



Internship Report

On

“Green Banking Policy of IDLC Finance Limited.”

Submitted To

Professor Dr. Mostafa Kamal

Dean, Academic Affairs

Faculty of Business & Entrepreneurship

Daffodil International University

Submitted By

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Program: MBA

Batch: 41th

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This Internship Report is submitted to the Department of Business Administration, Daffodil International University for the fulfilment of Partial Requirement for the Degree of Master of Business Administration (MBA).

Letter of Transmittal

30 September 2020

Professor Dr. Mostafa Kamal

Dean, Academic Affairs

Faculty of Business & Entrepreneurship

Daffodil International University

Subject: Submission of Internship Report.

Dear Sir,

With due respect and immense gratification, I am submitting my internship report which a partial requirement of my MBA program. The report I largely based on “**Green Banking Policy of IDLC Finance Limited.**”.

It is really an enormous prospect for me to gather all the inevitable information and grasp the subject matter in an appropriate and authentic source to make this report viable. I have found the study is quite attention-grabbing, beneficial & insightful.

I tried my level best to prepare an effective & credible report. The report will provide a clear concept about the overall functions of Green Banking policies and practices in IDLC Finance Ltd. It will be a great achievement for me if you kindly go through the report to ascertain the fruitfulness of it. I hope you will consider the mistakes that may take place in the report in spite of my best.

Sincerely Yours,

.....

Julekha Akter

ID: 192-14-137

Batch: 41th

Department of Business Administration

Daffodil International University

Proclamation

I am Julekha Akter, hereby announce that the following internship report titled “**Green Banking Policy of IDLC Finance Limited.**” is solely prepared by me right after the completion of my internship at the IDLC Finance Limited, Chowrsta Branch, Gazipur under the supervision of **Professor Dr. Mostafa Kamal**, Dean, Academic Affairs, Faculty of Business and Entrepreneurship.

I ensure that the report has been prepared in consideration of the fulfilment of my academic requirement and not for any other intention although the concerned parties may find it useful for the improvement of Green Banking policies.

.....

Julekha Akter

ID: 192-14-137

Batch: 41th

Department of Business Administration

Daffodil International University

Letter of Authorization

This is to ratify that Julekha Akter, ID: 192-14-137 a student of the Department of Business Administration of Daffodil International University has completed his internship report titled **“Green Banking Policy of IDLC Finance Limited.”** under my supervision and direction.

His internship placement was at the IDLC Finance Ltd. in Chowrasta Branch, Gazipur. I am pleased to state that he has gone through all the necessary and required steps to accomplish the report and the report contains all the data, information, analysis and findings from authentic sources. As a result, the report seems to have completed on a successful note.

I wish him every success in life.

.....

Signature of the Supervisor

Professor Dr. Mostafa Kamal

Dean, Academic Affairs

Faculty of Business & Entrepreneurship

Daffodil International University

Acknowledgement

First of all, I wish to express my gratitude to the Almighty ALLAH for giving me the strength to perform my responsibilities as an intern and complete the report within the stipulated time.

I am deeply indebted to my Faculty Advisor **Professor Dr. Mostafa Kamal**, Dean, Academic Affairs, Faculty of Business and Entrepreneurship, Daffodil International University for his whole-hearted supervision during my organizational attachment period.

This has been an incredible period of time for me to work on this report titled “**Green Banking Policy of IDLC Limited.**”

My gratitude goes to the entire Business Administration Department, of Daffodil International University for arranging an Internship Program that facilitates the integration of theoretical knowledge with a real life situation. It was not less than a golden opportunity for me to work as an intern at the Office of IDLC Finance Ltd.

Last but not least, I am very much grateful to the executive of **IDLC** who extended their whole hearted Cooperation during my internship period. I would like to extend my gratitude to **Mr. Syed Atif Ahmed** (Branch operation in-charge), **Farzana N. Faruquee** (Head of CRM-Chowrasta Branch) and to all the personnel of IDLC Finance Ltd in Chowrasta Branch, who have co-operated and helped me in collecting information for the improvement of my report.

Dedication

There has to be someone behind every great work. Similarly, this time it was none other than my parents. Their consistent support and care pushed me to an extent where I accomplished nothing but this report and many more. Keeping these thoughts in mind I want to dedicate this report to the persons who are in the position of top priority in my life, my father and my mother and as a whole my family. In the meantime, I want to say that it was them who brought me in this world and I am indebted towards them then, now and forever for even the tiniest thing that I have ever and will achieve in my life.

May Allah bless them to live longer.

Executive Summery

IDLC Finance Ltd, a leading Non-Banking financial institution (NBFI) The company's wide array of products and services range from retail products, such as home and car loans, corporate and SME products including lease and term loans, deposit schemes, structured finance services and so on. In this report i have elaborately describe about IDLC Finance Limited as much as i can with my little experience. In this report you will also find the financial situation of the company so that you could understand the current situation of the company. The interesting part is in their ration, it highly increasing from last 2 years. Peoples are engaging with IDLC Finance Ltd. There is also a little comparison with their competitors.

Here you will also find porter's five force analysis which make clear about their current situation with their competitors. One of the interesting and creative part is their Green project. In green project, IDLC is trying to save the natural resources. They have a very good corporate culture. In this report the Green Banking Policy is broadly described. You will able to know how the Green Banking Loan they are offerings and what the Green Banking Policy of IDLC finance ltd is. IDLC Finance Limited has been following the statement of Bangladesh Bank for Green Banking and every year IDLC keeping a budget for Green Banking.

IDLC has already financed many Green Banking project and also following Green Banking Policy in their internal environment. Different customer means different perception, different thinking and opinion. So it is become important to know the perception of the clients of IDLC Finance ltd. That's why in the last part of this report I have conducted a research to gain some primary data about IDLC Finance Ltd to prove whatever i am assuming about the company are right or not. At the end of this report i tried to give some recommendation for the company in this report you will also find what are the task i have done as an intern in this company and my personal experience which i believe will be helpful for the future internee too.

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Chapter 1

Introduction

1.1 Introduction:

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

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.

Green Banking or Sustainable Banking as a concept is not very new around the world. Global warming, unusual weather pattern, rising greenhouse gas etc. has always urged the business world to take some responsibilities in safeguarding the planet. Consequently environment friendly banking practices emerged in many western countries. However, in our country, the central bank of Bangladesh, Bangladesh Bank has taken the real initiative to make the financial industry more environment friendly and responsible by formulating a detail Green Banking Policy Guideline in February 27, 2011.

An internship program is a very good approach to co-relate the practical work experience with the theoretical knowledge because it provides an individual the great opportunity to work in an organization with some specific objectives. As a result it bears great importance in case of business graduates. As an intern it was a great opportunity for me to work in one of the reputed financial institutions of Bangladesh, IDLC Finance Limited. During this period I had the opportunity to work at the Chowrasta Branch Office of IDLC Finance Limited.

Now, the main objective of my internship program was to evaluate the Green Banking practices of the IDLC Finance Limited.

1.2 Problem Statement:

In Bangladesh each and every day global warming is increasing because of the abuses of environment and environ is populated by deforestation and other ecological imbalanced. FIs somehow linked with the sustainable development, using the present needed and fulfilling the present need without damaging future that's is the sustainability that mainly possible by green banking. The statement basically arise while working there, seeing that every employee of the organization doing their work by keeping all the entry by using paper and not keeping the entry of the computer and mot uses any electric thing in the office, green banking idea came from that moment. Around 25 employees work in that little branch, if they using technology, they can easily finish the work and also time can be saved and I also notices, because of less technology, one employee cannot finish his work properly and customer have to wait for long time as a result customer dissatisfaction can be increased that can affect the whole profit of organization. Because of not to give importance that process, all the banking process can be diminished. While finding all those problems, the problems and the solutions of this topic arises and that is the statement of finding this problem

1.3 Origin of the Study:

In this modern era, merely academic education is not enough to make a student perfect and competitive in the world. Therefore, Internship is a must and obvious for a students to gain practical idea, knowledge, skills and performance.

Daffodil International University is one of the most famous and renowned private university in Bangladesh and recently it has become QS Asia ranking top university. The faculty of business and entrepreneurship has designed different curriculum and MBA (Master of Business Administration) is one of those in which courses are designed in a way by making it international standard where business graduates can be made. Therefore, I have completed my 33 credit and as per the course design I as a student need to go for my rest 3 credit by which I can do my internship program in an organization.

As a compulsory part of MBA Internship program, this particular report was prepared by the author on the proposed topic “Green Banking policy of IDLC Finance Limited”.

1.4 Significance of the Study:

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, Banks 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 Banks, Exim Bank 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, IDLC is expected to adopt technology, process and products which result in substantial reduction of its carbon footprint as well as develop a sustainable business.

1.5 Objective of the Study:

The main objective of this report is to identify the initiatives that have been taken by EXIM Bank to introduce Green Banking in Bangladesh.

The specific objectives of this report are-

- a) To discuss strategies and guidelines for the Green banking and Green Financing.
- b) To find out how Green Banking works at IDLC Finance Ltd.
- c) To identify the major areas of efficiency or inefficiency of the Finance Company regarding its Green Banking initiatives.
- d) To check the awareness of Green Banking among the office staff and customers.

1.6 Scope of the Study:

The study was concerned with the operations and performance of IDLC 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.

