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Factors Favoring the Adoption of Green Finance by Financial Institutions In Dakar: An Exploratory Study

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Abstract

As with any organization, financial institutions, particularly in Dakar, play a crucial role in low-income and emerging economies by mobilizing capital and investing in climate change mitigation. Drawing on neo-institutional theory, this exploratory study aims to understand and identify the factors that may influence the adoption of green finance by banks in Dakar. To achieve this, interviews were conducted with five (5) bank CEOs and three (3) solar energy stakeholders (bank clients), and the data were analyzed using thematic categorical content analysis. The findings, based on the interviewees' responses, reveal that top management support, proactive institutional strategies, capacity building, incentive policies, market share development, allocation of funds to green projects, and the digitization of banking services are likely to influence the adoption of green finance by banks in Dakar. Furthermore, the direct involvement of monetary and regulatory authorities, through the development of specific regulations that encourage financial institutions to adopt green finance, is essential.

Keywords: Green finance, Adoption, Banks in Dakar, Neo-institutional theory

1. Introduction

Historically, the banking sector has not been actively engaged in environmental issues, leading stakeholders to view it as neutral in this regard. However, recent studies have highlighted a correlation between banking activities and environmental degradation (Ahuja, 2015; Zheng et al., 2022). In response, nations have implemented policies to combat environmental degradation and climate change. In this context, Monastérolo et al. (2018) argue that banks play a crucial role in low-income and emerging economies by mobilizing financing and investing in climate change mitigation. Consequently, banks can transition to green banking by adopting green finance.

According to Rabea'Hadi et al. (2023), green banking involves integrating environmental and social aspects into banking activities and services to promote sustainable development. In this study, the adoption of green finance is directly linked to the integration of environmental, social, and governance (ESG) factors into financing decisions. However, the adoption of green finance to address climate change presents numerous challenges (Florez et al., 2023).

In Senegal, climate finance significantly increased from 2016 to 2020, reaching $665.5 million per year, totaling $3.4 billion, compared to $1.2 billion ($198.9 million per year) from 2010 to 2015. Although the private sector's contribution has grown in recent years, particularly with energy transition projects, it remains limited, accounting for only 12.6% of overall climate finance, compared to 38% in South Africa. Green finance aims to secure funding for ecological projects (Mngumi et al., 2022). While there is no universal consensus on the definition of green finance in international and academic circles, Den Elzen et al. (2016) adopt the G20 Green Finance Study Group's definition, which refers to green finance as "the financing of investments that deliver benefits in the broader context of ecologically sustainable development."

Previous studies have explored the concept of green finance (Ziolo et al., 2021; Adhikari & Safaee Chalkasra, 2023), focusing on its challenges and opportunities. Some researchers have attempted to identify the factors influencing the adoption of green banking services (Shafique & Khan, 2020; Rabea'Hadi et al., 2023), while others (Bukhari et al., 2023; Fakhira et al., 2023; Gör & Tekin, 2023) have examined the determinants of green finance adoption. In Senegal, green finance remains relatively underexplored. A few studies have addressed corporate social responsibility in the Senegalese context (Simen & Ndao, 2013; Diop et al., 2018; Ndour, 2024). While

banking institutions in Senegal recognize the importance of green finance, the factors influencing its adoption have not been thoroughly investigated. Therefore, this study aims to understand and identify the factors determining the adoption of green finance by banks in Dakar, leading to the following research question:

What Factors Influence the Adoption of Green Finance by Banks in Dakar?

Before presenting the results of this study, we will first review the state of the art, followed by a description of the adopted methodology. Finally, we will discuss the results and their managerial implications.

2. Literature Review

2.1 Theoretical Foundations of Green Finance Adoption by Banks

In this section, three main theories are mobilized (neo-institutional, resource dependence and transaction costs) to elucidate the reasons behind banks' adoption of green finance.

