



GREEN BANKING

**AN INTERNSHIP REPORT
ON
GREEN BANKING PRACTICE OF MERCANTILE BANK LIMITED
(MYMENSINGH BRANCH)**



This report is submitted to the Department of Accounting, Hajee Mohammad Danesh Science and Technology University (HSTU) in partial fulfillment of the requirements for the degree of Master of Business Administration (MBA).

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(HSTU) Dinajpur-5200**

July, 2016

LETTER OF TRANSMITTAL

July 25, 2016

Md. Reiazul Haque

Assistant Professor

Department of Accounting

Hajee Mohammad Danesh Science and Technology, University

Subject: Submission of Internship Report.

Dear Sir,

It is a great pleasure to submit the Internship report on “**Green Banking Practice of Mercantile Bank Limited**” as the fulfillment of partial requirement of the MBA program.

The topic that you gave me is really an important fact for the Accounting students. With the textual studies, acquiring practical orientation of the country knowledge of which you have created a big chance for me that must help to work with efficiency in future.

I appreciate having this report. I have prepared this report with sincerity and serious efforts. If you need any further assistance in interpreting or in implementing this report, I will try my best to make myself available at your convenience.

Sincerely yours

.....

Rupa Rani Paul

Student ID 1505131

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SUPERVISOR DECLARATION

This is to certify that Rupa Rani Paul a student of MBA Department of Accounting, bearing student ID 1505131 completed an internship report entitled on “**Green Banking Practice of Mercantile Bank Limited**” under my supervision.

I also certify that I have gone through the draft copy of the report. Thoroughly found it satisfactory for submission to the department as a part of partial fulfillment of MBA Degree.

I recommend that the report is to submit for awarding the degree of Master of Business Administration, Hajee Mohammad Danesh Science and Technology University Dinajpur.

I wish every success in her life.

.....

Md. Reiazul Haque

Supervisor

and

Assistant Professor

Department of Accounting

Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200

CO-SUPERVISOR DECLARATION

This is to certify that Rupa Rani Paul a student of MBA Department of Accounting, bearing student ID 1505131 completed an internship report entitled on “**Green Banking Practice of Mercantile Bank Limited**” under my supervision.

I also certify that I have gone through the draft copy of the report. Thoroughly found it satisfactory for submission to the department as a part of partial fulfillment of MBA Degree.

I recommend that the report is to submit for awarding the degree of Master of Business Administration, Hajee Mohammad Danesh Science and Technology University Dinajpur.

I wish every success in her life.

.....

Md. Mamunar Rashid

Co-Supervisor

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ACKNOWLEDGEMENT

Thanks to al-mighty Allah for blessing in completing the report within the scheduled time. In such a way, my report would not have been done without the sincere and utmost co-operation of some individuals to whom I am very grateful.

First of all, I would like to express my deepest sense, respect and affection to my honorable supervisor Md. Reiazul Haque and co-supervisor Md. Mamunar Rashid for giving their valuable time and sincere guidance during the study period, which has greatly inspired me in preparing this report.

I would like to extend thank to human recourse department, authority of Mercantile bank Ltd. Who allow me, to carry out internship on this bank. I also grateful to all of officers and staffs of Mercantile Bank Ltd. Mymensingh Branch, Mymensingh by giving me time and advice to gather information about money laundering and its prevention policy and help to prepare this report.

I would like to express thanks to all of my course teachers and the department for sponsoring such an academic work.

Finally, I am indebted to my family, a permanent source of inspiration for all of my works and achievements.

.....

Rupa Rani Paul

Student ID 1505131

MBA-major in Accounting and Information Systems (MBA-AIS)

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ABSTRACT

This report is completed green banking practice of mercantile bank ltd in Mymensingh branch. It is the most important fact in all over the world in response to global warming. That's why this topic is selected. This report is completed by a descriptive analysis based on primary and secondary data. This report focuses on introducing new technology in banking operations that would not only benefit the customers but also increase the productivity of the employees. BB has completed the formulation of an indicative Green Office Guide. The purpose of the Green Office Guide is to inspire and aware the employees of the bank about how they can maximize their effort to minimize the wastage of resources. The main Slogan of the Green Office Guide is "REDUCE, REUSE & RECYCLE". It promotes environment-friendly and reducing carbon footprint from banking activities. The central bank should monitor or supervise commercial banks whether they are practicing green banking or not. So, every bank has to participate and contribute to green banking practices in today's extreme national and global banking competition. After all Government should also encourage the general people about the green banking practices to protect our environment and world.

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ACRONYMS

MBL	-	Mercantile Bank Limited
ATM	-	Automated Teller Machine
BB	-	Bangladesh Bank
CAMEL	-	Capital, asset, management, earnings, liquidity
CSR	-	Corporate social responsibility
EDW	-	Enterprise Data Warehouse
ERP	-	Enterprise Resources Planning
ETP	-	Effluent Treatment Plant
FCB	-	Foreign commercial banks
GBC	-	Green Banking Committee and Green Banking Cell
GBU	-	Green banking unit
ICT	-	Information and Communication Technology
PCB	-	Private commercial banks
RBCA	-	Risk Based Capital Adequacy
RMD	-	Risk Management Division
SCB	-	State owned commercial bank
SDB	-	Specialized development banks
SME	-	Small and Medium Enterprise
SRCC	-	Socially Responsible Corporate Citizens

EXIM/MIR/Internship-5/2016/3225

Date: 13.07.2016

To Whom It May Concern

This is to certify that Most. Sharmin Sultana, daughter of Md. Zulfikar Ali, is a M.B.A. student of Hajee Mohammad Danesh Science and Technology University, Dinajpur has completed Internship in our branch commencing from April 11, 2016 to July 11, 2016.

We wish her every success in life.

Md. Masud Rahman

Manager of Mirpur Branch

Mirpur, Dhaka.

Address: Srayoshe Tower, House: 7, 1st Floor, Begum Rokeya Sarani Rd, Dhaka 1212, Bangladesh

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION OF STUDY

Green Banking evolved in western countries and now is practiced in most of the countries in the world. It indicates endorsing environment-friendly practices and reducing carbon footprint from banking activities. Green banking is not just another corporate social responsibility activity. It is all about going beyond to keep the world livable without any significant damage. Green banking that considers all the social and environmental factors is also called ethical banking. The main objective of green Banking is to ensure the use of organizational resources in favor of the environment and society. Green banking as a concept is proactive and smart way of thinking with a vision for future sustainability of our only Spaceship earth. Bangladesh Bank is the first central bank in the world that has taken real initiatives to facilitate the way of Green Banking practice. With some specific guidelines and legal frameworks the central bank of Bangladesh has been urging all the commercial banks in Bangladesh to develop their own Green Banking Policies. This paper is an attempt to analyze the Green Banking Practices of a renowned private commercial bank in Bangladesh, the mercantile bank limited and identifying the efficiency and in efficiency of the initiative taken by bank regarding green banking.

1.2 ORIGIN OF THE STUDY

In today's world only academic education does not make a student perfect to become competitive with the outside world. Internship is highly needed to gain idea, knowledge and experience.

Hajee Mohammad Danesh Science and Technology one of the reputed public universities in Bangladesh, has designed the curriculum of the MBA course in such a way that the international standard post graduate will be produced., one student needs to go for further 6 credit hours internship program in a commercial organization.