1.7 Limitation 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:

- FIs is a sophisticate business sector. So IDLC do not interested to provide me confidential data.
- Green Banking activities & Environmental risk management systems was not sustain every branches.
- Publications and articles of this field are not available enough and some information remained unknown to managers and executives.

Chapter Two

Literature Review

2.1 Literature view:

Previous literature and studies have found that there are numerous reasons and opportunities for why FIs/banks have decided to introduce green products into their product portfolio. These range from utilizing their position in society for good, lowering operational risk, increasing revenue or profit, increasing customer satisfaction while attracting new customers and increasing employee motivation as will be mentioned below.

As private financial institutions are tied to all economic sectors through their lending and investment practices, banks need to recognize their relationship with sustainability through their direct or indirect effect (International Finance Corporation, 2017). While FIs/banks internal/direct environmental effects are low in comparison to other sectors (Pinter & Deutsch, 2006), their indirect impact on sustainability (Lay Hong et al., 2015) through lending and investments take a share of pollution in the environment (Pinter & Deutsch, 2006). As mentioned above, because of the bank's gatekeeper position, they have the ability to transform society (King & Levine, 1993), (Levine, 1999). Given the global need for an urgent transition to a low-carbon economy and sustainable economic development (International Finance Corporation, 2017), the financial sector can play an important role in managing climate-related risks and support the transition to a low carbon economy by driving investments in climate-friendly and green projects (Financial Supervisory Authority, 2016), (International Finance Corporation, 2017).

There is also a question of what happens if the introduced green products are not profitable and have to be removed from the product portfolio. While no study has been found that have analyzed the direct effects this can have on the business, when analyzing that stock market, studies (Doh et al., 2010), (Russo & Nariani, 2013) have shown that when a stock is added to a sustainability index it does not stimulate any positive reaction. However, when a company is removed from a sustainability index a significant price decline can be seen (Doh et al., 2010). This suggests that the market punishes firms for not integrating environmental and social concerns when developing strategies (Russo & Nariani, 2013). This indicates that investors believe that the company will subsequently have a harder time retaining or gaining new customers.

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.

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.

Chapter 3

Methodology

3.1 Types of Data:

Research data can be placed into two broad categories: quantitative or qualitative. Qualitative data is collected using questionnaires, interviews, or observation, and frequently appears in narrative form. So in this context, the study will be more focused on qualitative data. Both primary and secondary data are used in the context of IDLC Finance Limited. For gathering the primary data, a set of questionnaire was developed in the light of the objective of the study.

3.2 Sources of Data:

There are two sources of data. These are as follows:

3.2.1 Primary Sources:

Research data can be placed into two broad categories: quantitative or qualitative. Qualitative data is collected using questionnaires, interviews, or observation, and frequently appears in narrative form. So in this context, the study will be more focused on qualitative data. Both primary and secondary data are used in the context of IDLC Finance Limited. For gathering the primary data, a set of questionnaire was developed in the light of the objective of the study.

3.2.2 Secondary Sources:

Secondary data has been collected from journals, reports and website. Organogram, profile and other relevant products and services were only gathered from the Website of IDLC Finance LTD.

3.3 Methods of Data Collection:

For collecting primary data, many surveys and interviews were conducted. A questionnaire was designed and developed for collecting all necessary information. The respondents or participants were asked to answer the survey question and provide their perception towards Green Banking Policy of IDLC Finance Limited on likert 5-point scale. A verbal interview was also taken to have a clear idea regarding green banking policy.

3.4 Sample:

A sample size of 40 was taken for executive & clients of IDLC Finance Limited in Chowrasta, Branch. To acquire information about Green Banking Policy of IDLC, I personally interviewed the manager of IDLC and some employees who have been working in there for a long period of time. Moreover, informal interview of 30 customers were also taken to understand the awareness of green banking products i.e. green mortgage, green investment, green saving account, green bank card, green car financing and so on.

3.4.1 Distribution of Sample among Manager, Officer and Customers.

The sample of the study includes manager and employees of various age groups, years in this profession and different designations. For lucid manner, distribution of sample were attributed to the designation that has been made in the following table.

Table 1: Distribution of sample according to designation

Designation	No. of Participant
Manager	1 (2.5%)
Officer	6(15%)
Other employees	3 (7.5%)
Customers	30(75%)
Total	40(100%)

Table 2: Distribution of sample according to gender.

Gender	Manager	Officer	Other employees	Customer	Total
Female	0	2	0	8	10
Male	1	4	3	22	30
Total	1	6	3	30	40

Table 3: Distribution of sample according to age

Age group	Manager	Officer	Other employees	Customers	Total
Below 30 years			1	7	8(20%)
30 to 40 years		2	2	16	20(50%)
40 to 50 years		2		5	7(17.5%)
50 to 60 years	1	2		2	5(12.5%)
Total					40(100%)

3.5 Data Analysis Techniques:

Data analysis process is very important to infer the result. To show the survey result and draw a conclusion frequency distribution table has been shown for the study. Percentage, mean value etc. are calculated to understand the impact of green banking practice in an organization. Standard deviation is also measured to understand the difference and to justify the tendency. All data is calculated in a lucid manner and using excel formula. Users can find it very effective to know the significant value from the survey conduct. Graphical presentation has been drawn to show the result.

Chapter 4

Organization Part



4.1 Overview:

IDLC Finance Limited was established in Bangladesh in 1985, as the first-ever leasing company of the country, through the collaboration of IFC, German Investment and Development Company (DEG), Kookmin Bank and Korean Development Finance Corporation, the Aga Khan Fund for Economic Development, the City Bank Limited, IDLC of Bangladesh Limited, and Sadharan Bima Corporation. As the company evolved over the years, the foreign shareholding gradually moved out and the last foreign shareholding was bought out by local sponsors in 2009.

IDLC's strong focus on revenue diversification has led to the establishment of different client segments in the Corporate, Retail, SME and Capital Markets of Bangladesh. The current product portfolio consists of Corporate and Structured Finance solutions for local and multinational corporate houses; Personal financing products such as deposits, home loans, car loans, personal loans etc.; financing facilities for Small and Medium Enterprises; Merchant Banking solutions such as Portfolio Management and Investment Banking (IPO, Bond Issuance, Rights Shares Offering etc.); and Brokerage services. With this diversified array of products, IDLC Finance Limited is at present the largest multi-product Non-Bank Financial Institution in Bangladesh, having two wholly-owned subsidiaries, IDLC Investments Limited and IDLC Securities Limited for carrying out its capital market operations.

The Group is represented by over 809 employees working in 32 branches in the major cities of the country. IDLC is highly respected by its clients, peers, employees and regulators for its professional pool of resources, its progressive and enabling work environment, and its strong ethical practices. With significant growth in its business and profit over the last few years, the company has consistently demonstrated exemplary corporate governance and strict statutory compliance, and is a standard bearer in this regard in the financial sector of Bangladesh.

Moreover, starting from 2010, its silver jubilee year, IDLC has decided to step up its commitment to sustainable business practices, with particular focus on environmental and social development. It has subscribed to a number of leading local and international sustainability initiatives including the Bangladesh CSR Centre, the UN Global Compact (UNGC) and the UN Environment Program Finance Initiative (UNEP FI), and IDLC is the first company to become a member of UNEP FI from Bangladesh. As part of this commitment, IDLC is now active in promoting responsible

practices among its stakeholder groups, mostly its employees and clients, while it is streamlining its own policies and practices to emerge as a truly responsible brand.

Mission:

IDLC will focus on quality growth, superior customer experience and sustainable business practices

Vision:

IDLC will be the best financial brand in the country.

Strategic Objectives:

- Grow and develop our talent pool
- Fully leverage the new core banking platform
- Optimize distribution points
- Grow and diversify funding sources
- Grow sales and service capabilities in the Consumer Division
- Aggressively grow the SME portfolio
- Focus on top-tier clients in the Corporate segment
- Consolidate capital market operations and enhance capabilities
- Embrace internationally-accepted corporate governance and
- sustainable business practices

Core Values:



Code of Conduct and Ethics:

In accordance with the approved and agreed Code of Conduct, IDLC employees shall:

- Act with integrity, competence, dignity and in an ethical manner when dealing with customers, prospects, colleagues, agencies and public
- Act and encourage others to behave in a professional and ethical manner that will reflect positively on IDLC employees, their profession and on IDLC at large
- Strive to maintain and improve the competence of all in the business
- Use reasonable care and exercise independent professional judgment
- Not restrain others from performing their professional obligations
- Maintain knowledge of and comply with all applicable laws, rules and regulations
- Disclose all conflicts of interest

- Deliver professional services in accordance with IDLC policies and relevant technical and professional standards
- Respect the confidentiality and privacy of customers, people and others with whom they do business
- Not engage in any professional conduct involving dishonesty, fraud, deceit or misrepresentation or commit any act that reflects adversely on their honesty, trustworthiness or professional competence

Organogram of ILDC:

