

Green Banking Initiatives of Islamic Bank Bangladesh Limited

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Abstract

Bangladesh is suffering from immense social, political, economic and environmental issues and these issues need to be addressed for the overall development of this country. For minimizing the environmental effect on the country activities should be done in a sustainable manner. This paper presented green banking initiatives of Islamic Bank Bangladesh Limited (IBBL) by analyzing the social responsibility of IBBL and environmental contribution to the economic development in Bangladesh. This study also identified the present condition of the bank regarding using solar energy, green banking culture and ecological balancing of different departments. In addition to that the author tried to identify some problems of IBBL for green banking and recommended some remedies to overcome those.



Index terms— green banking, sustainable banking, ecological, internet.

Introduction ow-a-days "sustainability "is the most uttered word in the world. Agriculture, Tourism, Technology, Manufacturing, Packaging every sector is concerned about the sustainability. Environmental degradation, rising global temperature, melting of glaciers and ice-berg in the polar region, rising sea level will affect Bangladesh .A bank is a financial institution, where people secure their money and use this institution as a source of possible finance. Banking in the form in which it exists nowadays is comparatively of recent origin. Before the advent of modern banking, direct finance, where the owner of capital deals directly with the user of capital, was the customary mode of transference of funds from savers to investors. Nowadays, banks are organizations engaged in any or various functions i.e., receiving, collecting, transferring, paying, lending, investing, dealing, exchanging, and servicing money and claims to money both locally and internationally.

Bangladesh is a country suffering from immense social, political, economic and environmental issues and these issues need to be addressed for the overall development of this country. However, we all know that the peoples of the whole world are concerned about the environmental degradation, especially the rising of global temperature and thereby melting of glaciers and ice-berg in the polar region and consequently rising of sea level, which will directly affect the low lying countries of the world like Bangladesh. The world conscious people are also concerned about the increase of Green House Gases and Chlorofluorocarbons (CFCs) and thereby depletion of Ozone layer. As such, every person and especially the professionals must have greater role to check the environmental degradation. The contribution of the banking sector is playing significant role to save the environment through their CSR, investment or other activities.

To save the environment Green Banking is the great initiative which is taken by bank all over the world. Bankers are the important professional group who has interaction with the other groups of people and also with general masses. They can adopt different green activities within their in-house environment and also can initiate the protection of the air pollution, water pollution by their clients. Bankers can finance the green projects, which are environmental friendly and discourage the projects that damage the environment. The role of IBBL seems to be magnificently surpassed for saving the environment among all the Banks in Bangladesh during last one decade.