MBL is a place where I could learn the business dealings. This organization has created a positive image to the customer's mind by the providing better service. This bank has introduced some modern banking scheme that has got high market demand.

1.3 SCOPE OF THE STUDY

This report has been prepared through extensive discussion with bank employees and with the clients. While preparing this report, I had a great opportunity to have in depth knowledge of GreenBanking service practiced by the Mercantile Bank limited.

1.4 OBJECTIVE OF THE REPORT

The objective of this report can be viewed from two perspectives.

- 1) General Objective
- 2) Specific Objective

General Objective:

This internship report is primarily prepared as a requirement of the completion of Masters of Business Administration degree under the Faculty of Business Studies at University of Hajee Mohammad Danesh Science and Technology.

Specific Objective:

The specific objectives of this report are-

- To find out how green banking works at Mercantile Bank
- To find the reasons for introducing Green Banking.
- To find the concept of the institutions management about Green Banking.
- To analyze the components of Green Banking & their effectiveness of Mercantile Bank Limited.
- To find the historical evaluation of Green Banking at Mercantile Bank Limited.

1.5 METHODOLOGY OF THE STUDY

The objectivity of any study depends largely on how methodologically it is done. For the purpose of this report I have used both qualitative and quantitative information to give it a clear judgment opportunity. All the information used in this report are from two major sources. These are:

Primary Sources:

- Face-to-face interview with the concerned employees of the bank.
- Conversations with my classmates
- Practical work experience in the Green Banking Unit under the Risk Management Division of the bank.

Secondary Sources:

- Quarterly Reports of Mercantile Bank Limited about Green Banking.

- Annual Report of the Mercantile Bank Limited.
- Reports published by Bangladesh Bank.
- Some national & international journals about Green Banking.

1.6 LIMITATIONS OF THE STUDY

Almost every research work has to face some limitations in its completion. Limitations of a study are those issues that if analyzed could be more helpful for the study. This internship report is not also out of limitations. For the purpose of acquiring data to prepare this report I faced some constraints that are listed below:

- **Lack of Published Materials**

: No kind of published materials was provided to me during my internship period. The division only allowed me to review their materials. As a result this report is in lack of some specific reference papers in the appendix part.

- **Time Constraint**

Covering the entire Green Banking performance of the bank was a difficult task within the time allowed for the internship program.

- **Lack of Experience:**

Preparing a formal document like an internship report requires some prior experience in this field. I have tried my level best to reduce the distortion or biasness of information that I have used in this report.

CHAPTER TWO

BACKGROUND OF MERCANTILE BANK LIMITED

Mercantile Bank Limited was established in June 2, 1999 as a private commercial bank and started its operation. The then Prime Minister Sheikh Hasina inaugurated the bank. The renowned 30 industrialists establish this bank with everybody's consent. **Al-Haj Akram Hossain (Humayun)** elected as the chairman. Mercantile Bank Limited is a private commercial bank with Head Office at 61, Dilkusha C/A, Dhaka, Bangladesh started operation on 2nd June 1999. The Bank has 109 branches spread all over the country and introducing some braches. The bank has diversified activities that cover all the areas of corporate/commercial, retail/personal, SME banking business and international trade.

Mercantile Bank is playing an important role while giving loan for the small and medium enterprises. In the terms of credit mercantile bank has introduced new schemes mostly for the business people in Bangladesh. Different categories of loan been provided to the businessman. Total loans and advances of the Bank stood at BDT 93,610.87 million as on December 31, 2012 its main investing projects are business, garments, micro credit, construction and others. Consumer Credit Scheme: Mercantile Bank has been providing loan to medium and low-income peoples. This policy has gained a great popularity among consumers.

MBL is working with the slogan of "efficiency is our strength" and their logo contains a dialogue "Banglar Bank"

2.1 VISION

Would make finest corporate citizen.

2.2 MISSION

Will become most caring, focused for equitable growth based on diversified deployment of resources and nevertheless would remain healthy and gainfully profitable bank.

2.3 OBJECTIVES OF MBL:



Strategic Objectives:

- To increase shareholder's value.
- To achieve economic value addition.
- To be market leader in product innovation.
- To be one of the top three financial institutions in Bangladesh in terms of efficiency.

- To be one of the top three financial institutions in Bangladesh in terms of market share in all significant market segments we serve.

Financial objectives:

- To achieve 20% return on shareholder's equity or more, on average.



2.6 CORE VALUES OF MBL:

Customer delight

Customer satisfaction pervades all our activities. We appreciate that Customer's satisfaction is critical for our success.

Innovation

Spurring innovation for reinforcement of our business. Origination and materialization of change management for attainment of perfection and we believe change is always constant.

Ethical Values

We continue to be responsible, ethical, sincere and transparent in our thoughts and actions.

Caring for Human Resources

Realization of latent potentialities of employees, respecting individual worth and dignity to ensure smooth career progression as well as welfare orientation in Human Resources management policy and practices.

Commitment

We always keep high on the agenda our commitment towards valued depositors as their trustworthy custodian and to maintain the same spirit for all other stakeholders.

Socially Responsible

Constant endeavour to act and respond in a socially responsible manner keeping in mind society and our country. To care for our environment.

Shareholders Value

Creation and Maximization of values for our shareholders

2.7 WAY FORWARD OF MBL

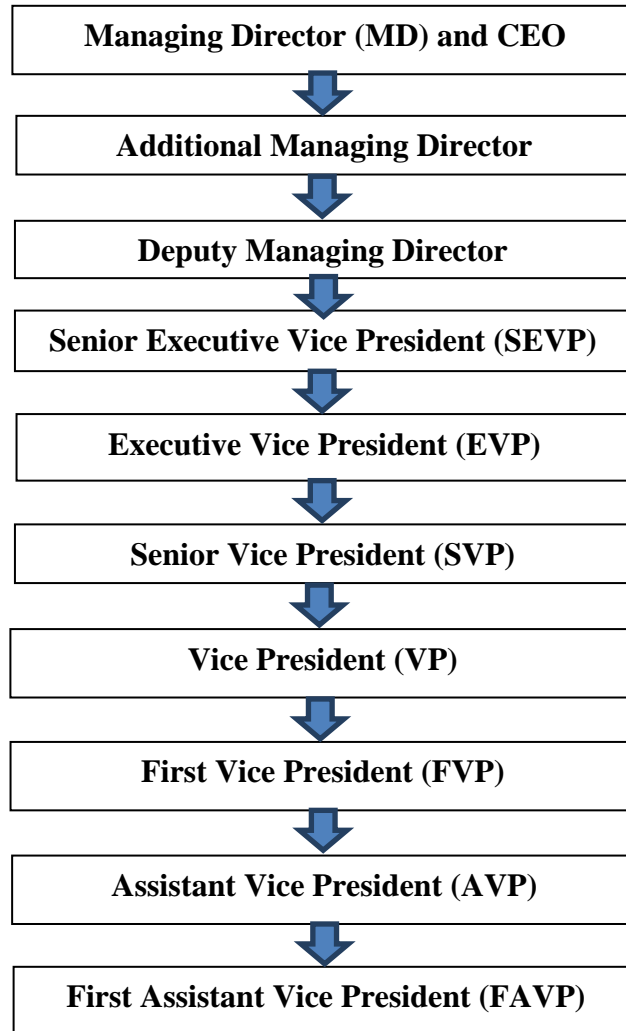
- More emphasis on SME financing
- Achievement of agriculture credit target
- All efforts to improve deposits mix by procuring low cost and no cost deposits
- Innovation of need based deposits and loans products and services
- Incorporate technology based advanced products and solutions
- To hire and retain qualified human resources according to need of the bank
- To continue and increase CSR activities
- To remain compliant in the spirit of law and industry practice