2.1.1 Neo-Institutional Theory

According to Ménard (2003), institutions are defined as a set of stable and impersonal norms, represented by laws and traditions, which determine how transactions are organized. Drawing on the distinction made by Davis and North in 1971, and further developed by North in 1990, between the institutional environment and institutional arrangements, helps simplify the understanding of transactions. The institutional environment refers to the "rules of the game"—political, social, and legal rules—that constrain and validate the transactional activities of actors. Institutional arrangements, on the other hand, refer to how these rules are applied by actors, particularly in organizing transactions within the framework of these rules. Coase (1991) emphasizes that "institutional structures of production" are distinguished by their arrangements, where quality is ensured.

2.1.2 Resource Dependence Theory

Resource Dependence Theory (RDT) explains how firms develop and maintain competitive advantage by accessing and controlling scarce and valuable resources. Pfeffer (1987) emphasizes the distinction between RDT and other theories traditionally employed to study the relationships between business, economics, and interclass perspectives. According to Pfeffer, this distinction arises primarily from RDT's focus on reducing uncertainty and managing interdependence. In the context of green finance, RDT can be applied to understand how companies can enhance their performance by integrating Environmental, Social, and Governance (ESG) criteria into their activities.

2.1.3 Transaction Cost Theory

According to Brousseau (1989), the theory of transaction costs emphasizes the significance of contractual issues closely related to the nature of transactions defined by contracts. Transaction costs encompass two types of risks during contract signing: ex-ante and ex-post risks (Williamson, 1988). Negotiation costs are associated with the mechanisms of transactions, while maladaptation costs arise from the coordination mechanisms of those transactions. Understanding this theory is essential to grasp the costs that implementing green finance may entail.

In summary, among the three theories mobilized in this work, neo-institutional theory is particularly emphasized to illustrate the necessity for adopting green finance. This theory underscores the development of political, social, and legal rules that govern the transactional activities of actors. It builds upon institutional theory, whose importance is widely recognized by researchers (Hoejmose et al., 2014; Lee et al., 2013; Yang and Su, 2014). As a new domain, institutional support plays a crucial role in promoting the adoption of green finance.

2.2 Empirical Review

Green finance aims to tackle the environmental challenges posed by industrial development, driven by a global commitment to combat climate change (Gör & Tekin, 2023). Recent literature indicates that banks' adoption of green finance contributes to green economic growth through green investments (Gör & Tekin, 2023; Shafique & Khan, 2020). Rabea'Hadi et al. (2023) explore how green banking enhances environmental sustainability, bank profitability, and a more eco-friendly financial climate. Their study highlights potential benefits of green banking, including cost efficiency, customer loyalty, and new opportunities, while also addressing challenges such as knowledge gaps, regulatory support, and initially high costs. They underscore the role of corporate governance as a catalyst for sustainable development and a tool for mitigating climate change through a comprehensive literature analysis. To ensure long-term profitability, the integration of environmental management and social responsibility is essential for a sustainable and prosperous future, emphasizing the urgent need for financial institutions to align their financial flows with sustainability requirements.

Ahmad et al. (2013) investigate factors influencing the adoption of green banking by commercial banks in Bangladesh, identifying the reasons behind this adoption. Using a stratified probability sampling method, they surveyed 300 employees from ten commercial banks. Their factor analysis revealed six key factors—economic factors, policy directives, loan demand, stakeholder pressure, environmental interest, and legal factors—accounting for a combined influence of 65.25% on the banks' decisions to adopt green banking to promote sustainable economic development.

Desalegn and Tangl (2022) conducted a comprehensive analysis of green finance, examining its forms, instruments, and measures to strengthen inclusive green growth. They identify progress needed to address gaps in green finance while aiming to enhance green finance for inclusive investments. Their critical review summarizes findings from 146 relevant studies, indicating that the green financing gap is often due to insufficient financing, poor project selection and management, risk-return trade-offs, and a lack of expertise in assessing risks associated with green projects. Regulatory issues are identified as the primary obstacle to improving green financing.