1 II.

2 Literature Review

Ullah,(2013) concluded that only PCBs, FCBs have adopted green banking guideline and financed some of green banking based projects on the other hand SCBs and SDBs initiatives are not remarkable. Rahman, et al.(2011)wrote IBBL insists on going green banking to help the environment that promote its online banking, Mobile Banking or the idea of socially responsible investment funds for sustainable project finance activities. Its Green Banking practices are connected with both in internal operation and in product ecology. Rahman and Barua (2016) examined 42 of total 54 scheduled banks of Bangladesh, that most banks are trapped in the lower boundaries of the performance greed. The state owned banks rank low in performance while the foreign banks have considerably better achievements. Pal and Russel (2015) in their study showed that the upward trend and the models how a bank or NBFI is going to be green. The in-house practices can give a dramatically changes to the financial sector. Malliga and Revathy (2016) defined green banking as a form of banking taking into account the social and environmental impacts and its main motive is to protect and preserve environment. Faruque (2016) green banking refers to the banking business conducted in selected area and technique that helps the reduction of carbon emission surround the world. To aid the reduction of carbon emission bank should finance green technology and pollution reducing sector. ??ahman, et.al.,(2013) Green banking is the operation of the banking activities giving especial attention upon the social, ecological and environmental factors aiming at the conservation of nature and natural resources. Banks can be green through bringing changes in six main spheres of banking activities. Masukuzzaman and Akter (2013) concluded that Bangladesh is far behind their counterparts from the developed countries. But the general picture presents a transition to green banking in a consistent manner for most banks. By taking care of its infrastructure development and accelerating its existing green movements, banks can ensure sustainability for itself and greener world for communities. Rahman and Pervez(2016) Green keeping money practices will be helpful for environment as well as lead to cost reductions in managing an account exercises. Pal and Russel (2015)Green Banking is the practice of ecosupportive products innovation as well as the breeding of consciousness to human mind as part of economic spillover to a nation. Islam and Kamruzzaman (2015) stated that Green Banking is a modern concept of the banking business through considering the corporate social responsibility (CSR) as well as environmental issue. Nowadays, it is the most acceptable and popular practices of the green banking by banks because leads to competition of globally. On an average, bank is allocated Tk.2 billion for green banking in 2012. The concept of green Banking is relatively new in Bangladesh and yet to get momentum, but in the developing countries it is passing through a mature stage. They also concludes that green banking practices in Bangladesh is not satisfactory at all A green bank is a bank that promotes environmental and social responsibility but operates as a traditional community bank and provides excellent services to investors and clients. Its progressive approach to the community and the earth sets it apart from other banks in March 2009, Congressman Chris Van Hollen introduced a Green Bank Act with the aim of establishing a green bank under the ownership of the US government. Its objective was to offer financial support to efforts to increase efficient energy usage, and reduce carbon emissions and environmental pollution resulting from energy creation. Its aim is to provide good environmental and social business practices. One would be awarded a loan only when all environmental safety standards are followed, Mamun Rashid,(2010).

3 a) Definition of Green Banking

Green Banking means the eco-friendly or environment-friendly banking and it also refers to ethical banking or sustainable banking. The term Green Banking is now popular worldwide now-a-days. It is for stopping the environmental degradation and making this planet habitable. The concept of Green Banking developed in the western countries, which has been replicated by many developing countries. We all know that the peoples of the whole world are concerned about the environmental degradation, especially the rising of global temperature and thereby melting of glaciers and ice-berg in the polar region and consequently rising of sea level, which will directly affect the low lying countries of the world. The world conscious people are also concerned about the increase of Green House Gases and Chlorofluorocarbons (CFCs) and thereby depletion of Ozone layer. As such, every person and especially the professionals must have greater role to check the environmental degradation. That's why this new idea of green banking comes to the banking industry.

Bankers are the important professional group who has interaction with the other groups of people and also with general masses. They can adopt different green activities within their in-house environment and also can initiate the protection of the air pollution, water pollution by their clients. Bankers can finance the green projects, which are environmental friendly and discourage the projects that damage the environment. 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 customer goes online, the environmental benefits work both ways.

Banks can do Green Banking by ? Green credit cards, ? Green checking accounts(converting checking accounts to online banking), ? Green CDs (bonus rates for online banking), ? Green savings accounts, ? Green money market accounts (converting savings accounts to online banking), ? Green loans(better rates for energy-efficiency projects) and ? Green mortgages (better rates for energy-efficient houses).

103 Banks can also covers online banking news and mobile banking innovations including banking applications
104 for iPhones, iPads and Android phones. Besides green banking can be done by using online banking instead of
105 branch banking. Paying bills online instead of mailing them. Opening up CDs and money market accounts at
106 online banks, instead of large multibranch banks. Or finding the local bank in customer's area that is taking the
107 biggest steps to support local green initiatives. b) Benefits of Practicing Green Banking 1) Bangladesh Bank will
108 award points to Banks on Management Component while computing CAMELS rating where there will ultimately
109 be a positive impact on overall rating of a Bank. 2) Bangladesh bank will declare the name of Top Ten Bank
110 for overall performance in green banking activities in the BB website. 3) Bangladesh bank will actively consider
111 green banking activities/practices of a Bank while according permission for opening their new branch. Human
112 Resources Division of IBBL advises to head of all branches to go through the contents of this Circular Letter
113 and give the whole matter to the knowledge of all employees working under branch manager for information and
114 creating their awareness about Green Banking in IBBL. By keeping this circular in mind every branches of IBBL
115 try to comply Green Banking activities in their house and also outside their house.