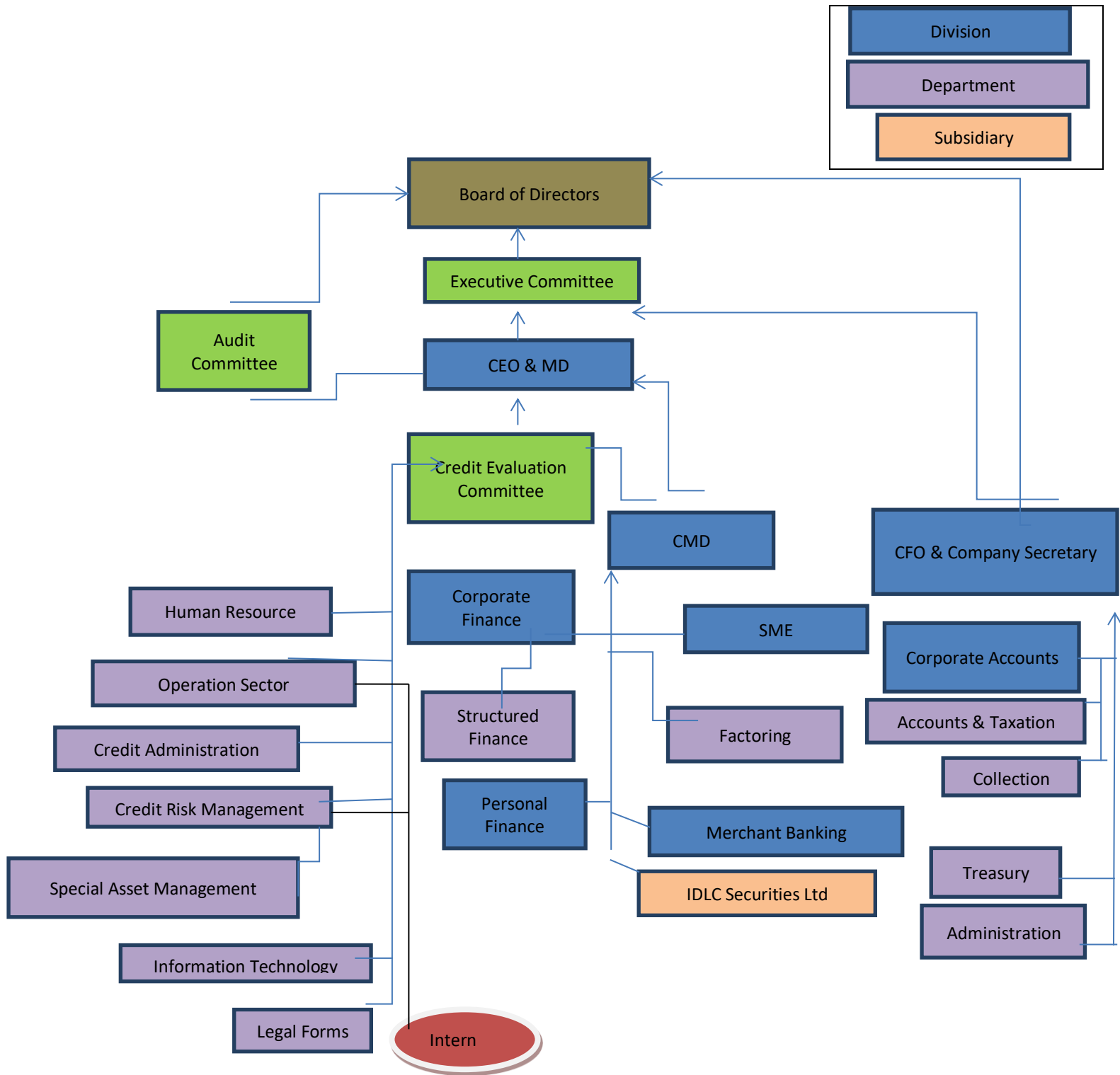


Figure 1: Organogram

4.2 Products and Services of IDLC:

To ensure steady and long term growth as well as to sharpen its competitive edge in a changing and challenging business environment, IDLC always endeavors to diversify into other financial services which have long term prospects. In 1997, it expanded its range of services by introducing Housing Finance and Short Term Finance, which have broadened its customer base and have contributed significantly to IDLC's growth and profitability. In early 1999, after getting license of Merchant Banking from Securities and Exchange Commission, IDLC started its operation of underwriting, issue management, corporate financing and other investment banking related services. The products and services are as follows,

1. Leasing:

Assets are leased to clients on predetermined rental basis for a fixed term with a purchase option at the end.

2. Term Loan:

The customers are offered loan facilities for a determined term at a negotiated rate.

3. Equity Financing:

IDLC invests money into equity of both publicly traded and non-traded companies for dividends and capital gain.

4 .Inter Corporate Deposit (ICD):

This disbursement scheme is offered to clients under two variations:

- a) Non- Revolving ICD which consists of single disbursement of funds
- b) Revolving ICD where multiple disbursements and collections take place

5. Work Order/ Purchase Order Financing:

The clients are financed against their work order or purchase order on a revolving basis.

6. Factoring:

Under this scheme, IDLC finances receivables of supply of goods or delivery of services on credit to help the clients realize the maximum portion of their payment soon after they have made the delivery to the buyer. The payment is collected from the customers and the balanced amount is re-imbursed to the clients.

7. Syndication:

IDLC helps to raise fund for clients with huge financial requirement through syndication and also help them with the documentation, execution and administration of the syndicated finance.

8. Securitization:

IDLC sell financial instruments of organizations in local financial market backed by their asset/cash flows such as loan, lease etc.

9. Bridge Finance:

This refers to short-term finance (maturity of not more than 12 months) in anticipation of immediate long term financing such as public issue, private placement, syndication, loan, lease, debenture, etc.

10. Cap Invests:

IDLC maintains a non-discretionary portfolio account for clients where they have absolute power to make investment decisions. The portfolio manager provides margin loan to clients and also prepares the list of securities in which they can invest.

11. Deposit Schemes:

IDLC offer different variety of deposit schemes for clients.

- Cumulative Term Deposit
- Annual Profit Term Deposit
- Monthly Earner Deposit
- 500 Days Term

- Double Money Deposit
- Triple Money Deposit

12. Car Loan:

Term loan are offered to clients for acquiring car, brand new or reconditioned, for their personal use and the ownership on loan repayment.

13. Home loan:

IDLC offers loans to purchase apartment to individuals for their personal use.

14. Real Estate Finance:

IDLC finances clients to construct house, renovate and extend house, for office chamber and space for professionals etc. under two different schemes:

- a) Developer's Finance Scheme
- b) Corporate Finance Scheme

15. Private Placement:

IDLC places the share/debenture with both domestic and overseas investors (institutions or individuals) on private placements basis.

4.3 Subsidiaries:

IDLC Securities Ltd:

IDLC Securities Limited, a fully owned subsidiary of IDLC, offers full-fledged international standard brokerage service for retail and institutional clients. It has seats on both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. It is also a Depository Participant (DP) of Central Depository Bangladesh Limited (CDBL).

IDLC Investments Limited (IDLCIL):

As required by the Bangladesh Securities & Exchange Commission (BSEC), the Company formed a separate subsidiary on May 19, 2010 in the name and style “IDLC Investments Limited” to transfer its merchant banking activities. The Company obtained license from BSEC on August 02, 2011 and commenced its business on August 16, 2011. The main businesses of the company are portfolio management, issue management, underwriting of securities and advisory services.

4.4 Financial Highlights:**Current Performance (Ratio analysis)**

Particulars	2018	2019
Return on Investment (ROI)	6.43	3.60
Return on Assets (ROA)	3.78	2.75
Loans to deposit ratio (total loans/total deposits)	1.29	1.31
Margin of Loan Portfolio(BDT mn)	1,399	730

Particulars	2015	2016	2017	2018	2019	Growth
Financial Ratios						
Debt equity ratio (Times)	9.65	9.06	7.76	8.54	9.21	0.67
Financial expenses coverage ratio (Times)	1.47	1.56	1.54	1.35	1.28	(0.07)
Current ratio (Times)	1.22:1	1.17:1	1.18:1	1.12:1	1.06:1	0.06
Return on total assets (%)	1.93	2.02	1.87	1.61	1.38	(0.22)
Non-performing loan ratio (%)	3.06	2.98	2.77	2.20	3.07	0.87
Return on shareholders' equity (%)	20.01	20.87	17.41	14.73	13.68	(1.05)
EPS*	3.84	4.62	4.26	4.22	4.04	(0.18)

Table 4 & 5: Ratio Analysis

Financial Performance:**Taka in million**

Financial Performance	2015	2016	2017	2018	2019	Growth (%)
Total assets	71,769	76,505	92,611	105,182	114,655	14.94%
Long term liabilities	63,591	67,446	80,540	92,554	101,069	14.90%
Term deposit balance	46,174	47,564	60,538	71,338	77,008	16.92%

Table 6: Financial Performance**Operational Performance:****Taka in million**

Operational Performance	2015	2016	2017	2018	2019	Growth (%)
Operational income	3,961	4,433	4,801	4,705	4,815	7.68%
Operational expenses	1,394	1,679	1,934	1,913	2,012	10.22%
Financial expenses	4,827	4,625	4,902	7,016	8,640	13.78%
Profit before tax	2,276	2,581	2,639	2,426	2,390	3.33%
Net profit after tax	1,327	500	713	669	1,246	5.70%
Average effective tax rate	45.34	42.02	40.05	34.43	36.32	1.89%

Table 7: Operational Performance

4.5 Environment:

External Environment:

Porter's 5 forces Model

A) Rivalry among the existing firms:

Number of competitors: In banking and non-banking financial institution industry, the number of firms is high. So, the intra-industry rivalry is high.

