

**THE IMPACT OF GREEN BANKING ON THE PERFORMANCE OF
UNITED LEASING COMPANY LIMITED**

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Acknowledgement

It is the Almighty who enabled me to successfully complete the internship report on THE IMPACT OF GREEN BANKING ON THE PERFORMANCE OF UNITED LEASING COMPANY LIMITED.

Research work involves hard work, which relates connectivity to extensive study, consulting expertise, conducting interviews and analyzing voluminous data. I am blessed that I have been able to carry out my study on such a topic that itself has worked as a stimulant to lead me toward the accomplishment of the study. This is why I would like to express the deepest appreciation to my supervisor, **Mr. Mahmudul Haq**, who has the attitude and the substance of a genius: he continually and convincingly conveyed a spirit of adventure in regard to research and scholarship, and an excitement in regard to teaching. Without his guidance and persistent help this paper would have not been possible.

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Letter of Transmittal

June 23rd, 2015

Mr. Mahmudul Haq
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Subject : Submission of the internship report

Dear Sir,

Thank you very much. It has been a privilege to undertake the work entitled THE IMPACT OF GREEN BANKING ON THE PERFORMANCE OF UNITED LEASING COMPANY LIMITED under your supervision.

Research for the report was conducted while working as an intern at United Leasing Company Limited. It has altogether been a tremendous experience for me while working on this report. The knowledge and experience that has been instilled during the study would surely benefit me in the long run.

I wholeheartedly appreciate the time you devoted to this paper. I look forward to receiving your kind appraisal on this paper.

Sincerely,

Md. Nurul Islam

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Executive Summary

Green Banking is the operation of the financial sector with special focus on the environmental, ecological and social factors, targeting conservation of nature and natural resources. The term broadly encompasses awareness creation and promotion of environment-and-society-friendly projects and practices, and reduction of overall carbon footprint from both its financing and in-house operations. Through Green Banking, the FIs are not only required to improve their own standards, but also play an active role in demanding the same from its stakeholders. 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 household 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.

Although FIs are considered environment friendly and do not impact the environment greatly through their own internal operations, the external impact on the environment through their customers activities is substantial. The financial sector is one of the major sources of financing industrial projects such as steel, paper, cement, chemicals, fertilizers, power, textiles, etc., which cause maximum carbon emission. Therefore, FIs can play an intermediary role between economic development and environmental protection, for promoting environmentally sustainable and socially responsible investment. So, to aid the reduction of external carbon emission, like other FIs, ULC should finance green technology and pollution reducing projects.

The approach of ULC to sustainability is based on a broad understanding of its duties as a provider of financial services, its responsibilities to society and the environment and also its role as an employer. Its approach also shows the importance the company gives to its dialogue with its stakeholders. ULC is seriously considering to adopt Green Banking with a view to enhancing CAMEL rating, getting approval from the central bank to open up new branches and becoming one of the top ten FIs in Bangladesh. The factors that have influenced ULC to adopt Green Banking are: economic factors, policy guidelines, loan demand, stakeholders' pressure and environmental interest. ULC is trying to curb its usage of electricity, though on the other hand, the consumption of fuel is erratic. ULC needs serious steps to check its fuel consumption in an efficient manner. ULC has seen its success in reducing paper consumption. With the advent and implementation of latest technology in the operation, ULC is heading toward very less paper consumption. ULC has commendable achievement in noise reduction, decreasing CO2 emission and electricity load reduction. This has been possible mainly because of ULC's due diligence checklist and special environmental concern while investing.

Sustainable development and preservation of environment are now recognized globally as overriding imperatives to protect our planet from the ravages inflicted on it by mankind. A common thread running across all these initiatives is the focus on reducing the demand for fossil fuels by implementing the 3R's viz. Reduce, Reuse and Recycle. Drafting of any policy is not enough to go green for any financial institution. The management has to be serious enough to implement the policy rigorously.

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1 Introduction

Environmental pollution and climate change leading to global warming are one of the three most discussed issues worldwide. These issues, mostly caused by human activities, are not only affecting our economy and our living standards, but our very existence is dependent on the efficient management of these issues.

The geographic location of Bangladesh makes it one of the most climate vulnerable regions of the world. Lack of awareness, environmental education, compliance and negligence on the part of the businesses and the mass people are also resulting in fast deterioration of the environment. This situation can only be improved through coordinated efforts from the government, private sector, and individuals. And banks and financial institutions (FI) are well positioned to act as catalysts to support and supplement these efforts aimed at a greener environment.

Green Banking (GB) is the operation of the financial sector with special focus on the environmental, ecological and social factors, targeting conservation of nature and natural resources. The term broadly encompasses awareness creation and promotion of environment-and-society-friendly projects and practices, and reduction of overall carbon footprint from both its financing and in-house operations. Through Green Banking, the FIs are not only required to improve their own standards, but also play an active role in demanding the same from its stakeholders.

Until a few years ago, most traditional banks did not practice green banking or actively seek investment opportunities in eco-friendly sectors or businesses. Only recently have these strategies become more prevalent, not only among large-scale local and foreign banks but also among diversified financial service providers, asset management firms and insurance companies. Although these companies may differ with regard to their stated motivations for increasing green products and services (e.g. to enhance long-term growth prospects, or sustainability principles on which a firm is based), the growth, variation and innovation behind such developments indicate that Bangladesh is in the midst of a promising drive towards integrating green financial products into mainstream banking.

This report intended to go deep into the green banking practices of United Leasing Company Limited (ULC), to understand the factors behind its adoption of green banking, and to study how precisely the organization adhered to the relevant policies laid down by the central bank thereby bringing efficiency and effective measures in its systems and operations.

1.1 Background

We are 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 businesses 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.

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 household 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. FIs as financial intermediary 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 FIs. Green FIs or environmentally responsible FIs do not only improve their own standards but also affect socially responsible behavior of other business.

Moving to a prosperous low carbon economy can drive innovation, increase productivity and generate new well paid jobs. Climate change is a significant issue for Bangladesh. But while the effects of climate change are increasingly a risk to the health, economy and the environment of the country, economists are also recognizing that there are financial rewards from controlling climate change and developing a low carbon economy. FIs can provide important leadership for the required economic transformation that will provide new opportunities for financing and investment policies as well as portfolio management for the creation of a strong and successful low carbon economy.

Economists are clear that substantial funding from the private sector is needed to achieve the level of investment required to control the effects of climate change. The World Bank estimates that the cost of mitigation in developing countries alone ranges from US\$140 billion to US\$175 billion annually until 2030. The financial sector can play a significant role in protecting the environment by financing support to high impact environmentally sensitive sectors. As part of the Rio+20 Summit, Bangladesh and Vietnam jointly organized a side event on June 19, 2012, in Rio de Janeiro, Brazil to discuss how to ensure green development in the backdrop of rapidly changing climate. In this summit the Governor of the Bangladesh Bank Dr. Atiur Rahman drew a presentation on green banking informing his audience on the development of green banking in Bangladesh. He pointed out that banks have entered the 2nd phase of Green Banking Policy Guideline.

As of May 2012, 40 banks have formed Green Banking Units; 29 banks have introduced Green Office Guides; Environmental Risk Rating has been done for 4,394 projects; 4,315 rated projects have been financed; Tk. 271 billion has been disbursed for rated projects; 171 branches have been powered by solar energy, and 2,567 branches have been facilitated with online coverage.

On February 27, 2011, Banking Regulation and Policy Department of the Bangladesh Bank issued a circular to all scheduled banks to take necessary steps towards initiating and implementation of Green Banking in each bank. The entire implementation process is divided into a three-year session as Phase 1 contains policy formulation, incorporation of environment, initiating in-house environmental management, introducing Green Finance, creation of climate risk fund, introducing green marketing, on-line banking, supporting employees training, consumer awareness and green event, and reporting green banking practice. Phase 2 involves sector-specific environmental policies, green strategic planning, setting up green branches; improve in-house environment management, formulation of bank specific environmental risk management plan and guidelines, rigorous programs to educate clients and disclosure and reporting of green banking activities. In Phase 3, banks will accomplish Designing and Introducing Innovative Products and Reporting in Standard Format with External Verification.

To minimize the environmental degradation, Green Banking can contribute significantly with other environment-concerned organizations since it can protect the environment and conserve the resources. This idea is in the nascent-stage through the world. In Bangladesh, this concept starts its journey through circulation of policy guidelines by the Bangladesh Bank. FIs should set environmental standards for lending and disburse loans to environmental project at a lower interest rate compared to traditional banks.

To implement Green Banking in Bangladesh, FIs must follow the policy guideline issued by the Bangladesh Bank. Specific deadline mentioned in the policy guidelines for effective implementation of Green Banking should be followed. As a part of the Green Banking strategies, FIs in Bangladesh should come forward to take the initiative for a number of social responsibility services like tree plantation campaign, park development, pollution checkup camps and so on.

1.2 Rationale

Climate change is one of the most complicated issues Bangladesh is facing now. Across the globe there have been continuous endeavors to measure and mitigate the risk of climate change caused by human activity. Although FIs are considered environment friendly and do not impact the environment greatly through their own internal operations, the external impact on the environment through their customers activities is substantial. The financial sector is one of the major sources of financing industrial projects such as steel, paper, cement, chemicals, fertilizers, power, textiles, etc., which cause maximum carbon emission. Therefore, FIs can play an intermediary role between economic development and environmental protection, for promoting environmentally sustainable and socially responsible investment. So, to aid the reduction of external carbon emission, like other FIs, ULC should finance green technology and pollution reducing projects. Although, financing is never considered a polluting industry, the present scale of financing operations have considerably increased the carbon footprint of FIs due to their massive use of energy (e.g., lightning, air conditioning, electronic/electrical equipment, IT, etc.), high paper wastage, lack of green buildings, etc. Therefore, ULC is expected to adopt technology, process and products which result in substantial reduction of its carbon footprint as well as develop a sustainable business.

1.3 Origin of the Report

As a compulsory part of MBA Internship program, this particular report was prepared by the author on the proposed topic “THE IMPACT OF GREEN BANKING ON THE PERFORMANCE OF UNITED LEASING COMPANY LIMITED”. The ultimate goal of this dissertation was to give the internee a professional experience and let him apply theoretical business knowledge in a practical business case. The internship supervisor was Mr. Mohiuddin Rasti Morshed, Deputy General Manager, United Leasing Company Limited and the faculty advisor was Dr. Khair Jahan Sogra, Professor, Institute of Business Administration, University of Dhaka.

1.4 Objective

1.4.1 Broad Objective

To study the impact of Green Banking on the performance of United Leasing Company Limited

1.4.2 Specific Objectives

1. To find out whether ULC is following the guidelines on Green Banking provided by Bangladesh Bank
2. To identify the factors that led ULC to adopt Green Banking policy
3. To identify the benefits received by ULC from implementation of Green Banking Policy
4. To draw a comparison between ULC's investment portfolio in eco-friendly sectors and that in other sectors
5. To identify ULC's efficiency from the amount of its consumption of electricity, fuel and paper
6. To identify ULC's performance in bringing social and environmental impact through noise reduction, saving CO₂ emission and electricity load reduction
7. To identify ULC's in-house use of technology (i.e. softwares) for delivery of service and development of processes

1.5 Scope of the Study

The study was concerned with the operations and performance of ULC with regard to Green Banking only. To understand whether the policies and measures adopted by the organization is adequate, policies and instructions laid down by the central bank, Bangladesh Bank, were taken as benchmark. The study also reflected the attitude of the top level management in cases of practicing Green Banking.

1.6 Limitations

The data pertaining to several branches outside Dhaka are collected from the system. No physical visit could be paid to those branches. The study does not leave any avenue open for any comparative analysis of Green Banking practices among the competing FIs. Also, because of the confidential nature, information facilitating greater understanding of the performance of the organization could not be retrieved. In case of obtaining data on fuel, paper and electricity consumption, data prior to 2013 could not be retrieved. In other cases study relies on the information from the top management during personal interviews.

2 Literature Review

Global climate change and energy crisis are the biggest environmental challenges we are facing today. We all are concerned that the overall environmental scenario is deteriorating as a result of rapid global warming and change in the climate. Banks have a significant role to play in these game-changing developments, a role which can be ensured through timely interventions by a committed and effective financial system.

FIs' relevance cannot be ignored, in as much as projects financed by FIs are contributing to pollution through carbon and gas emission to the air and environment. On the other hand, FIs should not squeeze investment or clamp down on economic activities-- rather FIs need to concentrate hard on sustainable finance to cope with the change in the climate or environmental conditions, as they continue to strive for better quality assets by reducing non-performing loans and maintaining a sustainable inclusive growth.

The key to sustainable development is to ensure broad-based inclusive economic growth with protection of natural resources; preservation of the regenerating capacity of the ecological system; and avoidance of environmental risks on future generations. Surely, financial sector is the key sector that can play an intermediary role between economic development and environmental protection. Bangladesh Bank has intervened in a timely manner and advised banks to facilitate their clients with utmost care in opening Letters of Credit (L/C) for installation of Effluent Treatment Plant (ETP) in industrial units, and financing in solar energy, bio-gas and ETP, etc. FIs have also been advised to comply with the guidelines on Corporate Social Responsibility (CSR), where FIs have been asked to concentrate on linking CSR at their highest corporate level with environmentally and socially responsible practices and engaging with borrowers in scrutiny of the environmental and social impacts of their activities.

Bangladesh Bank is the first central bank in the world which has taken real initiatives, according to a definite agenda in its vision and mission to play a specific role in Green Banking by taking responsibility in safeguarding the planet from unusual weather patterns, rising greenhouse gas and declining air quality. Green Banking is not limited only to in-house green activities, but extends to facilitating Green Financing. Green Financing through due diligence checklists under Environmental Risk Management (ERM) Guidelines is not intended to squeeze investment; rather it is for sustainable finance. Green financing under Green Banking activities can make a great contribution to the transition to resource efficient and low carbon industries, i.e. green industry and green economy in general.

A Green Economy can be thought of as an alternative vision for growth and development; one that can generate growth and improvements in people's lives in ways consistent with sustainable development. A Green Economy promotes a triple bottom line: sustaining and advancing economy, environmental and social well-being.

