, or nearly $100 billion annually on average between 2016 (in which the SDGs were adopted). sustainable development) and 2030, according to the International Renewable Energy Agency (IRENA). On the other hand, a recent report by the Global Commission on the Economy and Climate highlights that shifting to a sustainable low-carbon approach to growth could lead to an economic boom of $26 trillion through 2030 and help create more than 65 million new jobs. This increased awareness has fueled the development of new lists of assets that can be classified under the umbrella of sustainable finance. Activities classified under this category consider environmental and social considerations.