# Green banking

Finance, Banking

Introduction: Deforestation, dissertation, flood, soil erosion, siltation, sedimentation, river bank erosion, increased evaporation, Co2 emissions, rising sea-level, displacement, cyclones, salinization, arsenic contamination are most burning word in the present world. And all words are related natural disaster andclimate change. Because, climate change is the most complicated issue the world is facing. Across the globe there have been continuous endeavors to measure and mitigate the risk of climate change caused by human activity.

Another name of this attempt is “ Sustainable Development” to us. The process of sustainable development involves all sectors in the economy – Government, NGOs, corporate, citizens and, of course, the financial sector. Our beloved mother land Bangladesh is one most affected country by this climate change. And Bangladesh banking industry is ahead one step from other financial institutions for taking endeavors to measure and mitigate the risk of climate change caused by human and banking activity. This activity is familiar in banking industry with title of “ Green Banking”. 1. Green Banking: Green banking in general refers to the efforts of the Banking sector to keep theenvironmentgreen and to minimize greenhouse effects through rationalizing their strategies, policy, decisions and activities pertaining to banking service, business and in-house operational activities. Green banking may be seen as a component of the global initiative from Banks end to save environment. Green banks or environmentally responsible banks do not only improve their own standards but also affect socially responsible behavior of other business. 1. 2 Rational of the Study:

The success of a program like BBA is determined by how successfully the student of this program implemented in the practical life, which they learned from the program. Universities take many steps to make bridge between theacademicknowledge and actual business world event of BBA students. Bangladesh banking industry is ahead one step from other financial institutions for taking endeavors to measure and mitigate the risk of climate change caused by human and banking activity. In Bangladesh there are many banks to do Green Banking among our domestic banks.

The world is now become globalize so we have to sustain in the competitive world. We must take the competitive advantage that’s why we cannot avoid the environment while doing business. That’s why I feel very much interest in Green Banking. And it has another importance to me that is implementation of my educational knowledge and theoretical knowledge to the practical. 1. 3. 2 Specific Objectives: 1. 3. 1 General Objective: 1. 3 Objective of the Study: The objectives of the report are in lies with the objective of Project work.

The prime goal of Project work is to provide a theoretical and practical experience to the student and to generate an opportunity to match the theoretical concepts with real life situation. As stated above to deal with these objectives this report has been primarily divided into two parts. The objectives are: The general objective of this report is to fulfill the partial requirements of the BBA program and making me competent to cope with corporateculturethrough observing the general banking and remove the gap between practical world and theoretical knowledge.

The specific objectives of this report is to I. To get comprehensive knowledge on overall banking industry of Bangladesh. II. To gather comprehensive knowledge on banking functions. III. To get vast knowledge about Green Banking. IV. To learn the major areas and products of Green Banking. V. To learn initiatives for promoting green banking at home and abroad. VI. To identify Green Banking policy. VII. To identify the necessity of Green Banking for Banking Industry. VIII. To identify the steps of Bangladesh Bank for Green Banking. 1. 4 Scope of the Study:

We know that Bangladesh is the most preferable playground to play with people life for natural disaster. Deforestation, dissertation, flood, soil erosion, siltation, sedimentation, river bank erosion, increased evaporation, Co2 emissions, rising sea-level, displacement, cyclones, salinization, arsenic contamination are most burning word in the present world. And all these words are related natural disaster and very suitable to accommodate in our country. That’s why, Green Banking open a new era for Bangladesh banking industry to create a positive image, increase market value and contribute for developing the country.

In our country Banks’ are the major of welfare driven economy and promoter of balanced growth in a country like Bangladesh which has apovertystricken contemporary economic background. So Banks’ have a great opportunity to implement their mission, objectives very easily through green banking. By adopting a comprehensive green banking policy, installing new green banking products, considering green banking strategies at time of loan disbursement, developing program for the clients, mass people, and stakeholders to create awareness among them about the environment a bank can easily practice green banking.

Bangladesh Bank the central bank of Bangladesh is already placed an order on February 27, 2011for the banking industry. Dhaka Bank Ltd. , Shahjalal Islami Bank, Mutual Trust Bank Ltd. , AB Bank Ltd. , Al-Arafah Islami Bank Ltd. , National Bank Ltd. , Uttara Bank Ltd. , Rupali Bank Ltd. , Jamuna Bank Ltd. , Brac Bank Ltd. , United Commercial Bank Ltd. , Basic Bank Ltd. , along with Islami Bank Bangladesh Ltd. , are famous for practicing green banking in Bangladesh. It is obvious that every study has some limitations. The study I have made is of great importance and require me huge work.

While conducting I had to face a number of problems, which called limitations of my report. Those limiting factors that hampered my smooth workings to prepare this report are as follows: * Lack of time: The time period of this study is very short. We had some weeks in my hand to complete this report, which was not enough. So I could not go in depth of the study. * Insufficient data: There is a great lacking of numerical data about green banking. Some desired information could not be collected due to confidentiality of business. *

Other limitations: I have lacking of previous experience in this concern. And many practical matters have been written from my ownobservationthat may vary from person to person. 1. 5 Methodology of the study: 1. 5. 1 Methods of data collection: Methodology is the study or theoretical analysis of particular working methods. Adoption of methodology is an important factor in performing any study. If the methodology of the study is properly adopted and the study runs properly according to the methodology, the study is supposed to be successful.

The following represents the methodology of the study. * Conceptualization: Conceptualization is the way of developing concepts about the thesis topic and its related topics and its related matter the study follows a procedural approach in order to get complete picture of concentration of different banks initiatives to green banking in worldwide and in Bangladesh. * Theoretical Framework: This report theoretical framework is focused on the insight of the current process theories and techniques in related to practicing green banking to get sustainability.