Arumugam and Chirute (2018) studied factors influencing the adoption of green finance by commercial banks in Malaysia, focusing on variables such as environmental interest, stakeholder pressure, guidelines, economic elements, and loan applications. Their results indicate that all predicted factors significantly impact the adoption of ethical banking.

In 2023, Fakhira et al. aimed to establish the relationship between variables influencing the adoption of green banking and the strategies used by commercial banks in Indonesia, employing SWOT analysis. Data was collected through an online questionnaire from 88 employees of banks implementing ecological banking services. Structural equation modeling (SEM-PLS) results revealed strong correlations between stakeholder pressure, top management support, brand image, and other variables with the factors influencing the adoption of green banking. Banks can implement green banking strategies based on SWOT analysis, including innovations in green banking products, strengthening community empowerment programs, developing internal capabilities, collaborating with fintech, and improving public education on green banking services.

Appah et al. (2024) examined the relationship between environmentally friendly banking practices and green financing sources in listed deposit money banks in Nigeria. Using stratified random sampling from 750 employees, they analyzed data through univariate, bivariate, and multivariate techniques. Their regression results indicated that the green banking practices of bank employees positively and significantly affect the sources of green financing in Nigeria. Additionally, eco-friendly banking practices were found to positively impact the sources of green financing in retail banks.

Bhat (2023) explored obstacles to implementing green finance, identifying opportunities for digitizing banking systems and evaluating the effects of green finance on bank profitability. Primary data collected from 218 organizational managers and CEOs using intentional sampling were analyzed using SPSS version 23.0. The results highlighted the positive impact of green finance implementation on environmental preservation and the banking sector.

Shafique and Khan (2020) studied factors influencing bankers' intentions to adopt environmentally friendly banking services, collecting data from 250 participants through structured questionnaires. Using the partial least squares (PLS) approach for data analysis, they found that policy guidelines, attitudes towards usage, central bank regulations, and management commitment significantly influenced bankers' intentions to adopt green banking services in Pakistan.

According to Zhang et al. (2021), China's "green credit guidelines" policy serves as a noteworthy experiment. Analyzing data from 1,021 Chinese companies listed between 2007 and 2017, they found that the adoption of green credit guidelines encourages investments in renewable energy. Furthermore, short-term debt mediates the impact of these guidelines on renewable energy investments, while long-term debts obscure this relationship, with financing constraints showing no significant effect. The effects of these debts on renewable energy investments vary across ownership and organizational scales.

Adhikari and Safaee Chalkasra (2023) highlight the importance of mobilizing private sector investment for climate action, drawing on concrete examples from SMEs, MNCs, and impact investors. Their findings confirm that private sector actors are willing to invest in climate adaptation, although their choices are limited by risks associated with climate adaptation projects, a lack of viable projects, and insufficient knowledge of climate risks. An appropriate approach is essential for mobilizing private sector finance and encouraging favorable public policies that facilitate the involvement of diverse actors.

2.2.1 The Link between the Different Factors of the Adoption of Green Finance Identified

Based on previous findings, it is possible to distinguish institutional factors, brand image factors and value creation factors that influence the adoption of green finance. Institutional factors refer to regulations, policies, top management and institutions that can influence the adoption of green finance. According to Ntow-Gyamfi & al. (2020), it is considered that the quality of institutions and aligned financial development are essential to improve environmental performance. Along the same lines, Ngwenya and Simatele (2020) assert that obtaining financial support is complex for many countries due to limited institutional capacity in project design and planning. As regards the Branding factors refer to how stakeholders perceive sustainability. According to Shantha (2019), individuals' purchasing activities, decisions, and behaviors are influenced by reputation and brand image. For example, attracting investors, retaining customers and strengthening the company's reputation. Finally, the factors of value creation refer to the way in which stakeholders create values. According to research by Ndzibah & al. (2022), value creation is an essential concept and process that distinguishes a company from its competitors. According to the same authors, this contributes to long-term security and encourages brand image. According to Rabea'Hadi & al. (2023), the use of green finance helps reduce operating costs, improve customer retention and access new markets. Thus, institutional factors can encourage the adoption of green finance. What contributes to the brand image of the bank, then the latter in turn will contribute to the creation of value, vice versa. Based on previous literature, the following proposition can be made:

P: Institutional factors, brand image and value creation can influence the adoption of green finance by banks in Dakar.