Fixed rate: In this industry, large percentage of cost is fixed. So, the intra-industry rivalry is high.

(B) Threat of new entrants:

Established companies: all the companies are already established and they are performing highly. So the threat of new entrants is low.

Legal Barriers: The threat of new entrants is low because of high legal restrictions.

Access to channels of distribution and relationships: Existing good relationships between companies and customers in banking and non-banking industry will make it difficult for new companies to enter in this industry.

Overall consideration shows that the average threat of new entrant for IDLC Finance Banking industry is low.

(C) Bargaining power of buyers:

Buying volume: For Some buyers who can invest in large volume have the bargaining power very high.

Product differentiation: Most of the products offered by different firms in the industry are virtually identical. So, here the bargaining power of buyer is high.

Production costs: As the buyers are aware of cost, the bargaining power of buyers is high.

D) Bargaining power of suppliers:

Forward integrate: As the Suppliers can forward integrate, the bargaining power of suppliers is high.

Percentage of suppliers' business: As the big depositors are low in number, the bargaining power of suppliers is high.

Product differentiation: Some of the products of suppliers are highly differentiated. So, in this case, the bargaining power of suppliers is high.

By considering all the points, we found that the Bargaining power of IDLC Finance is high.

E) Threat of substitutes:

Bank and NBFIs all belong to the finance sector. The products which are offered by NBFIs like IDLC are almost the same as compared with Banks. In Bangladesh, there are now 56 banks, two times of NBFIs. That means the customers of NBFIs can be easily captured by Banks as they are offering substitute products. So, the threat of substitute of NBFIs is so high.

Internal Environment:

Green Banking:

'Green banking' has become one of the most discussed concepts globally. Originating in the west, it is now practiced across emerging and developing economies around the world as well. The concept endorses environment-friendly banking practices and deals with financial products, services and processes with the ultimate objective of reducing the carbon footprint and managing the environment in an intelligent and sustainable manner, while at the same time running the business profitably. Hence, green banking ensures the utilization of organizational resources in favor of the environment and the community at large and in the process, plays a critical role in finding solutions that aligns the interests of our stakeholders, especially our customers and shareholders, with the broader interests of the planet.

Structured Finance (STD):

The Structured Finance Department (SFD) is a specialized business unit of IDLC under its Corporate Division. The unit was established with an aim to facilitate syndication arrangements, arranging onshore as well as offshore structured finance, agency and trusteeship services and pre-investment feasibility studies. The department commenced operations through loan syndication in 2000 to meet the increasing demands for the product for large industrial and infrastructure project financing. Over the years, the department has continued to arrange syndication deals in the form of term loans and working capital facilities.

Presently, SFD is involved in deals that require various modes of financing. Being one of the leading structured finance solution providers, the department arranges financing through a wide range of products that include term-loans (both local and foreign currency), working capital facilities, Investment Promotion and Financing Facilities (IPFF) and subordinated bonds for Tier-II regulatory capital requirement of commercial banks, among

Credit Risk Management (CRM):

Credit Risk Management is responsible for managing credit risk. These two teams coordinate with Corporate Affairs and Finance department to manage legal, compliance and strategic risk.

Credit risk management process:

1. Approving Transactions and setting and communicating credit
2. Monitoring compliance with established credit exposure limits.
3. Assessing the likelihood that counter-party will default on its payment obligations.
4. Measuring the firm's current and potential credit exposure and losses resulting out of counter-party default
5. Reporting of credit exposures to the senior management, the Board and regulators.
Use of credit risk mitigates including collateral \
6. Communication and collaboration with other independent control and support functions such as operations, legal and compliance.

Chapter 5

Green Banking Policy



5.1 Green Banking:

The term Green Banking is popular worldwide now-a-days. It is for stopping the environmental degradation and making this planet habitable. The concept of Green Banking was developed in the western countries. Green banking is a general term, which can cover a multitude of areas from a banking policy being environmentally friendly to how and also where their money is invested.

Defining green banking is relatively easy. It means promoting environmental-friendly practices and reducing carbon footprint from activities. A green banking is a policy that promotes environmental and social responsibility but operates as a traditional community and provides excellent services to investors and clients. Its progressive approach to the community and the earth makes it different from the crowd. A green banking policy is also called ethical banking, environmentally responsible banking, socially responsible banking, or a sustainable banking, and is expected to consider all the social and environmental factors.

Green banking involves pursuing of financial and business policies that are not hazardous to environment rather help conserve environment. The broad objective of green banking is to use resources with responsibility and giving priority to environment and society. It is more about focusing on 'mother planet and its sustainability', shifting from a traditional approach on 'profit' or even 'people'. Green banking is not just another corporate social responsibility (CSR) activity; it is all about going beyond to keep this world livable without much damage.

Green banking, which considers all the social and environmental factors, is also called 'ethical banking'. Ethical banking policy started with the aim of protecting the environment. These policies are like normal policies that aim to protect the environment and are controlled by the same authorities. Green banking policy, compared to normal policies, attaches more importance to environmental factors. Its aim is to provide good environmental and social business practices. It checks all the factors before considering a loan - whether the project is environment-friendly and has any implication on the future of people and planet. One would be awarded a loan only when all environmental safety standards are followed.

Basically, green banking avoids as much as paper work as possible - from go-green and go-green mortgages to all transactions done online. It creates awareness around business people about environmental and social responsibility, enabling them to adopt environment friendly business

practices, and follows environmental standards for lending. When a person is awarded a loan, the interest is less than normal financial company because ethical finance organizations give more importance to environment-friendly factors - they do not operate with high interest rates only.

Benefits of Green Banking:

In addition to the inherent benefits of better environmental management; new business opportunities; responsible resource consumption and reduced GHG emission; and reduce capital expenditure and operational costs, compliance with the Green Banking Policy entitle the FI to the following benefits:

- (i) Bangladesh Bank shall award points on Management component while computing CAMELS rating, which will have a significant impact on the overall rating of each FI;
- (ii) Bangladesh Bank shall declare the names of the top ten FIs for their overall performance in green banking activities in the Bangladesh Bank website; and
- (iii) Bangladesh Bank shall actively consider green banking activities and practices of an FI while according permission for opening new FI branch

Question 1: Do you know about green banking?

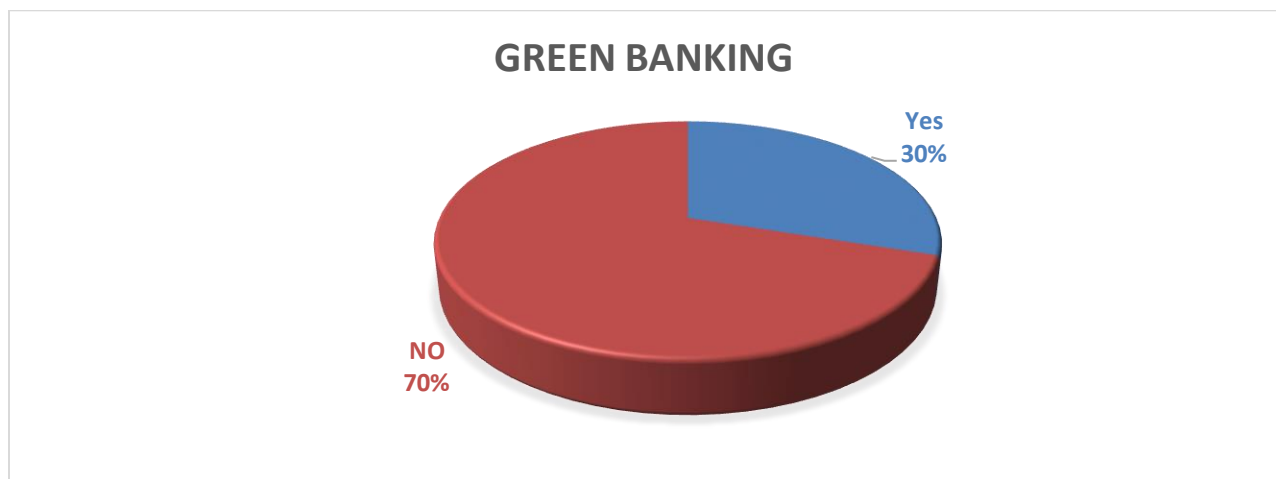


Figure-2: Knowing Green Banking

This graph is not showing the full idea, mainly I personally talked with 20 customer, among them 14 people have no clue what is that meaning and where it comes from only few people have idea of this but they are not aware about how it works properly and also how does it affect this banking sector. I basically asked that question young aged people, who came for account opening or any other work, most of the people did not have any idea about that.

5.2 Products of Green Banking:

From the beginning of the banking activities the work basically done with non-eco-friendly way in 20th century, it become famous with its ecofriendly behave of any transactions with the financial institutions. Mostly traditional bank and FIs has not much idea about the Green banking. But past few years the idea become so integrated part of the financial institutions. They take some strategy how to succeed it and how to spread it all over the financial area. If one FIs takes the initiative like IDLC, others also influence by it and also get the motivation from one financial institution to another to make Green Banking effective. Long term growth prospects, asset management sustainability principles all due aspects are publishing in recent days. All the corporate bank has their own strategy but for this they invest a lot in all aspects. Variations and innovations are differing to each other, based on that service are divided into below banking sector-

1. Retail Banking
2. Corporate Investment banking
3. Asset Management
4. Insurance

Question 2: Have you heard of the following green banking products?

