

THE FINANCIAL SECTOR AND SUSTAINABLE DEVELOPMENT

Miroslav RUSKO, Anton KORAUŠ

Abstract

Growing load and deterioration of the environment can be interpreted as a result of some external effects interventions. While the positive externalities influence the positive productional and utilizational functions of other subjects, the negative externalities influence the negative ones. Both types of external effects can act as parcial or global externalities. Linking the environmental issues to economy and finance is an important sphere. Co-implementation of both marketing and environmental audits is an important element of this sphere too.

Key words

environment, economics, management, audit

Introduction

When considering the planet Earth, the current human activities are of a global nature. Significant problems include worsening of the environmental conditions. Humanity nowadays has the most modern tools of its whole history at its disposal to influence the environment (both in the positive and negative sense). Unlimited economic growth especially in the states with developed economies, the so-called countries of the rich North, and an exponential growth of human population bring along distortion of certain systems all throughout the planet. The present human civilisation affects the air, climate, soil, water, circulation of substances, live organisms as well as the civilisation itself. Environmental problems caused by human activity are getting more and more globalized.

Miroslav Rusko, PhD. - Slovak University of Technology in Bratislava, Faculty of Materials Science and Technology, Institute of Safety and Environmental Engineering, Botanická 49, 917 24 Trnava, Slovak Republic, e-mail: >mirorusko@centrum.sk<

Anton Korauš, PhD. - Department of Banking and International Finance, Faculty of National Economy, University of Economics in Bratislava, Dolnozemska 1, 852 35 Bratislava, Slovak Republic, e-mail: akoraus@gmail

Concept of a sustainable development

A recent notion of humanity development identified only with the economic growth has now been corrected so that it would lead also to fulfilment of social goals, in particular to reduction of poverty, enhancement of the quality of life, and improved opportunities for better education and health. This change of orientation requires a comprehensive approach to the development of mutual relations management between natural and human, as well as branch and structural aspects of development on all levels [6]. As a result of this changed orientation, a concept of sustainable development was created, which is further developed and internationally applied. Since 1960s the knowledge that an unlimited or uncontrolled growth, whether of human population, consumption or pollution etc., is not sustainable under the circumstances of real, existing and limited resources is becoming more wide-spread [5].

It is therefore necessary to replace the model of industrial civilisation by a more sustainable and just concept. Sustainable development concept is nowadays considered a possible solution to adverse consequences of global trends in the society development and their negative impact on the environment. The emphasis is put on the need to base this concept on healthy ecosystems, strong economy and well-functioning social issues [4].

In its draft Sustainable Development (SD) Principles, the EU has declared that SD is the key factor of all EC policies stipulated by the Treaty. This document determines the crucial objectives such as environmental protection, social equity and cohesion, economic prosperity and meeting the international responsibilities. In fulfilling these objectives, the EU is guided by the following political principles: promotion and protection of fundamental human rights, solidarity within and between generations, open and democratic society, involvement of citizens, involvement of social and business partners, policy coherence and governance, policy integration, use of best available knowledge, precautionary principle, “polluter pays” principle [1].

Nowadays, there are still many areas in Slovakia contaminated by the past and current industrial activities, which cause serious negative impact not only on the human health and life, but lead to the constantly worsening quality and conditions of the environment. The most important principles in case of negative impact of anthropogenic activities on the environment is giving preference to preventive measures rather than to corrective ones, and application of the “polluter pays” principle [2].

Prevention or remedying of environmental damage should be implemented via “polluter pays” principle in accordance with the sustainable development principles [3].

Quality Management System

The adoption of Quality Management System (QMS) has to be a strategic decision of an organisation. The proposal and introduction of the Quality Management System in an organisation is influenced by various needs, specific objectives, delivered products, used processes, as well as the size and structure of the organisation. The aim of the standard is not to introduce a unitary structure of quality management systems or a single documentation. The requirements put on a quality management system specified in this international standard meet the requirements put on products. The international standard may be used by internal and external parties, including certification bodies, in order to assess the ability of an

organisation to comply with requirements of a customer, as well as the regulations and requirements of the organisation.

An important milestone in the development of quality management systems was the issuance of ISO standards of 9000 series in 1987 by the International Organisation for Standardisation, the Technical Committee TC/176 Quality Management and Quality Assurance. ISO standards of 9000 series were the beginning of the path towards the top quality and were an effective tool of enhancing work within a company via the quality management system. The first extensive revision of these standards was carried out in 1994, and then the norms were again substantially reviewed in 2000.

STN EN ISO 9001 (01 0320) is identical with the norm *EN ISO 9001: 2000 Quality Management System. Requirements*. This standard replaces STN EN ISO 9001 of December 1996 (01 0321), STN EN ISO 9002 of March 1997 (01 0322) and STN EN ISO 9003 of January 1997 (01 0323) in their full scope. The text of the international norm ISO 9001: 2000 was prepared by the Technical Committee ISO/TC 176 “Quality Management and Quality Assurance”, Subcommittee 1 “Concepts and terminology”, in cooperation with the CEN Management Centre.