2.8 CORPORATE INFORMATION OF MBL:

Name of the Company	Mercantile Bank Ltd
Legal Form	A public ltd. company incorporated in Bangladesh on May 20,1999 under the companies Act 1994, the Bank Company Act 1991 and Act 12of 1997
Date of Commencement	June 02, 1999
Registered Office	Mercantile Bank Limited, 61, Dilkusha, C/A, Dhaka-1000
Telephone	+88-029559333,9553892
E-mail	mbl@bol-online.com
Web Page	www.mblbd.com
SWIFTCODE	MBLBBDDH
Auditor	Khan Wahab Shafique Rahman & Co., CA K. M. Hasan & Co., CA
Tax Advisor	K. M. Hasan& Co., CA
Fully owned Subsidiaries	Mercantile Bank Securities Ltd Mercantile Exchange House (UK) Ltd
Chairman	Al-Haj Akram Hossain (Humayun)
Managing Director & Chief Executive Officer	Kazi Masihur Rahman
Authorized Capital	TK.8000 million
Paid-up capital	Tk. 6,110.75 million

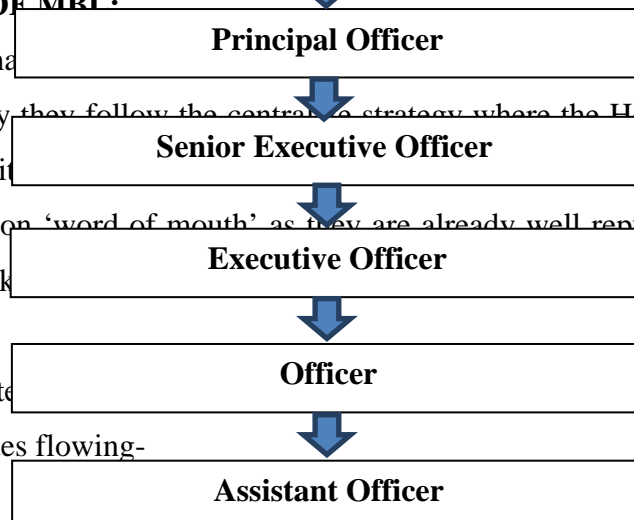
2.9 ORGANIZATIONAL STRUCTURE OF MBL:

The organization structure and corporate of Mercantile Bank Limited (MBL) strongly reflect its determination to establish, uphold and gain a stronger footing as an organization which is customer-oriented and transparent in its management.



2.10 STRATEGIES OF MBL:

MBL Bank Limited makes primary decisions for the company. Basically, they follow the centralized strategy where the Head Office of the Bank control and monitor the marketing strategy they basically depend on 'word of mouth' as they are already well reputed for its long-term service in the bank.



Mercantile Bank Limited is a commercial bank, which generally includes flowing-

- ❖ Mobilization of savings of the people and safe keeping of all types of deposit account.
- ❖ Making advances especially for productive activities and for the other commercial and socio-economic needs.
- ❖ Providing banking services to common people through the branches.
- ❖ Introduce modern Banking services in the country.
- ❖ Discounting and purchasing bills.
- ❖ Various information, guidance and suggestions for promotion of trade and industry keeping in view of the overall economic development of the country.
- ❖ Finance for both capital machinery and working capital.
- ❖ Finance under small business of self employed clients.
Finance of farming and non-farming activities to rural people including purchase of agricultural equipment.
- ❖ Developing new products Market surveys before making any finance.
- ❖ Finance for small transport.
- ❖ Monitoring and forecasting.
- ❖ Developing marketing campaigns.
- ❖ Finance for household durables.
- ❖ Work simplification studies.
- ❖ Monitoring diversification of portfolio among different

CHAPTER THREE

ABOUT GREEN BANKING IN BANGLADESH

3.1 GREEN BANKING

Green Banking is to provide innovative green products to support the activities that are not harmful to environment and help to conserve the environment. It aims to use the resources of a bank with responsibility avoiding spoilage and giving priority to environment and society. Green banking saves costs, minimizes the risk, enhance banks reputations and contribute to the common good of environmental sustainability. It serves both the commercial objective of the bank as well as its corporate social responsibility. MBL have established a separate Green Banking unit and aiming to turn our Bank as 'Green Bank' a lot of measures have been adopted including green financing, creating awareness among the employees for efficient use of water, electricity and paper, giving preference to eco friendly while financing and reuse of equipments. Banks can concentrate on environment by Projects in the field of renewable energy (wind energy, solar energy & hydro-electric projects), organic agriculture across the entire value chain including health food shops and environment technology such as recycling companies and nature conservation projects.

3.2 AUTHOR DEFINITION

Definition of Green Banking Schultz (2010) It means promoting environment-friendly practices and reducing carbon footprint from banking activities.

Thombre (2011)

Green banking is functioning like a normal bank, which considers all the social and environmental/ecological factors with an aim to protect the environment and conserve natural resources

Singh and Singh (2012)

Green banking signifies encouraging environment-friendly practices and plummeting carbon footprint by banking activities through various environment-friendly acts.

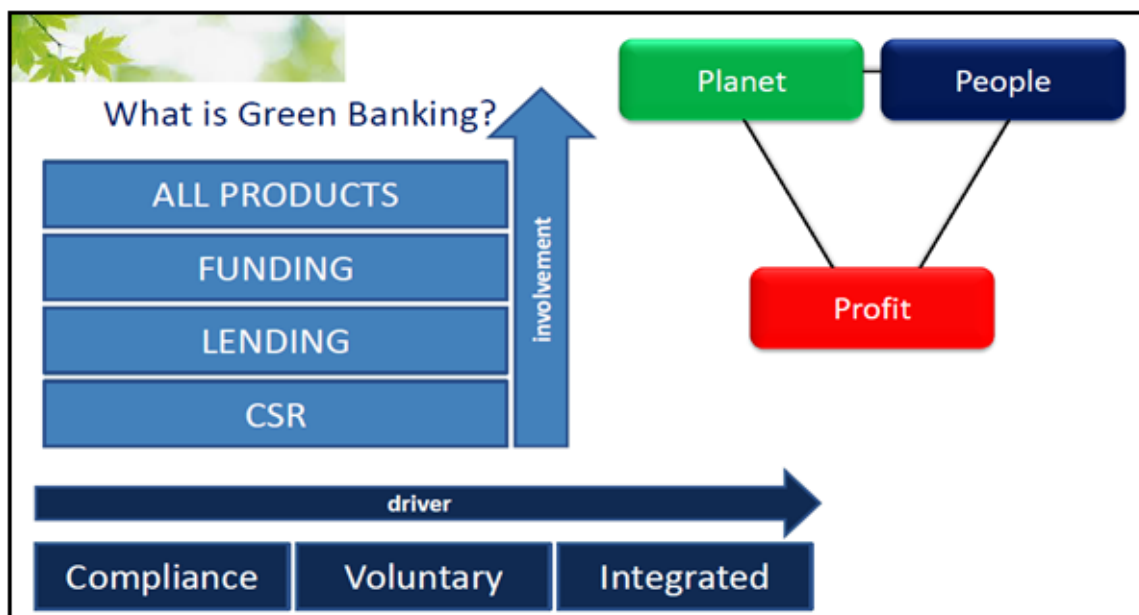
Bahl (2012)

Green banking is a kind of banking conducted in selected area and technique that helps in reduction of internal carbon footprint and external carbon emissions.