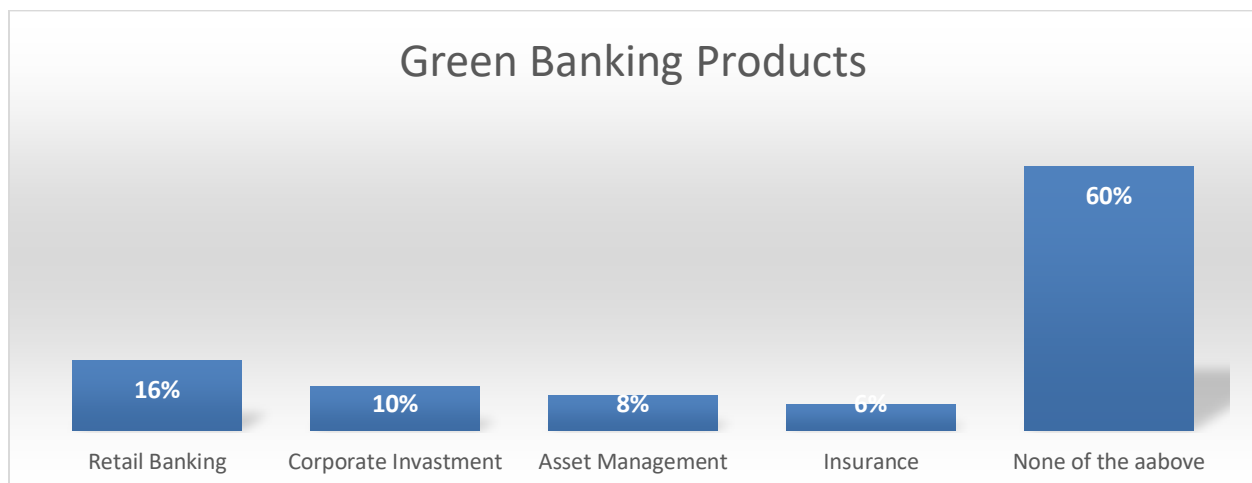


Figure 3: Green Banking Products

In this figure showing that many of respondents have no idea about green banking product, few them have known that about the product but they have no clue what the products are and how its work. This suggests that the respondents might have underestimated their own knowledge regarding the subject or that they had only briefly seen a product, thereby not considering that constituted as good knowledge. Furthermore, the employee of the respondents tended to have a higher knowledge regarding products, generally having knowledge of several products and customer of the respondents has lower knowledge regarding product but they are most interested in environmental issues.

5.3 Formal Documents of Green Banking:

Green Banking Policy Guideline:

The Green Banking Policy of IDLC has been prepared in light of the “Policy Guidelines for Green Banking” issued by the GB & CSR Department of Bangladesh Bank (GBCSRD Circular No 4) on August 11, 2013. The objective is this policy is to institutionalize Green Banking across IDLC by focusing on the following major aspects:

- (i) Governance
- (ii) E&s Risks in Credit Risk Management
- (iii) In-house Environment Management
- (iv) Green Finance, Products and Marketing
- (v) Climate Risk Fund
- (vi) Training, Awareness and Green Events
- (vii) Disclosure and Reporting

Reporting on Green Banking Activities:

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

- (i) Phase I: IDLC has been planning to develop a 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).
- (ii) Phase II: IDLC already publishes an independent “Sustainability Report” highlight current activities and initiatives, past performance, and future strategies. However,

going forward, IDLC shall 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 or with assistance from IDLC; and

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

5.4 Reasons to Introduce Green Banking:

IDLC Finance Company is one of the reputed finance company in Bangladesh. The management committee is very conscious about the goodwill of the company and as a result there have been some initiatives like assessing the financing process carefully taken by the company before the formal instruction of Bangladesh Bank regarding Green Banking.

So from the viewpoint of GBU of IDLC Finance 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 company and thus lead to a credit default. Realizing this issue IDLC Finance 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 financial institutions 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 IDLC Finance Company Limited to introduce a Green Banking Policy.

5.5 Concept of Green Banking in IDLC Finance Limited:

Components of Green Banking include the factors that affect the Green Banking activities of the company. The following are the major components of Green Banking in IDLC Finance Limited.

GREEN BANKING POLICY

As per the instruction of Bangladesh Bank, IDLC Finance Limited formulated its Green Banking Policy. According to Green Banking Policy of IDLC Finance Limited, the policy shows IDLCs view on environmental issues and describes the Company'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 IDLC is overseeing all the Green Banking activities of Chowrasta Branch. The Green Banking Policy is not disclosed to all the concerned departments.

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 had been planned 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

Formation of a Green Banking Unit:

IDLC form a Green Banking Unit (GBU) with representation from different departments in IDLC. The GBU is 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, to be approved by the Management Committee of IDLC.

Fund Allocation for Green Financing:

To increase share of “Green” financing in the overall financing portfolio, IDLC maintain a fixed percentage of the annual disbursement target for investing in green projects or sectors.

IDLC also focus on availing relevant refinancing facilities of Bangladesh Bank, and low cost funds from multilateral organizations to offer financing to clients at flexible terms.

Execution:

Particulars	Executing Body	Deadline
Formation of the green banking unit	Management Committee	June 30,2014
Fund allocation for green financing	Business Units	June 30,2014

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. IDLC has in place a “Climate Risk Fund (CR Fund)” targeting climate-vulnerable areas, namely flood, cyclone and draught prone areas in Bangladesh.

The CR Fund shall 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;

Execution:

Particulars	Executing Bodies	Deadline
Creation and Utilization of Climate Risk Fund	Creation of CR Fund : Management Committee Utilization of CR Fund : Business Units; CR	June 30,2014

In-House Environment Management:

IDLC has a “Green Office Guideline (GOG)” that consists 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 IDLC. The GOG is approved by the Management Committee, and reviewed on an annual basis. Strategy of reuse, recycling of materials and equipment, and source reduction and waste minimization strategy is a part of in-house environmental management. Specific targets to be set up every year, Progress of each branch against each parameters will be subject to periodic internal audit and validation.

Green Finance:

IDLC focuses on Green Finance activities in the following manner:

- (i) Phase I: IDLC maintain a specific target every year for investment in environment-friendly sectors projects. Preference shall be given to environmental infrastructure projects including, but not limited to, adoption of renewable energy and energy-efficient technology; supply of clean water; establishment of effluent and waste water treatment plant, solid and hazardous waste disposal plant, bio-gas plant, bio-fertilizer plant etc. Moreover, IDLC also planned to format Consumer credit programs to promote better environmental practices among client.

(ii) Phase II: IDLC tries to 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; IDLC also try to avail the refinancing facility from Bangladesh Bank in renewable energy and environment-friendly projects, as per the GBCSRD Circular dated July 1, 2013, and any subsequent circulars issued hereinafter. IDLC also try to avail relevant financing facilities offered by various multilateral organizations.

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 shall not only provide the promised environmental benefits, but also help increase awareness among the client groups.

IDLC focuses to be engaged in Green Marketing by:

- (i) Adding value to existing product portfolio by including environmental features; and
- (ii) Using environmental themes and causes in marketing and promotional activities

Design and Introducing of Innovative Green Products:

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

Employee Training:

Actually there has been no formal training program conducted by the IDLC Finance Limited for giving instructions to the employees regarding Green Banking Policy of IDLC in the past. But now IDLC has been arranging training program for the employee quarterly. However, the company has arranged some workshops on Green Banking where only the top executives of IDLC from different branches participated. It has a great impact on green banking policy.

5.6 Management Framework for Green Banking:

The Green Banking Unit of the IDLC Finance Limited is working under the Credit Risk Management Division and CSR department. The CRM consists of 4 members which are also the member of the Green Banking Unit. All the works of the Green Banking Unit are supervised by a Management Committee regarding Green Banking and the decisions of any Green Banking initiatives are taken by the Broad of Directors.

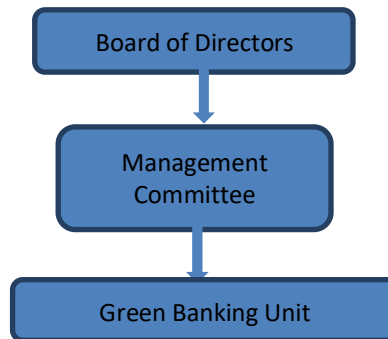


Figure 4: Management Framework

Overall Responsibility:

The Management Committee responsible for ensuring the integration of Environmental Risk Management into Credit Risk Management. The operational responsibility is carried out by the Head of Risk Management Unit & Head of Green Banking Unit. The Board of Directors allocate and approve a considerable amount of fund in its annual budget for Green Banking.

Internal Reporting:

Green Banking Unit(GBU) actively and continuously works with Business Team, HRD,CAD, CRM & CSR to improve its environmental management system and environmental qualities of the projects which it finances. It reports to the Management Committee (MANCOM) on Environmental Issues periodically and takes the initiative to comply with the reporting directions provided by Bangladesh Bank.

