

Green Banking in Bangladesh: A Study

S M Tazuddin

Assistant Professor and Head of the Department, Business Administrations Dept., Cantonment College Jashore, Bangladesh

Email address: tazuddinccj123 @ gmail.com

Abstract— At present, the term green banking is very popular all over the world. Green banking protects the environment from air pollution, water pollution, noise pollution with the joint efforts of bankers and customers. Green banking basically means eco-friendly, sustainable, balanced, healthy-beautiful, corruption-free and ethical banking. In fact, people's interest in green is eternal. The object of this research was to explore the green banking scenario in Bangladesh. The data used were secondary data obtained from sustainability reporting with the BBS report and IPDC Finance Limited report type. Data analysis was using percentage with a random effect model approach. The results show that the implementation of green Banking in the form of power plant, solar energy, and green banking has a positive and significant effect on improving environmental performance. The study also showed that amount of loan disbursement and rate of interest for green banking purpose.

Keywords— Green Banking, Online Banking, Environmental performance, Loan disbursement, Power panel and solar energy.

I. INTRODUCTION

Green is a symbol of youth. Looking at green plants increases vision and fills the mind. A large part of the national flag of our country is covered in green. So to save the green beauty, many people make small efforts by planting trees in the yard, roof and tub.

Bangladesh is the most populous and developing country in the world. Now a days, going through rapid and in some cases unplanned industrialization and urbanization, polluting our air, land, water and rivers. That's why green financing has become so important. With these considerations and in order to establish fairness, our priorities were agriculture, small and medium enterprises, women entrepreneurs, green business and industry. Banks will train their employees on environmental and social issues in accordance with our mandatory Environmental Risk Management or ERM (Environmental Risk Management). Formulated these rules auditively, scripturally and participatory.

Developing countries often have small, fundamental and bank-based financial systems in their economies. Financing is usually short-lived in nature, with a large presence of state-owned banks and challenging surveillance. One of the major challenges in such an economic system is how to get banks out of short-term trends and move towards sustainable development in the medium and long term.

In addition to greening its power supply to set an example and demonstrate commitment, Bangladesh Bank undertook a revolving refinancing project worth Tk 2 billion in 2009 in the small and medium scale solar, biogas and ETP sectors. It has continued our efforts to expand this green circle by involving other partners. With the help of the World Bank and its own funding, Bangladesh Bank expanded this refinancing project. Bangladesh Bank undertook bricklayer efficiency enhancement financing project with the assistance of Asian Development Bank; because brick kilns are known to be the biggest polluters in South Asia. JICA has also refinanced to enable small and medium textile mills to comply with environmental obligations. The green refinancing project was started in 2014 with the funding of Sharia-based banks. Currently there is a supply of more than fifty green products. Extensive digitization of transaction and surveillance systems was proposed to make the banking sector paperless and modern, which is a green initiative in the ultimate sense. The macroeconomic character and monitoring system were made green-friendly to encourage green financing. Initiatives were taken by the central bank to reward the top 10 green banks every year. Banks were encouraged to donate a portion of their CSR funds to social organizations formed to address the impacts of climate change in coastal and riverine areas. It also started working on an infrastructure indicator to measure the progress of green financing.

The Prophet (peace and blessings of Allaah be upon him) said, "If one has a sapling and the Hour is near, he should plant the sapling in the ground." In the interest of all, everyone should be respected on environmental issues. Otherwise, our planet will soon become an uninhabitable and unsafe place for human beings. We need to focus on the proper use of resources. So that it is possible to leave something for future generations. There are many people in the world who have never planted a tree in their life. He should think - who is saving his life by planting a tree and providing oxygen? Trees give us oxygen and shade; we get fruits and wood from trees etc. All these we went to in primary school.

Human welfare and environmental protection are inextricably linked. One of the tasks of Muslims is to do good to the people. The Holy Qur'an says, "You are the best nation and you have been sent to the world for the welfare of the people." In addition, everyone should try to achieve frugality by preventing all kinds of waste and extravagance. There is a proverb - "Do not waste, do not study without lack". In the Qur'an, it is said, "Brother of the wasting devil." So a person must always be careful about wasting water, gas, electricity, paper and food.

II. THEORETICAL ASPECT

Green Banking:

The term "green banking" is now popular worldwide. It is a banking system to keep the planet Earth habitable by preventing environmental degradation.

Green banking generally refers to the efforts of the banking sector to keep the environment green and provides banking services in the day-to-day activities of banking services, business and human life in a way that minimizes the greenhouse effects by reducing environmental pollution. Therefore, this banking system is also called green banking or environment friendly banking or sustainable banking system. It promotes eco-friendly practices and reduces carbon footprint from banking activities. Green banking is a form of banking that benefits the country and the nation environmentally. A traditional bank becomes a green bank by conducting key activities towards improving its environment.