It emphasizes the green banking policy, green banking strategies, green products and probable key opportunities of the products. And their inter relationship with making the environment green. 1. 5. 2 Sources of Data: * Primary Sources: The " Primary Sources" are as follows- i. Face-to-face conversation with the respective officers and staffs of the Branch. ii. Informal conversation with the investment clients. * Secondary Sources: The " Secondary Sources" of data and information are: i. Annual Report (Last five years) of different Banks'. ii.

Periodicals published by Bangladesh Bank. iii. Various books, articles, compilations etc. regarding green banking functions, and the policies. 1. 5. 3 Data processing and analysis: Collected data and information both fromprimary and secondarysources were analyzed in the. Raw data from the survey have collected and edited and then classified and edited and then classified according to the objectives. I have used some techniques for the purpose of analysis. These are: * Theoretical analysis * Graphical analysis *

Tabular analysis 1. 5. Preparation of the report: Following steps are associated with the preparation of this thesis: I. Representations of the assembled data through graph II. Preparation of the draft report III. Preparation of the final report 1. 5. 5 Flow Chart of the study Methodology: Conceptualization Developing Theoretical Framework FixingGoalsand Objectives Data Collection Primary Data Secondary Data Related Organization Identification of the Potential Problem Data Organization Data Processing, Interpretation and Analysis Findings Recommendations Report Presentation

Literature Review: A comprehensive literature study was done to gain an exact scenario of the present status of green banking. During the literature survey relevant information was collected from a number of books journals, magazines, reports, government and non-government documents and other printed materials from the concerned financial and non-financial institutions. A very little study was conducted with the intensity of the green banking till today, although green banking is a burning issue and very crucial phenomena for the present world banking industry.

Green (1989) revealed that a bank'sresponsibilityextends to Government, customers, shareholders, staff, and the community. Companies do have ethical responsibility, but it is not protected by limited liability from the consequences of their actions. A company's record and the perception of its ethics affect its reputation and ensure long-term success orfailure. Further, he concluded that as we face increasingly complex and conflicting issues, our commitment to ethical behavior would be tested. Hitt, Keats and

DeMarie (1998) identified strategic challenges and discontinuities encountered by firms in 21st century.

They analyzed that to build and maintain competitive advantage, requires a new types of organization, leaders for survival and global marketleadership. It was concluded that success in 21st century organization would depend on building strategic flexibility like exercising strategic leadership, building dynamic core competencies, focusing and developing human capital, effectively using new manufacturing technologies and implementing new organization structures and culture. Therefore, the responsibility of banks in this scenario should be reviewed so that changes of 21st century can be effectively controlled.

There is a strong need for re-inventing the role of banks as Jeucken (2001) has compared three world regions Europe (24 banks), North America (6 banks) and Oceania (Japan and Australia; 4 banks) for the period of 1998 to 2000. He analyzed and focused some important differences between regions, countries, and banks with regard to sustainable banking. The methodology was entirely based on studying environmental and annual reports of banks. He concluded that 53 percent of the banks adopt a defensive position towards the environment issue.

Still, a large group of banks do not see the role, which they can play a sustainable development. Sahu and Rajasekhar (2005) addressed and analyzed certain questions regarding bank credit to the agricultural sector and impact of the closure of rural bank branches on the provision of credit to agriculture by analyzing the data on the total outstanding credit provided by the scheduled commercial banks to the agricultural sector during the period

1981 to 2000 and concluded that profit-oriented norms persuaded commercial banks to neglect the agricultural sector, provision of a credit subsidy reduce the supply of agricultural credit.

Lyne, Nielson, and Tierney (2009) evaluated and analyzed10, 000 Multilateral Development Banks (MDBs) loans from 1980 to 2000. They found that (MDBs) dramatically increased social lending forhealth, education, and safety nets after 1985. Yet the great powers' social policy preferences remained relatively static from 1980 to 2000. This contradicts the conventional view that powerful states control International Organizations (IOs). They argued that highly institutionalized IOs like MDBs require a complete model of possible member-state coalitions encompassing the preferences of all member states—not just major powers.

McMichael (2009) questions the Bank's new vision, arguing that ' new wine in old bottles' will continue to supply affluence rather than ' feed the world' and sustain its agricultures, especially at a time when land is being commandeered for luxury foods (e. g. the livestock complex, all-season vegetables and fruits) and bio-fuels, neither of which feed the poor. Ironically, the reproduction of poverty remains the Bank's main source of legitimacy. Goyal and Joshi (2011) studied a sample of 19 bank mergers (post liberalization) based on umber of branches and geographical penetration in the market. Apart from financial aspects, they observed some emerging issues like employees' perception, branch size, customer perception, communication, change management strategies, and human resource management. These issues can be settled when a bank implements certain social and ethical policies. Weber and Remer (2011) described Social

Banking as a way of value-driven banking that has a positive social and ecological impact at its heart, as well as its own economic sustainability.

Most of the Social Banks came out of the crisis much stronger and bigger than they were before. In addition, none of the Social Banks had to be bailed out with public funds. This increasingly attracts the interest not only of clients searching for safe and sensible ways to deposit their funds but also of conventional banks that begin to understand the potential of a more socially oriented approach towards banking. It is a matter of awareness, which compel us to have some views from a different outlook.

Bearing in mind the various functions of a bank and current scenario, now it is high time to understand the role of banks in 21st century. Therefore, this study is conducted to understand the various roles and responsibilities of banks in order to strive more effectively and efficiently against some current issues, which has already attracted the attention of the world. Following are the objectives to uncover the issues: * To understand the various roles and functions of Banks. * To know various emerging issues of 21st century in Banking Industry of India.