External Reporting Green Banking Practices:

GBU reports on the activities under the said program to the Department of Off-site Supervision of Bangladesh Bank on quarterly basis. Similarly it submits reports on the subsequent quarters within the next 15 days of the respective quarter end. The GBU also keeps their annual report and websites updated with the disclosures on green banking activities.

Environmental Risk Management:

GBU has already developed a reporting system with the assistance of Bangladesh Bank, with a view to intimating management, shareholders, and other stakeholders on the use of these Guidelines. This reporting is done on an annual basis in the Annual Report as the Sustainability Report & Green Banking.

Besides, there are two specific functions which are also considered under the management framework of Green Banking. These are:

Credit monitoring function:

This function is to ensure that environmental risk monitoring shall also be undertaken as a part of monitoring credit risks. IDLC Finance Limited has no separate Credit Monitoring Unit and thus CAD or CRM performs the credit monitoring functions and provides the necessary information to the GBU.

Database on Non-Performing Loans (NPLs) due to Environmental Risks:

GBU has already established a database of NPLs that are due to environmental reasons. If the borrower has indicated environmental factors as one of the reasons for delays in making repayments, then this is noted in the database. The purpose of this database is to ensure that the IDLC Finance Limited streamlines its own institutional knowledge for better decision-making in its future financing.

5.7 IDLC Green Finance Projects and contribution:

Projects:

IDLC has a target of amount and disbursement loan for Green Banking fund. From the fund IDLC have planned many projects and also already financed some projects. Those are:

A) Tunnel Kiln:

IDLC Finance Limited as part of its 'Green Financing' initiatives has arranged a syndication loan facility of BDT 390.51 million to set up an energy efficient 'Tunnel Kiln' brick project in Gazipur. The Tunnel Kiln technology is one of the most efficient technologies available in this sector which will ensure low carbon emission and qualify the project for carbon credits.

B) Zigzag Brick Kiln:

IDLC financed 15.21 million to a modern and environment friendly brick manufacturing concern in Natore. Total cost of the project was around BDT 130 million. The factory has production capacity of around 60000 bricks per day. The environment friendly technology used in the factory will save a lot of carbon emission.

C) Effluent Treatment Plant:

IDLC has put strong focus on financing effluent treatment plants (ETPS). The adverse effect of liquid wastes from dyes and chemicals, created by many factories can be completely eliminated through ETPs; IDLC has disbursed a total of BDT 26 million for setting up effluent treatment plants in three RMG factories in Narayanganj and Narsingdi.

D) Waste Recycling Plant:

IDLC has disbursed a loan of BDT 5 million to a plastic recycling factory in Narayanganj. The factory produces accessories for school bags by using raw plastic materials from disposed plastic bottles.

E) Biogas Plant:

IDLC financed BDT 3 million to an Organic Compost Project in Bogra. Through the project, two organic fertilizers, Vermin compost and Tricho compost is Tricho litter, which is also an eco-friendly organic fertilizer. With the financing support of IDLC, a laboratory has been set up for nursing Derma, the very basic **element for producing Tricho compost**.

F) Solar Home System:

IDLC disbursed loans amounting to a total of BDT 4.5 million for two companies based in Dhaka. Both the companies import solar panels. One of the company solar panels and accessories required to install solar panels. One of the companies also sell solar energy efficient table fans. The products are certified by IDCOL, and mostly supplied to primary dealers and partner organization of IDCOL.

5.8 Institutional arrangements for Green Banking Policy:

The institutional arrangements of the IDLC Finance Limited for Green Banking can be viewed from two perspectives.

- 1) Arrangements for Environmentally Responsible Internal Operations
- 2) Arrangements for Environmentally Responsible Financing Policies

Arrangements for Environmentally Responsible Internal Operations

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

Computers, Printers, Photocopiers

- Switching off all the equipment while not in use
- Program equipment to Hibernate in office times

- All the office equipments must be shut down after office hours
- Making sure that all the employees know how to use the equipments as for not to waste resources in unlearned hands
- A 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 equipments
- 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 equipments 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
- 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

- Everyone must know “ Last man to leave the room , turns off the switch” rule not in just lights but in all equipments
- The Cleaning stuff must be trained to turn off all the lights and equipments while not necessary

Conservation of Water

- Must conserve Water as the best possible way
- 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

Arrangements for Environmentally Responsible Internal Financing Projects

IDLC Finance Limited has already incorporated the Environmental Risk Management Guidelines of Bangladesh Bank into its Core Risk Management Policy. So when IDLC considers any business project for financing purpose the Green Banking Unit under the Risk Management Division

performs a detail Environmental Due Diligence analysis with the regular Financial or Legal Risk assessment.

Credit Processing and Approval Process:

For a project that is considering to finance and is applicable to the Environmental Risk Assessment, a detailed Environmental Due-Diligence is assessed using the General EDD and the Sector Specific EDD checklist of the Environmental Risk Management Guideline of Bangladesh Bank. The General EDD: This checklist is provided under the Technical ANNEX Part of the Environmental Risk Management Policy of BB based on which the IDLC initially determine the general environmental risk of the project.

Particulars	Yes/No/NA
Possible sources of Environmental risk	
1. Environmental clearances *In the proposal for financing have all the applicable compliances to environmental laws. i.e. site clearances certificate & environmental clearances certificate been obtained from the Department of Environment (DOE)	
*Have these clearances been obtained after submitting proper documents for the different pollution category of industries	
2. Land location Is the land location free from vulnerability from an environmental perspective?	
3. Climate change Is the proposal for financing protected against climate change related impacts ?	
Borrowers Environmental Management System	
4. Commitment *Is the borrowers top management committed to environmental management?	
5. Manpower *Has the potential manpower planned for manpower resources to address environmental issues?	
6. Skills * If so, Is the manpower skilled to address the environmental issues?	
7. Labor & social issues : * Does the management adopt good practices of occupational health & safety & associated issues such as child labor, forced labor, wage compensation,	

discrimination and working hours?	
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Table 8: Checklist

Determining on EnvRR—the italicized components are the more important & critical ones.

The EnvRR is determined as follows

Criteria	EnvRR
If any answers to any one of the italicized questions is “No”	High
If answers to all italicized questions is “ Yes” but 50% or more of the answers non-italicized question is “No”	High
If answers to all italicized questions is “ Yes” . and if answers to more than 25% and less than 50% of the remaining questions is “No”	Moderate
If answers o to all italicized questions is “Yes” and if answers to less than 25% of the remaining question is “No”	Low

Table 9: EnvRR Criteria

The Sector Specific EDD: The Technical Part of the Environmental Risk Management Policy of BB also represents sector specific due diligence checklist for 10 specific sectors. These are:

1. Agri-business
2. Pulp & Paper
3. Cement
4. Sugar & Distilleries
5. Chemicals (Fertilizers, Pesticides
6. Tannery and Pharmaceuticals)
7. Textile and Apparel
8. Engineering and Basic Metal
9. Ship Breaking
10. Housing

Chapter 6

Analysis Part



6.1 Hypothesis Testing:

Hypotheses were testing to derive a meaningful conclusion from the empirical data. In addition, basic statistical techniques of different measures of central tendency have been used for analyzing the data. As my sample size is more than 30, I have used Z test for the study. The following formula has been followed:

$$Z \text{ test} = \frac{\bar{X} - \mu}{\sigma / \sqrt{n}}$$

μ = mean value

n = sample size

σ = Standard deviation

\bar{X} = Average

Hypothesis Development:

HA: IDLC creates financial products and services that supports commercial development with environmental benefits.

HA: IDLC takes low Interest Rates for Green Banking Loan.

HA: There is a relationship existing between IDLC normal policies and their green banking policies.

HA: IDLC face low Credit Risk on Green Banking policy.

HA: IDLC follow green banking policy on their internal environment, like- less paper use, don't over use water, proper use of utilities.

HA: IDLC has more effective operations sector for the procedure of green banking.

Hypothesis Testing Calculation:

Likert Scale	H1	H2	H3	H4	H5	H6
1=Strongly disagree	2	3	5	2	1	3
2=Disagree	4	5	6	3	3	1
3=Neither agree nor disagree	5	7	4	8	5	4
4=Agree	15	10	14	15	16	16
5=Strongly agree	14	15	11	12	15	16
Total	155	149	140	152	161	161
Average	3.88	3.73	3.50	3.80	4.03	4.03
Standard Deviation	1.14	1.28	1.36	1.10	1.01	1.13
Z-test value	7.60	6.03	4.65	7.47	9.53	8.64

Table 10: Hypothesis Testing Calculation**Hypothesis#1:**

H_0 : IDLC does not create financial products and services that supports commercial development with environmental benefits.

H_A : IDLC creates financial products and services that supports commercial development with environmental benefits.

$$H_0: \mu=2.5$$

$$H_A: \mu>2.5$$

$$n=40$$

$$\text{Here, } \bar{X} = 3.88$$

$$\sigma = 1.14$$

$$Z_{\text{cal}} = (\bar{X} - \mu) / (\sigma / \sqrt{n}) = 7.60$$

At 5% level of significance, follows Z distribution $Z_{0.05} = 1.645$

Interpretation: Since $Z_{cal} > Z_{tab}$, the null hypothesis is rejected. So at 5% level of significance, it can be said that create some financial products and services that supports commercial development with environment benefits.