116 **4 III. Green Banking Policy of Bangladesh Bank**

117 The broad objectives of the Banks are using their resources with responsibility to grow trade, commerce, service,
118 industry, income, employment generation, business and other economic activities. A Bank which is socially
119 responsible, environmentally cognizant and follows a path of sustainability with automation and efficiency is
120 called Green Bank. Observing the global warming, increasing trend of carbon footprint, other environmental
121 pollutions and overall global environment adversities and hence perceiving the urgency to protect the globe for
122 probable environmental calamities and to ensure continuous supply of the scarce natural resources for future
123 generation, a new approach for Green Banking activities has been prescribed by Bangladesh Bank through
124 recently circulated "Policy Guidelines for Green Banking" vide BRPD Circular No. 02 dated 27 February, 2011.
125 The Green Banking Road Map of the regulators of Bangladesh has been segregated into three phases which are
126 to be adopted by the Banks within 2013. The following activities are to be undertaken in 2012 as compliance of
127 the Phase-II of the policy.

128 **5 IV.**

129 **6 Objective**

130 ? To evaluate the present condition of the bank regarding to the using solar energy, green banking culture and
131 ecological balancing of different department. ? To understand and analyze the social responsibility of IBBL and
132 also environmental contribution to the economy. ? To show the Green Banking performance of IBBL through
133 it's different initiatives.

134 V.

135 **7 Methodology**

136 Source of data of this article can be divided into two parts: Primary Sources: Face to Face conversation with 4
137 officers, staffs, and sharing practical knowledge to officials.

138 **8 VI.**

139 **9 Limitations of the Study**

140 ? Green banking Initiatives is a new topic in Bangladesh. Phase-II is just going on to the banking industry. ?
141 Implementation time of following Green Banking by all scheduled banks is not over yet. That's why information
142 is not available of banks. ? Information of green banking activities of IBBL is not available. ? Until now many
143 officials and employees of the bank don't have good knowledge about Green Banking, that's why taking interview
144 was not effective.

145 **10 VII.**

146 Implementation of Green Banking by IBBL a) Green Banking Governance of IBBL IBBL has been operating
147 all of its activities with due consideration of total welfare, ethics, environmental cognizance, economic justice,
148 shariah rulings etc. since inception. It was looking forward for a national policy to shape its activities and to
149 make its welfare efforts a success because it feels that combined efforts are needed to bring the total welfare arid
150 to make the earth green. After recent circulation of the "Policy Guidelines for Green Banking" vide Bangladesh
151 Bank ??

152 **11 Spectrum of Green Banking Activities of IBBL**

153 In terms of the Green Banking Policy of Bangladesh Bank (Phase-I), the Green Banking activities of IBBL has
154 been concentrated in the following region/sectors of its day to day activities:? Investment Operations ? Internal
155 Operation & Environment ? CSR activities ? Adoption of Green Technology ? Product & Market ecology IX.