The synopsis of my report literature review is Green Banking; the focus is on satisfying existing needs in the real economy and the society; also taking into account their social, cultural, ecological, and economic sustainability. In the repercussion of the crisis, many people felt that green banking is more caring for the overall progress of society than traditional and mainstream banking. It is assumed that green banking may provide important lessons for the banking and financial sector to avoid further crises in the future. 2. 1

Nature of the Research: Research is the systematic investigation into existing or new knowledge.

It is used to establish or confirm facts, reaffirm the results of previous work, solve new or existing problems, support theorems, or develop new theories. The goal of the research process is to produce new knowledge or deepen understanding of a topic or issue. This process takes three main forms: I. Exploratory Research: An exploratory study is undertaken when not much is known about the situation at hand or no information is available on how similar problem or research issues have been solved in the past. II. Constructive Research: Constructive research tests theories and proposes solutions to a problem or question.

III. Empirical research: Empirical research tests the feasibility of a solution using empirical evidence. The literature review of this report is saying us a very little study was conducted with the intensity of the green banking till today, although green banking is a burning issue and very crucial phenomena for the present world banking industry. So, definitely my this report research type is exploratory research because, An exploratory study is undertaken when not much is known about the situation at hand or no information is available on how similar problem or research issues have been solved in the past.

Green Banking: Global warming, which is one of the most burning & discussed issues, has the worst impact on the climate of the planet as a whole. The rapid change in climate will be too great to be adapted by the eco-systems, since the change have already made direct impact on biodiversity, agriculture, forestry, dry land, water resources and human health. As such, issue of global warming calls for a global response. Due to unusual weather pattern, rising greenhouse gas, declining air quality etc. ociety demands that business also take responsibility in safeguarding the planet. The key areas of environmental degradation coverair pollution, water pollution, surface water scarcity, encroachment of rivers, improper disposal of industrial, medical and house-hold waste, deforestation, loss of open space, loss of biodiversity and many other issues. In response to increasing awareness over climate change, environmental degradation, urgent measures for sustainable development have been addressed by some of the stake holders all over the world.

Banking system hold a unique position in an economy that can affect production, business and other economic activities through their procedure for financing activities which would in turn contribute to protect environment/climate frompollution. Moreover, efficiency in energy use, water consumption and waste reduction may significantly contribute for operating cost of many of the large banks of the country.

Projects/Businesses those include waste prevention and resource efficiency systems in a wide range of sectors including community, commercial and business organizations - such as shopping centers, regional airports, hospitals, construction, farms, a university, public organizations, and educational organizations are receiving enhanced attention these days. Greenfinanceas a part of Green Banking makes great contribution to the transition to resource-efficient and low carbon industries i. e. Green industry and green economy in general.

Green banking is a component of the global initiative by a group of stakeholders to save the climate/ environment. Green banks or environmentally responsible banks do not only improve their own standards but also affect socially responsible behavior of other businesses. 3. 2 Why Green Banking: 3. 1 What is Green Banking: * * Green Bank means * An ethical bank * A socially responsible bank * A sustainable bank. * Green Banking is to support: * Innovative green products * Activities those are not hazardous to environment and help conserve environment. To help safeguard the planet from * unusual weather pattern; * rising greenhouse gas; * Declining air quality. * For ensuring green economic growth: economic growth which is sustainable. * To meet one of the Millennium Development Goals: Ensure Environmental Sustainability. 3. 3 Definitions of Green Banking: 3. 3. 2 The Broad focus: 3. 3. 1 In general focus: Green Banking is like a normal bank' which considers the entire social and environmental factors; it is also called as an ethical bank' Ethical banks have started with the aim of protecting the environment.

Green banking refers to the efforts of the Banking sector to keep the environment green and to minimize greenhouse effects through rationalizing their strategies, policy, decisions and activities pertaining to banking service, business and in-house operational activities. Green banking may be seen as a component of the global initiative from Banks end to save environment. Green banks or environmentally responsible banks do not only improve their own standards but also affect socially responsible behavior of other business. Green banking can benefit the environment either by reducing the carbon footprint of consumers or banks.

Either works, some with paper. Either a bank o (a consumer can conserve paper and benefit the environment. Ideally, a green banking initiative will involve both. Online banking is an example of this. When a bank’s customers go online, the environmental benefits work both ways. Green banking means combining operational improvements andtechnology, and changing client habits. 3. 3. 3 The definitions derived from specialists: * Sherman stresses (Key Differentiator of Green Choice Bank, Chicago): “ With green banking, what sets leaders apart from the rest is... ow you invest back in the community, so we are trying to develop loan products and deposit products that reward good environmental choices * Todd Larson (Community investing guide, green America): “ a green bank is a logical extension of -socially responsible investing. ” * Sherman Stresses, (Key Differentiator of Green Choice Bank, Chicago): “ With green banking, what sets leaders apart from the rest are... how you invest back in the community, so we’re trying to develop loan products and deposit products that reward good environmental choices”. Todd Larson (Community investing guide, green America): “ A green bank is a logical extension of socially responsible investing. ” * Justin Pritchard (columnist, about com): “ Green Bank is a bank focusing on sustainability. It is bank like others but they are to claim the " green banking” niche, and they hope to excel by serving companies and individuals interested in green business. For the most part, the bank will work with businesses that find ways to do more and use less”. * Pravakar Shahoo (Author, Green Banking in India): The banks should go green and play a pro-active role to take environmental and ecological aspects as part of their lending principle, which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems”. * Geoff Green wade, President and CEO, Green Bank (Houston): “ Green banking means combining operational improvements and technology, and changing client habits”. * Stacy Ayiers (Author, Green banking-a new resource bank): “ Specific banks designed to aid environmentally-conscious businesses and consumers with better incentives and loan rates.