To understand and identify the factors that determine the adoption of green finance by banks, the exploratory qualitative approach was mobilized and developed in the following section.

3. Methodological Approach

The qualitative approach is suitable for exploring new fields where available data is limited, and there is a need for exploration due to the difficulty of identifying the factors determining a particular phenomenon (Creswell and Poth, 2016). Given the underexplored nature of this area in the literature, the study adopted an exploratory qualitative approach based on Sanséau's strategy of reality (2005), which utilizes a “life story method” commonly used in the social sciences. This method refers to any practice that analyzes the life story or narrative of an individual regarding the events they have experienced. In this approach, the researcher provokes discourse while allowing the participant the freedom to articulate the facts and their interpretations (Wacheux, 1996).

For this study, convenience sampling was employed to gather information. Interviewees were selected based on their experience in the banking sector, as well as their hierarchical position and expertise in banking activities relevant to the study. From November 2023 to February 2024, interviews were conducted using a convenience sampling method guided by opportunistic reasoning (Girin, 2011) with five general managers of financial institutions (BIMAO, LBA, BNDE, FNB, and OQSF) until reaching semantic saturation, along with three solar energy players who are clients of these banks. The selection of financial institutions was made because they have already begun practicing green finance. Several international institutions support the private sector, as private investment opportunities for green growth and climate action in Senegal are available across various sectors. Notably, LBA was one of the first commercial banks in the region to be accredited by the Green Climate Fund in 2020.

To understand and identify the factors determining the adoption of green finance by banks in Dakar, the data collection tool (interview guide) was developed around these factors. The interviews, averaging 45 minutes in duration, were conducted face-to-face using the interview guide. The bank executives interviewed were aged between 30 and 57 years. The collected data were processed through thematic content analysis, involving faithful recording and verbatim transcription of the interviews. Following this, a coding phase was conducted to form the corpus of the study. To facilitate the retrieval of their comments (Fieve and Chrysostome, 2024), the verbatim transcript of the first interview will be cited as “B1,” and that of the first solar player in the local market will be cited as “AS1.” This descriptive approach allowed for the identification of units of meaning reflecting the reasons for the adoption of green finance by banks in Dakar. The results are presented in table form, categorized into three main factors for interpretation.

4. Results

At this level, the results of the analysis of interviews conducted with bank managers in Dakar are presented and discussed. The speeches of those interviewed revolve around three (03) categories of factors, namely: institutional factors; brand image factors and value creation factors. In this way, they will be analyzed and interpreted to

achieve the objective defined by this study. Particular attention is paid to the problems faced by certain financial institutions. The identified factors that influence the adoption of green finance by banks in Dakar are summarized in the table below.

Table 1. Summary of green finance adoption factors and their occurrences

Categories	Meaning Units	Occurrences
Institutional factors	Political directives	07
	Incentive policies	10
	Banking regulations	05
	Capacity building	12
	Senior management support	14
	Proactivity of the institution	14
Branding factors	Customer loyalty	05
	Market share development	14
Factors related to value creation	Allocation of funds to green projects	13
	Long-term profitability	05
	Banking service digitization	12

The extracts from speeches collected for the dimensions retained within the framework of institutional factors are presented in the Appendix A

Cited fewer times in the speeches of the interviewees, the **political directives** can be explained by a lack of institutional communication. According to some versions: "*I have no ideas about the Paris agreement and the CDN. I would like to know their implications in green finance"* (B1) or *"The adoption of the contribution determined at the national level marks the will of the Senegal to honor its commitments under the COP21 Paris Agreement"* (B3).