Green environment is one of the most important issues in today's world where people from all over the world are raising their voice against environment pollution. Governments in all over the world are working on a balanced development where the country will be able to develop its economy without negative consequence on the environment. Government has developed different framework and strategies to find out the best possible solution in order to protect the country as well as the global environment. The recent RIO+20 summit organized by United Nations which was held in Brazil also focused on how to safeguard global economic growth without destroying the planet in the process. Bangladesh as a part of the global family is considered as the most vulnerable country and would be one of the most severely affected countries for the consequence of environment pollution. Bangladesh as a part of united nation is also working on its internal environmental pollution. The country has developed different legislations to be applied on different industries to minimize the damage on its environment. Green Banking is one of the important legislations developed by Bangladesh Bank to be applied on Bangladesh's financial sector.

Bangladesh Bank issued policy guidelines for developing Green Banking practices and Environmental Risk Management and circulars to handle climate change. Green Banking is a multi-stakeholders' endeavor where FIs have to work closely with government, NGOs, IFIs/IGOs, Central Bank, consumers and business communities to reach the goal. Green Initiatives by banks include internal environment management, environmental financing/product ecology, environmental disclosure and reporting, formulating and adopting principles and promoting other stakeholders (<http://www.thefinancialexpress-bd.com>).

Being a responsible corporate citizen and with a view to developing green banking practices in the country, Bangladesh Bank issued a circular in February 27, 2011 on Policy Guidelines for Green Banking and stated that "to adopt a comprehensive Green banking policy in a formal and structured manner in line with the global norms so as to protect environment degradation and ensure sustainable banking practices". In line with the instructions of Bangladesh Bank, all FIs have taken initiatives to formulate its Green Banking policy with an aim to inculcate practices towards optimum usage of natural resources and make every effort for environmental friendly activities.

One of the major factors of the implementation of Green Banking by the Bangladeshi FIs is the pressure from Bangladesh Bank. As a powerful stakeholder, Bangladesh Bank is pushing hard to the commercial banks for the implementation of this green banking. Financial benefit is another reason that works as a motivating variable for the proper utilization of green banking. There are studies showing positive correlation between environmental performance and financial performance (Blacconiere 1993; Hamilton 1995; Hart 1995; Pattern 1993). Thus, it is imperative for the FIs in the present context to consider environmental performance in deciding whether to invest in companies or advise clients to do so.

FIs also think about the environment and its responsibility to the protection of the environment and also the consequences of the failure to perform the duty regarding environmental protection. As a result, FIs consider that the Green Banking can help to perform its responsibilities toward the environment. The formation of different rules for environmental management like resource conservation, clean water act, clean air act and toxic substance control act are also viewed as potentially significant contributor to the recent increase in environmental liability for FIs. Failure to fulfill the responsibility for the environment will also reduce the image of the FIs which will be costly to repair as today's customers are very much concerned about the environment and these customers want visible attempt from the banks regarding environmental protection. These factors are considered as the important factors that may prompt FIs to adopt Green Banking.

According to World Commission on Environment and Development (WCED), "Sustainable development is development that meets the needs of the present without compromising about the ability of future generations to meet their own needs" (Smith, Rees, and Gareth 1998). In order to ensure sustainable development, world environmentalist groups consider that green banking would be one of the valuable arms. As a result, today's environmental stakeholders are pushing financial community to strictly implement Green Banking policy which they consider will help to protect the environment. "Green Banking is generally defined as promoting environmentally friendly practices that aid customers in reducing their carbon footprint through their banking operation activities. These practices include such things as online banking, statements, bill payments, and account opening. Banks also invest in internal initiatives to reduce their own carbon footprint"(Schmidheiny and Zorraquin 1996). While Green Banking is not yet a key reason for most customers to select one financial institution over another, customer demands and greater environmental awareness are driving a number of financial institutions to go green (Nigamananda Biswas, 2011).

The factors like customer demand and environmental awareness are also influencing Bangladeshi Banks to adopt more environmentally friendly business policies. However, the effect of Green Banking on variables such as image has not yet been examined. Chang and Fong (2010) do in fact examine the notion of Green Brand Image (GBI), but only as a driver of satisfaction and loyalty, not as a result of green banking activities. According to their survey on consumers who had the experience of purchasing green or environmental products in Taiwan, a green corporate image exerts a positive effect on green customer satisfaction and green customer loyalty. On the other hand, Chen (2010) suggests that companies develop green banking in order to comply with environmental pressures, obtain competitive advantages, improve corporate image, seek new market opportunities and enhance their product value. However, Chen (2010) does not actually test the relationship between Green Banking and Green Image. Moreover, his study is not related to the banking sector but to information technology products. Hartmann; Ibáñez; and Sainz (2005) relate green banking to green image by testing the green branding effects on attitudes towards the brand. They support that a well-implemented green positioning strategy can lead to more favorable perceptions of the brand, indicating a positive relationship between Green Marketing and Green Image. However, their research is limited to an experimental online setting.

Bangladesh Bank has undertaken different steps to make Green Banking a reality. "Bangladesh Bank has launched the Tk. 2.0 billion Green Banking Refinance Scheme in August 3, 2009 to fund renewable energy projects in the country that has been reeling under chronic power cut" (www.thefinancialexpress-bd.com). According to Bangladesh Bank, "People are not aware of our green financing fund. They even do not know from where it is available. This is mainly responsible for the poor disbursement," (www.thefinancialexpressbd.com).

Another initiative that Bangladesh Bank has taken is about the interest rate related to Green Banking loan. "Bangladesh Bank (BB) has increased the interest rate for green banking aiming to encourage the commercial banks to strengthen disbursement of the loan under its refinance scheme, officials said" (www.thefinancialexpress-bd.com). Despite the factors like customer demand and environmental awareness, there are some other factors that influence banks to implement green banking. Cost saving is one of the important benefits of green banking (Heim and Zenklusen 2005). In few cases the environmental management system resulted in lower risk, greater environmental stewardship and increase in operating profit (Jeucken, 2001). In future, market will reward those industries or the companies, which emerge as the efficient users of the energy and raw materials and will penalize the less efficient one. Further, the investors in the stock market are equally aware of environmental pollution and would take a stand against those industries/institutions that do not comply with pollution norms (Gupta, 2003;

Goldar, 2007). According to Nigamananda (2011) “Some other benefits of green banking are: It will rationalize the paper use by giving free access to do all the banking transactions through Internet Banking, SMS Banking, Phone Banking and ATM Banking. Free Electronic Bill Payment Services and E-Remit services for remitting funds to the customers' home country. This is a unique service.”

According to Bangladesh Bank, “Implementing green banking policy will generate the following benefits for the banks: (1) increase goodwill or improve brand image by showing their commitment to save and protect the environment; (2) reduce giving loans to certain environmentally harmful projects; (3) check the necessary environmental due diligence factors before lending a loan/investment; (4) make efficient and effective use of resources and channel financing in an environment friendly manner; (5) introduce new technology in banking operations that would not only benefit our customers but also increase the productivity of our employees; (6) reduce carbon foot print in all branches and Head Offices of all banks; and (7) create awareness amongst the stakeholders about environmental and social responsibility enabling them to adopt environmental friendly business practices (Bangladesh Bank Green bank policy guideline).”

Different FIs of Bangladesh have carried out different projects under Green Banking scheme. One such project is Brac Bank SME loan to Solaric, a local solar manufacturing company which has been producing almost all solar components in the country taking SME loan from the BRAC Bank. The Bank has opted for green energy to run its offices for Small and Medium Enterprises (SME), the bank officials said. It has already installed solar panels in 22 SME Unit Offices across the country. (www.thefinancialexpress-bd.com). Banks such as Social Islami Bank Limited (SIBL), Islami Bank Bangladesh Limited (IBBL), Mutual Trust Bank Limited (MTBL), Export Import Bank of Bangladesh (EXIM Bank), Brac Bank etc. have adopted the paperless banking policy under the scheme of Green Banking policy as per the direction of Bangladesh Bank. Rajshahi Krishi Unnayan Bank (RAKUB) has adopted Green Banking scheme and has also decided that it will not invest in the factories polluting natural environment through emitting black smoke, ash and harmful sound. On the contrary, the bank will encourage more production and marketing of bio-fertilizer, biogas and solar panel (www.thefinancialexpressbd.com).

Over the last two decades, the adoption of Environmental Risk Management (ERM) techniques and procedures is increasingly becoming an important area of activity for banks/FIs. This has been driven by an increasing awareness of environmental issues among all stakeholders, particularly community, customers and shareholders. Stricter environmental liability legislation as a result of pressure from society is also contributing towards the wider adoption.

Investors and regulators are increasingly asking challenging questions about corporate governance, the social and environmental impacts of operations and investments, and how banks/FIs support their local communities.

The most notable global development is the establishment of the Equator Principles, which were adopted in June 2003 by ten international FIs. These Equator Principles are a set of standards for determining, assessing and managing environmental risk in project financing. Based on the International Finance Corporation (IFC)'s performance standards and associated World Bank guidelines, the Equator Principles serve as a common baseline and framework for environmental risk considerations. Today, 67 FIs from 27 countries operating in over 100 countries have adopted the Equator Principles. Multilateral and bilateral development institutions use similar frameworks as a part of their public and private sector financing. There is also the United Nations Environment Program Finance Initiative (UNEP FI), which is a unique global partnership between the UNEP and the global financial sector. UNEP FI works closely with nearly 200 FIs who are signatories to the UNEP FI Statements, and a range of partner organizations to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realize the adoption of best environmental and sustainability practices at all levels of FI operations. In addition, the Basel II Capital Accords identify environmental risk as a facilitating element of credit risk that financial institutions should address to meet capital requirements.

Bangladesh is already one of the most climate vulnerable countries. It will become even more vulnerable due to climate change and is expected to be one of the worst affected countries due to climate change impacts. Banks/FIs in Bangladesh need to protect their financing from the risks arising out of the deteriorating environmental scenario and the climate change impacts. A baseline study on banks/FIs' exposure to environmental risks in lending revealed that 98% of the bank's top management believed that environmental risks are being considered but their Business Development Officers did not consider environmental risk in their credit scoring in practice. This is a clear indication that there is a wide gap between perception and practice in the banks/FIs. The study also revealed the need for a streamlined formal and uniform approach so that all FIs in Bangladesh move towards managing environmental risks in their operations. Failing to consider these environmental risks- as a part of financing decisions- will lead to an increase in Non-performing Loans (NPLs) for banks/FIs. Not only should the borrower meet regulatory requirements, but also should the borrower assure that these risks are being effectively managed. By managing these risks, these banks/FIs will also be making a useful and important contribution towards both local and global sustainable development.

Environmental risks can be classified as follows:

Direct Risk: This risk can occur when a bank/FI exercises operational control over a borrower's business or in some cases where a bank/FI takes possession of contaminated land held as security. In such cases, the bank/FI may not only lose its original advance, but may also be forced to meet substantial clean-up costs.

Indirect Risk: This risk incurred by the bank/FI due to borrower's inability to repay because of environmental or climate change reasons. As Bangladesh strengthens enforcement of environmental regulations and public interest groups grow, pressure increases on business to minimize their environmental impacts. This may increase companies' capital and operating costs in order to comply with environmental regulations. This can have an effect on the borrower's cash flow and consequently in the borrower's ability to repay. Alternatively, climate change induced events, e.g. cyclones, may impact business activities that may result in affecting the borrower's ability to repay.

Reputation Risk: Reputation and image are important for the bank/FI's to conduct business. It is important to demonstrate that the bank/FI acts responsibly at all times and this is particularly important when providing finance for major business activities. Not considering environmental impacts arising from a borrower's operations can result in negative publicity for both the borrower and the bank/FI. Reputation risk is present in financing transactions particularly where the Bank/FI is considering a large exposure. The Bank/FI's reputation can be damaged if there is a failure of the business activity due to environmental reasons. The Bank/FI will be seen as engaging in irresponsible business practices that do not adequately address the environmental issues. Thus, the more responsibility the bank/FI demonstrates, the less reputation risk it will face.

Environmental risks can also be classified in the context of principal risk components of credit risks:

Business/Industry Risk: Changing environmental conditions and/or requirements may impact the borrower's capacity to meet the obligation to repay. This is an indirect risk.

Management Risk: Poor management may result in closures and community protests that can adversely impact the business and the borrower's capacity to repay. This is an indirect risk.

Security/Collateral Risk: Risk that the bank/FI might be exposed due to poor quality of the security/collateral, e.g. contaminated land or disposal of hazardous chemicals, in case of a default. This is a direct risk.

Legal Risk: This risk can take a number of different forms. Most obviously, FIs are at risk if they do not comply with relevant environmental legislation. More specifically, they are at risk of lender liability for clean-up costs or claims for damages if they take possession of property that contaminates or pollutes, as a result of realizing security. This is a direct risk.

There are different stages in Environmental Risk Management as applied to financing transactions:

Identifying Risks: At the time of identifying the financing, all environmental issues relevant to the proposed business activity need to be determined. Of these, there may be some issues that can pose environmental risks. These need to be identified.

Rating Risks: Once the environmental risks are identified, these need to be evaluated. The evaluating or rating of risks is generally done using simple methods that estimate risk as a product of the likelihood/probability and the impact of the negative consequence.

Mitigating Risks: Once the risks are evaluated or rated, mitigation of these environmental risks need to be planned in the design and/or plans of the proposed business activity. It is only after assurance that these risks can be mitigated should the banks/FIs proceed further with the financing process.

Monitoring and Controlling Risks: During the implementation, the banks/FIs should monitor these environmental risks as a part of its credit monitoring. The outcome of this monitoring should feedback to tighten controls of these risks.

3 Research Methodology

3.1 Research Design

The study is exploratory in nature. After the literature review it was evident that banks and FIs, as providers of finance, could ensure that businesses adopted environment-friendly practices. The study required observation of how the organization used green technologies and adopted green practices, while adhering to the guidelines and policies of the central bank, for internal operation and investment decisions. Also, the study demanded how leveraging on the use of technology the organization could reduce the usage of resources such as paper, thereby striking a positive environmental impact.

3.2 Sampling

The top ten managers of ULC were chosen for non-structured interviews. The managers were selected through judgmental sampling method. These managers held key information on the aspects of Green Banking practice in ULC, and thus thought to be appropriate for the study

3.3 Data Collection

3.3.1 Primary Data

The primary data were collected through a face-to-face non-structured interview of top ten managers of ULC.

3.3.2 Secondary Data

Secondary data were collected from the department of Management Information System of the organization, department of Human Resources, online reports and journals, circulars, policies and guidelines prescribed by Bangladesh Bank, newspapers etc.