Despite the changes in our economic system in business caused by the housing market, these banks are willing to work with companies who want to empower sustainability”. 3. 4 Conceptual derivation of Green Banking: : Americans are starting to turn to eco-friendly banking as a way to help reduce the carbon footprint from their normal banking activities. This movement away from branch and paper banking is being led by green banks that believe in social responsibility. The discussion around environmental management in financial institutions has until now largely taken place in industrialized countries.

However, in view of the financialglobalizationand ever increasing environ-mental regulations, many financial institutions operating in developing and emerging countries are pressed to better manage risks arising from environmental liabilities. Besides credit and market risks, damage to an institution’s reputation often represents an important driver for international banks. Domestic players – including microfinance institutions may have different incentives, among others to contribute to local development, but they play an equally important role.

Empirical research since 1990 concluded that banks were not interested in their own environmental situation or that of their clients. We are witnessing certain changes and growing awareness in the field of financial sector like; environmental investment funds, loans, green banking, global banking, rural banking, agri-banking, social banking and ethical banking. * Social Banking: In Social Banking, the focus is on satisfying existing needs in the real economy and the society; also taking into account their social, cultural, ecological, and economic sustainability.

In the repercussion of the crisis, many people felt that social banking is more caring for the overall progress of society than traditional and mainstream banking. It is assumed that social banking may provide important lessons for the banking and financial sector to avoid further crises in the future. According to Institute for Social Banking, " Social Banking describes the provision of banking and financial services that consequently pursue, as their main objective, a positive contribution to the potential of all human beings to develop, today and in the future".

Benedikter (2011) defines Social Banks as " banks with a conscience". They focus on investing in community, providing opportunities for the disadvantaged, and supporting social, environmental, and ethical agendas. Social banks try to invest theirmoneyonly in endeavors that promote the greater good of society, instead of those, which generate private profit just for a few. He has also explained the main difference between mainstream banks and social banks that mainstream banks are in most cases focused solely on the principle of profit maximization whereas, social banking implements the triple principle of profit-people-planet.

Social banks care about making a profit, but equally for promoting human and environmental well-being. It is this triple principle that they follow when they decide to whom to lend money, and for what purpose. It means that social banks consider social and economic “ sustainability” when making financial decisions. “ Sustainable” investments and lending practices are ones that produce a better quality of life for the greatest possible amount of people, and whose effects endure over time and continue to produce a multiplicity of positive effects long after the initial investment.

Now-a-days, social banks are becoming cultural power as social banking includes the concepts of humane and humanist in financial activities. * Ethical Banking: The Cooperative Bank (UK) offers its customers home energy rating on purchases of consumer durables. The purpose is to enable them to better understand how energy efficient a property is and how to make improvements. Moreover, bank's mortgages include carbon-offset features. Every year that a customer holds a mortgage, the bank offsets a fifth of the carbon dioxide emissions arising from a typical household's energy consumption.

Following customer consultation in 2003, offset money were used for reforestation in Uganda, a Bangladesh project that trains local people to build energy efficient stoves and a Bulgaria project supporting micro-hydro electricity generation. Citizens Bank (Canada) allows its customers to choose between a variety of VISA cards that benefit Oxfam Canada, Amnesty International or their philanthropic Shared Interest program by donating $0. 10 to not-for-profit initiatives worldwide every time their VISA card is used. This enabled Citizens Bank to donate thousands of dollars to Doctors.

These are only a few of the wide range of services available at different ethical banks. * Agri-Banking Alston (2004) argued that international and national events like globalization, international policy manipulations such as the US farm bill, and national policy, are having a major impact on agricultural production in Australia. It is more likely that these issues are acting to continue and exacerbate a trend towards reduced viability for farm families evident in economic and social trends since at least the 1950s.

It was further argued that social aspects of agricultural production in Australia noting social trends and drawing attention to the changing social relations of agriculture. It was concluded that there is dominance of farm families, the role of corporate agriculture, ethnic diversity, the importance of women, and the practice of farm transfers. Punjab National Bank’s (PNB) Corporate Social Responsibility Report (2010) shows that agriculture and farmer’s related initiatives are taken by PNB increased lending to agriculture, weaker sectors and women; which results in impacting their lives through income generation.

Moreover, the report shows that the Bank has established two trusts viz. , PNB Farmers Welfare Trust and PNB Centenary Rural Development Trust. These trusts are involved in running training centers which imparts training in farming and also other non-farm activities. PNB Farmers’ Welfare Trust was established in the year 2000 for welfare of the farmers, women and youth in rural areas. Under the aegis of the Trust, 8 Farmers’ Training Centers (FTCs) have been made operational at villages.

Apart from this Mobile Van is being used at FTC Sacha Khera for providing off-site training on improved package & practices of agricultural crops &

allied activities, soil testing and Jatropha cultivation. In addition, the van is acting as an information kiosk. * Rural Banking: Ramachandran and Swaminathan (2002) examined the effect of financial sector reform on rural banking and rural credit transactions in India. They reviewed the trends in selected indicators of rural banking at the national level over the last 30 years.

Moreover, they used longitudinal data for a village in Tamil Nadu to examine changes in patterns of indebtedness and credit transactions among landless labor households. They concluded that the exploitation of landless labor households in the credit market has intensified with the introduction of financial reforms and lastly, the policy was envisaged as an alternative to the formal credit sector in the countryside. Burgess and Pande (2005) evaluated the impact of a large state-led bank branch expansion program in India on rural poverty between 1977 and 1990.