Cited by a good number of respondents, the **incentive policy** appears as a factor in promoting green finance. What emerges in a few comments. *"A certain number of mechanisms have been put in place to better guide subsidies in green projects, including the CSE [1]"* (B2) or *"The government published a decree in 2020 providing for the 18% exemption on 22 categories of renewable energy equipment to encourage financial institutions to adopt green finance."* (B1; B2; B4).

Also cited less by respondents, **banking regulation** suffers from a gap in terms of green finance. As some versions illustrate: *"The Central Bank has not defined a green finance guideline...however, some banks have adopted it on their own initiative."* (B1; B2; B3).

Narrated by many respondents, **capacity building** is considered a determining factor. As some comments collected illustrate: *"We are reluctant to adopt green finance because we do not have expertise in this area." (B4; B3).* This is seen as an obstacle to the adoption of green finance.

One of the units most cited by respondents is **senior management support**. According to some versions: *"Without the support of senior management, we would not have been able to adopt green finance. It is thanks to the involvement of senior management that green finance was adopted by the institution." (*B2; B4). *In addition, a solar player on the local market says: "access to financing and tax facilitation, such as tax incentives through the VAT reduction on solar products, constitute measures that can encourage the shift towards energy sources. renewable. This requires the adoption of green finance by upstream banks so that they can contribute to this effort" AS1.* Another agrees: *"access to financing is the guarantee. Financial institutions ask people for guarantees before granting them credit when they don't have any. If the State can find a guarantee lever to correct this aspect, that would be wonderful. The State could act as guarantor as part of the promotion of green finance to encourage the use of renewable energy" (AS2).*

The **proactivity of the institution** is one of the units cited by respondents. What emerges in the words of a respondent in these terms: *"Our institution (LBA) participated in a sustainable agriculture program over the period from 2016 to 2018, financed by AFD. Following the execution of this program, we decided to adopt green finance to contribute to the fight against climate change. This is how we undertook the accreditation process with FVC which was ultimately granted to us in 2020 for a renewable period of 5 years; despite the fact that we have not received any injunction from the BCEAO which has not issued any regulations related to green finance."* (B1). Others mention that despite the absence of a guideline from the central bank and even less of a firm injunction from

[1] Ecological monitoring center (CSE).

the State, certain financial institutions are starting to adopt green finance. Most of the speeches are summarized in these terms: *"In my opinion, the adoption of green finance by certain local banks is their own initiative in order to seize the opportunities linked to the transition to the green economy"* (B2; B3; B4; B5).

Peng & *al*. (2018) believe that the development of green finance is inseparable from state support. For these authors, the government should put in place certain incentive policies to promote green finance.

The unit least cited by respondents is **customer loyalty.** For the moment, it does not influence the adoption of green finance. As some versions testify: *"I believe that in the Senegalese context, customer loyalty does not depend on the decision to adopt green finance. We cannot establish the link between customer loyalty and green finance for the moment"* (B1; B3). Cited by many respondents, the **development of market share**. According to some versions *"The adoption of green finance improves the brand image. It facilitates the mobilization of concessional financial resources from dedicated organizations."* (B2; B3; B4). Which is indeed the case on the local financial market, with the rise of green investments, such as renewable energies, sustainable agriculture, etc. *etc.*

Another solar player adds: *"the State can speak with the banks to see to what extent to define the terms of support for those who wish to install solar energy for domestic or other use. It should be noted that many people want to have a solar solution as their main source of energy but the financial means are lacking." (AS3).*