4 Organization Structure

ULC was established in 1989. It was set up as a public limited company which initially was jointly ventured by the following foreign and local organizations:

- a. Lawrie Group Plc. of the UK
- b. Asian Development Bank
- c. Commonwealth Development Corporation
- d. Duncan Brothers (Bangladesh) Limited
- e. United Insurance Company Limited
- f. National Brokers Limited
- g. Octavious Steel & Co. of Bangladesh Limited and,
- h. Shaw Wallace Bangladesh Limited

The Company initially started as a leasing company and later expanded its product range. It was the 4th NBF1 to operate in Bangladesh. It was 2nd of its kind in the lease market.

4.1 Milestones

1. Incorporation of the Company on April 27, 1989
2. Public Issue of shares on March 28, 1994
3. First branch in the country (Chittagong) in June, 1994
4. Authorized capital increased on May 18, 2000
5. Initiation of receiving deposits from public in September 2005
6. Commencement of Credit Sale Financing Operation on October 03, 2005
7. Commencement of Affordable Home Loan in March, 2011
8. Authorized capital increased to Tk. 3,000 million on November 24, 2011
9. Commencement of Distributor Financing in April, 2012

4.2 Organogram

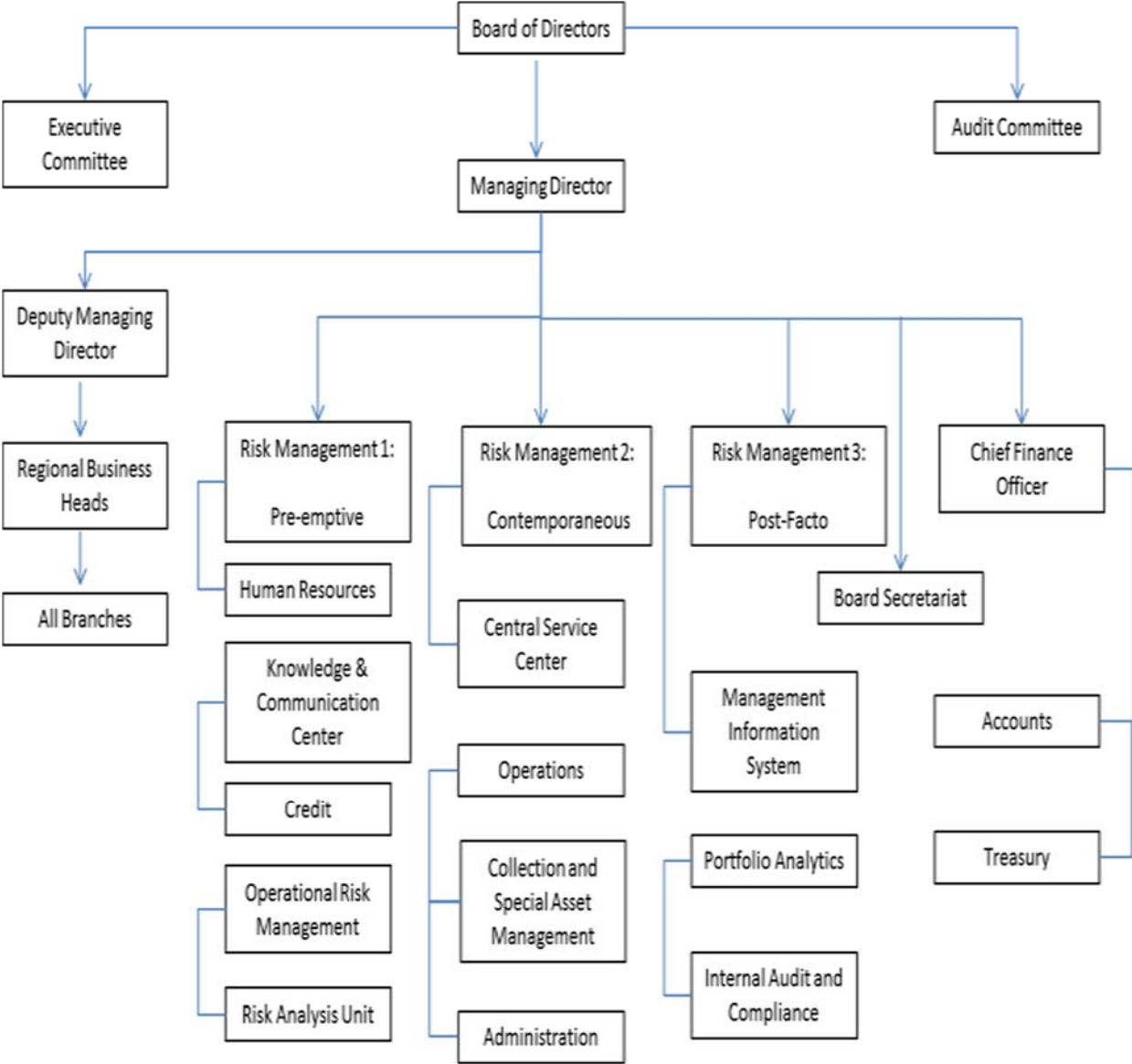


Figure 1: Organogram of United Leasing Company Limited

4.3 Products and Services

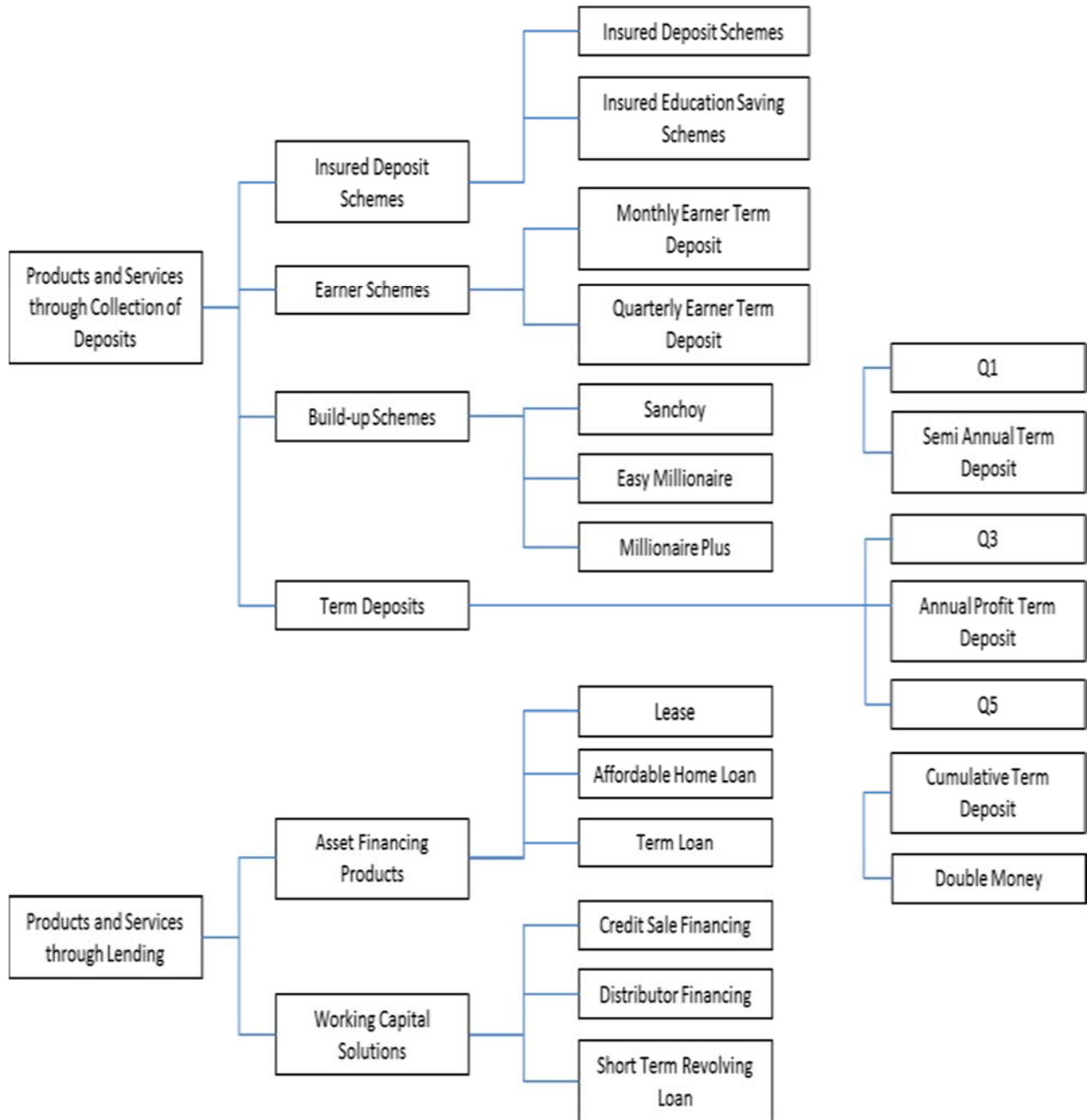


Figure 2: Products and Services of United Leasing Company Limited

4.4 Performance

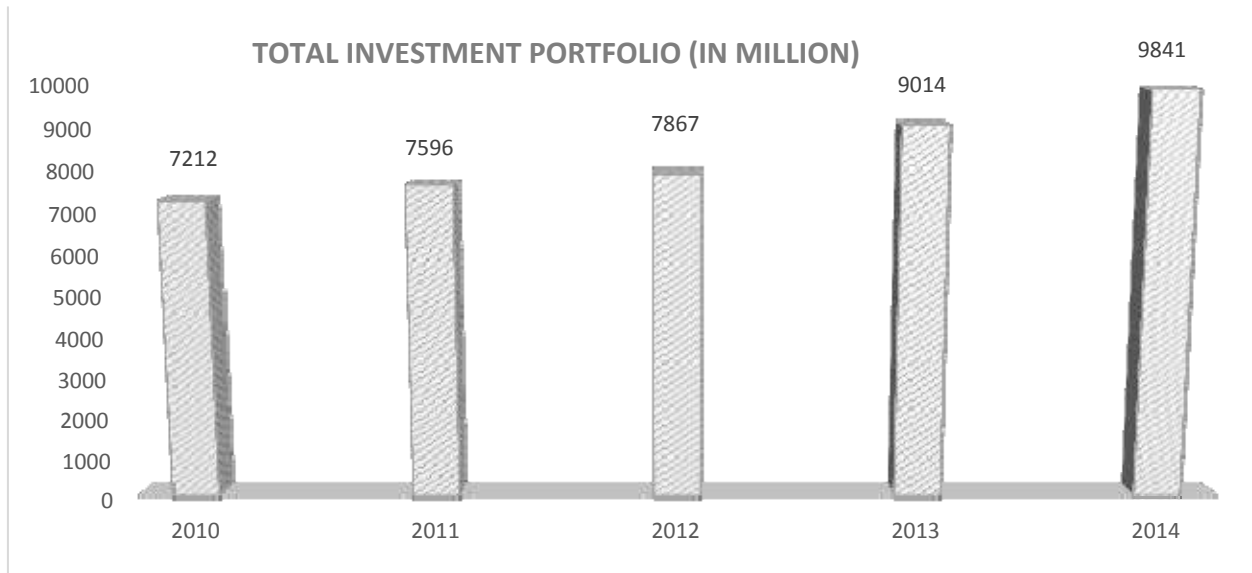


Figure 3: Total Investment Portfolio (Source: Annual Report)

ULC has experienced a modest growth in its investment portfolio despite several major obstacles arising out of economic and political turmoil in the previous years. From 2010 to 2014, the company has increased its portfolio by more than Tk. 2,500 million.

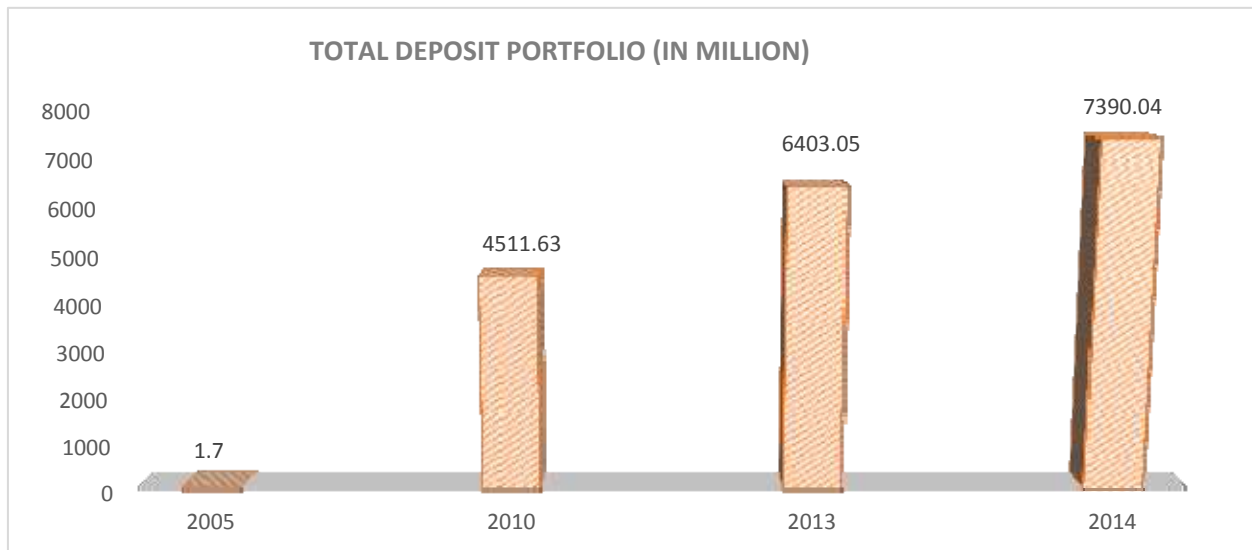


Figure 4: Total Deposit Portfolio (Source: Annual Report)

The company has shown remarkable performance in building its deposit portfolio. In 2005, the company had deposit worth Tk. 1.7 million only. In 2014, the portfolio stood at Tk. 7390.04 million. The robust deposit helped the company minimize its cost of fund.