The standard applies in particular to the organisations which would like to mark their products as CE, and therefore they have to comply with the new approach to the European directives, and to other parties involved in the process. Publication of EN ISO 9001: 2000 concerns Council Decision 93/465/EEC of 22 July 1993 concerning the modules for the various phases of the conformity assessment procedures and the rules for the affixing and use of the CE conformity marking, which are intended to be used in the technical harmonisation directives.

Standard STN EN ISO 9001 is harmonised with ISO 14001 so that compatibility of the two standards is beneficial for the user public.

Environmental Management System

The environmental policy focuses, besides the application of legislative approach, also on the implementation of voluntary tools which support economic growth of the company, its competitiveness, profitability, including new vacancies, and helps reduce negative impacts of human activity on the environment.

The principles and key requirements of the environmental management are common within the application of:

- Standard STN EN ISO 14001 – Environmental Management System,
- Eco-management and Audit Scheme - EMAS.

The documents are based on a common principle – to initiate an active attitude of companies towards the improvement of their relation to the environmental protection, and differ in the fact that one document requires certain system components, while the other only recommends them. Both technical regulations include a management system.

Normative documents for the establishment of the Environment Management System are the set of ISO standards of 14000 series, within which the decisive is the standard *STN EN ISO 14001: 2004 Environmental Management System. Specification with instructions for use*. STN ISO 14004 standard specifies the way to fulfil STN EN ISO 14001: 2004 standards.

EMAS (Eco-Management and Audit Scheme) is based on an environmental management system pursuant to ISO 14001 standard. On the other hand, however, it enhances the environmental management to a higher level, because a company wishing to register within the scheme has to inform about its environmental conduct in an open, clear and truthful manner.

EC Regulation 1836/1993 (EMAS I) allowing voluntary participation by industrial companies in the industrial sector in a Community eco-management and audit scheme adopted on 29 June 1993 by the EC Council of Ministers came into force on 13 July 1993 and became effective for individual EU Member States as of 13 April 1995.

EU Regulation 761/2001 of 19 March 2001 allowing voluntary participation of organisations in a Community eco-management and audit scheme (EMAS II) later amended EC Regulation 1836/1993 (EMAS I).

Sustainable development and financial institutions

The interconnection of economics with environmental issues is of great significance. Banks, insurance companies and other financial institutions financially saturate production projects in compliance with environmental requirements. This highlights the significance of auditing marketing and environmental aspects in close connection.

When carried in frame of marketing audit, the environmental audit helps to judge whether the project of potential loan applicant meets the criteria of environmental protection in compliance with legal regulations and standards. Environmental audit can reveal insufficient compliance with environmental duties imposed on companies within their individual operative units of production. Subsequently it can help to prevent or even eliminate emergency states and eventually increase the probability that the loan applicant will be able to pay off the loan.

The goal of environmental audit is to judge complexly the existent state of business operation and the impact of used technologies on individual components of environment (air, water, soil, environmental protection, noise, vibrations, public health, etc.).

In the past, the main goal of industrial companies was the production as such, often disregarding the environmental limits. The increase in production gradually increased also the pollution of environment and food chains. The products became less expensive but their production was environment-unfriendly.

The current trend is based on harmonisation of production with environmental requirements by means of introducing modern environment-friendly technologies decreasing the pollution. This process has a beneficial effect on producing healthy food and improving public health.

Economics and protection of environment need to be in balance. Environmentally friendly production can be economical. This statement does not always have to hold true in reverse order. The prevalence of economic interest can lead to permanent and irreversible environmental changes.

Linking of environmental issues to economics and finance

The performance of environmental audit within the frame of marketing audit can reveal particular insufficiencies/inadequacies in the project of loan applicant. These inadequacies can increase the risk that the loan will not be paid off. The latter risk can be eliminated by financial institutions by introducing a clause of improvement measures whereby the loan can be provided upon elimination of environmental inadequacies. Many loan applicants object by claiming the funds provided by financial institutions insufficient. Nevertheless, the loan can be designed to include also the funds bound directly to environmental investment and thus the potential investors are directly forced to purchase environmentally friendly technologies and take part in environmental improvement.

Unless the loan applicant meets all environmental priorities, the project represents an increased risk of emergency states, incurred business interruptions, subsequent financial insolvency and inability to pay off the loan. In such cases, the risk born by the financial institution is projected into a loading applied to the interest rate.

If the applicant eliminates the defined environmental inadequacies as e.g. by purchasing environment-friendly technologies decreasing pollution of air and water and limiting the production of waste, the financial institution can decrease the interest rate amidst instalments because the applicant has begun meeting his environmental duties and the risk born by financial institution has decreased.

Conclusion

The interconnection of economics with environmental issues is of great significance. Environmental audit can reveal insufficient compliance with environmental duties imposed on companies within their individual operative units of production. Subsequently it can help to prevent or even eliminate emergency states and eventually increase the probability that the loan applicant will be able to pay off the loan.

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Reviewers:

Milan Piatrik, Professor, PhD. – Faculty of Natural Sciences, Matej Bel University, Banská Bystrica

Karol Balog, Professor, PhD. - Institute of Safety and Environmental Engineering, Faculty of Materials Science and Technology in Trnava, Slovak University of Technology Bratislava