Cited by a good number of respondents, **the allocation of funds for green projects** is among the factors in the adoption of green finance. According to the version *"Thanks to the allocation of green project funds, we have the possibility of granting green loans at the subsidized interest rate which is more competitive."* (B1; B3; B4). Least cited by respondents, **cost effectiveness** is seen as a barrier to adoption. As some versions testify*, "Let us not lose sight of the fact that every financial institution aims to make a profit. So, we are first interested in the profitability of our operations in the short term. However, investments in green projects in general are profitable in the long term."* (B2; B3; B4). Regarding profitability, a local solar player puts forward: *"the State only has to guarantee people's credit. Tell the banks, listen, if you have a Senegalese who does not repay his loan, I am the guarantor. Then, you can turn to the State to get reimbursed."*

As for the **digitalization of banking services,** the majority of respondents recognize its advantage. What emerges in some comments collected "*On the one hand, the offer of online banking services has allowed us to serve our customers at any time. On the other hand, it has reduced our use of papers for administrative purposes."* (B3; B2). This study found that allocating funds to environmentally friendly projects is cost-effective. This allocation can positively influence a bank's value creation over time. Likewise, the digitalization of banking services contributes to the dematerialization of part of banking services (less use of paper). This dematerialization of banking services partly results in a reduction in operating costs in the long term.

5. Discussion

By analyzing the factors that influence the adoption of green finance by banks, many authors emphasize the importance of its benefit and its use (Agrawal & al., 2023; Fakhira & al., 2023; Rabea'Hadi & al., 2023). According to neo-institutional theory, business management methods are always influenced by a set of values, norms and organizational models located outside the company (North, 1990). Institutions refer to "a collective and regulatory complex made up of political and social agencies that dominate other organizations through the application of law, rules and norms" (DiMaggio and Powell, 1983).

- ***Institutional factors in the adoption of green finance by banks in Senegal***

In Senegal, banks are adopting green finance due to various factors linked to the institutional, economic and environmental context. In addition, the Nationally Determined Contribution was adopted by the country as well as the Green Emerging Senegal Plan to promote green growth. Which justifies the choice of neo-institutional theory to the detriment of the other two.

The research results reveal that at the level of institutional factors, the predominant variables are respectively support from senior management cited fourteen (14) times, proactivity fourteen (14) times, capacity building twelve (12) times and incentive policies ten (10) times. All these variables, which emerge in the speeches of the interviewees, explain the reasons which push the 05 banks of Dakar to start practicing the adoption of green finance. This result corresponds to the study conducted by Ahmed (2012) and Shafique and Khan (2020), explaining that senior management can exert significant influence on the implementation of green policies and practices in financial institutions. According to Bukhari and *colleagues* (2019), the adoption of green finance by banks is not limited to changing a bank's business operations. As for the proactivity variable, it is of capital importance in the adoption of green finance by banks in Dakar. Which corresponds to the results of the study by

Rabea'Hadi & al. (2023) which show the difficulties encountered, such as gaps in knowledge, regulatory support and initially high costs. In the same vein, the study by Peng and his *colleagues* (2018) considers that the development of green finance is closely linked to state support.

- ***Branding factor***

As for Senegal, collaboration with international financial institutions and development agencies encourage the adoption of green finance. We note that the market share development variable occurs fourteen (14) times and can influence the adoption of green finance. Note that a conventional bank can adopt green finance by directing its main operations towards improving the environment. This involves developing banking strategies that promote environmentally friendly practices and economic development. Green finance offers market-effective solution-based opportunities to a number of environmental problems such as climate change, deforestation, carbon dioxide emissions and loss of biodiversity. Therefore, banks can identify and create opportunities to benefit customers and the environment. So, a positive brand image is the first step to success, attracting more customers and business partners. Reputation and brand image are the reasons for purchasing activities, behavior decisions of people (Shanta, 2019). Senegal's subscription to the CDN gave it access to international funding to support its climate initiatives. This includes the use of Green Climate Funds or other financing mechanisms associated with the fight against global warming. These collaborations have the capacity to provide technical, financial and legal support. Which corresponds to the result of the study by Bouteraa & al. (2023) who claim that the adoption of green finance by banks can transform them into green banking and make banking inclusive and environmentally friendly. Rabea'Hadi & al. (2023) in their study show the potential benefits of green banking, such as streamlining operating costs, retaining customers, and seizing new opportunities. Despite the challenges, the prospect of green growth is promising for banks in Dakar.