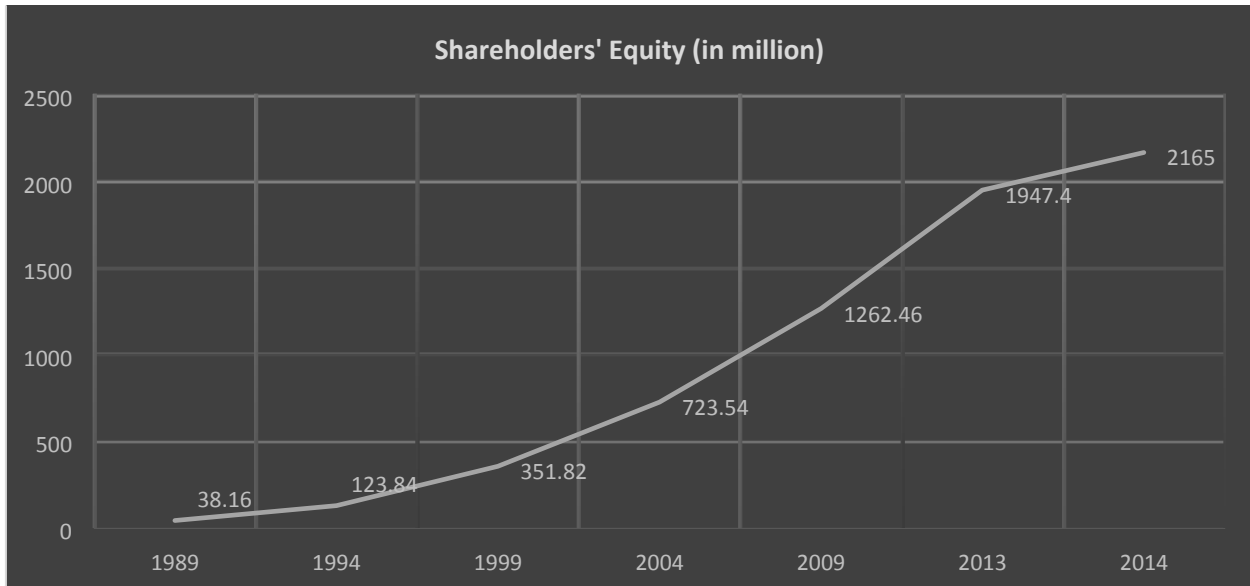


Figure 5: Shareholders' Equity (Source: Annual Report)

Shareholders' equity experienced an outstanding growth over the recent years. In 1989 during the company's incorporation, the equity shareholding was worth Tk. 38.16 million only. In 2014, the shareholding grew to Tk. 2,165 million. From the previous year (2013) the equity grew by 11.17% in 2014.

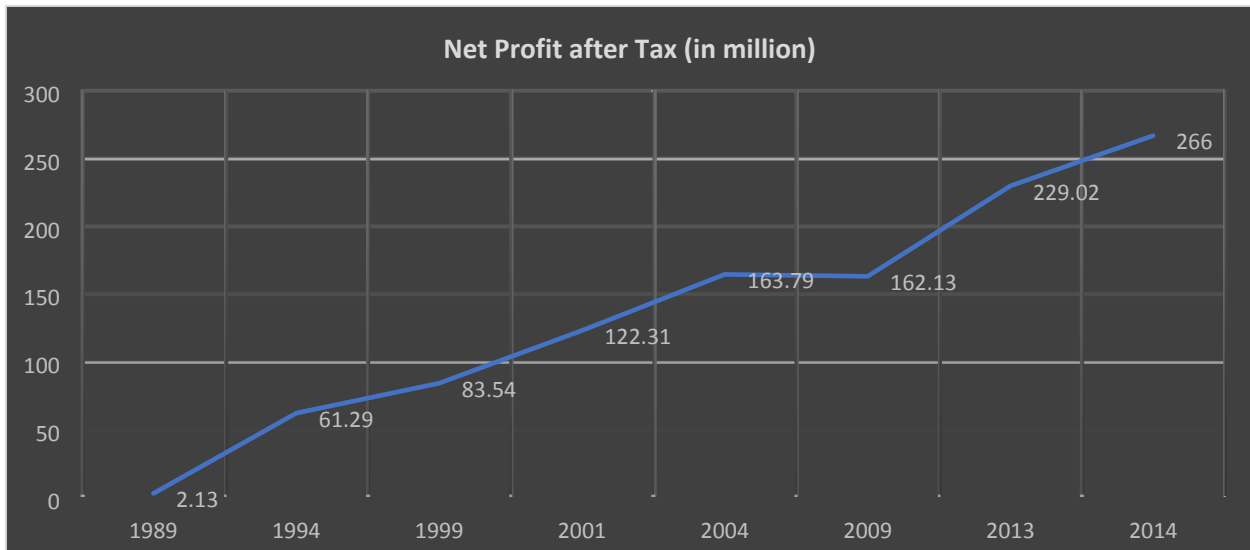


Figure 6: Net Profit after Tax (Source: Annual Report)

The net profit after tax figure of ULC has kept increasing each year since its inception. Since 2009, there has been a sharp increase in company's net profit after tax. Though the company finished its first accounting year with just Tk. 2.13 million, in 2014, the figure stood at Tk. 266 million.

4.5 Employees

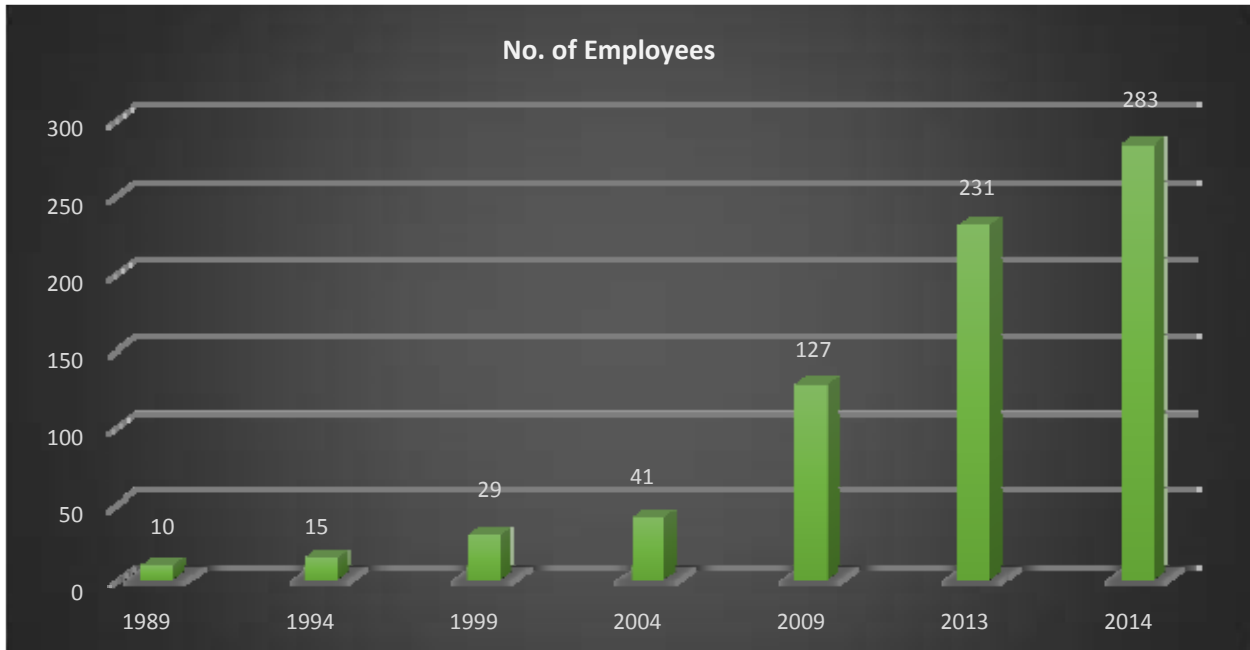


Figure 7: Number of Employees (Source: Annual Report)

As the company continues to prosper and expand business by opening up branches across the country, the number of employees increased concomitantly. In recent years, the increase in the number of employees has been sharper than the later years. In 2014, total number of employees was 283 excluding the contractual ones.

5 Findings

5.1 Following Bangladesh Bank's Guidelines on Green Banking

The approach of ULC to sustainability is based on a broad understanding of its duties as a provider of financial services, its responsibilities to society and the environment and also its role as an employer. Its approach also shows the importance the company gives to its dialogue with its stakeholders. To demonstrate its approach, ULC strongly commits itself to:

- Incorporating environmental and social risk considerations into its all financial activities

- Establishing environmental and social requirements for its clients such as compliance with Bangladeshi environmental, occupational health and safety, labor rights and socially related laws and regulations, and where national legislation doesn't exist or is not sufficient, with internationally accepted standards such as international industry certifications, the core International Labor Organization (ILO) conventions and for high risk clients also IFC Performance Standards
- Excluding financing clients whose business activities don't meet the company's environmental and social requirements
- Improving the overall environmental and social performance of its portfolio through enhanced risk management
- Integrating environmental and social considerations with its CSR (Corporate Social Responsibility) initiatives to contribute to environmental development and community empowerment
- Continually building capacity of its respective staff to identify and manage the ULC's exposure to environmentally and socially derived risks
- Identifying opportunities to finance environment-friendly, renewable energy, energy efficiency and socially beneficial projects, and expand product offerings in these areas
- Establishing and maintaining a sound employee-management relationship and provide a clean, safe and healthy workplace for its employees, and
- Providing environmental education of its staff and supporting and promoting their environmental protection and social support activities both during and outside working hours.

Phases of Implementation

As per the Policy Guidelines for Green Banking issued by the GB & CSR Department of Bangladesh Bank (GBCSRD Circular No 4) on August 11, 2013, the implementation of Green Banking activities in ULC has to be completed in three phases:

- (i) Phase I: by June 30, 2014;
- (ii) Phase II: by December 31, 2014; and
- (iii) Phase III: by June 30, 2015

5.1.1 Formation of a Green Banking Unit (GBU)

ULC has formed a Green Banking Unit (GBU) with representation from different departments in the organization. The GBU will be responsible for the design, implementation and evaluation of relevant Green Banking issues across the organization within the stipulated timeline, as well as for periodic reporting to the GB & CSR Department of Bangladesh Bank. Composition of the GBU, and any change thereafter, has been approved by the Management Committee of ULC.

5.1.2 Fund Allocation for Green Financing

To increase share of Green Financing in the overall financing portfolio, ULC will continue to maintain a fixed percentage of the annual disbursement target for investing in green projects/sectors. The company will also focus on availing relevant refinancing facilities of Bangladesh Bank, and/or low cost funds from multilateral organizations to offer financing to clients at flexible terms.

5.1.3 Following International Standards and Practice

In addition to adhering to the Green Banking Policy and ERM guidelines of the Bangladesh Bank, ULC has also adopted the internationally accepted standards and principals of multilateral initiatives such as the United Nations Global Compact (UNGC) and United Nations Environment Program Finance Initiative (UNEP FI). Moreover, the company is also following the GRI (Global Reporting Initiative) standards in its Sustainability Reporting practices.

5.1.4 Incorporation of Environmental Risk in CRM and Establishing an Environmental and Social Management System (ESMS)

Environmental, social and climate change risks form part of the overall credit risk methodology of ULC to assess a prospective borrower from both credit risk and E&S risk perspectives. The company will establish and maintain an ESMS to manage environmental and social risks, impacts and opportunities associated with financing activities in a manner consistent with this policy. The ESMS ensures that the company complies with the ERM Guidelines (dated January 2011), and any subsequent circulars, regulations and/or guidelines issued by Bangladesh Bank and other relevant regulatory bodies. The ESMS will be fully integrated in the company's organizational structure, responsibilities, procedures and processes.

In addition to national laws and regulations, the organization has adopted internationally accepted standards and practices to bring in place a more rigorous E&S Risk Management framework. Environmental and Social Impact Assessment (ESIA) will be conducted for large projects, where applicable. Appropriate internal policies, due diligence checklists, audit guidelines and reporting formats will be prepared to provide for identification, categorization, appraisal, control and monitoring of the E&S risks and opportunities related to the company's clients' business activities.

5.1.5 Sector-Specific Environmental Policies

ULC is already following the guidelines prescribed in The Environment Conservation Rules, 1997 issued by the Ministry of Environment and Forest of the Government of the People's Republic of Bangladesh, and Environmental Risk Management (ERM) Guidelines for Banks and Financial Institutions in Bangladesh issued by Bangladesh Bank in January 2011. When the potential environmental and social impacts associated with ULC's clients are significant, the company will apply the IFC's Performance Standards as a benchmark for identifying and managing these risks.

ULC will also adopt guidelines in all subsequent laws and regulations issued by relevant regulatory bodies. Any change/deviation has to be approved by the Management Committee, and where applicable, will be placed for Execution Committee and/or Board Approval.

5.1.6 Safe and Healthy Workplace for Employees and Sound Human Resources Management

ULC is committed to provide a clean, safe and healthy workplace for its employees, with appropriate training where necessary. The company agrees to establish and maintain a sound employee-management relationship, promote the fair treatment, non-discrimination and equal opportunity of employees, promote compliance with any national labor and employment laws, and the fundamental principles and key regulatory standards embodied in the key ILO conventions.

5.1.7 Preparation of Green Office Guideline

ULC has prepared a Green Office Guideline (GOG) which will consist of a set of general instructions to be followed across the organization. The main objective of the GOG would be better management of in-house environmental issues, responsible utilization of electricity, water,

paper and energy, and maintenance of a cleaner and more hygienic office environment, in participation of all the employees of the company. The GOG has been approved by the Management Committee, and will be reviewed on an annual basis.

5.1.8 Inventory Management

ULC is committed to conserving natural resources by improving the energy efficiency of its buildings and offices, reducing energy consumption and the level of harmful emissions, and reducing the consumption of materials by reusing and recycling where possible. The company will maintain an inventory on the consumption of electricity, water, paper and energy across all its branches. This information shall provide a baseline for the company to undertake various measures aimed at gradually reducing consumption of these resources. The format prescribed in the Policy Guidelines for Green Banking issued by the GB & CSR Department of Bangladesh Bank (GBCSRD Circular No 4; dated August 11, 2013) will be followed for this purpose.

5.1.9 Installation of Green Branches

ULC strives to make both its existing and new branches Green by focusing on two basic parameters:

(a) Source reduction and waste minimization strategy in terms of resources like electricity, water, paper, energy (petrol/gas/octane/diesel) etc.

(b) Adopting the 3R principle of Reduce, Reuse and Recycle, in terms of both materials and equipment Initiatives in this regard will include, but not be limited to, the following:

- (i) Maximum use of sunlight/natural light during day time
- (ii) Use of more renewable energy in office premises, such as solar panels etc.
- (iii) Installation of energy efficient devices, such energy saving bulbs, air conditioning systems etc.
- (iv) Installation of spring taps / sensory taps to reduce water consumption, in both washrooms and dining rooms
- (v) More use of recycled water and paper, where feasible;

ULC will strive to achieve the Green Branch certification of Bangladesh Bank for all its branches, as per their given criteria.