12 Investment Operations

156
157 The investment policy of IBBL has been prepared not only considering the profit goal but also considering the
158 following ethical aspects: ? Islamic Sharia'h ? Social Desire ? National Investment, Finance Plan, Perspective
159 plan etc. ? Economic Justice ? Environment protection ? Green Banking Policy of Bangladesh Bank ? Protection
160 of haram/socially undesired goods production ? Preference for investment to lower income group ? Products
161 invention by market segmentation ? Diversification of investment by giving preference to special/least economic
162 zone ? Product invention for preferential sector ? Bringing non-earning group of people into earning process etc.
163 As such, IBBL should not extend any facilities against any speculative, health hazardous, detrimental products.
164 IBBL gives emphasis the investment clients to install water treatment plants where needed, effluent treatment
165 plants, or hazardous waste treatment plants to qualify for the investments. IBBL should give high preference
166 to environmental infrastructure projects like renewable energy plant, clean water supply project, waste-water
167 treatment plant, bio-gas plant, bio-fertilizer plant etc. In addition to environmental infrastructure projects, it
168 also gives preference to energy saving and environ friendly product manufacturing projects. IBBL should also
169 ensure that its investments are made through rigorous evaluations of overall environmental impact of the project
170 so that no damage is done on the environment using their investments. IBBL gives special attention on the
171 following matters at the time of financing: ? Ensuring maximum recycling/processing of waste/detrimental by-
172 products; ? Environment friendly projects ? Brick Field (Zig-Zag) ? CNG Re-fuelling projects ? Energy Savings
173 Bulb Projects ? Organic Fertilizer ? Jute Project instead of Poly ? Tree Plantation etc.

13 X. Internal Operations & Environment

174
175 ? IBBL is trying to be as much conservative as possible in use of resources like fuel, electricity, paper and even
176 water. It is ensuring maximum efficiency while using resources. ? It tries to avoid printing and print on both
177 sides of a paper when needed. ? Reusing envelopes, folders, papers clips and using e-mail instead of paper
178 correspondences, ceramic cup/glass instead of disposable ones, CFL bulbs/tubes instead of the normal ones,
179 scrap papers as notepads, less fuel consuming cars. ? It will try to use energy saving bulbs, and ensure that
180 there is sufficient arrangement for using day light and air circulation.

14 a) Technologies in Internal Operations

181
182 IBBL is always pioneer in technology adoption. IBBL has developed an in-house built integrated banking system
183 namely eIBS (electronic Integrated Banking System) in between 2001-2004 and implemented the same covering
184 all of its business aspects like: ? Customer Information ? General Banking ? Investment ? Foreign Exchange ?
185 BASEL-II ? Remittance (Foreign & Local) ? SWIFT ? Internet Banking ? SMS Banking
186 for its in-house day to day to business management and to ensure better & prompt customer Services through
187 acquainting the customers with automation & paperless banking system.

15 b) Technologies for Better Customer Services

188
189 All of its branches are online. It has introduced SMS & Internet Banking, ATM Services for its Customers.
190 Moreover, it is going to adopt Mobile Banking Service, Point of Sale (POS), Khidmah (Credit Card), Travelers
191 Card, Automation of all scheduled Telegram, Automation of all types of statement, implementation of Investment
192 HUB, Document/Content management, work flow management, data archive etc. to enhance its own efficiency
193 and to facilitate its customers & make its customers acquainted with the technology based paperless Banking
194 System.

16 c) Special Technologies

195
196 IBBL has its own online Data Center, Disaster Recovery Site, Distributed BACH system, Central MIS system
197 developed by itself for its own. It is using intranet, own mail server for internal communication instead of paper
198 based correspondences. The Bank is enhancing its customer services and adopting modern but green technologies
199 where needed. IBBL contributes to a great extent in inclusion of the small untapped deposits an channeling the
200 same in the regular economic activities through opening account the lowest initial deposit from Tk. 10/-to
201 Tk. 500 considering the categories of products. Moreover, IBBL provides Quard (without any profit/interest)
202 for sanitation and establishment of tube-well to ensure supply of pure drinking water. IBBL established many
203 hospitals to provide health services to the people at the lowest cost, organizes various health camps, established
204 many institutions (including technical) to ensure better education for the people at the lowest cost and through
205 Islami Bank Foundation (IBF).