Basic Model of Green Banking:

- i. Basically green banking helps to avoid paper waste as much as possible and increases reliance on online or electronic transactions. The less paper is used, the less trees will be cut down.
- ii. An eco-friendly business that makes us aware of environmental and social responsibilities.
- iii. The job of banks is to make people aware of the environment through eco-friendly work and to make the world livable for future generations by involving them.
- iv. To provide low interest loans to the people of different regions affected by floods, droughts, cyclones, river erosion i.e. natural calamities.
- v. To increase the use of natural gas powered vehicles instead of petrol, diesel and octane powered vehicles in the transport work of the bank.
- vi. Eliminate environmental problems by eliminating environmentally harmful materials through green banking and using new environmentally friendly green materials.
- vii. Reducing the rate of debt in environmentally friendly industries and businesses and investing a certain portion of the debt in environmentally friendly industries and businesses.
- viii. Funding for other environmentally friendly sectors including eco-friendly infrastructure.
- ix. Reduce the use of electricity, gas, fuel.
- x. To increase the use of solar energy, biogas.

III. OBJECTIVES OF THE STUDY

The prime objective of the present study is to explore the green banking scenario in Bangladesh. Besides that, the study tries to identify the problems related to the green banking and also provides some suggestions for overcoming those identified problems.

IV. RESEARCH METHOD

The study has been operated based on both primary and secondary data. The paper has been based on mostly analytical in nature. To complete the study in the light of the research questions and objectives, secondary data has been collected from published books, relevant documents, journals, and web site searched through the various search engines to obtain copies of related articles and other details. The sample units are chosen based on the convenience of data collection. To analyze the findings, only one statistical tool i.e. percentage is used where appropriate.

Research Questions

The ultimate goal of this study is to seek the answer to the following questions:

- i. What type of interest rate is suitable for performing green banking?
- ii. How much loan is disbursement by the bank for their green banking purposes?
- iii. What type of device is popularly used by the concerns for continuing their online banking?
- iv. What are the challenges that the Bank and Banker are likely to encounter during the Green Banking?

V. FINDINGS AND ANALYSIS

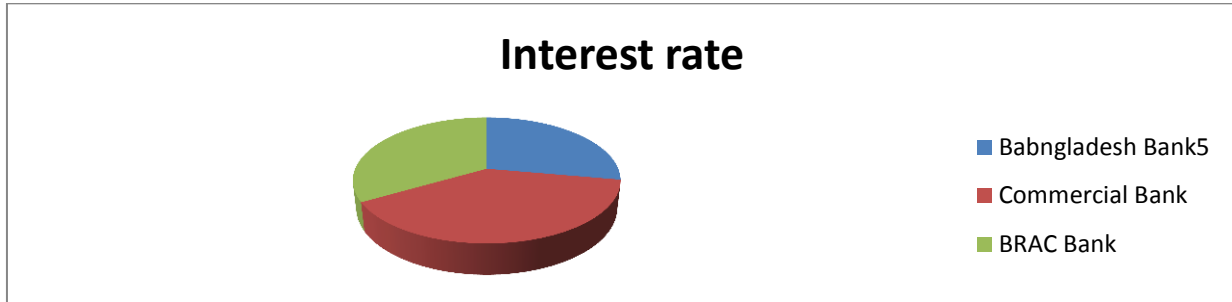
The findings of the present study and their analysis have been summarized in the following tables:

Amount interest for green banking purposes: For encouraging green banking, banks need to increase investment in green finance if they are to grow to international standards. Otherwise they are lagging behind in international ratings. Meanwhile, banks have been urged to increase green financing from Bangladesh Bank as well. The following table shows the yearly interest rate for green banking purposes.

