Green Banking Adoption: An Examination of State-Owned Banks of Bangladesh

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ABSTRACT

Today, commercial banks of the most environmentally affected countries invest voluntarily in social and environmental activities that target socially-responsive business in the form of green banking. However, state-owned banks often encounter challenges in doing so since they operate in a centralized manner and often lack in resources, government support and client base compared to commercial banks. Moreover, green banking initiates major changes in working environment and alters the provision of banking services for bankers in developing countries like Bangladesh. Given such challenges, it is important to examine the attitude of bankers working in state-owned banks towards the adoption of green banking. Findings claim that central bank regulations, followed by facilitating conditions and environmental concerns, are some of the factors that influence bankers’ overall perceptions. Results indicate that bankers are fairly pragmatic in developing general attitudes towards the use of green banking as part of their work activities in all state-owned banks.

KEYWORDS
Bangladesh. Central Bank Regulations, Environmental Concerns, Financial Cost, Green Banking, Social Responsibility, State-Owned Banks, Sustainability, UTAUT

INTRODUCTION

Recent studies by Choudhury et al. (2013), Nath et al. (2014), Hossain et al. (2015) and Masukujjaman et al. (2016) suggest that every bank should participate in the new green product development process with greater involvement from stakeholders and contribute to green banking practices in today’s extreme national and global banking competition. “Green” in green banking principally indicates banks' environmental accountability and environmental performances in business operations (Rahaman et al., 2015). Therefore, the term “green banking” generally refers to banking practices that foster environmentally responsible financing practices and environmentally sustainable internal processes (Babiak and Trendafilova, 2011). A green bank is also called ethical bank, environmentally responsible bank, socially responsible bank or a sustainable bank and is expected to consider all the social and environmental issues in their banking processes (Rahman and Barua, 2016). Green banking

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avoids as much paperwork as possible and relies on online/electronic transactions for processing so that
green technologies like green credit cards and green mortgages can be encouraged (Singh and Singh,
2012). The reduced use of paper can actually diminish the carbon footprint from banking practices
and promote environmental-friendly practices in the global banking sector (Goyal and Joshi, 2011).

Today, many countries across the world are adopting environmental-friendly policies mainly
through their financial sectors (Hussin and Kunjuraman, 2015). Financial institutions, particularly
banks, are selected for this role as they are an eminent part of the economic system of a country
and generally affect all types of business practices through their financing activities - which thereby
accelerate globalization. In recent times, rapid globalization has led to unplanned urbanization
and extensive industrialization in many countries which accelerates the most alarming issues like
environmental degradation, global warming and climate change (Hossain et al., 2016). Global
warming and climate change has a direct impact on biodiversity, agriculture, forestry, dry land,
water resources and human health and as a result, the world encounters flood, drought, tornado,
earthquake and tsunami at a faster rate these days (Rahman, 2012). Since banks are major economic
agents, it can influence the overall industrial activity and economic growth of a country through
environment-friendly banking strategies (Yadav and Pathak, 2013). Moreover, any environmental
impact due to industrial activities can affect the quality of assets and even the rate of return of banks
in the long-run (Khawaspatil and More, 2013). Banks should thus go green and play a pro-active role
by taking environmental and ecological aspects into account. This is going to force other industries
to go for mandated investment in environmental management, use of appropriate green technologies
and management systems (Sahoo and Nayak, 2008).

Although addressing the issue of environmental sustainability is a global initiative, it is more
important for low carbon emitting countries like Bangladesh, where environmental problems are
increasing every day. Bangladesh, in fact, is highly vulnerable to climate changes and natural
calamities, as a result of which, concern about environmental degradation is a common phenomenon
here (Nisha, 2016). The entire country recognizes the fact that the role of the banking sector is very
crucial in growth and development activities and therefore, banks must come forward to play a more
effective role in mitigating any environmental degradation (Masukujjaman et al., 2016). As such,
the central bank of the country, Bangladesh Bank, has opted towards congenial business operations
that are sustainable towards the environment (Ahmad et al., 2013). It has taken the role of a leader in
initiating green banking in Bangladesh and it is expected that green banking is going to be a major
instrument through which banks can substantially contribute to serve the purpose.

Many commercial banks are already investing voluntarily in social and environmental activities
that targets socially-responsive business in the form of green banking in Bangladesh. However, state-
owned banks often encounter challenges in doing so since they operate in centralized manner and often
lack in resources, government support and client base compared to commercial banks. Given such
challenges, it is important to examine the attitude of bankers working in state-owned banks towards
the adoption of green banking in the context of Bangladesh. To pursue this purpose, a conceptual
research model has been developed on the basis of the original Unified Theory of Acceptance and
Use of Technology (UTAUT) model and the method of Structural Equation Modeling (SEM) has
been applied to investigate the underlying relationships related to the perceptions of state-owned bank
employees towards green banking practices in Bangladesh. Findings of this research will provide
further insights into identifying the factors that can influence the thought process of state-owned
bank employees into adopting and using green banking in their work environment. This study can
also assist banks to understand and assess the level of social responsiveness of bankers in the context
of emerging economies.

The rest of the paper has been structured in the following ways. The next two sections details
about the implementation and initiatives of green banking undertaken in Bangladesh and by state-
owned banks. Then, it is followed up by the research platform, review of past studies and proposed
constructs. Next up, the research model and hypotheses, research methods, data analysis and results
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