They used deviations and regression analysis and found that branch expansion into rural unbanked locations in India significantly reduced rural poverty. * Global Banking: Miller, S. R. and Parkhe, A. (2002) conducted empirical test of the liability of foreignness in the global banking industry, using Fitch–IBCA Bank Scope data for the period 1989–96 and their findings strongly support the liability of foreignness hypothesis. Further, the data showed some evidence that the X-efficiency of a foreign-owned bank is strongly influenced by the competitiveness of its home country and the host country in which it operates.

Moreover, it was found that in some environments U. S. -owned banks is more X-efficient than other foreign-owned banks in some environments, but less X-efficient in others. Mathur, N. D. (2009) has identified a visible trend that growing integration of economies and the markets around the world is making global banking a reality. The use of Internet banking has widened frontiers of Global Banking and it is now possible to market financial products and services on a global basis. Like other industries, banking has become more global. Banking stands out, however, in its legal form and reliance on cross border positions.

Banks run special risks in lending abroad. McCauley, McGuire and Peter (2010) have shown that some banking systems are international in their organization while others are multinational, and that the multinational model can be operated with a greater or lesser degree of centralization. While much work remains to be done in assessing the performance of various banking models during the crisis, it does appear that local assets proved more stable understress. Cross-border claims and liabilities proved less stable. These findings hold even if account is taken of the series break represented by US securities irms becoming reporting banks, exchange rate changes and distortions from mergers and acquisitions, some of which resulted from the crisis itself. * Other Issues: Banks, usually take help of various Information Technology (IT) based channels to provide their banking and other services. For this purpose, they are in need to provide continuous and frequent information about their services. We can use IT as a strong means to fulfill our objectives social and ethical banking. The IT based banking services are as follows: Mobile Banking is a new and emerging concept.

Large numbers of people are still not aware about usage of mobile banking. In this, one's mobile phone is used to conduct banking transactions. The popularity of Online Banking is significantly increasing day by day. It is a term used for performing various transactions, payments, and account statements etc. with the help of Internet. Relationship Managers, mostly for private banking or business banking, often visit customers at their homes or businesses. Video banking is a term used for performing banking transactions or professional banking consultations via a remote video and audio connection.

Video banking can be performed via purpose built banking transaction machines (similar to an Automated teller machine), or via a Video conference enabled bank branch clarification. * 3. 4. 1 Flow Chart of conceptual derivation of Green Banking: Green Banking: There are some major concerns about environmental issues. Therefore, organization need to pay attention to their outputs whether they are violating environmental issues or not. At Triodos Bank, it is believed that profit should not be earned at the expense of the world's most pressing environmental problems.

That is why they finance organizations from organicfoodand farming businesses and pioneering renewable energy enterprises, to recycling companies and nature conservation projects. Citizens Bank of Canada has lowered its interest rate on loans for carbon emission cars. These kinds of efforts will surely motivate other banks to promote green banking and consequently in long run environmental issues can be resolved. Agri Banking Rural Banking Global Banking Social Banking Ethical Banking Other Issues

Green Banking 3. 4. 2 Green Banking: A New Eco-Friendly Concept in Banking Arena:

Green banking is a component of the global initiative by a group of stakeholders to save environment where, sustainable development has emerged as a new paradigm of development in response to the current discourse of development that over-exploits natural environment for economic prosperity. The sustainable development can best be achieved by allowing markets to work within an appropriate framework of cost efficient regulations and economic instruments. One of the major economic agents influencing overall industrial activity and economic growth is the financial institutions such as banking sector.

The banking sector influences the economic growth and development in terms of both quality and quantity, there by changing the nature of economic growth. Banking sector is one of the major sources of financing investment for commercial projects which is one of the most important economic activities for economic growth. Therefore, banking sector can play a crucial role in promoting environmentally sustainable and socially responsible investment (SRI). Banks may not be the polluters themselves but they will probably have a banking relationship with some companies/investment projects that are polluters or could be in future.

Banking sector is generally considered as environmental friendly in terms of emissions and pollutions. Internal environmental impact of the banking sector such as use of energy, paper and water are relatively low and clean. Environmental impact of banks is not physically related to their banking activities but with the customer’s activities. Therefore, environmental impact of bank’s external activity is huge though difficult to estimate. Moreover, environment management in the banking business is like risk management.

It increases the enterprise value and lowers loss ratio as higher quality loan portfolio results in higher earnings. Thus, encouraging environmentally responsible investments and prudent lending should be one of the responsibilities of the banking sector. Further, those industries which have already become green and those, which are making serious attempts to grow green, should be accorded priority to lending by the banks. This method of finance can be called as “ Green Banking”, an effort by the banks to make the industries grow green and in the process restore the natural environment.

This concept of “ Green Banking” will be mutually beneficial to the banks, industries and the economy. Not only “ Green Banking” will ensure the greening of the industries but it will also facilitate in improving the asset quality of the banks in future. Internationally, there is a growing concern about the role of banking and institutional investors for environmentally responsible/socially responsible investment projects. Banking and other financial institutions are more effective towards achieving this goal for the kind of intermediary role they play in any economy and for their potential reach to the number of investors.

Environment is no longer the exclusive concern of the government and the direct polluters, but also the other partners and stake- holders in the business like financial institutions such as banking institutions can play a very important role in fostering linkage between economic development and environmental protection. To substantiate, quality of service, the implementation of environmental conservation measures, support to the deprived section of the society, concern about the quality of life and nature are the basic principles that the financial institutions are relying on in their business strategy in recent years.

The banking operation targets a certain long-term rate of return on their credit and investment. Therefore, it is of importance to the banking sector to follow certain environmental evaluation of the projects before financing. There are studies showing positive correlation between environmental performance and financial performance (Hamilton, 1995; Hart, 1995; Blacconiere and Pattern, 1993). Thus, it is imperative for the financial institutions in the present context to consider environmental performance in deciding whether to invest in companies or advise clients to do so.