5.1.10 Introducing Green Technologies

ULC resorts to more environment-friendly technologies aimed at greater work efficiency, reduction of electricity, paper and energy consumption, and subsequent GHG emission, and reduced Capex in terms of IT infrastructure. Facilities such as virtual meetings through video conferencing; server virtualization; state-of-the-art branch connectivity systems; online operational, approval and payment systems, e-statement generation for employees and clients for reducing paper consumption etc. are already in place. Going forward, the company is focusing on the reduction and reuse of materials and equipment as well, where feasible.

5.1.11 Green Finance

ULC focuses on Green Finance activities in the following manner:

Phase I: The company will maintain a specific target every year for investment in environment-friendly sectors and/or projects. Preference shall be given to environmental infrastructure projects including, but not limited to, adoption of renewable energy and/or energy-efficient technology, supply of clean water, establishment of effluent and/or waste water treatment plant, solid and hazardous waste disposal plant, biogas plant, bio-fertilizer plant etc.

Phase II: The company will identify specific environmentally harmful activities and reduce its financing activities in those areas, and target certain percentage of its portfolio to consist of eco-friendly and environmental loans. ULC will continue to try to avail the refinancing facility from Bangladesh Bank in renewable energy and environment-friendly projects, as per the GBCSRD Circular No 2, dated July 1, 2013, and any subsequent circulars issued hereinafter.

5.1.12 Green Marketing

Green Marketing refers to the marketing and promotion of products and services that are environmentally friendly themselves, or are positioned and marketed in an environment-friendly manner. Such efforts will not only provide the promised environmental benefits, but also help increase awareness among the client groups. The organization will engage in Green Marketing by adding value to existing product portfolio by including environmental features.

5.1.13 Design and Introduction of Innovative Products

Besides mitigating negative environmental impacts through its products and services, ULC will actively design and introduce innovative green products addressing core environmental and climate change issues of Bangladesh. Designing of such products will be done upon consultation with the GB&CSR Department of Bangladesh Bank, and as per international best practices.

5.1.14 Creation and Utilization of Climate Risk Fund

ULC will have in place a Climate Risk Fund (CR Fund) targeting climate-vulnerable areas, namely flood, cyclone and draught prone areas in Bangladesh.

The CR Fund will be utilized in the following manners:

- (i) Commercial Financing of economic activities in climate-vulnerable regions
 - a. Regular interest rates shall be charged, without additional risk premiums, and
 - b. Financing will be extended both in case of emergencies, as well as on a regular basis
- (ii) CSR Projects
 - a. Areas will include, but not be limited to, post-disaster rehabilitation, skills development and alternative livelihood, climate adaptability, climate resilient housing facilities etc.
 - b. Such activities shall be conducted on a regular basis

All activities, commercial financing or CSR, utilizing the CR Fund shall be implemented jointly with different NGOs and/or MFIs active in climate vulnerable regions.

5.1.15 Employee Training

Employee training and awareness on various environmental and social issues, and Green Banking aspects, has to be a continuous and integral part of ULC's human resource development process. The company will prepare a training calendar at the beginning of each year for staff training, and accordingly conduct the sessions throughout the year.

5.1.16 Client Awareness and Green Events

ULC will arrange, individually and/or jointly, and/or associate with seminars, workshops or events aimed at enhancing understanding and awareness on E&S issues by clients and other stakeholder groups, and minimizing negative environmental impacts of the company's own operations. ULC will conduct such sessions in two phases:

Phase I: Client awareness on E&S issues on a continuous basis, and

Phase II: Rigorous programs on a continuous basis to encourage and influence clients and business houses to comply with environmental regulations, undertake resource efficient and environmental activities etc.

5.1.17 Reporting on Green Banking Activities

Reporting on Green Banking initiatives will be conducted and upgraded in the following phases:

Phase I: ULC will report initiatives and progress in terms of implementing Green Banking activities to the GB&CSR Department of Bangladesh Bank on a quarterly basis, as per format prescribed in the Policy Guidelines for Green Banking (GBCSRD Circular No 4; dated August 11, 2013).

Phase II: ULC already publishes an independent Sustainability Report highlighting current activities and initiatives, past performance, and future strategies. However, going forward, ULC will also disclose E&S performance of its major clients that shall include, but not be limited to, the E&S issues faced by the clients and how these issues were addressed and/or mitigated by the clients on their own/with assistance from ULC.

Phase III: ULC already complies with the Global Reporting Initiative (GRI) Guidelines for preparation of its Sustainability Report. Going forward, ULC will apply similar standards for its Annual Financial Report as well, while seek for external assurance of these publications by independent agencies/acceptable third party service providers. Appointment of any such third-party assurance provider will be subject to consultation with Bangladesh Bank.

5.1.18 Disclosure of Green Activities

ULC discloses its Green Banking activities on its website, and continuously updates the website. Also, ULC will make Annual Financial Reports and Sustainability Reports available on the website.

5.1.19 Monitoring and Coordination

The following persons will be responsible for coordinating across all departments, monitoring results, and accordingly suggesting measures in case of any deviation.

Responsible Person	Roles and Responsibilities	Report to
<i>Green Banking Desk</i>	<ul style="list-style-type: none"><i>(i) Collection, filing and record maintenance of all relevant external policies, circulars and guidelines, and internally developed policies, documents, checklists and memos</i><i>(ii) Day-to-day coordination across all departments regarding implementation of the Green Banking activities</i><i>(iii) Monitoring progress of green banking initiatives across different departments through periodic progress reports</i><i>(i) Reporting to the Management Committee, in case of any deviation, and taking necessary measures, in consultation with the GBU and all parties concerned; and</i><i>(iv) Collection of information from all departments and accordingly preparing and submitting the quarterly report to the GB&CSR Department of Bangladesh Bank</i>	<i>Management Committee</i>

5.1.20 Implementation

The Executing Bodies will be responsible for implementation of the respective areas in time. They will also be responsible for preparation of all relevant guidelines, checklists and memos for proper approval and implementation of these activities. The consolidated list of Executing Bodies is given below:

Particulars	Executing Bodies	Deadline
<i>Formation of Green Banking Unit</i>	Management Committee	<i>June 30, 2015</i>
<i>Fund Allocation for Green Financing</i>	Business Units	<i>June 30, 2015</i>
<i>Incorporation of Environmental Risk in CRM</i>	Business Units; CRM	<i>June 30, 2015</i>
<i>Sector-specific Environment Policies</i>	Business Units; CRM	<i>December 31, 2015</i>
<i>Green Office Guideline</i>	CSR, IT, Admin and PR	<i>June 30, 2015</i>
<i>Inventory Management</i>	Admin and PR, ICC, Branch-in-charges	<i>June 30, 2015</i>
<i>Green Branches</i>	Admin and PR, IT	<i>December 31, 2015</i>
<i>Green Technologies</i>	Business and Support Units, IT	<i>December 31, 2015</i>
<i>Green Finance</i>	Business Units; CRM	<i>Phase I: June 30, 2015</i>
		<i>Phase II: December 31, 2015</i>
<i>Creation and Utilization of Climate Risk Fund</i>	Creation of CR Fund: Management Committee	<i>June 30, 2015</i>
	Utilization of CR Fund: Business Units; CSR	<i>June 30, 2015</i>
<i>Green Marketing</i>	Business Units; Marketing Communications	<i>June 30, 2015</i>
<i>Employee Training</i>	GBU, HR, Branch-in-charges	<i>June 30, 2015</i>

5.2 Factors Influencing the Adoption of Green Banking by ULC

After the interviews with the top management of United Leasing Company Limited, six cardinal factors were identified. These have been shown with the help of the following table:

Factors	Variables Included in the Factor
Economic Factor	Improving brand image Employee Productivity Paperless banking to reduce transaction cost Reduce utility cost Higher operating profit
Policy Guideline	Civil society's encouragement Bangladesh Bank's instructions Policy support to clients Lower credit risk of green banking loan
Loan Demand	Lucrative interest rates for green banking loan Availability of Green Banking fund from Bangladesh Bank High demand for green finance
Stakeholders' Pressure	Consumers' pressure Pressure from Environmentalist Group Pressure from International organization
Environmental Interest	Country's energy efficacy Global warming

5.3 Benefits of Adopting Green Banking Policy by ULC

ULC believes that once this policy is fully implemented the company will be in a position to support environmentally sustainable development, ensure adequate environmental, health and safety, and labor conditions of their customers, manage its reputational risk by avoiding supporting enterprises which cause significant environmental and social damage, reduce the risk of exposure to environmental and social risks and liabilities, and promote good environmental and human resource management among its customers.

In addition to the inherent benefits of better environmental and social management, new business opportunities, responsible resource consumption and reduced Greenhouse Gas (GHG) emission, and reduced capital expenditure and operational costs, compliance with the Green Banking Policy will entitle the ULC to the following benefits:

- (i) Bangladesh Bank will award points on Management component while computing CAMELS rating,
which will have a significant impact on the overall rating of ULC.
- (ii) Bangladesh Bank will declare the names of the top ten FIs for their overall performance in Green Banking activities in the Bangladesh Bank's website; and
- (iii) Bangladesh Bank will actively consider Green Banking activities/practices of ULC while according permission for opening new branches.

5.4 Comparative Analysis of Investment Portfolio

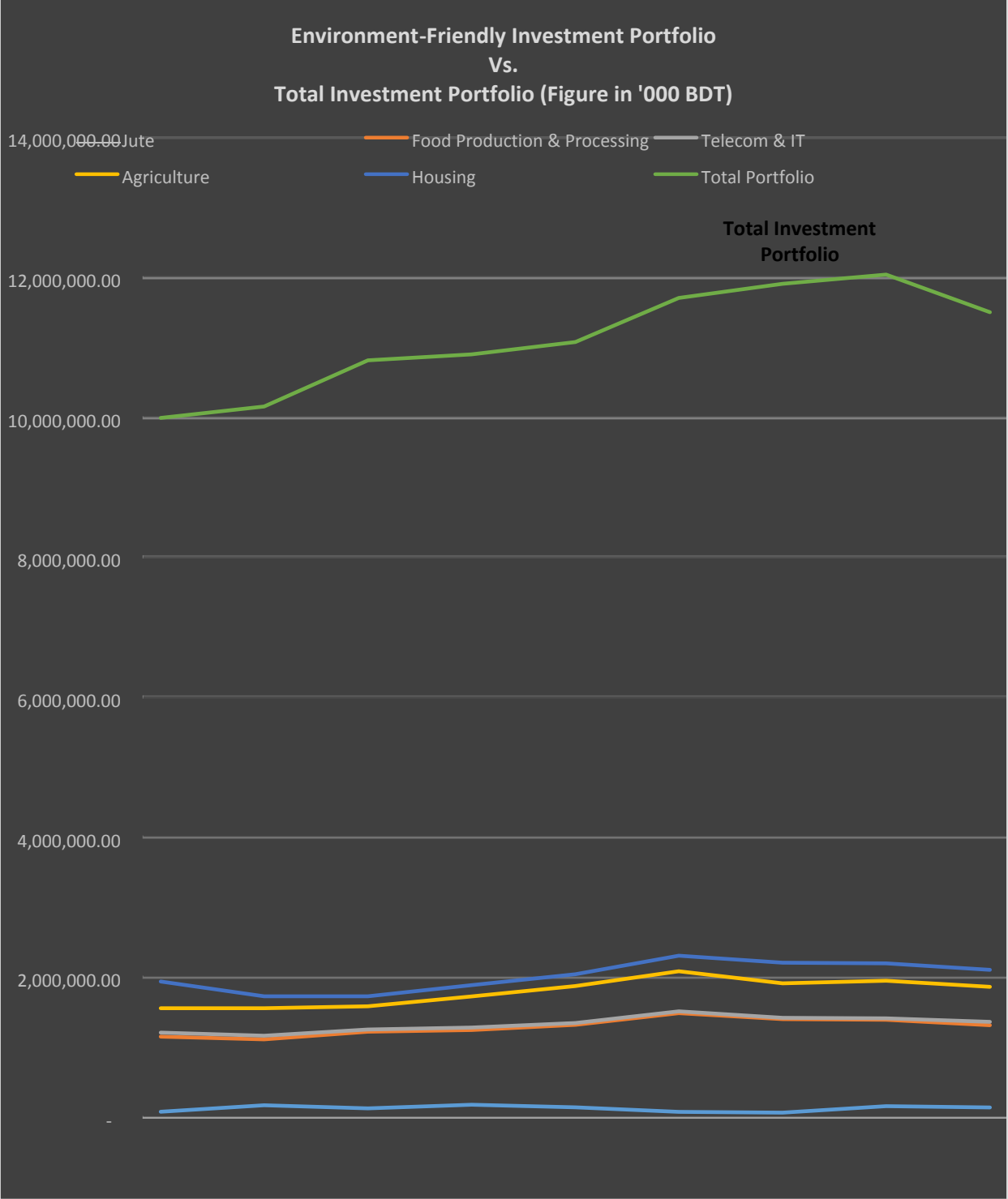


Figure 8: Quarterly Sector-wise Eco-Friendly Investment Trend from March '12 to March '14