- ***Factor linked to value creation***

Senegal faces climate risks such as drought, floods, rising water levels and many others. According to the Senegal country report published by the African Development Bank in 2023, loans and other debt instruments represent 85% of the country's climate financing (including 29% non-concessional loans) [2]. The country mainly uses funding from multilateral and bilateral donors to implement its climate agenda. This explains the fact that in terms of value creation factor, the allocation of funds to green projects is cited thirteen (13) times, followed by the digitalization of banking services cited twelve (12) times. Regarding the distribution of funds for green projects, it is important to note that government funding represents only 15% and is mainly supported by multilateral development agencies, which represent 38% as well as bilateral cooperation which represents 24% [3]. This corroborates the results of Bhat (2023) which highlights the beneficial effect of the implementation of green finance in the banking sector on the preservation of the environment. According to OECD data (2021), the private sector began to make a significant contribution to climate finance from 2018 with projects more focused on adaptation. However, mitigation projects are seeing a sharp increase in 2020, closing the gap recorded in the past with adaptation projects. Note that mitigation projects are mainly financed by the private windows of technical and financial partners such as the World Bank, the African Development Bank, the French Development Agency [4]. This corresponds to the results of the study carried out by Park and Kim (2020), who estimate that through these investments, energy efficiency is improved, expenses are reduced, and risk management is strengthened. As for the digitalization of banking services, it occurs twelve (12) times. The digitalization of banking services marks a decisive turning point in the transition to environmentally friendly banking services. According to Bouteraa & al. (2021), green banking mainly refers to financial products and services that make extensive use of the IT system and paperless financial transactions. The result of the study corresponds to that of Choudhury & al. (2013) who estimate that digitalization thus offers access to banking services 24/7, such as e-banking, SMS banking, Mobile Banking, etc. Unlike traditional banking systems which require customers to go to bank branches to carry out their transactions, the adoption of green finance makes banking activity more inclusive, going beyond just profits and encompassing the improvement of well-being.

Managerial implications

Senior management plays an essential role in defining strategic directions, implementing sustainable practices

[2] senegal_cfr_2023.pdf

[3] senegal_cfr_2023_0.pdf

[4] senegal_cfr_2023.pdf

and raising team awareness. To successfully meet this challenge, it must:

- Drive a strategic vision by developing a green finance policy in the bank's overall strategy. This involves setting specific objectives, identifying market opportunities and aligning the vision with the country's sustainable development initiatives;

- Ensure that ESG criteria are integrated into decision-making processes. This concerns in particular the assessment of risks and opportunities linked to environmental, social and governance factors;

- play a crucial role in employee training and awareness. This may include promoting awareness programs on sustainable financial products, environmental benefits and new business practices;

- Implement green financial products by creating a new service dedicated to supporting green finance. This new department must work in collaboration with the product and service teams to design and implement green financial products and services.

For the proactive strategy of banks, it presents many advantages, both for financial institutions and for the environment and society.

For banks:

- Improvement of reputation and brand image by positioning themselves as important players in the ecological transition, to better consolidate their own reputation and attract customers aware of the importance of a clean environment. This can lead to an increase in the loyalty of existing customers and the acquisition of potential customers;

- Access to new green finance markets by positioning yourself advantageously and seizing new business opportunities;

Benefits for the environment and society:

- Acceleration of the ecological transition by financing green projects and abandoning polluting activities, banks contribute to reducing GHG emissions [5]and preserving natural resources;

- Development of innovative solutions: green finance stimulates innovation and the development of new clean technologies, thus promoting the emergence of more sustainable economic models;

- Improving living conditions by supporting social and environmental projects, banks contribute to improving the health conditions of populations in developing countries like Senegal.