The formation of different rules for environmental management like resource conservation, clean water act, clean air act, toxic substance control act are also viewed as potentially significant contributor to the recent increase in environmental liability for banking institutions. Adoption of these principles will offer significant benefits to financial institutions, to consumers and also the stakeholders. There have been attempts to adopt sustainable development strategies from various quarters at international level.

Multilateral agencies, international consortiums, multilateral financial and development institutions have been advocating for environmental standards and strategies to evaluate investment projects. In the recent years, the international organization for standardization (ISO) has issued series of comprehensive guidelines for incorporating environmental protection and pollution prevention objectives into industrial activity worldwide, known collectively as ISO 14000. It would certainly give the much needed impetus for the banking industry to expand the use of environmental information in their credit extension and investment decisions.

In this backdrop, the paper aims to discuss the issues of sustainability in Banking and how banks can play a role for sustainable growth and development, particularly in the Bangladesh context. The state of environment in Bangladesh is rapidly deteriorating. The key areas of environmental degradation cover air pollution, water pollution and scarcity, encroachment of rivers, improper disposal of industrial medical and house-hold waste, deforestation, and loss of open space and loss of biodiversity. In addition, Bangladesh is one of the most climate change vulnerable countries.

In line with global development and response to the environmental degradation, financial sector in Bangladesh should play important roles as one of the key stake holders. In response to the above, urgent measures are required by stake holders for sustainable development and thereby save the planet. Banks hold a unique position in an economic system that can affect production, business and other economic activities through their financing activities and thus may contribute to pollute environment. Moreover, energy and water efficiency and waste reduction are of high concern for many big banks.

Green banks or environmentally responsible banks do not only improve their own standards but also affect socially responsible behavior of other business. 3. 4. 4 Green Banking & Environmental Risk Management Interrelationship: 3. 4. 3 Green Banking & Sustainable Growth: Sustainable development meets the need of present generation without compromising the ability of future generation to meet their own needs. The key to sustainable development is to ensure broad-based inclusive economic growth, with: * Promotion of natural resources; Preservation of regenerating capacity of ecological system; * Avoidance of environmental risks on future generations. Banking sector can play an intermediary role between economic development and environmental protection. Green Banking & Environmental Risk Management (ERM) move together to care for: * Environmental problems * Poverty & environment * High consumption patterns * Health and environment * Moral obligation 3. 4. 6 Scope of Green Banking: 3. 4. 5 Purpose of Green Banking:

The purpose of Green Banking Policy will be to ensure necessary measures to protect environmental pollution while providing service or financing customers as well as to improve in-house environment management through efficient use of various resources at Head Office, Branches and other link offices. This policy document will be applicable for issues related to Green Banking withrespectto activities of the Bank and its customers that have impact on the environment. 3. 4. 7 Benefits of Green Banking: Apart from enrichment of the external environment, Green Banking may also help improve the performance of the Bank in the following ways: Basically Ethical (Green) banking avoids as much paper work as possible and rely on online/electronic transactions for processing so that you get green credit cards and green mortgages. Less paperwork means less cutting of trees. * Creating awareness to business people about environmental and social responsibility enabling them to do an environmental friendly business practice. * Green (Ethical) banks adopt and implement environmental standards for lending, which is really a proactive idea that would enable eco-friendly business practices which would benefit our future generations. When you are awarded with a loan, the interest of that loan is comparatively less with normal banks because ethical banks give more importance to environmental friendly factors - ecological gains. Natural resources conservation is also one of the underlying principles in a green bank while assessing capital/operating loans to extracting/industrial business sector. * Improve the image of the Bank by showing and serving its commitment to the environment. * Significantly reduce operational cost due to less consumption of office stationeries, energy and water. Enhance productivity as well as efficiency of the employees through skilled & optimum usage of technology. * Reduce possible health hazards by installing eco-friendly equipments. * Save significant portion of Forestry by reducing paper usage * Lessen emission of Green House Gases (GHGs) through making less corporate travelling through teleconferencing as well as arranging transport pool for the employees. * Help develop customer’s consciousness on environment by arranging awareness development program * Reduce the extent of Non-Performing Loans (NPLs) if investment goes to less risky projects

The Initiatives for Promoting Green Banking: 4. 1 Ethical Initiatives and Community Involvement: Numerous banks (as well as some conventional banks) create initiates that allow the banker to contribute to organizations that have positive societal environmental impacts either in the local community or in developing countries. For example the Cooperative Bank (UK) offers customers " a free Home Energy Rating on all house purchases, enabling them to better understand how energy efficient a property is and how to make improvements. Additionally, all of the bank's mortgages include carbon-offset features.

Every year that a customer holds a mortgage the bank offsets a fifth of the carbon dioxide emissions arising from a typical household’s energy consumption following customer consultation 2003 offset monies were used for reforestation in Uganda, a Bangladesh project which trains local people to build energy efficient stoves and a Bulgaria project supporting micro-hydro electricity generation. Whereas the Citizens Bank (Canada) allows its customers to choose between a variety of VISA cards that benefit Oxfam Canada Amnesty International or their philanthropic Shared interest program by donating $0. 0 to non-for-profit initiatives worldwide every time their VISA card is used. This enabled Citizens Bank to donate $24, 800 to Doctors without Borders/ Medicines Sans Frontiers in 2007. These are only a few of the wide range of services available at different ethical banks. Many also have lower interest loans for low emission cars (ex. of low emission car initiative put forth by citizens Bank). Ethical banks excel in community involvement, as do other financial instructions such as credit unions. Community involvement is not limited to ethical banks as conventional banks also partake in such actions.