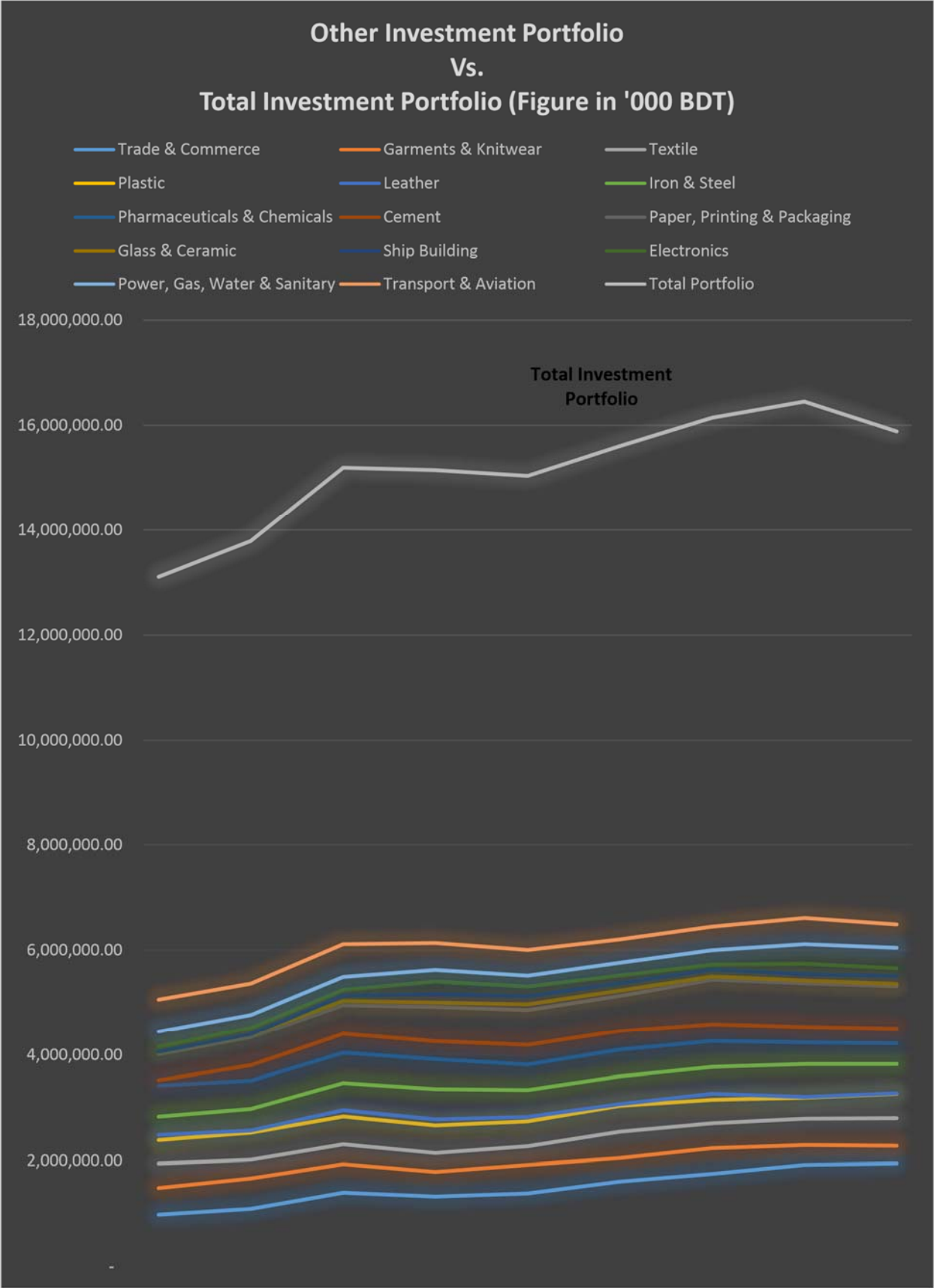


Figure 9: Quarterly Sector-wise Other Investment Trend from March '12 to March '14

From the previous two illustrations of the quarterly trend of investment, it is evident that the portfolio of investment in comparatively environment-friendly sectors is much less than that of investment in other sectors. While the portfolio of investment in other sectors is gradually increasing, the same of investment in environment-friendly sectors is experiencing a slightly downward trend. Hence, with a view to materializing the strategies and ideas contained in the Green Banking Policy, avenues of investing in green projects need to be found out.

5.5 Consumption Pattern of Resources

5.5.1 Electricity Consumption

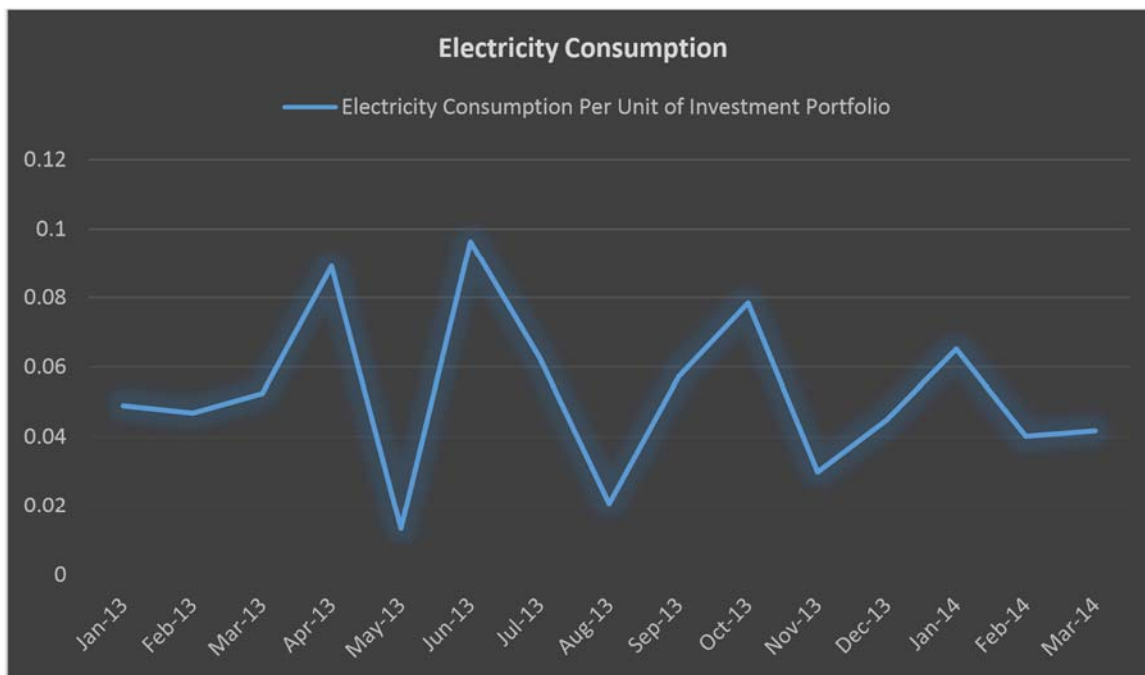


Figure 10: Electricity Consumption Pattern

As the size of the investment portfolio is commensurate with the amount of activity going on in a financial organization, the above illustration depicts the electricity consumption per unit of total investment portfolio. As we see most of the financing activity requires consumption of electricity i.e. for lighting, air conditioning, operating computers and printers etc., the ratio implies how much the electricity bill changes with respect to the amount of activity for generating each unit of investment portfolio. The electricity bill has a slight downward trend at the end, thereby indicating somewhat less electricity consumption in the first quarter of 2014 than that in first quarter of 2013.

5.5.2 Fuel Consumption

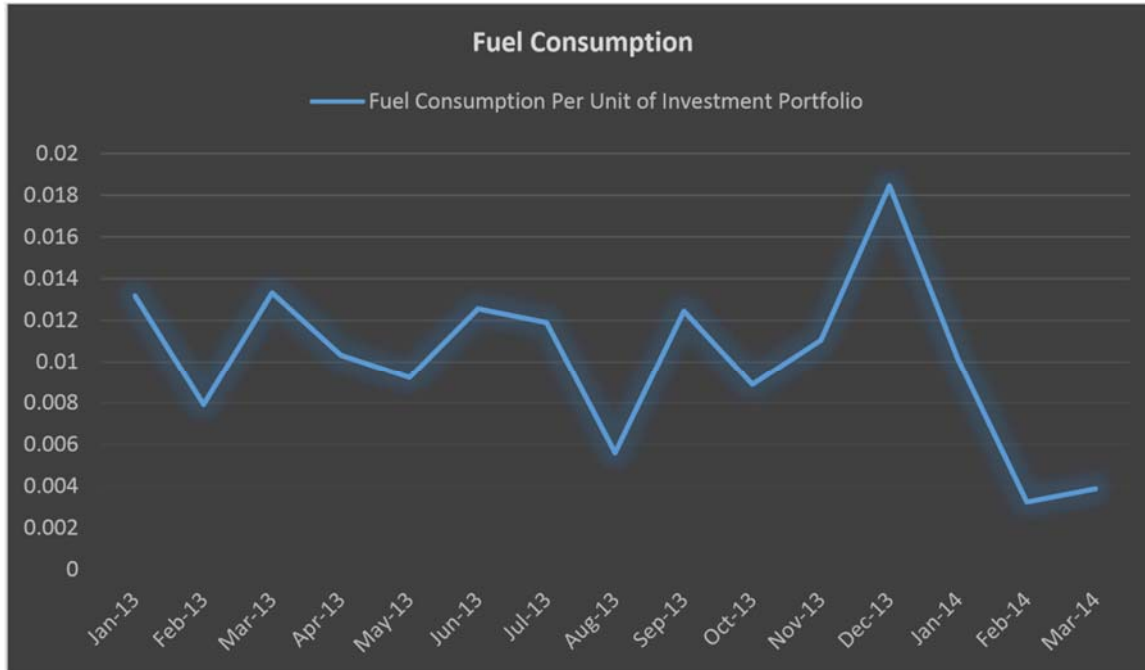
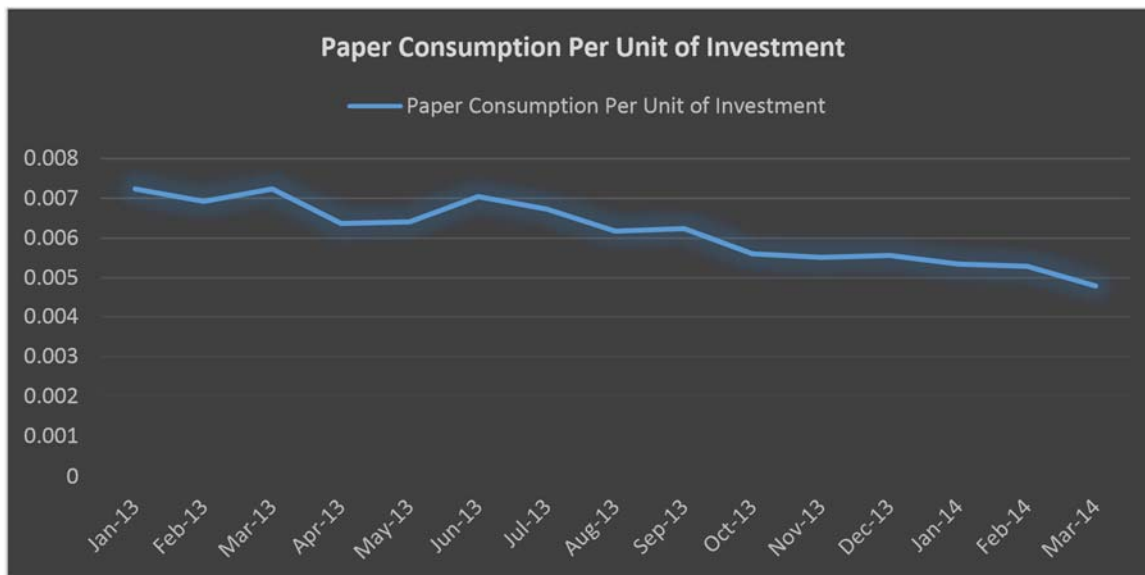


Figure 11: Fuel Consumption Pattern

The fuel consumption per unit of investment portfolio has been erratic over the quarters illustrated in the graph. The consumption was highest in December 2013 and lowest in February 2014. With a view to curbing the release of greenhouse gas, ULC must check its fuel consumption.

5.5.3 Paper Consumption



ULC's remarkable achievement toward implementing Green Banking is the reduction in consumption of paper for operational activities. As ULC keeps using more and more sophisticated softwares and thereby smoothens the operational processes involved, paper consumption gets reduced gradually. The company aims to cater to its customers in paperless manner in the coming years.

5.6 Social and Environmental Impact

5.6.1 Noise Reduction

Noise reduction is calculated when leased asset is used for noise reduction or noise cancellation of any equipment. Generally canopy or mufflers are used to reduce noise generated from generators which reduce noise by 14% and 6% respectively.

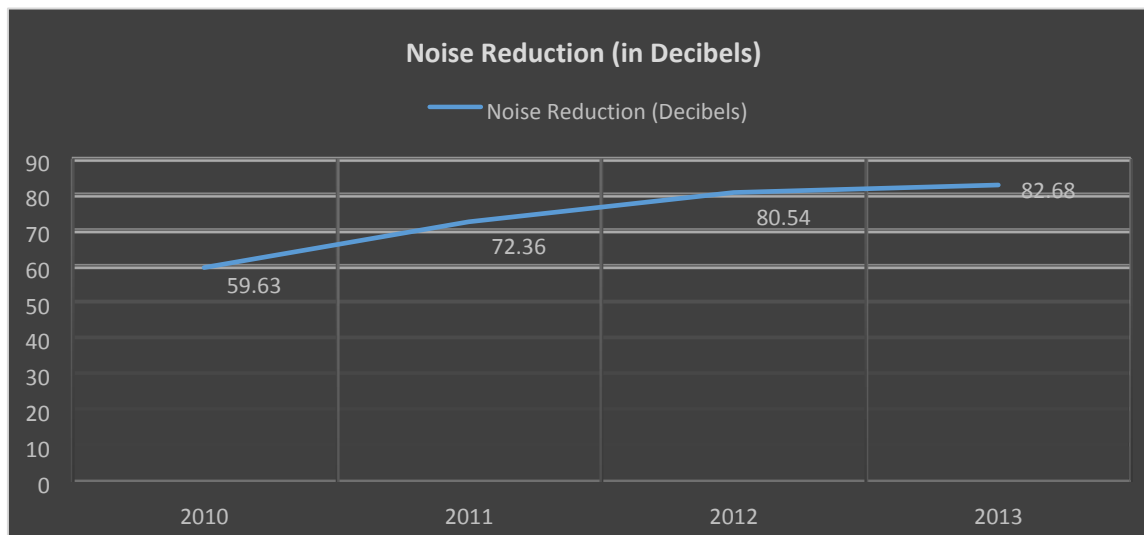


Figure 12: Noise Reduction (Source: Annual Report)

From the illustration, it can be noticed that ULC has significantly reduced noise through its channels of investment. In three years, there has been 38.66% increase in noise reduction.

5.6.2 Saving CO₂ Emission

CO₂ emission is calculated when the leased vehicle is CNG converted, which reduces CO₂ emission by 16.50% than a regular combustion engine. ULC has experienced remarkable achievement in reduction of carbon emission. In 2010, the total saving in CO₂ was 1968.75 gmCO₂e/KM, whereas the saving stood at 2680.32 gmCO₂e/KM.