3.3 THE PURPOSE OF GREEN BANKING

The broad objective of the green banks is to use resources with responsibility, avoid waste and give priority to environment and society (Habib, 2010). Bihari (2011) elucidated that green banking includes promoting social responsibility where banks consider before financing a project whether it is environment-friendly and has any future environmental implications. Green banking is a concept of shifting banks' objectives from "profit only" to "profit with responsibility". For example, Verma (2012) stated that Indian banks are gradually coming to realize that there is need for a shift from the „profit, profit and profit motive to „planet, people and profit“ which in fact establishes the rationale for green banking (Figure).

Figure. The Coverage of Green Banking



Adopted from Presentation of Setijawan E. (2014)

It is now no denying an argument that, to save the planet and the people in combination with profit taking motives, green banking calls for dealing with environment-friendly approach of banks in their external activities and environmentally responsible in their internal operations.

3.4 REASONS OF PRACTICING OF GREEN BANKING:

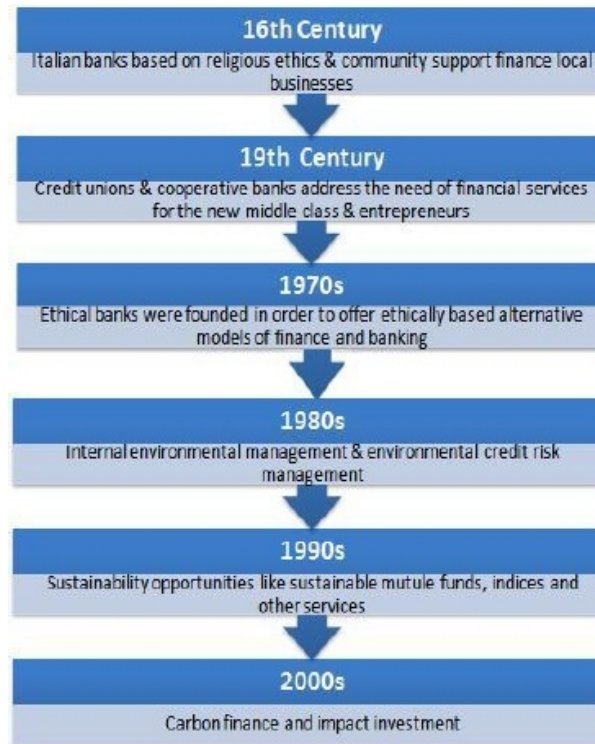
The broad objective of the green banks are avoiding waste and giving priority to environment and society. Focusing on environment-friendly initiatives by providing innovative financial and ensure sustainable development.

- Keep Using organizational resources with responsibility.
- To minimize paper works as much as possible inside and outside the bank.
- To achieve cost and time efficiency.

3.5 EVALUATION OF THE IDEA OF GREEN BANKING

Although the theoretical idea of Green Banking is not very old; some practices can be traced from the ancient banking & financial practices. During the 16th century religious ethics, the environment and local community provided the main framework for both life and economy and therefore influence businesses and the financial sector as well. Besides, during the 19th century credit unions and financial cooperatives worked on the criteria that were used as sustainability criteria later. Environmental and social responsibilities of business, the first ethical banks were founded in the 1970s. They wanted to re-integrate ethics into the financial business.

These banks used some of the principles of the credit unions and co-operatives but added an ethical perspective to their business. Because of higher energy and waste management Following the political disturbance in the 1960s and first discussion about prices it was worthwhile for a service sector as well to be eco-efficient in order to reduce costs. At about the same time new environmental regulations influenced the responsibility of business for its environmental impact. After mainly managing costs and risks connected with environmental issues the financial sector began to explore business opportunities connected with sustainable development as well. Weber (n.d., p. 3) also stated that in the beginning of the 1990 the first sustainability mutual funds, indices and other financial products and services were launched. Since then their market share is increasing. They changed the landscape of financial products and services as they re-integrated non-financial issues like the environment or sustainability into financial decision making processes and product development.



Weber (n.d., p. 3) again explained that another event that influenced the financial sector to consider environmental responsibility was the launch of the Kyoto Protocol on climate change mitigation. Because financial instruments were needed to reduce carbon emissions, the financial sector engaged in creating products and services around carbon reduction, carbon offsets and financing projects under the Kyoto Protocol mechanism.

However, today the view about social or environmental responsibility is changing from managing environmental risks into creating positive impacts on sustainable development by using different financial products and services. This new view is reflected in the Global Impact Investment Network (GIIN) and in the Global Alliance for Banking on Values (GABV) both of which emphasize the positive role that the financial industry can play in fostering sustainable development.

3.6 GREENPROCESSES

A Green Bank requires each of its functional units and activities to be green – environmentally friendly and help to improve environmental sustainability. Several opportunities are available for banks to green their functional units and activities. Key among them are:

Supply Chain Management

- Adopt techniques and plans to minimize inventory and wasted freight
- Adopt networked design using a carbon footprint.

Enterprise Resource Management

- Facilitate paperless transactions
- Adopt techniques for workforce and parts optimization as well as intelligent device management.

Customer Relationship Management

- Use electronic means, wherever possible, to maintain contact with and correspond with customers and potential customers, and minimise paper-based correspondences.

Sourcing and Procurement

- Select vendors by the sustainability rating of their products, services and operations.

Product Life Cycle Management

- Design and offer banking products and services in such a way that consume less resources and
- energy and thereby reduce carbon footprint
- Implement effective systems for product end of life management that have minimal impact on the environment.

3.7 STEPS IN GREEN BANKING

It is found that following are some of the steps that can be taken for going green in banking:

a. Online banking

- Paying bills online,
- Remote deposit/ bKash
- Online fund transfers
- E statements
- Automated clearing house

b. Green Accounts (ATM Service)

c. Green Financing

d. Power Savings Equipments

e. Green Debit Cards/ Credit Cards

f. Save Paper

g. Mobile Banking

3.8 GREEN BANKING PRACTICES IN BANGLADESH

The economic development of any country is inextricably linked with environmental issues because activities of financial institutions may boost wealth creation as well as environmental degradation. Bangladesh is identified by climate change experts as being among the countries more severely challenged by climate change threat with correspondingly high urgency of preparedness with mitigative and adoptive responses. The government and the central bank of Bangladesh is fully conscious about this issue and have played a proactive role in this regard. As being realized that bank as a responsible financial institution has a significant role to play in these game changing developments, Bangladesh Bank, the central bank of Bangladesh has taken the first initiative to make activities of the financial institutions of Bangladesh more environmentally responsible at the beginning of the year 2011. Green Banking as a concept of sustainable banking practices was formally introduced in Bangladesh on February 2011 with the development of an indicative Green Banking Guideline for Banks and Financial Institutions by Bangladesh Bank. The main objective of this guideline is to give a detail and indicative advice to all the commercial banks of Bangladesh to adopt environment friendly financing policies as well as to take appropriate initiatives to make internal operations more energy efficient and environment conscious.