Table No. 1. Yearly interest rate for green banking purposes

Name of Bank	Interest rate
Bangladesh Bank	5%
Commercial Bank	7%
BRAC Bank	6%

Source: BBS report-2019



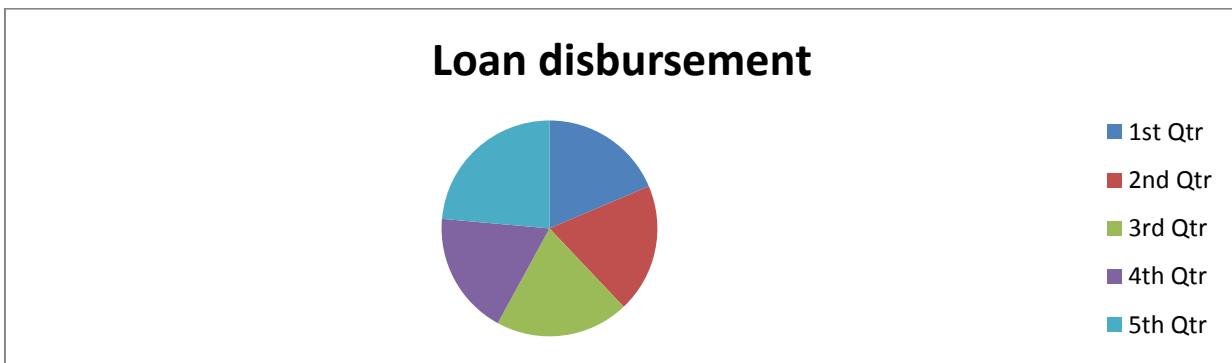
The above table No. 1 focuses that the Bangladesh Bank is giving loans at 5% interest, Commercial Bank are giving loan at 7% and BRAC Bank is giving loan at 6%. and above in this purpose. By observing these percentages of the above table it can be concluded that the Bank are moderately interested to give loan different interest rate for green banking purposes.

Amount of loan disbursement for green banking purposes: Green financing refers to loans set up in factories in an environmentally friendly manner or distributed to established factories. According to Bangladesh Bank, banks and financial institutions disbursed Tk 23,065 crore in January-March this year. Of this, Tk 304 crore has been disbursed in the green finance sector. Earlier, in January-March 2019, Tk 240 crore, in April-June Tk 249 crore, in July-September Tk 258 crore and in October-December, banks and financial institutions financed Tk 238 crore in the green sector. The following table shows the quarterly loan disbursement for green banking purposes.

Table No. 2. Quarterly amount of Loan disbursement for green banking purposes

Name of month	Quarter	Year	Amount of loan in corer (Tk.)
January- March	1 st	2019	240
April- June	2 nd	2019	249
July- September	3 rd	2019	258
October-December	4 th	2019	238
January- March	5 th	2020	304

Source: IPDC Finance Limited-2019 -2020



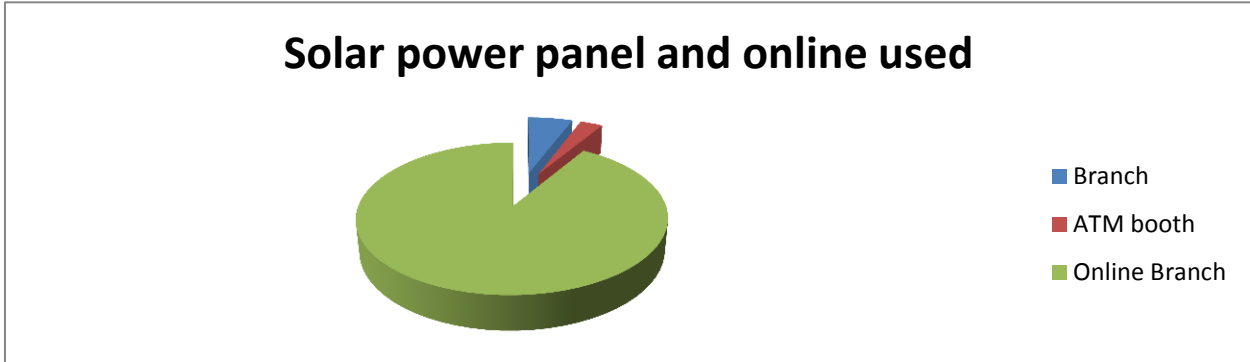
In the first three months of this year (January-March), banks and financial institutions have provided green financing of Tk 304 crore. This was Rs 240 crore in the same period last year. As a result, green financing has increased by Tk 84 crore in one year.

Solar power panels and online used in green banking: For the convenience of green banking, various institutes or bank have discovered various applications under different names which are used as a medium of green banking. Bank built with modern technology, including waste treatment systems, solar power panels, daytime sunlight construction, rainwater retention systems, and relatively low use of paper, are said to be environmentally friendly. Below is some of the means used solar power panel for conducting their green banking:

Table No. 3. Solar power panels used for green banking purposes

Particulars	No. of the total braches	Used in green banking
Branch	10,597	580
ATM booth	6,953	294
Online Branch	10,321	9,231