Very few commercial banks have started to adopt green finance in Dakar. But many still do not practice it due to the absence of specific regulations for green banks issued by the Central Bank. Specifically, regulatory issues have been considered the main challenge to improve green financing (Desalegn and Tangl, 2022). By adopting the idea of these authors, the BCEAO must consider developing specific regulations related to green finance to encourage commercial banks to adopt it. Thus, we can mobilize the contribution of the private sector to climate and environmental financing efforts which could affect green growth in the Senegalese context.

Limitations and perspectives for future research

In general, studies on the adoption of green finance remain limited and necessitate further in-depth research. This exploratory study aims to understand the motivations behind certain institutions in Dakar adopting green finance practices. As a result, three determining factors have been identified: institutional factors, brand image, and value creation.

However, this study has certain limitations, including the use of a convenience sampling method and the restriction of the research to Dakar, which may hinder the generalizability of the findings. Therefore, the results of this qualitative survey could serve as a foundation for future research by quantitatively examining the motivations and resistance factors influencing the adoption of green finance by banks across Senegal.

6. Conclusion

In conclusion, green finance is still in its infancy among banks in Dakar. Only a few banks in the region have begun to implement green banking practices through green finance, influenced by various economic, social, regulatory, and environmental factors. The transition to sustainable financial methods is a complex process that necessitates a thorough understanding of the incentives for adopting green finance.

Regarding institutional factors, variables such as top management support, proactivity, capacity building, and

[5] Greenhouse gases (GHG).

incentive policies can significantly influence the adoption of green finance. In terms of brand image factors, the development of market share plays a crucial role in this adoption. Concerning value creation factors, the allocation of funds to green projects and the digitalization of banking services emerge as critical variables influencing the uptake of green finance. Overall, the study identifies seven key variables that may affect the adoption of green finance by banks in Dakar.

Furthermore, private sector participation is vital for strengthening green growth and climate action in Senegal. As the third priority action plan of the PSE for the period 2024-2028 is being drafted, it is essential to capitalize on the sector's investment opportunities for adapting to climate change and reducing greenhouse gas emissions. Therefore, the direct involvement of the central bank in developing specific regulations that encourage financial institutions to adopt green finance is crucial.

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Authors' contributions

Dr Maurel Loïs Ahlonko SOSSOU was responsible for the design. He therefore wrote and revised the manuscript.

Phd Student Joël MOYEYEGUE was responsible for data collection. Furthermore, all authors read and approved the final manuscript.

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Appendix A: Institutional factors

Units	Verbatim
Policy guidelines	The adoption of the nationally determined contribution (NDC) and the new green Emerging Senegal Plan (PSE) demonstrates the country's commitment to the fight against climate change.
Incentive policy	Tax exemption for energy equipment, access to the fund via accredited national entities and finally the application of market mechanisms are measures that encourage the practice of green finance.
Banking regulations	The central bank has not defined a guideline for green finance. Some banks have adopted it on their own initiative.
Capacity building	Capacity building for professionals in the financial sector on green finance is important.
Senior management support	Support from senior management is essential in the process of adopting green finance.
Proactivity of the institution	The adoption of green finance by certain local banks is their own initiative, in order to seize business opportunities linked to the transition to the green economy.

Appendix B: Brand image factors

Units	Verbatim
Customer loyalty	Our customers are loyal without the practice of green finance. We cannot establish the link between customer loyalty and green finance
Market share development	The adoption of green finance gives a brand image to financial institutions. In addition, it opens up market opportunity perspectives in the green niche.

Appendix C: Value creation factors

Units	Verbatim
Allocation of funds for green projects	From now on, we have the possibility of borrowing at subsidized rates to deploy green projects.
Profitability	Let us not lose sight of the fact that every financial institution aims to make a profit. So, we are first interested in the profitability of our operations.
Digitization of banking services	Offering online banking services partly reduces our operating costs.