3.9 RULES & REGULATIONS GOVERNING GREEN BANKING IN BANGLADESH

With a view to encouraging sustainable development in Bangladesh, the government of Bangladesh has formulated two important documents namely the Environmental Conservation Act 1995 and the Environmental Conservation Rules 1997.

These two documents basically make the ground rules for Green Banking in Bangladesh. In January year 2011, Bangladesh Bank as a regulatory body in the financial sector of Bangladesh had formulated the Environmental Risk Management Guidelines for Banks and Financial Institutions. The ERM guideline basically represents structured formats of addressing environmental risks in project financing and also provides standards in this regard. Besides, in February 27, 2011 Bangladesh Bank formulated the Green Banking Policy Guidelines that provides a standard format for the commercial banks in Bangladesh to develop their own Green Banking Policy.

The Green Banking practices in Bangladesh can be viewed from three perspectives:

- 1) Initiatives taken by Bangladesh Bank,
- 2) Initiatives taken by Government &
- 3) Initiatives taken by other commercial banks

3.10 INITIATIVES TAKEN BY BANGLADESH BANK

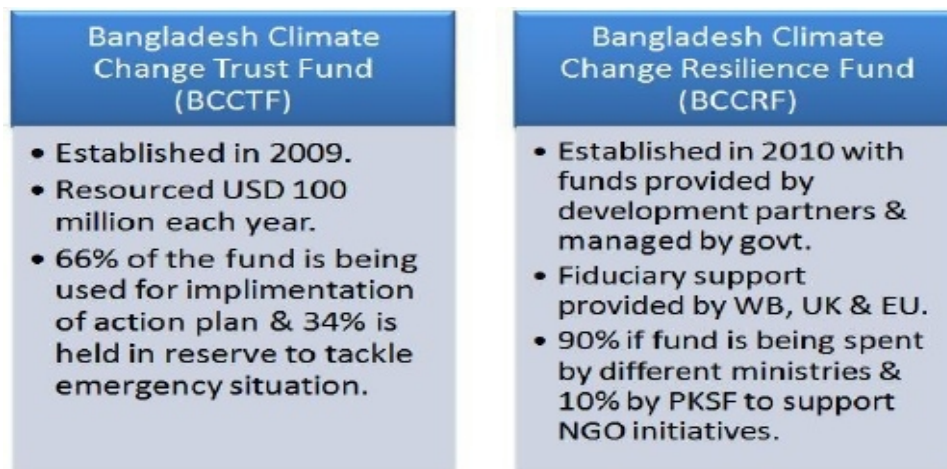
Bangladesh Bank is the first central bank in the world which has taken real initiatives according to a definite agenda in its vision and mission to play a specific role in Green Banking. With the different initiatives of in-house green activities, the authority has developed an indicative Green Banking Policy on February 27, 2011 which aims to provide a detail guideline to all the commercial banks to adopt Green Banking policy. (Morshed *et al.*, 2012, p. 5) The policy is to be rolled out in the following three phases



Besides developing a formal guideline regarding Green Banking practices, Bangladesh Bank has also launched a refinance program of Taka 2 billion for different types of Green financing like Solar Irrigation Pump Station, Solar Home System, Bio Gas Plant, ETP, HHK and Solar PV module assembling plant.

3.11 INITIATIVES TAKEN BY GOVERNMENT

The government of Bangladesh has already invested USD 10 billion over the last three decades to make the country climate resilient and less vulnerable to disaster. According to Morshed, Rubayat & Singha (n.d., p. 4) over the past three fiscal years (FY2009-10 to FY 2011-12) the government has allocated USD 300 million under the following two specialized funds regarding sustainable development.



3.12 INITIATIVES TAKEN BY COMMERCIAL BANKS

According to Morshed *et al.* (2012, p. 5) With some formal guidelines of Bangladesh Bank as well as government, the commercial banks of Bangladesh have also come up with some remarkable initiatives regarding green banking like:

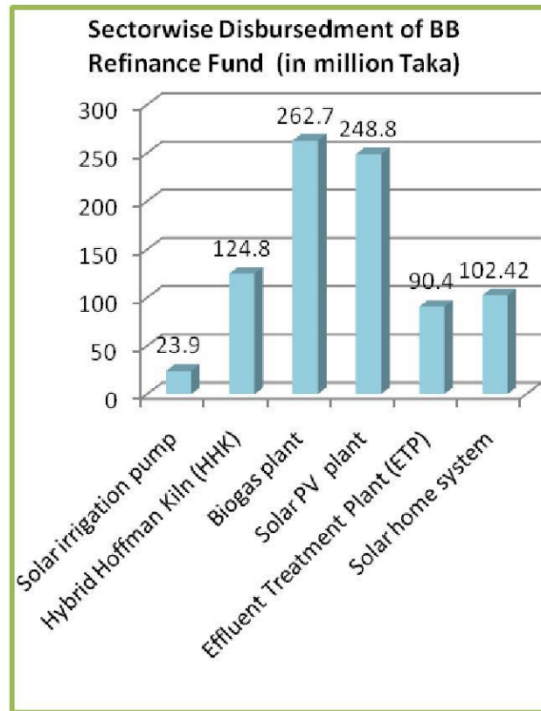
Policy Formulation and Governance Climate Risk Fund Budget Allocation Green Marketing Green Banking Unit/Cell/Desk Green Banking Incorporation of Environmental Risk in Core Branches powered by Solar Energy Risk Management (CRM) Bank's In house Green Activities Improved In-House Environment Management Green Finance Employee Training, Consumer Awareness and Green Event

3.13 REFINANCE SCHEME:

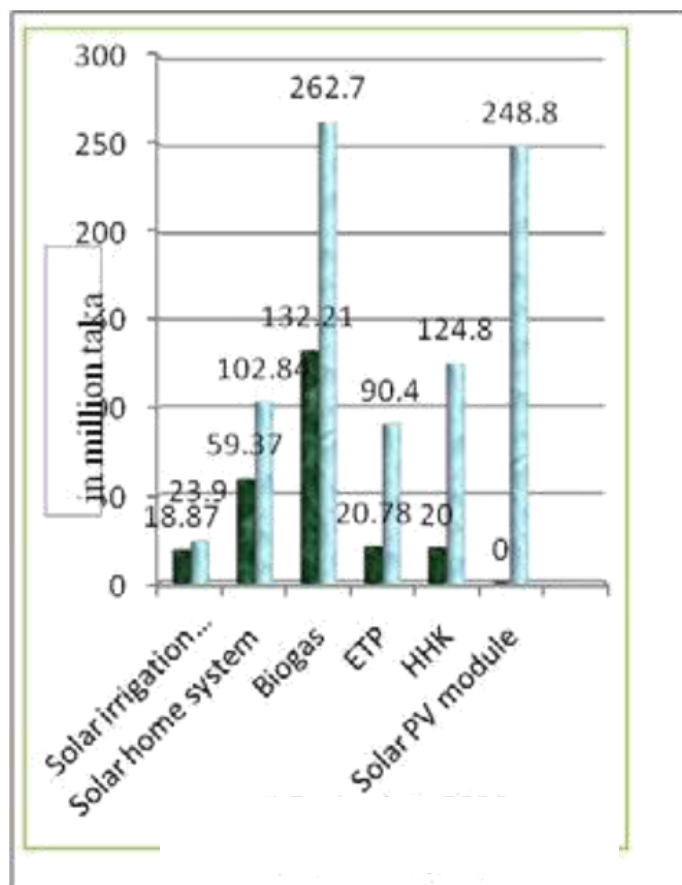
BB is providing to the lending banks refinance at five percent interest per annum, from a taka 2.00 (two) billion refinance window accessible against financing for revolving eco friendly initiatives like installation of bio mass based, solar and other renewable energy generation units, effluent treatment plants, adoption of new energy efficient output processes and so forth.