The following are a few examples of community involvement done by ethical banks, credit unions, and conventional banks: * Affordable housing projects (ex. Van city ; Citizens bank) * Many banks/credit unions try to increase financial literacy and consciousness for environment in the community * Financially support community events (for ex. each year TD Canada trust donates to a local cause). The role of Green banking in Environmental Management. The world has seen much focus on economic progress and mankind has made giant steps in its journey through time.

The side effects of the development process have’ however, also been equally enormous-loss of biodiversity' climatic change' environmental damage, etc. Social issues such as, poverty alleviation have also become more important as the world has progressed economically’ Banks play an important role in development of an economy. The economic reforms totally have changed the banking sector. The banking sector forming a portion of the financial sector primarily works as a financial intermediary generating money supply.

The banks should go green and play a pro-active role to take environmental and ecological aspects as part of their lending principle, which would force industries to go for mandated investment for environmental management' use of appropriate technologies and management systems. Banks that are serious about sustainable development put principles at the heart of decision-making' Fundamental issues such as how deals are done and loans are made, in searching proactively for opportunities and even in establishing and adhering to policy frameworks that deliberately preclude involvement in certain investments.

For example, an investment in a factory that pollutes heavily (and passes on the costs to the society at large) will generally have a higher financial rate of return than a factory that invests in expensive pollution control technology' as a result showing a lower rate of return. A Green Banking movement such as less paper is good for the environment where Customers make paper less deposits, withdrawals and remittances. Going green through I. No paper statements (statements and charges summaries will be delivered electronically Via Internet Banking) II.

Fewer letters to open (Bank will call or email us for service reasons wherever possible rather than write to us) III. No cheque book or paying-in book for our current account. IV. No paper-based marketing. The Bank can concentrate on Nature and environment by projects in the field of renewable energy (wind energy & hydro-electric projects), organic agriculture across the entire value chain including health food shops and environment technology such as recycling companies and nature conservation projects.

As environmental issues gain greater attention, pressures are being placed on all industries, including financial services, to implement “ green” initiatives. Like Resource conservation through cash recycling, double-sided statement print-outs’ electro mobility. 4. 2 International Initiatives for Green Banking: The financial sector’s glowing adherence to environmental management system is attributed to the direct and indirect pressures from international and local Non-Governmental Organizations (NGOs), multilateral agencies and in some cases the market through consumers.

In the early 1990s, the United Nations Environment Program (UNEP) launched what is now known as the UNEP Finance initiative (UNEPFI). Some 200 financial institutions around the globe are signatories of this initiative statement to promote sustainable development living the framework of market mechanisms toward common environmental goals. The objective is to integrate the environmental and social dimension to the financial performance and risk associated with it in the financial sector.

As the commitment of this UNEPFI statement goes, sustainable development is regarded basic to the sound business management. It advocates for a precautionary approach towards environmental management and suggests integrating environmental considerations into the regular business operations, asset management, and other business decisions of the banks. IFC's environmental unit was established in 1991 for reviewing each project for environmental assessment.

Similarly, the US Export-Import Bank regularly reviews while financing exports on the ground whether they are environmentally sound. It will be noteworthy to mention that Netherland-based ABN-Amro bank has developed certain Reputational Risk Management (RRM) policies to identify, asses and mange non-financial present within it business engagements- Similarly, some of the big international banks like ABN Amro, Deutsche, Standard Chartered, HSBC Bank etc. look at environment issues discussed under Kyoto Protocol.

Going further, the Dutch Government has made a formal request to barks in achieving sustainable development. The dialogue between banks and government was established in 1999 to initiate policies for environmental improvements through the development of new financial products and services. Similarly, Earth (FOE) and the Rainforest Action Network (RAN) challenged the industry with high-profile campaign that highlighted cases in which commercial banks were -bankrolling disasters in 2000 in the US.

In 2002, a globalcoalitionof NGOs formed a network named Bank Tract' to promote sustainable finance in the commercial sector. This coalition came up with a resolution constituting six principles promoting environmental protection andsocial justiceby banks and this is popularly known as " Collevecchio Declaration". The six principles that this declaration advocated included commitments to sustainability no-harm responsibility, accountability, transparency and sustainable market, and governance.

More than 200 organizations have endorsed this declaration and urged the banks to incorporate these commitments into their business operation The declaration states that -Finance and Commerce has been at the center of a historic detachment between the world's natural resource base, production and consumption. As we reach the boundaries of ecological boundaries of the ecological limit upon which all commerce relies, the financial sector should take its share of responsibility for reversing the effects this detachment has produced.

All these concerns for sustainable finance or green finance have compelled the banking institutions to devise a common and coherent set of environmental and social policies and guidelines that can be used to evaluate the projects. A small group of banks along with IFC carne together to initiate the process of designing the common guidelines in October 2002 and came up with a guidelines in June 2003 that is known as Equator Principles with 10 leading commercial banks adopting these voluntary set of principles.

This equator principle was subsequently updated and the new revised sets of principles are hunched in July 2006. The coverage of projects being financed is expanded in this revised set of principles by lowering the finance threshold from $50 million to $10 million presently 46 financial institutions from 16 countries with business operation in more than 100 countries have embraced this equator principle, So this principle has become a common standard of project finance that imported environmental and social issues in project finance.

The activities of the equator banks (banks adopting equator principles) are being reviewed by NGOs worldwide and are being published whenever it is realized that they are not committed to Equator Principle. IFC along with the Financial Times has initiated Sustainable Banking Award' since 2006. More than 104 financial institutions out of 151 entries from 51 countries have made it to the final lists of award 2007. The number of banks applying was up by more than 100 percent compared to the previous year’s 48 banks from 28 countries.