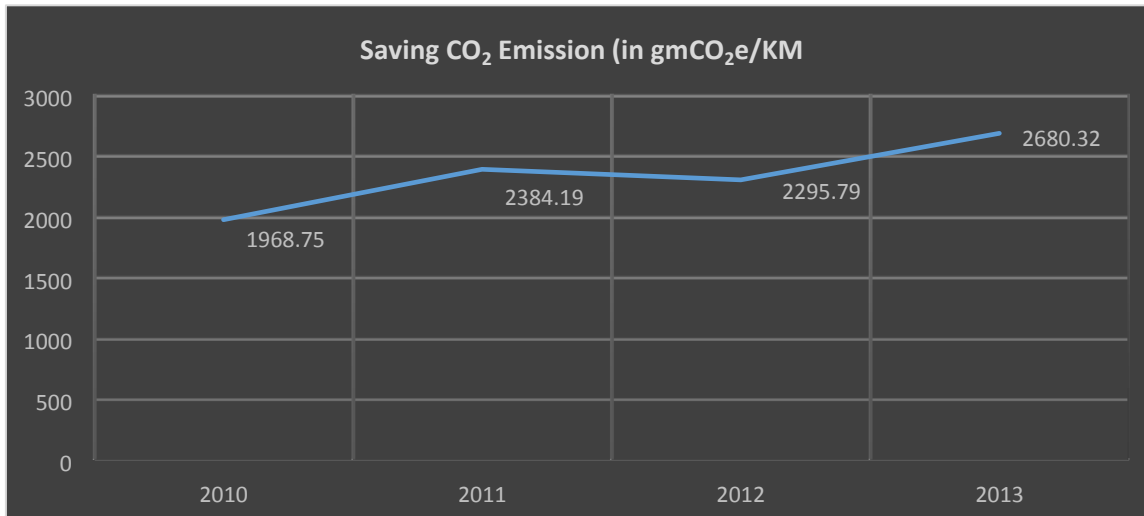


Figure 13: Saving CO₂ Emission (Source: Annual Report)

5.6.3 Electricity Load Reduction

Electricity load reduction is calculated when a leased equipment replaces an old equipment which will reduce electricity consumption. ULC experienced a sharp increase in the electricity load reduction since 2010.

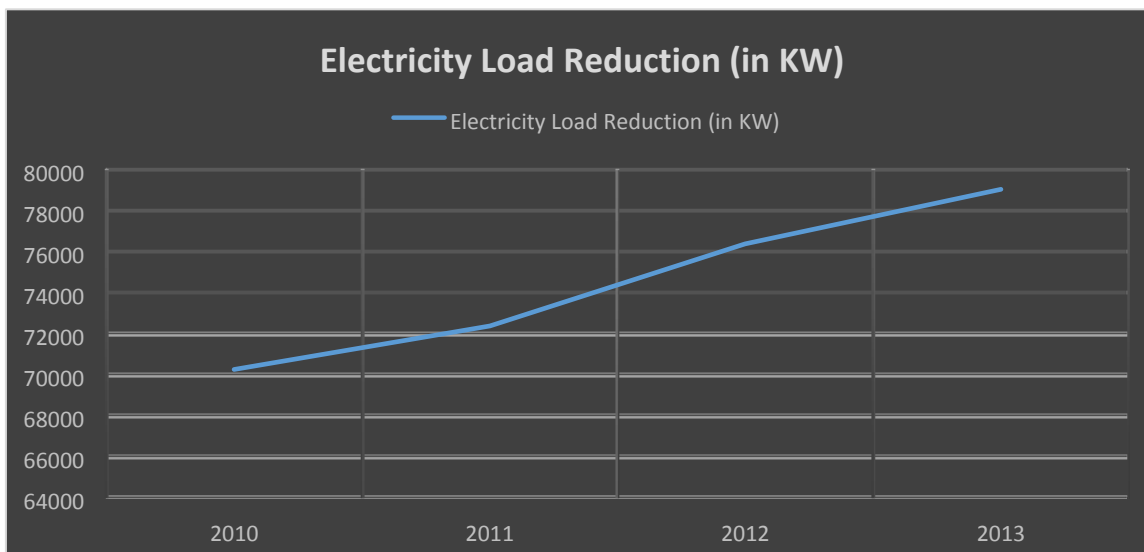


Figure 14: Electricity Load Reduction (Source: Annual Report)

5.7 In-house Usage of Technology

ULC has a good collection of softwares to automate its daily operational activities. The usage of these softwares not only brings efficiency in operation but also reduces energy and paper consumption a great deal. A few of the softwares that are worthy of mentioning for the purpose of this report are being highlighted below:

5.7.1 Green HRS

ULC has its own Human Resources System called Green HRS. Right from recruiting employees to submission of resignation letters, all aspects of human resources are addressed with the help of this piece of software. The software enables the users to update basic details, see career progression, send leave and out of office request, avail several HR services, schedule trainings and exams, get performance evaluation, upload relevant documents etc.

The screenshot displays the Green HRS web application interface. The main content area is titled "EMPLOYEE DETAILS" and features a profile picture of a man. Below the photo, the following information is listed:

- Name: Deepan Kumar Das
- Employee ID: A1900
- Official Designation: Management Trainee Officer
- Functional Designation: Officer
- Department: Knowledge & Communication Centre
- Supervisor Name: Muzaffar Razi Muzaffar CATD
- Employee Type: Permanent
- Service Length: 8 Years 3 Months 17 Days
- Location: Canara House
- Candidate Profile: [View](#) [Download Profile](#)

Below the profile information are two buttons: "ATTENDANCE SUMMARY" and "PERFORMANCE GRADE".

The main form area is divided into several sections:

- Basic Employee Data:** Includes fields for Employee ID (A1900), Employee Name (Deepan Kumar Das), Official Designation (Management Trainee Officer), Functional Designation (Officer), Supervisor Name (Muzaffar Razi Muzaffar CATD), Nationality (Bangladeshi), National ID (198250907700001), Email (deepan_k@ulc.com), Health Plan (Executive), Leave Approver (Muzaffar Razi Muzaffar CATD), TIN No., and Dohing License No.
- Joining Date:** 2020-04-01 (MM/DD/YYYY)
- Confirmation Date:** 2020-04-01 (MM/DD/YYYY)
- Date Of Birth As per S.S.C:** 1995-09-01 (MM/DD/YYYY)
- Actual Birth Date:** 12/01/95 (DD/MM)
- Gender:** Male (radio buttons for Male, Female, Other)
- Blood Group:** O+
- Religion:** Hindu
- Alternate Email:** deepan_k@ulc.com
- Insurance No.:**
- Leave Recommender:** N/A
- Passport No.:**

Account Information:

- Bank:** Dhaka Bangla Bank Limited
- Branch:** Tower Road Branch
- Account No.:** 101 101 224887

Location Information:

- Department:** Knowledge & Communication Centre
- Location:** Canara House
- Employee Type:** Permanent

HRM Employee Summary - Month Details


152.166.1.242/HRM/Employee/Details.aspx?EmployeeID=CMP00000018

Welcome Deepan Kumar Das!

Green IRS

Basic Details | Career Progression | Salary | Loans | HR Services | **Benefits** | Training | ID | Exam | Evaluation | Documents | Change Password

EMPLOYEE DETAILS



Name: Deepan Kumar Das
Employee ID: A1881

Official Designation: Management Trainee
Designation: OJHR
Functional Designation: N/A

Department: Knowledge & Communication Centre
Supervisor Name: Mohuddin Rashid Muneed
Employee Type: Permanent
Service Length: 8 Years 5 Months 12 Days
Location: Camella House

Attendance Summary

Performance Grade

Basic Employee Data

Employee ID:

Employee Name:

Official Designation:

Functional Designation:

Supervisor Name:

Nationality:

National ID:

E-mail:

Health Plan:

Leave Approver:

TIN No:

Driving License No:

Joining Date: (MM/DD/YYYY)

Confirmation Date: (MM/DD/YYYY)

Date of Birth As per S.S.C: (MM/DD/YYYY)

Actual Birth Date: (MM/DD/YYYY)

Gender: Male Female Other

Blood Group:

Religion:

Alternate Email:

Insurance No.:

Leave Recommendation:

Passport No.:

Loan Application:

Approve Leave App:

Send Email:

Print Invoice Info:

Account Information

Bank:

Account No:

Branch:

Location Information

Department:

Location:

Employee Type:

5.7.2 Pay Slip

This software helps in payroll. Employees can check their monthly salary and bonus in details using this software. They can also save a copy of the salary statement for future usage.

Monthly Pay Slip Report

United Leasing Company
Monthly Pay Slip

Name: _____ Month: _____
Designation: _____ Year: _____
Department: _____

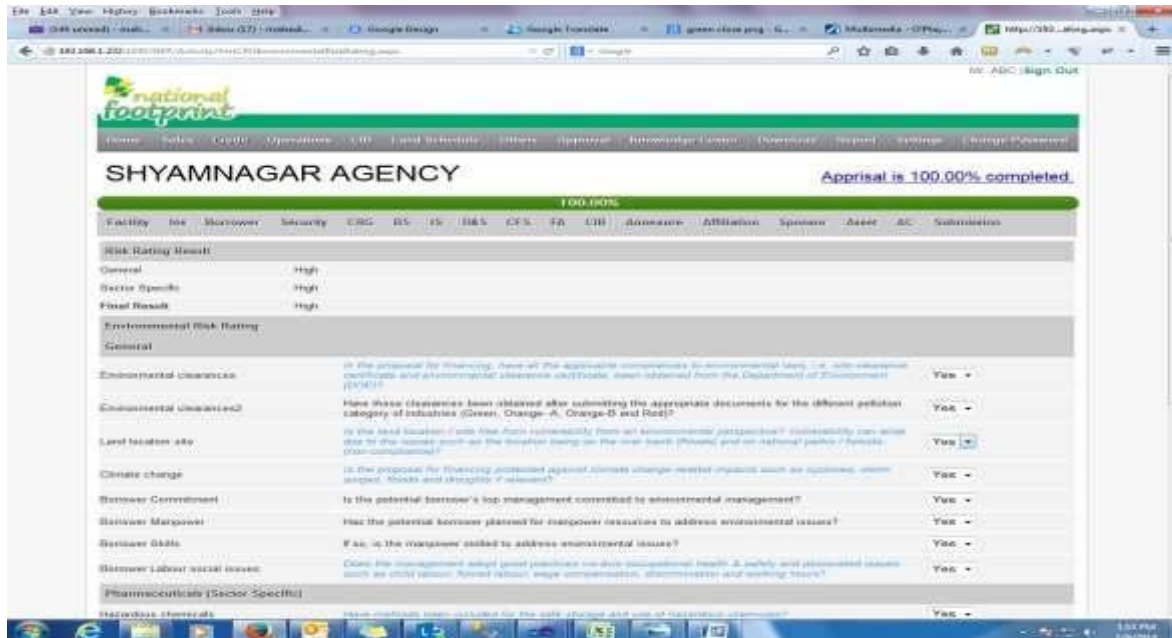
Salary Information		Amount (Tk)	Other Benefits	Amount (Tk)	Deduction	Amount (Tk)
Basic			Arise		PF Installation	
House Rent			Maintenance		CR Installation	
Performance			Leave		SR Installation	
Fuel Cost			Med. Cost		SC Contribution	
Treatment			Medical Allowance		Other	
					Income Tax	
Gross Salary			Total Benefit		Total Deduction	
					Net Payment	

Loan Information

Loan Type	Amount	Interest	Total Total Paid	Balance
President				
Gov				
National				

5.7.3 National Footprint

National Footprint is the integrated platform on which departments Sales, Operations and Credit can work simultaneously. The sales team can see client visit report and upload appraisal. The credit team can view the appraisal and give recommendations. After the credit approval, the operations team can further process disbursement request.

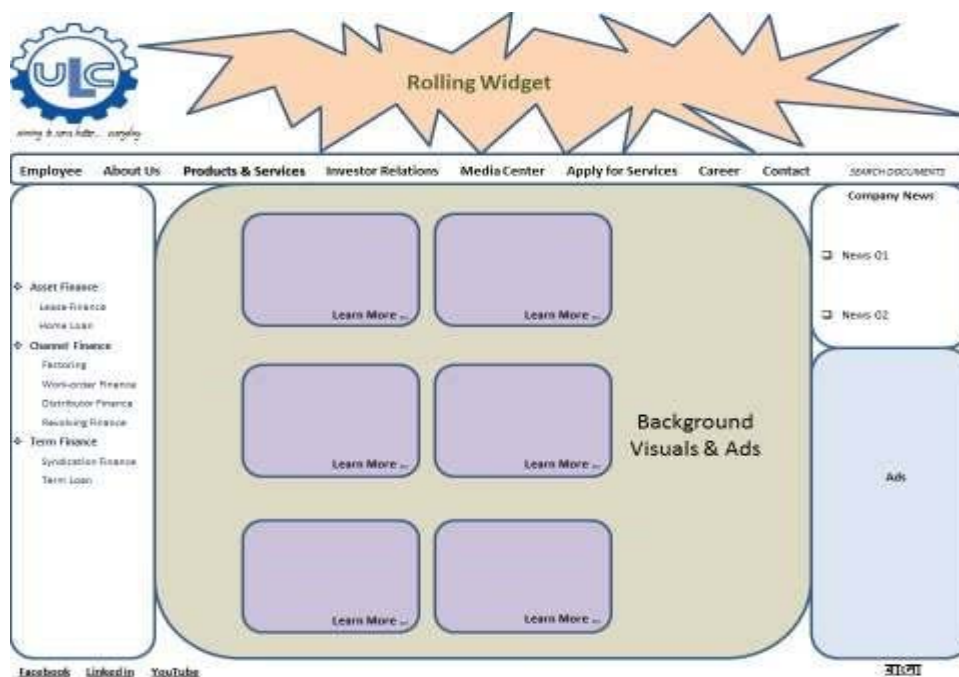


5.7.4 Future Development

ULC is continuing to develop its processes. As a part of its development and bringing efficiency in its operations, ULC is merging the layouts of intranet and internet. As a result of it, users need no longer log in twice for accessing intranet and internet. A single login will identify the user and accordingly enable the user to use authorized applications. As most employees work with a set of applications, it might not be needed to give the employee access to all applications. Also, licensed softwares cost a lot. So limiting access to licensed and outsourced applications is the way toward cost cutting and enforcing efficiency.