As of December 2015, taka 853.54 million out of taka 2.0 billion revolving fund allocated by BB to the following green categories

Category	Amount (Taka in million)
Solar irrigation pump	23.90
Solar home system	102.84
Biogas plant	262.70
Effluent Treatment Plant (ETP)	90.40
Hybrid Hoffman Kiln (HHK)	124.80
Solar PV module assembling plant	248.80
Total	853.54
Category	Amount (Taka in million)
Solar irrigation pump	23.90
Solar home system	102.84
Biogas plant	262.70
Effluent Treatment Plant (ETP)	90.40
Hybrid Hoffman Kiln (HHK)	124.80
Solar PV module assembling plant	248.80
Total	853.54



Around taka 853.54 million has been disbursed under Refinance Line of BB of which 43.99%, 30.8%, 14.62% and 10.59% was disbursed for Solar Energy, Biogas, Hybrid Hoffman Kiln and Effluent Treatment Plant respectively.



Bangladesh Bank is supporting financing of renewable energy generation and other environmentally benign projects. BB has disbursed taka 251.23 million and 853.54 million till December 2014 and December 2015 respectively.

(in million taka)

Category	December, 2014	December, 2015
Solar irrigation pumping station	18.87	23.90
Solar home system	59.37	102.84
Biogas	132.21	262.70
ETP	20.78	90.40
HHK	20.00	124.80
Solar PV module assembling plant	Nil	248.80
Total	251.23	853.54

3.14 BB'S IN-HOUSE GREEN ACTIVITIES:

BB is concentrating on its in-house green activities through the most effective utilization of resources (power, gas, fuel, water, paper etc.).

- With a move towards encouraging green banking in Bangladesh, Bangladesh Bank installed 8 kilowatt solar power system on its rooftop in March 2010. This is now being extended to 20 kilowatt to cover more areas.
- LED bulbs are being installed to bring significant energy efficiency.
- As part of central bank automation, Bangladesh Automated Clearing House (BACH), Credit Information Bureau online, Enterprise Resources Planning (ERP), Enterprise Data Warehouse (EDW), e-tendering, and e-recruitment have come into reality. National Payment is in live operation since 2012. Southeast, Pubali & BDBL are now connected with NPSB and doing live transaction.
- The overall banking functions of Bangladesh Bank (including all departments and branch offices relating to banking functions) have been brought under automation by implementing the Banking Application Package that includes Core Banking Module, Treasury Management Module and Market Infrastructure module.
- All the departments of Bangladesh Bank Head Office and its nine branch offices have already been brought under a computer network (LAN/WAN), connecting more than 3,800 PCs.

- Environmentally harmful incineration of non re-issuable damaged bank notes is being phased out, resorting instead to shredding.
- Online salary and other necessary advice, personal file updated information, office orders, notification online balance statements for all employees of BB, electronic passes for visitors are instantly available.
- A recent initiative has been taken to convert the 30-storied building of Bangladesh Bank into a **Green Building** with the modern facilities of rain water harvesting, wastewater recycling and motion sensor energy efficient bulbs supported by window based solar panels.

3.15 POLICY FORMULATION & GOVERNANCE:

All 47 commercial banks have formulated Green Banking Policy Guidelines approved by their Board of Directors/Competent authority and formed Green Banking Unit (GBU) for Green Banking activities. 44 banks have Green Office Guide for in-house green activities.

3.16 BUDGET ALLOCATION AND UTILIZATION:

Banks are required to allocate a considerable amount for green banking in their annual budgets, which will include (i) Budget for green finance (ii) Budget for Climate Risk Fund and (iii) Budget for Green Marketing, Training & Capacity Building.

39 Banks have utilized taka 271270. 84 million in 2015 for (i) green finance, (ii) Part of CSR Activities for Green Project and Green Event (iii) Marketing, Training and Capacity Building.

Area	Utilization Amount (in million taka)
Green Finance	270921.53
Climate Risk Fund	258.89
Marketing, Training & Capacity Building	90.42

Table: Budget Allocation and Utilization.

CHAPTER FOUR

GREEN BANKING PRACTICES IN MERCANTILE BANK LIMITED

4.1 GREEN STRATEGIC PLANNING

Mercantile Bank Limited as a third generation Bank in Bangladesh is always committed to ensure proactive and prudent management for the environmental degradation from our banking operations. Bank is also committed to comply with environmental regulation for maintaining ecological as well as social balance and safeguarding the globe for all living beings and their future generation.

From this point of view, Bank has made a Green Strategic Planning with a set of achievable targets to do the following activities related to Green Banking:

- ❖ As per Bangladesh Bank's directives on Green Banking, Bank will take necessary initiatives to implement the Green Banking Policy within deadline fixed by Bangladesh Bank.
- ❖ Bank has already circulated a detailed "Green Office Guide" to strengthen the green practices through the Bank. We will continuously monitor the meticulous compliance of green practices in internal operations & environment of the bank and thus we can protect the environment.
- ❖ Encouraging "Going Green" through financing in eco-friendly projects, such as: 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, bio-gas plant, bio-fertilizer plant, improved brick kiln projects etc. at lower interest and utmost care.
- ❖ Designing and introducing more innovative Green Products in the near future highlighting eco-benefit from green products and adding value to the existing products by inserting environmental features.
- ❖ Checking necessary environmental due diligence factors before lending a loan/investment and reducing of extending loans to certain environmentally harmful projects.
- ❖ 17 (seventeen) branches of the bank have already been powered by solar energy and we are expecting that more branches will start their journey with solar panel in the coming days.

- ❖ Bank will enhance more services through Alternative Delivery Channel (ATM, Debit / Credit Card, Online Banking, Mobile Banking, Internet Banking etc.)
- ❖ Introducing new technology in banking operations that would not only benefit the customers but also increase the productivity of the employees.
- ❖ Introducing Video/Audio Conference in lieu of physical travel/visit.
- ❖ Bank will provide more monetary support, relief and loans at lower interest rate etc. in the natural disaster areas by which the victims will survive in the newer environment.
- ❖ Organizing rigorous Training/Workshop on Green Banking issues to educate the employees and that will continue for the coming days.
- ❖ Arranging more seminars and symposiums to make our clients conscious regarding environmental issues as well as to introduce our Green Products.