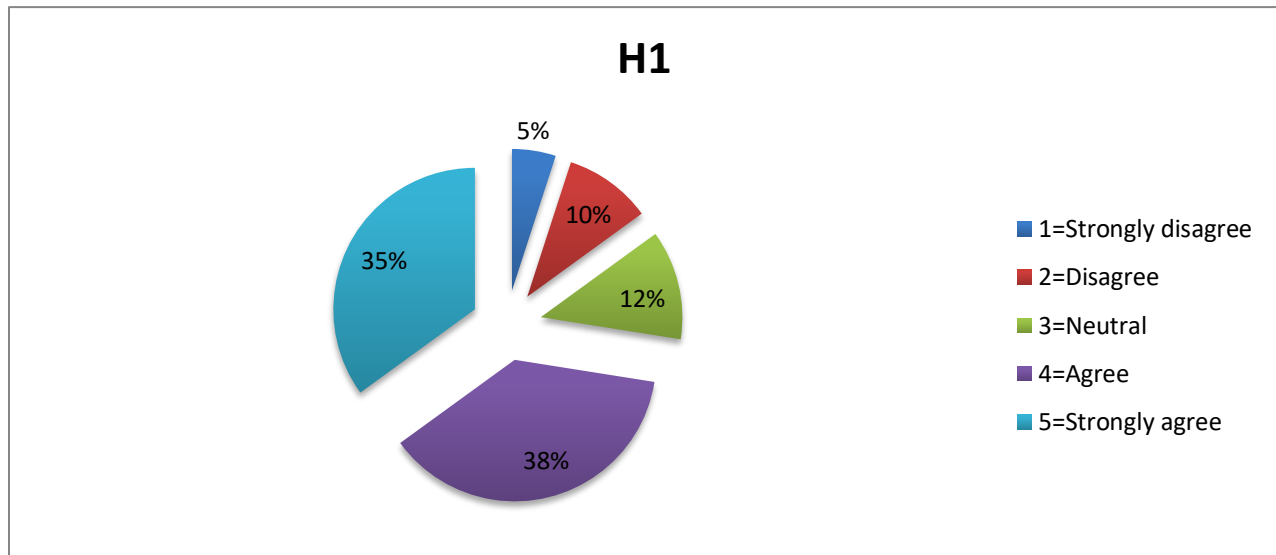


Figure-5: IDLC creates financial products and services that supports commercial development with environmental benefits.

In this figure we can see among the respondents 35% strongly agree, 38% agree, 12% neutral, 10% disagree and 5% disagree that IDLC creates financial products and services that supports commercial development with environmental benefits.

Hypothesis#2:

H_0 : IDLC does not take low Interest Rates for Green Banking Loan.

H_A : IDLC takes low Interest Rates for Green Banking Loan.

$$H_0: \mu=2.5$$

$$H_A: \mu>2.5$$

$$n=20$$

$$\text{Here, } \bar{X} = 3.90$$

$$\sigma = 1.18$$

$$Z_{cal} = (\bar{X} - \mu) / (\sigma / \sqrt{n}) = 5.31$$

At 5% level of significance, follows Z distribution $Z_{0.05} = 1.645$

Interpretation: Since $Z_{cal} > Z_{tab}$, the null hypothesis is rejected. So at 5% level of significance, it can be said takes low Interest Rates for Green Banking Loan.

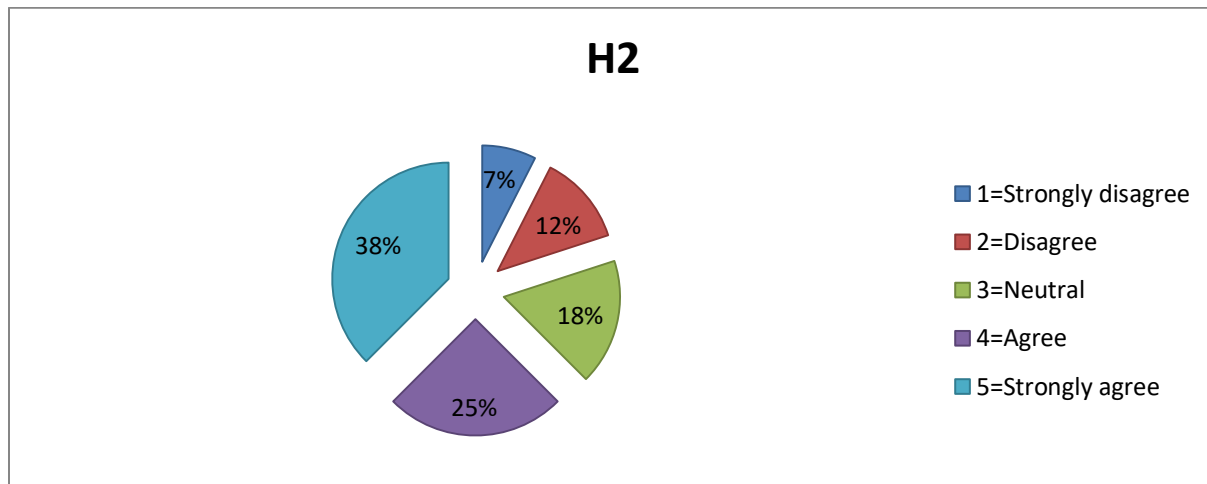


Figure 6: IDLC takes low Interest Rates for Green Banking Loan.

In this figure we can see among the respondents 25% strongly agree, 38% agree, 18% neutral, 12% disagree and 7% disagree that IDLC takes low Interest Rates for Green Banking Loan.

Hypothesis#3:

H_0 : There is no relationship existing between IDLC normal policies and their green banking policies.

H_A : There is a relationship existing between IDLC normal policies and their green banking policies.

$$H_0: \mu = 2.5$$

$$H_A: \mu > 2.5$$

$$n = 40$$

$$\text{Here, } \bar{X} = 3.50$$

$$\sigma = 1.36$$

$$Z_{cal} = (\bar{X} - \mu) / (\sigma / \sqrt{n}) = 4.65$$

At 5% level of significance, follows Z distribution $Z_{0.05} = 1.645$

Interpretation: Since $Z_{cal} > Z_{tab}$, the null hypothesis is rejected. So at 5% level of significance, it can be said that there is a relationship existing between IDLC normal policies and their green banking policies.

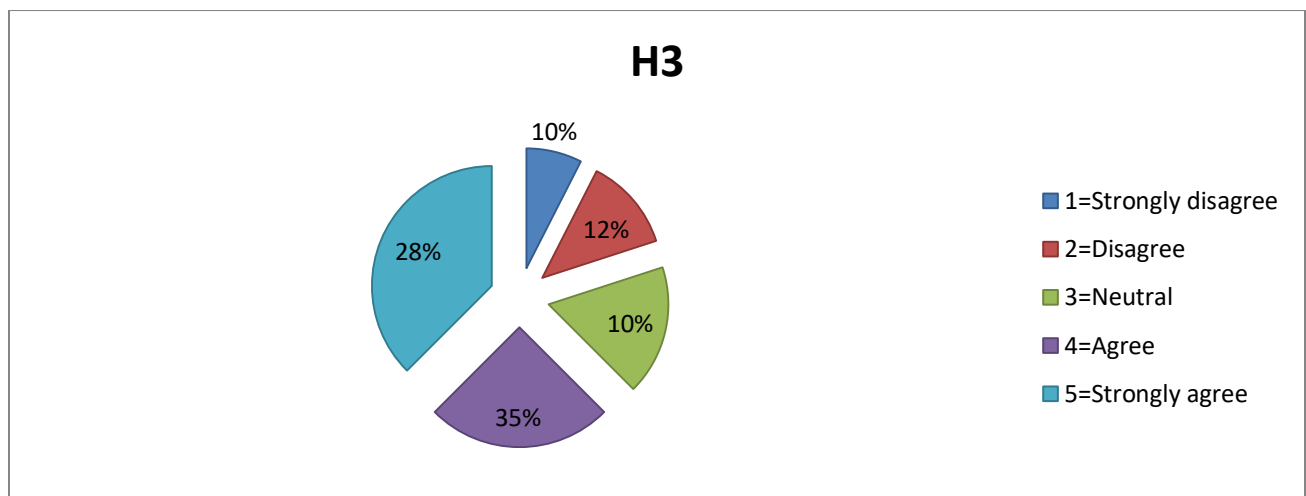


Figure 7: There is a relationship existing between IDLC normal policies and their green banking policies.

In this figure we can see among the respondents 28% strongly agree, 35% agree, 10% neutral, 15% disagree and 12% disagree that there is a relationship existing between IDLC normal policies and their green banking policies.

Hypothesis#4:

H_0 : IDLC does not face low Credit Risk on Green Banking policy.

H_A : IDLC faces low Credit Risk on Green Banking policy.

$$H_0: \mu = 2.5$$

$$H_A: \mu > 2.5$$

$$n = 40$$

$$\text{Here, } \bar{X} = 3.80$$

$$\sigma = 1.10$$

$$Z_{cal} = (\bar{X} - \mu) / (\sigma / \sqrt{n}) = 7.47$$

At 5% level of significance, follows Z distribution $Z_{0.05} = 1.645$

Interpretation: Since $Z_{cal} > Z_{tab}$, the null hypothesis is rejected. So at 5% level of significance, it can be said that faces low Credit Risk on Green Banking policy.