Source: BBS report-2019

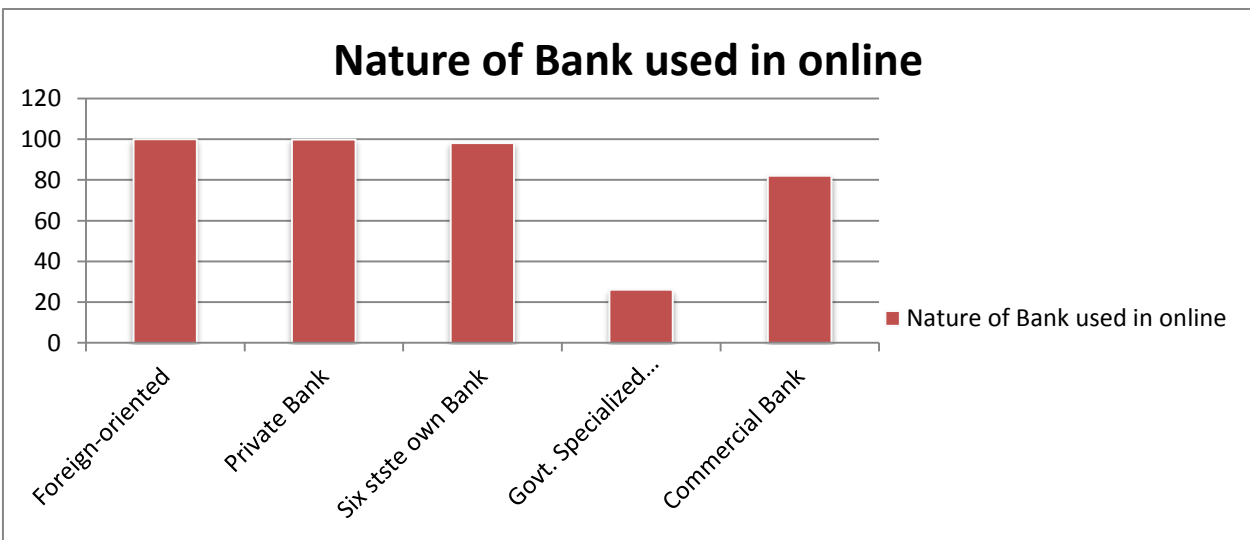


The above table and figure provide information, 580 branches running on solar power panels, Out of 10,597 branches in banks and financial institutions, 560 branches are running on solar power at present. Out of 6,953 ATM booths, 94 ATM booths are currently operating on solar power. Bangladesh Bank is also using solar power. Online branches have grown: Online branches are growing despite the limitations of government banks. As of March, out of the existing 10,321 branches of the banks, 9,231 or 69.44 per cent branches have come online. There are 9 crore 85 lakh 72 thousand 738 accounts in the online branch. *Nature of the bank used in online:* The type of Bank used in online system indicates the standard of banking. To facilitate the standard of banking, the use of the online is indispensable. People use modern bank when their family consciousness is increasing along with an improvement in their financial position. The following table shows the nature of the banks used in online system for green banking purposes.

Table No. 4. Nature of the Bank used in online for green banking purposes

Nature of the Bank	Percentage used in online
Foreign-oriented	100%
Private Bank	99.94%
Six state own Bank	98.14%
Govt. specialized Bank	26.13%
Commercial Bank	82.18%

Source: BBS report-2019



The above table and figure depict that 100 % of foreign-owned banks and 99.94 per cent of private sector banks have online branches. 98.14 % of the six state-owned banks and 26.13 % of the branches of the two government-specialized banks have come online. Out of 1,415 branches of the three state-owned specialized banks, 398 branches have come online. Of the 82.18% state-

owned commercial banks are now online. By observing these percentages, it can be concluded that the people are amazingly habituated with online banking for conducting their green banking during lockdown period.

VI. SUGGESTIONS AND RECOMMENDATIONS

Based on the experiences gathered from the field study and BBS report, the study recommends the following things:

- i. The authorities of the Banking institutes must practice easily operated online Banking mechanism for purpose of green banking operations.
- ii. Software programmers should come forward to develop simple handled software/apps for conducting e-Banking.
- iii. The government should create dedicated Banking software under the patronage of the Ministry of Finance, online banking specialists & e-banking experts
- iv. Bank' authorities should inform the concerned official of the local power supply office to ensure the uninterrupted electricity supply during the online Banking.
- v. Mobile operator companies are imperative to enhance the speed of their networking system and also suggest issuing a cost-effective internet package for the online banking systems.
- vi. Administrators of the Bank are recommended to arrange online conferences occasionally with the participation of Banker and administrators that would be made friendly relationships and relief them from traumatic situations.
- vii. The Bank authorities can keep the automation system in the Bank management and then it can be the best way to get in touch with Banker and Customers. As a result, the authorities can easily communicate with everyone and issue an urgent notice.

VII. CONCLUSIONS

The green Banking is an emerging aspect of banking science that will influence, in the near future. The adoption of basic elements of green Banking will portray the role of environment in the economy. A large portion of the bank's annual investment needs to be invested in this sector. It is our expectation that the banks will continue to work hard for the development of the country's environment just as they will play a role in the economic development of the country.

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