4.2 GREEN BANKING IN MERCANTILE BANK LIMITED

The Mercantile Bank Limited started its journey in 1995 and within a very short period of time the bank achieved a very good reputation in the industry. From the inception sustainable development and reputation building was the focus of all banking activities of the bank. As a result the bank has been graded as top class bank by the internationally excepted CAMELS rating **Al-Haj Akram Hossain** Chairman of the Mercantile Bank Limited was the pioneer of the Green Banking Initiatives in the organization. Under his direction the Mercantile Bank Limited started its online banking service from 2011. At the beginning of the year 2011 when Bangladesh Bank formulated the Policy Guidelines for Green Banking and urged all the commercial banks to introduce the Green Banking concept, the Mercantile Bank as a responsible corporate citizen formulated a Green Banking Committee and a Green Banking Cell under the Risk Management Division and on December 27, 2011 the GBC developed the Green Banking Policy of Mercantile Bank Limited. During the year 2012, the Mercantile Bank Limited has made BDT. 3589.37 million Green Finance for installation of ETP and projects having ETP. Besides, 12 branches and 5 SME/ ATMs have been powered by solar energy. The GBC of the bank has developed a Green Office Guide and two Sector Specific Policies by this time of the current year.

2011	2012	2013
<ul style="list-style-type: none">• Green Banking Policy Formulation	<ul style="list-style-type: none">• Provide Green Finance of BDT. 3589.37 million for ETP installation & Projects having ETP.• Use Solar Energy in 12 branches & 5 ATMs.• Create Climate Risk Fund of BDT. 60 million.• Developed Reporting Format.• Published Sustainability Report in Annual Report.	<ul style="list-style-type: none">• Developed Green Office Guide.• Developed Sector Specific Policy for two sector:<ul style="list-style-type: none">• RMG & Textile• Ship Breaking Industry• Arranged 2 workshops on Green Banking at the Head Office Level.

4.3 CONCEPT OF MANAGEMENT ABOUT GREEN BANKING

As a responsible corporate citizen the Mercantile Bank Limited has come up with real initiatives to introduce Green Banking in the organization. By this time the bank has formulated a Green Banking Cell under the RMD, incorporated the Environmental Risk Management Guidelines into the Core Risk Management Guidelines and prepared an indicative Green Banking Policy and instructed employees accordingly. However, although the management committee of the Mercantile Bank Limited is conscious about the environmental responsibilities of a financial institution but it thinks that taking all the initiatives as instructed by Bangladesh Bank is not possible. For example: there is a lack of real initiatives of the bank in developing Green Products like Green Credit Cards or Green Deposit Accounts both of which associates some environmental features. The management thinks that providing such products will initially increase the charges from customers and there is also a lack of willingness and awareness of clients about environmental responsibilities. Another important issue is that, virtualization of all the banking products like different kinds of memos, forms, documents, bills etc. and banking services like online facilities for running different kinds of accounts is very difficult. The reason is that most of the clients don't have access to internet for running virtual accounts. Besides, clients demand printed documents as evidence of their banking activities. Besides, the management of Mercantile Bank thinks that guidelines of in-house environment management should be adopted in all branches. But the MANCOM also thinks that it will take time. Location creates a big problem in transforming existing materials into more energy efficient one.

4.4 REASONS TO INTRODUCE GREEN BANKING

Mercantile Bank Limited is one of the reputed private commercial banks in Bangladesh. The management committee is very conscious about the goodwill of the bank and as a result there have been some initiatives like assessing the financing process carefully, providing internet banking facility to the clients etc. taken by the bank before the formal instruction of Bangladesh Bank regarding Green Banking. So from the viewpoint of GBC of Mercantile Bank Limited there are three core reasons side by side of BB instructions to introduce Green Banking in the organization. These are:

Credit Risk:

Unusual weather pattern and global warming can cause financial institutions to suffer from credit risk. For example, adverse climate change may severely hamper a project financed by the bank and thus lead to a credit default. Realizing this issue Mercantile Bank Limited has rearranged its risk management policy by incorporating the Environmental Risk Management in its Core Risk Management Policy.

Legal Risk:

Legal risk arises when financial institution finance to a project that is environmentally harmful. In that case the financing institution will be liable by the environmental acts. So this is another important reason to introduce more environment friendly financing policies.

Reputational Risk:

In recent times bank are facing extreme reputational risk arising from some recent big loan scandals. Besides, the environmental awareness is also increasing day by day. These issues together drive the Board of Directors of Mercantile Bank Limited to introduce a Green Banking Policy which is called “MBL’s Environmental Blueprint” by the end of the year 2011.

4.5 CONCEPT OF GREEN BANKING IN MERCANTILE BANK

Components of Green Banking include the factors that affect the Green Banking activities of the bank. The following are the major components of Green Banking in Mercantile Bank Limited.

4.6 GREEN BANKING POLICY

As per the instruction of Bangladesh Bank, Mercantile Bank Limited formulated its Green Banking Policy which is called “MBL’s Environmental Blueprint”. According to Green Banking Policy of Mercantile Bank Limited, the policy shows MBL’s view on environmental issues and describes the Bank's environmental risk management procedures and practices. However, from my observation I have found that the policy is

created highlighting the issues that should be done with reference Bangladesh Bank guidelines and instructions. Some specific issues of the policy represent unorganized information. Besides, the effectiveness of policy also depends on the sound understanding of the policy. However, during my internship program at the organization I found that only one employee under the risk management division of the bank is overseeing all the Green Banking activities. The Green Banking Policy is not disclosed to all the concerned departments.

4.7 CLIMATE RISK FUND

Climate Risk Fund is one of the major components of Green Banking. It is required as a precautionary measure for possible safeguards and mitigating hazards due to climate change. A Climate Risk Fund is also required for the banks as part of their CSR activities that relate to climate change conditions. In 2015, Mercantile Bank Limited has created a Climate Risk Fund and up to the year 2015 it has allocated Tk. 60 million for this fund. However, by the end of the year 2015 the bank made no utilization of this fund.

4.8 IN-HOUSE ENVIRONMENT MANAGEMENT

Strategy of reuse, recycling of materials and equipment's, and source reduction and waste minimization strategy is a part of in-house environmental management. The Green Banking Cell of Mercantile Bank Limited has developed a Green Office Guide to reduce water, paper and electricity consumption which is yet to be approved by the MANCOM. Without this there is no special initiatives taken in the bank to actually reduce the use of electricity, paper, water etc.

4.9 GREEN BANKING REPORT

4.9.1 GREEN FINANCE

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. Mercantile Bank financed various projects which are environment friendly. The projects which contribute to degradation or deterioration of the environmental issues are usually avoided. The bank financed Effluent Treatment Plants (ETP) of RMG and textile sectors and projects having ETP. In 2015, the bank extended finance of Tk. 94.42 million for installation of ETP and Tk. 346.28 million for financing projects having ETP. However, in case of Green Finance, Mercantile Bank has exposure in only two sectors-Installation of ETP & Projects having ETP. The bank has no investment in solar plant project, bio-gas plant project, bio-fertilizer plant project up to year 2015.

4.10 MANAGEMENT FRAMEWORK OF GREEN BANKING

The Green Banking Cell of the Mercantile Bank Limited is working under the Risk Management Division. The RMD consists of 6 members which are also the member of the Green Banking Cell. All the works of the Green Banking Cell are supervised by a Management Committee regarding Green Banking and the decisions of any Green Banking initiatives are taken by the Board of Directors.



