

Chapter 6

Is Current Understanding Adequate for Green Banking Practices in Nepal: A Lesson Learned

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ABSTRACT

Going green, in recent days, has been a buzzword for both global banking and financial sectors and for the general public. Green banking as a part of “going green,” referring to the environmentally friendly practices that reduce the carbon footprint by using online services, is a new way of performing the banking businesses considering the clean environmental issues as well as the corporate social responsibility of banks. In this context, this chapter offers an improved understanding of the importance of adopting green banking in the Nepalese banking industry. This chapter uses a mixed-method of analysis – both primary and secondary data were used. The customers and bankers are found to have less awareness regarding the concept of green banking practices in the Nepalese context. In order to promote green banking practices, the banks and governments are required to be aware of the people with the help of some effective policy interventions.

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GREEN BANKING: AN EMERGING CONCEPT

Going green, in recent days, has been a buzzword for both global banking and financial sectors and for the general public (Trehan, 2015). Green banking as a part of “going green” is a new way of performing the banking businesses considering the clean environmental issues as well as corporate social responsibility of banks (Islam & Das, 2013). It refers to the environmental- friendly practices that reduce the carbon footprint by using online services for banking activities to contribute to environmental protection with green banking products (Mehedi & Kuddus, 2017). Rationalizing the strategies, policies and activities pertaining to banking services, businesses and in-house operational activities, the banks can run the efforts of green practices to keep the environment green and to minimize greenhouse effects (Deka, 2015). To adopt the green banking concept in banks, a basic understanding of proper environment management, its strategies and policies are the essentials (Mehedi & Kuddus, 2017).

All over the world in the last few decades, the government, business firms, policy-makers, advocacy groups and even public talks are centered on environmental issues in one or the other way (Shaumya & Arulrajah, 2017). In this context, green banking has become a massive trend within the global banking industry which helps to reduce the pollution raised from banking operations. So, banks, directly or indirectly, are putting their efforts in minimizing environmental pollution by supporting the people and institutions with finance as a part of their duty to encourage the environmental-friendly businesses (Thombre, 2011). They play a vital role to safeguard the planet from unusual weather patterns, rising greenhouse gas, and declining air quality, with the aim of ensuring economic growth which is sustainable (Islam & Kamruzzaman, 2015). Furthermore, (Sahoo & Nayak, 2007) suggested that banks, as a part of their lending principle, should go green and play a pro-active role to protect environmental and ecological aspects in the long-run.

The first green bank named “First Green Bank”, was established in Mt. Dora, Florida, the United States in 2009 (Jayabal & Soundarya, 2016). “Bangladesh Bank” is the first bank to initiate the concept of green banking conceptually in 2011 (Masukujjaman & Aktar, 2013). In this regard, (Afroz, 2017) has illustrated that the green banking initiatives in Bangladesh involve both the in-house which indicates the management of energy, prevention of wastage of energy and paper within the banking premises and other than in-house which is related with green banking financing and making the customers and stakeholders aware of environmental issues.

In this global scenario of environmental degradation, Nepalese financial sectors can play a significant role as one of the key stakeholders in protecting the environment. The government of Nepal is trying to make cities clean and green with less carbon emission and for this purpose, banks are encouraged to invest in clean energy and be updated on various facets of environmental issues (Belás, Korauš, Kombo, & Korauš, 2016). The statistics reveal that in Nepal the number of ATMs reached 318, internet banking users 893 thousand, mobile banking users 7 million, debit card users 6.28 million and credit card users 113 thousand until mid-April 2019 (NRB, 2020).

Studies show that green banking poses several advantages over traditional banking. Green banking helps in reducing internal carbon footprint as well as external carbon emission (Jha & Bhome, 2013; Risal & Joshi, 2018). Again, (Rajesh & Dileep, 2014) asserted that banks also contribute to ecological footprint directly and indirectly through investment and lending in their customer enterprises. Moreover, green banking plays a caring role for sustainable development in overcoming the institutional obstacles and market challenges, in the way to allocating the investment to green projects (Uddin & Ahmmed, 2018). So, if banks follow green banking practice it would improve employee’s health and safety through

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