

Description for the general public

Green banking versus economic efficiency of Polish banking sector in the context of implementation of the Directive UE 2014/95/UE

“I am deeply convinced that the ecological factor transformed qualitatively banking in the XXI century” (prof. Borys)

Modern companies of the financial sector display an increased involvement in environmentally responsible activities. This trend is also evident among banking institutions, both on European and global scale. This environmentally responsible approach is manifested not only in the internal management strategies, but also in the banks' commitment in financing of environmentally friendly investments. The eco-responsible consumers already take into account the environmental dimension in their selection of suppliers of financial services, and this tendency is expected to increase in the foreseeable future. The most important force to shape this change of awareness among consumers is the strong environmental movement, actively supported by pro-ecologic institutions, social organizations and experts – scientists, local community leaders, ‘green’ political parties, and environmentally-conscious media [Kobyłko, Zaremba, 2007]. Those institutions should be the most active proponents of environmental awareness in contemporary societies, also with respect to financial decisions and choices. The earliest concepts and solutions related to the environmental responsibility of economic entities on modern markets date back to the 1980s, and were developed in the context of economic disciplines involved in the study of company operation [Graczyk, 2008]. At present, the significance of environmentally responsible activities intended to protect the natural resources can no longer be overestimated, and this attitude is expected from all economic entities, including those of the financial sector.

In a recent PwC study, nearly 50% of CEOs of the largest global companies concurred that limited natural resources, climate changes, urban development and demographic trends would be of key importance for the operation of their companies in the near future. At the same time, 75% of the respondents saw that responding to social needs and the regard for future generations were important not only for the society as a whole, but also for the effective operation of economic entities. Obviously, this includes the providers of financial services. The findings seem to corroborate the assumption that measuring and reporting of company social influence – also with respect to its eco-responsible activities – is of great importance for the long-term success of any enterprise, banking sector included.

In April 2014, the European Parliament adopted a new directive UE 2014/95/UE mandating companies to annually disclose non-financial information on company policies, results, environmental risks, social risks (employee interests, human rights) and corporate governance (anti-corruption, board diversity). The new reporting obligations will apply to companies with more than 500 employees and the balance sheet total exceeds the equivalent of 85 million pln or net sales exceed the equivalent of 170 million pln. The obligation of non-financial reporting will apply to Polish entities in the preparation of the reports for 2017, banking institutions included. This fact points to the relevance and importance of the issues planned to be implemented under the project.

Lastly, in the context of financial results generated by the banking sector, investors should be particularly interested in environmental information, since the share prices of companies actively involved in the protection of natural environment tend to be higher [Lulek and Szczypa, 201]. It must also be noted that, based on analyses of basic financial indices, such as solvency ratios, total assets and net financial position, the standing of environmentally responsible banks is relatively better than that of the sector as a whole. In other words, those banks are more effective in terms of their economic performance.

Therefore the planned research includes conducting studies on the degree of involvement of all Polish commercial banks in the process of increasing environmental compatibility of these institutions, and determining the relation between their ecological responsibility and financial efficiency. Analysis of these relationships will be conducted with using selected statistical tools. Implementation of the project will attempt to answer the question if environmentally responsible banks are economically efficient.