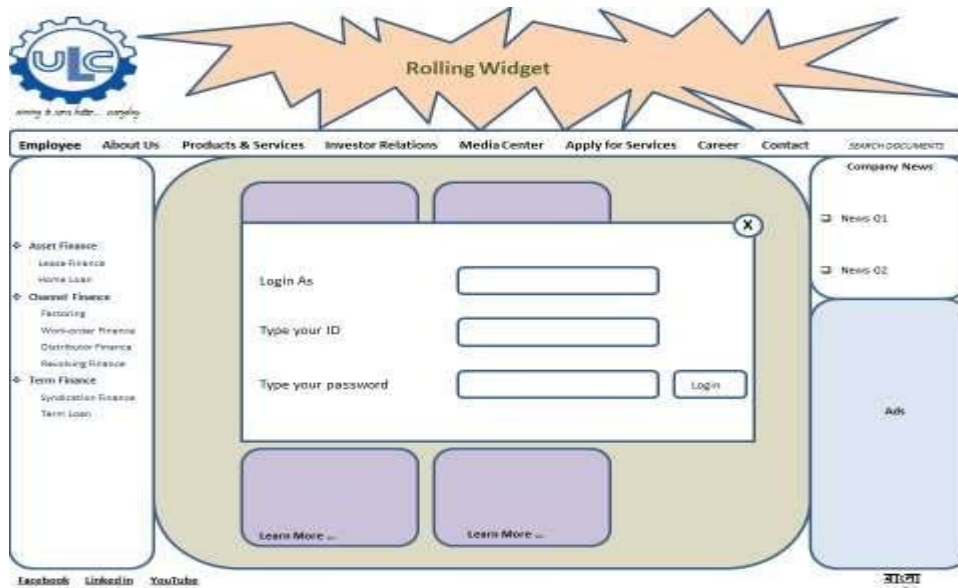


This is the single login screen for accessing the permitted applications of an employee on his/her computer. After the user logs in, the browser opens and takes the user to ULC's website. As almost all the in-house applications of ULC are web-app, web browser is a mandatory tool.

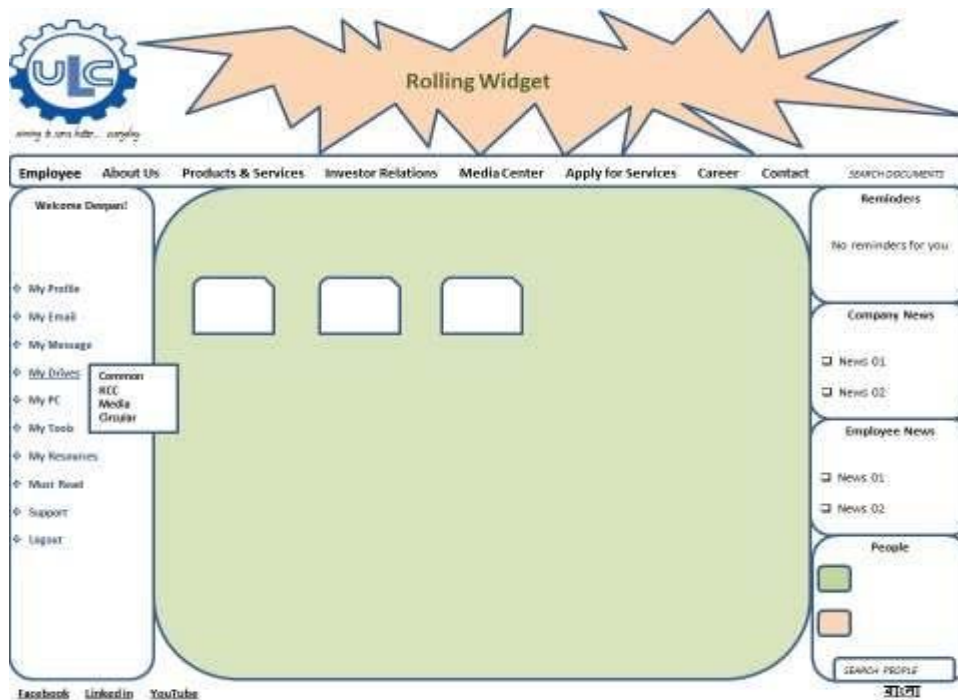


The website will have features to view in Bangla, and to connect to ULC's social networking pages on Facebook, Twitter and YouTube.

The redesigned platform will enable a user, both employees and customers, to access their accounts from remote areas. In case of remote access, the website will prompt a login screen.



If the user is an employee and wants to access the intranet, s/he would login as an employee and give ID and password.



The intranet incorporates many new features that are not available at the moment. The new features will restrict unnecessary access to applications, update the employees on current events in the company. The intranet will also have a chatbox for internal communication. The redesigned chatbox will make it easy to find contacts. Currently, the address book of Outlook has limitations in searching contacts.

5.7.5 Impression of the Internet and Intranet Consolidation

1. There will be a common login ID for using PC and intranet.
2. After windows starts up, internet browser opens and shows ULC's website.
3. Webpage will have space for ads and visuals.
4. The internet will allow visitors to apply for services online and download application forms.
5. For remote access, clicking the Login tab will prompt the user to login as either Employee or Customer.
6. Browser-based access to Intranet can allow almost zero access to the drives in PC.
7. My Profile allows editing and updating employee information.
8. There will be two different methods of communication: internal and external.
9. As per login access to specific drives (i.e. Knowledge and Communication) will be provided. The login ID recognizes employees, and accordingly shows the drives.
10. Based on requirements, access to the drives of the PC can be given.
11. Access to In-house softwares (i.e. CIDAR, Green HRS, Payslip) and all other softwares (i.e. MS Office, Adobe) will be given.
12. Access to soft copies of journals, magazines, reports etc. maintained by KCC.
13. There will be mandatory reads (i.e. PPG, Code of Conduct)
14. Request for receiving software, hardware and networking solutions can be given from Support menu instead of giving manually.
15. Separate panes for Employee Reminders, Company News, Employee News will exist.
16. ULC will have its profiles on Facebook, Linked in and YouTube. Those profiles can be accessed by the authorized employees from both Internet and Intranet.
17. All the contents of Internet and Intranet can be translated into Bangla.
18. There will be a search bar beside the Tabs to search for documents.
19. A separate pane for finding people and seeing their basic information exists on intranet. The pane will have options for Calling, Messaging and Viewing their profiles. This pane will be helpful for those who do not have access to Outlook, and thus overcomes the limitations of address book of Outlook.

5.7.6 Impression of the Redesigned Webpage

1. Logo will be on the top left side.
2. On top of the page rolling widget (flash content) will be in transition.
3. Below the rolling widget tabs will appear. Beside the tabs a search bar (google's custome search) will exist.
4. On the extreme left side below the tabs, menus relating to a tab will appear.
5. On the extreme right side below the tabs, 2 separate panes (one below the other) for Company News and Ads will appear.
6. In between the panes on the 2 sides mentioned above, content specific to menus will be displayed. This portion will make the maximum utilization of the space with text, graphics and animation. Contents can be enriched with flash.
7. In the space available on the left side in the downside, there will be links for ULC's pages on Facebook, YouTube and LinkedIn.
8. In the space available on the right side in the downside, there will be options for translation into Bangla and English.
9. Besides ads, the webpage will have YouTube plugins for videos relating to products, services and ULC. Corporate videos and service and product specific videos will be uploaded on YouTube, and up on click videos will be streamed directly from YouTube.
10. Graphs and Charts will be used on the webpage for presentation of company performance.
11. To enhance paperless service, application for products and services may be allowed online. Download of application forms can also be facilitated online.
12. Contact address will have images from Google Map.

13. Tabs and Menus

Tabs	Menus
About Us	<ul style="list-style-type: none"> ▪ Mission, Vision and Values ▪ History ▪ Shareholding ▪ Awards and Recognition ▪ Office and Branches ▪ Code of Conduct
Corporate Governance	<ul style="list-style-type: none"> <input type="checkbox"/> Board of Directors <input type="checkbox"/> Management Committee

<p>Products & Services</p>	<p>Investment</p> <ul style="list-style-type: none"> ▪ Deposit Schemes ▪ Earner Schemes ▪ Sanchay Schemes ▪ Term Deposits <p>Asset Finance</p> <ul style="list-style-type: none"> ▪ Lease Finance ▪ Home Loan <p>Channel Finance</p> <ul style="list-style-type: none"> ▪ Factoring ▪ Work-order Finance ▪ Distributor Finance ▪ Revolving Finance <p>Term Finance</p> <ul style="list-style-type: none"> ▪ Syndication Finance ▪ Term Loan <p>Fees and Charges</p> <p>FAQs</p>
<p>Resources</p>	<ul style="list-style-type: none"> ▪ Company Report ▪ Industry Report ▪ Economy Report ▪ Market Review ▪ Research team
<p>Investor Relations</p>	<ul style="list-style-type: none"> ▪ Financial Highlights ▪ Quarterly and Half-yearly Reports ▪ Credit Rating ▪ Annual Reports ▪ Price Sensitive Information ▪ Annual General Meeting

Media Center	<ul style="list-style-type: none"> ▪ News and Events ▪ Articles and Interviews ▪ Monthly Business Review ▪ Picture Gallery
Career	<ul style="list-style-type: none"> ▪ Recruitment ▪ Career Progression ▪ Compensation and Benefits ▪ Life at ULC ▪ Vacancies ▪ Post Resume
Green Banking and CSR	□
Apply for a Service	Track Progress Download Forms
View Reports	□
Contact	Dhaka North-east Region North-west Region South-east Region South-west Region Find an Agent Let us know
Privacy Policy, Terms and Conditions	

5.8 Summary of Findings

1. Compliance Checklist

SL. TASKS (AS PER INSTRUCTIONS FROM BANGLADESH BANK)	STATUS
1 Policy Formation and Governance	Done
2 Incorporation of Environmental Risk in CRM	Done
3 Introducing Green Finance	Done

4	Introducing Green Marketing	Done
5	Initiating In-house Environment Management	Done
6	Creation of Climate Risk Fund	Done
7	Supporting Employee Training, Consumer Awareness and Green Events	Underway
8	Disclosure and Reporting of Green Banking Activities	Underway
9	Sector Specific Environmental Policies	Done
10	Setting up of Green Branches	Not Done
11	Improved In-house Environment Management	Not Done
12	Rigorous Programs to Educate Clients	Not Done
13	Designing and Introducing Innovative Products	Not Done
14	Reporting in Standard Format with External Verification	Not Done

2. ULC is seriously considering to adopt Green Banking with a view to enhancing CAMEL rating, getting approval from the central bank to open up new branches and becoming one of the top ten FIs in Bangladesh.
3. The factors that have influenced ULC to adopt Green Banking are: economic factors, policy guidelines, loan demand, stakeholders' pressure and environmental interest.
4. The extent of eco-friendly investment is much less than that of investment in other sectors. Moreover, the portfolio of green investment is gradually declining.
5. ULC is trying to curb its usage of electricity, though on the other hand, the consumption of fuel is erratic. ULC needs serious steps to check its fuel consumption in an efficient manner. ULC has seen its success in reducing paper consumption. With the advent and implementation of latest technology in the operation, ULC is heading toward very less paper consumption.

6. ULC has commendable achievement in noise reduction, decreasing CO₂ emission and electricity load reduction. This has been possible mainly because of ULC's due diligence checklist and special environmental concern while investing.
7. ULC takes pride in developing in-house softwares and making use of those. ULC's remarkable softwares are Green HRS, National Footprint, Netapp and Pay Slip. These softwares are making ULC energy efficient and use as less resources as possible.
8. Moreover, usage of mobile network (SMS and MMS) for delivery of timely services is augmenting ULC's endeavor to go green.

6 Recommendations

1. Though ULC has formed Green Banking Unit, it has no plans for recruiting personnel exclusively for the GBU. Recruitment of E&S Risk Manager and E&S Risk Officer might expedite the activities within GBU. Both of them could be responsible for implementation and administration of E&S Risk Management System (ESMS) in ULC. Till date ULC plans to run GBU by bestowing additional responsibilities upon the existing employees.
2. ULC is trying to achieve efficiency in electricity, fuel and paper consumption. But it has not yet set any branch-specific consumption reduction target and per-capita consumption per year per branch. Such set targets could heighten the consciousness among employees. Once employees are conscious and start working with efficiency, achieving success in Green Banking becomes much easier.
3. ULC, in general, does not engage much in marketing and promotion of its products and services through advertising. As Green Banking is relatively a new concept and much of the customers of financial institutions have yet to know about it, and in order to create rapid awareness among the customers, ULC should come out of its traditional approach, and heighten its activities in marketing and promotion through print media and other advertising platforms.
4. It is imperative that the new recruits get idea about Green Banking and the organizations endeavor in implementing it. During the discussion with the top management, emphasis on introducing Green Banking to the new recruits during orientation sessions has not been reflected. ULC must include sessions on Green Banking during orientation programs of the new employees.
5. ULC has no specific plans for CSR activities which can directly be attributed to Green Banking Events. Organizing such events can engage both the employees and customers in general, and such engagement can cause greater awareness about our environment, and help them act responsibly. ULC must plan for such events at least twice yearly.
6. As ULC is struggling to reduce power consumption, an easy solution could be using energy efficient lighting accessories. ULC has very limited usage of energy efficient bulbs. For greater efficiency, solar power could be used. None of the ULC's branches have solar panel.

ULC should ponder over using solar energy and energy efficient equipment to power its offices.

7. Last but not least, drafting of any policy is not enough to go green for any financial institution. The management has to be serious enough to implement the policy rigorously. And for that, all the employees need to be encouraged and trained.

7 Conclusion

Sustainable development and preservation of environment are now recognized globally as overriding imperatives to protect our planet from the ravages inflicted on it by mankind. A common thread running across all these initiatives is the focus on reducing the demand for fossil fuels by implementing the 3R's viz. Reduce, Reuse and Recycle. All over the world, financial institutions are concerned about the overall impact of depletion of environment. Financial Institutions are not generally exposed to weather stresses nor are they heavily dependent on fossil fuels in their operations. Indeed, the main impact of climate change on financial institutions is indirect: they are affected to the extent that their clients' activities and economic activities in general are constrained. So the key issue for ULC will be assessing the impact of climate change on the asset quality of lending and investment portfolios. This will influence ULC's financing and investment policies as well as portfolio management. This will help ULC develop a business model which is sustainable and adaptable to its environment policies. While many financial institutions understand the significance of emission reduction, only very few have comprehensively integrated climate change-related aspects into their business processes. ULC has the opportunity to be the pioneer in Bangladesh in this regard. It is the expectation that ULC will continue to devise strategies to make its systems and processes environmentfriendly.

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