4.11 INSTITUTIONAL ARRANGEMENTS FOR GREEN BANKING

The institutional arrangements of the Mercantile Bank Limited for Green Banking can be viewed from perspective. Arrangements for Environmentally Responsible Internal Operations

4.11.1 ARRANGEMENTS FOR ENVIRONMENTALLY RESPONSIBLE INTERNAL OPERATIONS

To foster a more energy or resource efficient internal operations, the GBC of the Mercantile Bank Limited has completed the formulation of an indicative Green Office Guide which is yet to be approved by the Management Committee. The principles of the Green Office Guide are formulated in a way so that it will inspire all the employees of the bank to follow those principles. The purpose of the Green Office Guide is to inspire and aware the employees of the bank about how they can maximize their effort to minimize the wastage of resources. The main Slogan of the Green Office Guide is “REDUCE, REUSE & RECYCLE”. According to the Green Office Guide all the employees of the Mercantile Bank Limited are instructed on the following issues:

- Switching off Computers, Printers, Photocopiers all the equipment’s while not in use.
- Program equipment’s to Hibernate in office times.
- All the office equipment’s must be shut down after office hours.
- Making sure that all the employees know how to use the equipment’s as for not to waste resources in unlearned hands.
- LCD or Desktop Monitor use energy as of energy needed for printing 800 Laser prints if it is left open for 8 hours without use. So it is very important to shut down all the equipment’s.
- Personal computers must be shut down while not using it.
- Laptops should run in battery saving mode. The charger should not be plugged in while running on battery.
- Photocopiers and Printers have high electricity consumption and these equipment’s are mostly turned on idle. All the employees must know how to use them efficiently and must make sure to turn them off after use.
- Air Conditioning.
- Use of Fans and natural ventilation when possible.
- Use Energy efficient, Eco-friendly Air Conditioners.
- Buy Programmed AC which has motion detection on, allowing them to maintain proper room temperature.
- Use Central AC system rather than Split or Box AC as the use of resources will be less.

- Close all windows, doors to maximize the cooling while AC is turned on.
- Set Air Conditioning at a Minimum of 24°C which will keep proper balance of Air.
- All the AC will be turned off after 7pm (End Of Office Hours).
- Switch off all the AC while leaving the room.

Lights

- Use of natural lights whenever possible. This will save a significant amount of energy and associated greenhouse gas emissions
- Replacing bulbs with energy efficient bulbs. This will not just only reduce costs but also energy consumption.
- Replacing Spotlights with same effect but with more energy saving. Like using 20W halogen light instead of 50W will reduce 60% of energy but serve with same lighting
- Cleaning and maintaining lamps and bulbs will create light efficiency.
- Everyone must know “Last man to leave the room, turns off the switch” rule not in just lights but in all equipment’s all the lights except very important security lights will be turned off after Office Hours. The Cleaning staff must be trained to turn off all the lights and equipment’s while not necessary.

Conservation of Water

- Must conserve Water as the best possible way
- Use of water bottles which can be reusable
- Cleaning Staff must commit to reduce water usage in cleaning procedures.
- Install low-flush toilets and water saving faucets in the restrooms.

Purchase of Stationeries

- Office Stationeries should be bought which are needed
- Seek & Inspect for Energy Saving, Environment Sustainable or Eco-friendly products for purchase before buying
- Seeking for longevity, reusability, refill-ability and recyclability of Products like Printers, Scanners and Photocopiers before Purchase
- Seek products made out of or has elements of Recycled Products

- All office elements should be eligible for recycling at the end of its life
- Office shall buy Recycled papers for their use.
- Reuse of Stationeries
- Reuse of Single Sided Paper as notepads or draft copies usable within office
- Reusing Clip-files, Covers , Folders
- Use of Reusable Cups, Crockery & Cutlery within Office
- Encourage the use of Reusable Bottles instead of Single use water Bottles
- Making the Office Journals, Journal Subscription common for all Employees
- Selling used papers to the firms who are recycling the papers
- Use of Email instead of paper works with clients who understand internet business.
- Use telemarketing and email marketing
- Reduce the use of Paper to the best possible way

CHAPTER FIVE

FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 FINDINGS

- i. The bank tries to set-up all branches according to green banking guidelines but still they are far away from their practices.
- ii. Mercantile Bank Limited has created a Climate Risk Fund and up to the year 2015 it has allocated Tk. 60 million. It is follow the formal guideline of BB regarding Green Banking practices, Bangladesh Bank has also launched a refinance program of Taka 2 billion for different types of Green financing.
- iii. There is a shortage of ATM booths in major cities with proper solar energy backup.
- iv. The bank does not maintain or record of the consumption of water, paper, electricity etc. at their offices and branches
- v. Introducing new technology in banking operations that would not only benefit the customers but also increase the productivity of the employees.
- vi. Bank will provide more monetary support, relief and loans at lower interest rate etc. in the natural disaster areas by which the victims will survive in the newer environment.
- vii. Organizing rigorous Training/Workshop on Green Banking issues to educate the employees and that will continue for the coming days.
- viii. Arranging more seminars and symposiums to make our clients conscious regarding environmental issues as well as to introduce our Green Products. .
- ix. The bank has investment in solar plant project Tk. 1 million, but not investment in other sector like bio-gas plant project, bio-fertilizer plant project up to year 2015.
- x. Making sure that all the employees know how to use the equipment's as for not to waste resources in unlearned hands.
- xi. All the office equipment's are shut down after office hours.
- xii. Making sure that all the employees know how to use the equipment's as for not to waste resources in unlearned hands.

5.2 RECOMENDATIONS

The bank should apply better level of Green Banking Activities & Environmental Risk Management Systems.

- i. The bank may arrange more ATM's in bigger cities with proper solar energy backups.
- ii. Mercantile bank has investment in solar plant project, not investment in other sector. This are not match with Bangladesh Guidelines so this guidelines must be followed.
- iii. Make regular adjustments and updates of the Green Banking Policies.
- iv. Increase the exposure of Green Finance to new projects.
- v. The Management Committee should take necessary steps to circulate the principles of the Green Office Guide to all the branches of the Prime Bank Limited.
- vi. The Management committee should take necessary steps to develop new products or services with environmental features.
- vii. And finally the bank should arrange more training and workshop programs to encourage the employees to follow and foster the Green Banking Concept in their day to day banking affairs
- viii. All the office equipment's must be shut down after office hours it should be continued.
- ix. Government should carefully monitor and supervise the green banking practices in Bangladesh.
- x. Bangladesh bank must monitor the adherence of green banking guidelines by the commercial and non-commercial banks.
- xi. Government encourages the general people about green banking awareness through the electronic and print media.
- xii. Coordination among concerned authorities.
- xiii. Speeding up awareness and effective capacity building.
- xiv. Immediate concentration on sectoral lending policies and procedures

5.3 CONCLUSION

Bangladesh is one of the most climate change vulnerable countries to climate change in the world. From the overall discussion, it can be said that green banking practices in

Bangladesh are not at a satisfactory level. In line with global development and response to the global warming, Green banking plays significant roles. Government as well as every bank should take initiatives in respect of green banking practices for protecting our environment. Bangladesh bank will emphasize with significance of green banking activities/practices of a bank while according permission for opening new bank branches and approval for launching new bank. Government should also encourage the general people about the green banking practices. The central bank should monitor or supervise commercial banks whether they are practicing green banking or not. So, every bank has to participate and contribute to green banking practices in today's extreme national and global banking competition.

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