Preface

In 2013 I was given the responsibility to coordinate and manage a one-year industry research project on Green Banking Principles and Practices in Bangladesh. The project was jointly funded by Bangladesh Bank – a pioneer in green central banking in the world – and the Department of International Business, University of Dhaka – where I teach as Assistant Professor of Finance. That was the first but perhaps most encouraging research engagement for me on environment-friendly banking or green banking. Bangladesh Bank launched Green Banking Guidelines in 2011 for its own operation and for the entire banking sector of Bangladesh, which were to be implemented in three yearly phases. The research project’s aim was to assess the state of implementation of the guidelines in different scheduled and commercial banks. I finished the job successfully and supplied the deliverables for Bangladesh Bank alongside producing academic publications on green banking.

There are several important things I learned from the research endeavor. First, banks hold immense power and influence on economic agents across an economy including governments, firms, and individuals. Since money is the fuel that keeps an economic system functioning, mobilization of funds is a must to ensure an economy grows and develops. Being the main storehouse and mobilizer of funds, financial institutions hold enormous power of “money” by which they can directly and indirectly influence how agents behave in an economy. Second, in many countries, banks are considered the engine of economic growth since they exist to create opportunities for economic agents to utilize their surplus funds and to borrow to offset deficits of funds. Due to at least two features, as I have observed, banks have a superior role in an economy and society in addition to the power of “money”: they, unlike other financial institutions, are allowed to accept surplus funds by directly and indirectly selling deposit and savings products; and they have extensive coverage and outreach of people across all levels of a society as they deliver some exclusive services that no other financial institutions provide, for example, day-to-day transaction settlement services, payment services, trade facilitation, and so on. These specialties of banks have helped them impactfully influence how people and firms across the board behave in their day-to-day decision-making, for example, regarding saving, consumption, and investments. I observed that the daily lives of people and firms are enormously touched by banks. Third, an important discovery of the research project was the immense potential of using banks to alter or correct environmentally harmful behavior of economic agents, that is, firms and individuals. Banks can have a direct and profound influence on how the agents transact, consume, save, and invest in their daily operations that no other financial institution can have. This influence can be impactful in saving and protecting the environment for future generations, if it can be properly directed to correct the environmentally damaging behavior of firms and individuals. This role of banks can naïvely be termed “green banking.”

https://doi.org/10.1515/9783110664317-206
The learning from the green banking research project drove me to delve deeper into the role of banks in environmental protection. Over the last several decades, the aggressively growth-seeking attitude of countries has contributed to major damage to our nature and environment by the rapid consumption of nonrenewable resources, polluting of air, water, and soil by releasing hazardous materials from industrial and nonindustrial activities, and damaging the eco-system by deforestation and permanently destroying living species, and so on. The list could be much longer, but natural law dictates that “nature” returns what you do to it, and we have already begun to feel the adversities of environmental degradation in our lives. The accelerating level of climate change, increasing pollution-driven health complications and death rates, reduction in livable land areas, decline in agricultural productions, and increased frequency and intensity of natural disasters like landslides are some of the long list of adversities. As stated, the most unfortunate aspect is that it is humans who are primarily responsible for almost all these adverse returns of nature. As the degree of adversities grows, it is likely to threaten the existence and lives of the future generations, if appropriate corrective actions are not undertaken right now. It is perhaps already very late; but better late than never. The world now started to realize that the best way to stop the unsustainable behavior of humans, is to induce necessary corrections in their behavior and make a concerted effort toward environmental protection.

Under the circumstances, as one of the most influential economic agents, banks need to join forces in the efforts to protect the environment. Globally, several efforts are underway at the national and international levels, predominantly led by donors and development agencies. However, given the impactful “power” and “influence” banks hold, their role remains limited until now. Some scattered or alienated efforts at the international and national levels can be observed, much of which are yet voluntary in nature. In this regard, two dimensions of problems can be observed: first, the current efforts are considerably lacking in providing comprehensive guidelines or frameworks for banks to follow in their internal and external operations; and second, the mostly voluntary nature of the efforts is found to be largely ineffective in inducing banks to behave in an environment-friendly manner as they can cost banks’ financial and business returns.

In this book, I have tried to address the issues I have learned and observed from research and industry engagement with regard to green and environment-friendly banking. While green banking is critical given today’s reality, I have found there is a considerable shortage of learning materials, particularly, in the form of a book that covers theoretical and operational aspects of green banking. I have made every effort to provide readers a comprehensive understanding on the theoretical issues of green banking. To the best of my knowledge, this is the first book providing a theoretical foundation on green banking, for example, with regard to its meaning, guiding principles, adoption process, and policy and regulatory aspects. To complement the theoretical discussions, I have tried to present useful real-life
examples, cases, and applications at the end of every chapter. I believe that the readers will be able to have a comprehensive (theoretical and practical) understanding on green banking after reading this book, which is my primary aim of writing it.

Despite the best efforts made, there can be unintentional mistakes, errors, or any form of inconsistencies, for which I bear the full responsibility and sincerely apologize; and surely, I am committed to rectify and improve them in the next editions of the book. I would like to request my readers to advise me of any such errors or inconsistencies found; and to send me any suggestions, guidelines, materials, or comments on the content of the book to improve its depth, breadth, and overall quality. Such efforts from my readers would also help everyone learn about the most updated and correct information and knowledge with regards to green banking.

I am confident that this book will meet the needs of the readers.

Suborna Barua
sbarua@du.ac.bd