206 IBBL also arranges scholarship programs, academic award, tree plantation programs, arranges train-
207 ing/seminars etc. for women empowerment program, mobilizes charitable fund & contributes in relief and
208 rehabilitation, takes measures for mitigating environmental risks for its community and stakeholders. More
209 emphasis is given on Small & Medium Enterprises instead of large scale industries and rural areas instead of
210 urban areas to ensure equity, justice, decentralization and balanced growth of the economy while financing. It
211 also gives emphasis in utilization of the hazardous toxics/by products that are emitted from the industry and
212 conversion of the same into hygienic products and thus making those projects as the complete ones. IBBL

213 itself always tries to promote its products & services through counseling or by electronic media like its websites,
214 television, radio etc. rather than using paper based media. It also encourages its customers to promote their
215 products & services in an environment friendly way XIII. Some Investment Project of IBBL which is Directly or
216 Indirectly Related to Green Banking

217 Green Investments (finance) implies the financial services to the businesses and projects that help prevent
218 deterioration of the environment as well as which are not harmful to the environment. Green Investments
219 combine both Direct and Indirect green investments.

220 As per Bank's principles of giving preferences for eco-friendly business activities and energy efficient industries,
221 it takes different steps for enhancing the green investment. Bank's green finance exposures were taka 54,751.12
222 million in 2014. The performances of some major areas of green investments were as follows (Amount Million in
223 Taka)

224 17 Particulars

225 No.of Units Amount disbursed XIV. Automation of IBBL for the Purpose of Green Banking

226 The Bank has a good number of products which are automated and time savings for the customers. Advanced
227 technologies are being used to provide prompt and environment friendly customer services.

228 Various continuous processes have been there to minimize the banks direct operational impact on the
229 environment in Bangladesh: 1. Soft archival of customer documents for electronic access and retrieval is enabling
230 us to reduce consumption of paper 2. Majority of internal memos, process notes and records are in electronic
231 form 3. Internal communications are done through emails.

232 Most of the staffs have dedicated email IDs for office use. System of the Bank has been introduced for efficient
233 and prompt disposal of the investment proposals and to make the whole process of investment system more
234 transparent which is running as a Pilot operation.

235 XV. Some Problems of Implementing Green Banking in Bangladesh For bank it is not easy to be truly green.
236 It requires a through appraisal of all aspects of the business in order to be truly green. Refusing to lend to
237 'dirty' industries is one thing and making a commitment to clean up one's own act is even harder. Sometimes
238 it is difficult for the banks to balance environmental concerns and business demands. There are two common
239 standpoints related to the product ecology. The first one is that the banks should be 100 percent liable for the
240 use of their products. The other extreme is that the user should be made fully liable to use the product not the
241 bank. There are arguments for both however these extreme stands do not seem to be practicable. The right way
242 lies somewhere in between. Finding the right way is one of the major challenges of sustainable banking.

243 One crucial debatable issue is 'how should banks govern the environment?' It is argued that a major barrier
244 posed to open governance is incorrectly generalizing bank behavior.

245 ? Response of business is slow and consumer remains unaware ? Environmental responsibility comes as
246 part of CSR practices among business in Bangladesh. Studies on the area covering Bangladesh businesses are
247 very limited. ? Green banking practices are not among the priorities of banks in Bangladesh 'Environmentally
248 responsible practices' or green banking practices is generally seen as a part of CSR practices in the banking sector
249 of Bangladesh. Most financial institutions in Bangladesh have not integrated CSR in their routine operation;
250 rather they are in the form of occasional charity or promotional activities. Bangladesh Bank (BB) had taken
251 initiatives in respect of formalizing CSR and issued an elaborate directive to the banks on June 01, 2008. BB
252 had introduced Tk. 2.0 billion refinance line in FY 10 against bank loans for environment friendly investments
253 in solar energy, biogas plants and effluent treatment plants. A new refinance facility had also been introduced
254 to capacitate jute sector and solar powered lighting. Though BB guidance circular suggested embracing of CSR
255 with decision taken at the highest corporate level and to choose action programs and performance targets, only
256 12 PCBs and 3 FCBs reported to have embraced CSR with decision at the highest corporate level, and none of
257 the government controlled banks and specialized banks ¹

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