All the international initiatives towards integrating environmental concerns into business operation of banks are voluntary in nature and are meant to a common good of a better ecosystem Voluntary commitment has its own shortcoming in a competitive market. Unless the market for green money will increase, the lenders will always have an incentive to increase their social commitment and prioritize the commercial interest in the short run. So demand for green money is a precondition of green banking if it will be voluntary.

A Government legislation that makes banks accountable for the misdeeds of their clients will help promotes green banking. 4. 2. 1 Global initiatives: Durban Climate Conference: Governments agreed to adopt a universal legal agreement on climate change by 2015. Key Decisions: * Green Climate Fund to be made available to developing countries by 2012. * Adaptive capacities of the poorest and most vulnerable countries to be strengthened. *

Technology Mechanism to become fully operational by 2012. * Web-based registration of developing country mitigation actions seeking financial support. . 3 Domestic Initiatives for Green Banking: : Though be late, Bangladesh is now aware that global warming is an issue that calls for a global response. The rapid change in climate will be too great to allow many eco-systems to suitably adapt, since the change have direct impact on biodiversity, agriculture, forestry, dry land, water resources and human health. Due to unusual weather pattern, rising greenhouse gas, declining air quality etc. society demands that business also take responsibility in safeguarding the planet.

Green finance as a part of Green Banking makes great contribution to the transition to resource-efficient and low carbon industries i. e. green industry and green economy in general. Green banking is a component of the global initiative by a group of stakeholders to save environment. The state of environment in Bangladesh is rapidly deteriorating. The key areas of environmental degradation cover air pollution, water pollution and scarcity, encroachment of rivers, improper disposal of industrial medical and house-hold waste, deforestation and loss of open spaces and loss of biodiversity.

In addition, Bangladesh is one of the most climate change vulnerable countries. In line with global ; development and response to the environmental degradation, financial sector in Bangladesh can play important roles as one of the key stake holders. In response to the above, urgent measures are required by stakeholders for sustainable development and thereby save the planet. Banks hold a unique position in an economic system that can affect production, business and other economic activities though their financing activities and thus may contribute to protect environment.

Moreover, energy and water efficiency and waste reduction are of high concern for many big banks- Green banks or environmentally responsible banks do not only improve their own standards but also affect socially responsible behavior of other business. 4. 3. 1 Bangladesh Bank's Earlier Initiatives: Bangladesh Bank (BB) is well aware of the environmental degradation situation as mentioned above and has already given time to time directions to all scheduled banks.

Commercial Banks are now required to ensure necessary measures to protect environmental pollution while financing a new project or providing working capital to the existing enterprises. Banks have been advised to facilitate their clients with utmost care in opening Letter of Credit (L/C) for installation of Effluent Treatment Plant (ETP) in the industrial units. Banks have been advised to finance in Solar Energy, Bio-gas, ETP and Hybrid Hoffman Kiln (HHK) in brick field under refinance program of BB.

A comprehensive guideline on Corporate Social Responsibility (CSR) has been issued where banks have been asked to concentrate hard on linking CSR at their highest corporate level for ingraining environmentally and socially responsible practices and engaging with borrowers in scrutiny of the environmental and social impacts. Banks have been brought under the purview of E-commerce with a view to providing the customers with online-banking facilities covering payments of utility bills, money transfer and transactions in local currency through internet as well.

Considering the adverse effects of Climate Change, banks have been advised to be cautious about the adverse impact of natural calamities and encourage the farmers to cultivate salinity resistant crops in the salty areas, water resistant crops in the water locked and flood prone areas, drought resistant crops in the drought prone areas, using surface water instead of underground water for irrigation and also using organic fertilizer, insecticides by natural means instead of using chemical fertilizer and pesticides. 4. 3. 2 Commercial Banks' Attention to Green Banking:

Bangladesh Bank governor urged the chief executive officers of the country's banks to pay attention to green banking, by investing in energy efficiency and renewable energy projects. Central bank has a fund named -Renewable Energy Fund. Only two banks have so far taken the opportunities offered by the fund. The central bank governor made the request at the launching ceremony of the Environmental Risk management Guidelines. BB urged the banks and financial institutions to keep climate change and environmental considerations as priorities in their activities.

The Impact of a deteriorating climate on financial institutions and business enterprise have driven the creation of the Environmental Risk Management Guidelines, encouraging banks and FIs to adopt risk management practices to safe guard against these inevitable environmental concerns. Detailed guidelines on green banking were Issued on February 27, 2011 in which banks have been advised to give more emphasis to help environment by eliminating paper uses saving gas and carbon emissions, and reducing printing costs and postage expenses.

Banks shall comply with the instructions stipulated in the detailed guidelines on Environmental Risk Management in consideration of a part of the Green Banking Policy. The comprehensive guidelines were developed by Bangladesh Bank in collaboration with IFC and with input from Bankers Association of Bangladesh and financial sector stakeholders and have been issued to all financial institutions in the country. The Major Area & Products of Green Banking 5. 1 The Major Areas of Green Banking: : Green banking can benefit the environment either by reducing the carbon footprint of consumers or banks.

Either a bank or a consumer can conserve paper and benefit the environment. Ideally, a green banking initiative will involve both. Online banking is an example of this. When a bank’s customers go online, the environmental benefits work both ways. Other examples of what Green Bank Report considers forms of green banking on the consumer side include: * Green Deposits: Banks can offer higher rates on CDs, money market accounts, checking accounts and savings account if customers opt to conduct their banking activities online. Green Checking - converting checking accounts to online banking * Green Money Market Accounts - converting savings accounts to online banking * Green CDs – bonus rates for online banking * Green