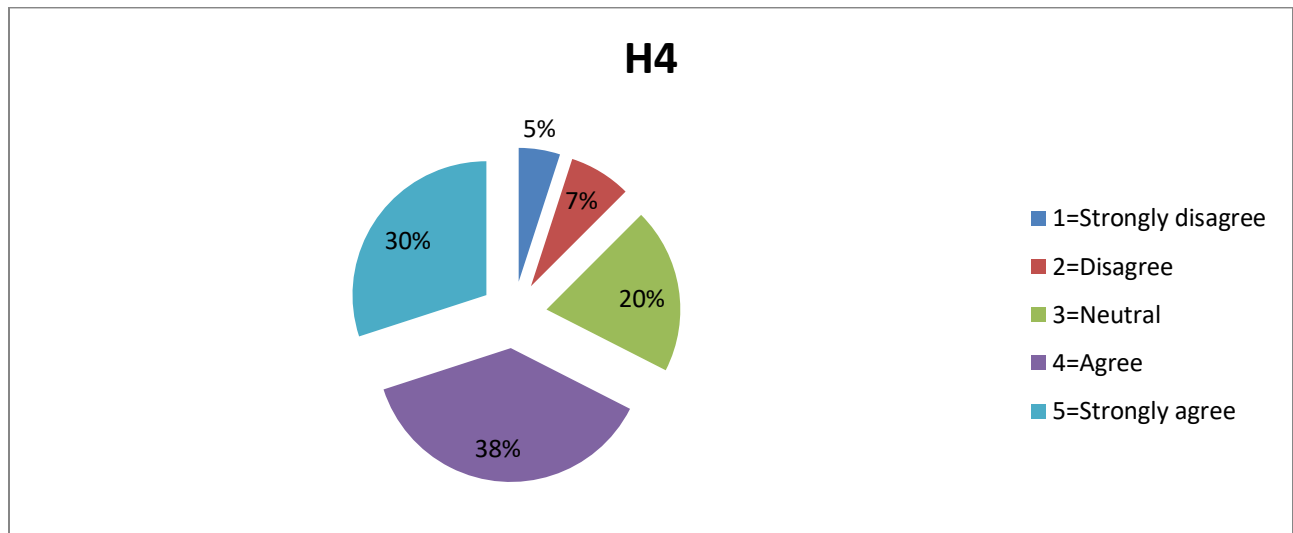


Figure 7: IDLC faces low Credit Risk on Green Banking policy.

In this figure we can see among the respondents 30% strongly agree, 38% agree, 20% neutral, 7% disagree and 5% disagree that IDLC faces low Credit Risk on Green Banking policy.

Hypothesis#5:

H_0 : IDLC does not follow green banking policy on their internal environment, like- less paper use, don't over use water, proper use of utilities.

H_A : IDLC follow green banking policy on their internal environment, like- less paper use, don't over use water, proper use of utilities.

$$H_0: \mu = 2.5$$

$$H_A: \mu > 2.5$$

$$n = 40$$

$$\text{Here, } \bar{X} = 4.03$$

$$\sigma = 1.01$$

$$Z_{cal} = (\bar{X} - \mu) / (\sigma / \sqrt{n}) = 9.53$$

At 5% level of significance, follows Z distribution $Z_{0.05} = 1.645$

Interpretation: Since $Z_{cal} > Z_{tab}$, the null hypothesis is rejected. So at 5% level of significance, it can be said that follow green banking policy on their internal environment, like- less paper use, don't over use water, proper use of utilities.

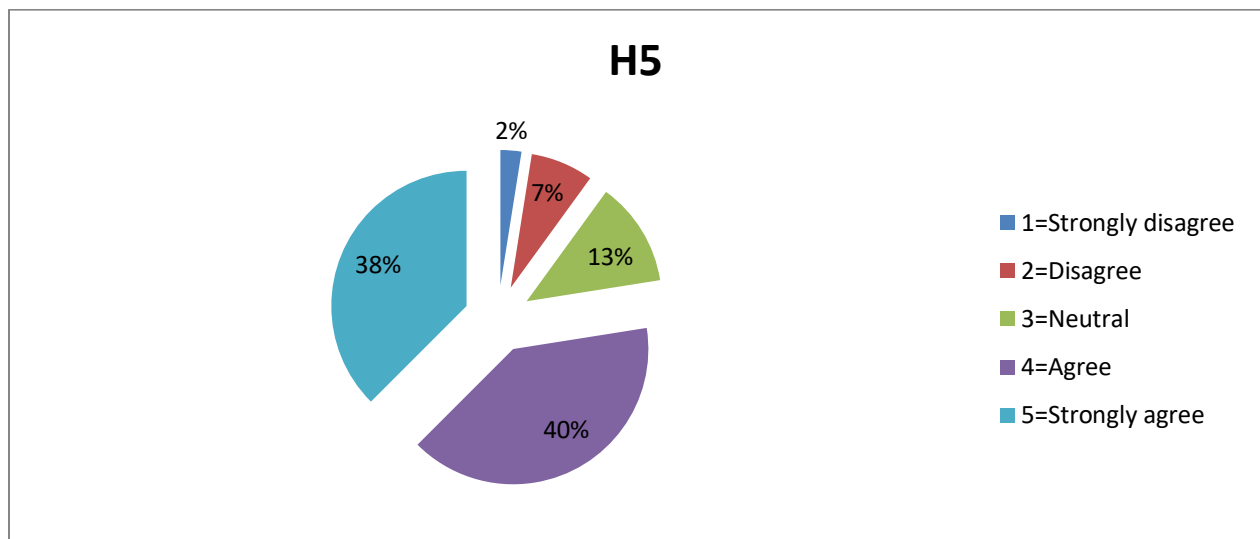


Figure 9: IDLC follow green banking policy on their internal environment, like- less paper use, don't over use water, proper use of utilities.

In this figure we can see among the respondents 38% strongly agree, 40% agree, 13% neutral, 7% disagree and 2% disagree that IDLC faces low Credit Risk on Green Banking policy.

Hypothesis#6:

H_0 : IDLC has not more effective operations sector for the procedure of green banking.

H_A : IDLC has more effective operations sector for the procedure of green banking.

$$H_0: \mu=2.5$$

$$H_A: \mu>2.5$$

$$n=40$$

$$\text{Here, } \bar{X} = 4.03$$

$$\sigma = 1.13$$

$$Z_{cal} = (\bar{X} - \mu) / (\sigma / \sqrt{n}) = 8.64$$

At 5% level of significance, follows Z distribution $Z_{0.05} = 1.645$

Interpretation: Since $Z_{cal} > Z_{tab}$, the null hypothesis is rejected. So at 5% level of significance, it can be said that has lower service charges and other cost in green banking policy.

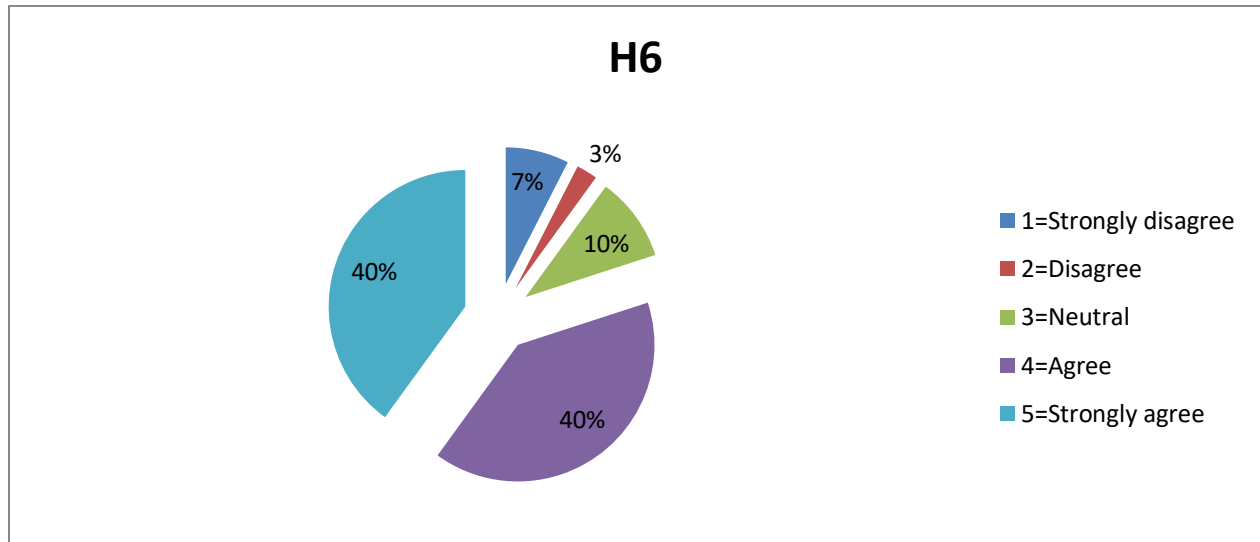


Figure 10: IDLC has more effective operations sector for the procedure of green banking.

In this figure we can see among the respondents 40% strongly agree, 40% agree, 10% neutral, 3% disagree and 7% disagree that IDLC has more effective operations sector for the procedure of green banking.

6.2 Findings:

Findings is all about what I learned from the whole analysis system and how I can implement the percentage with word and also have to recommend it, First and foremost thing I have learned from this activity about green banking, the idea that is not clear for me, by analyzing it the clarification is there now, I can now know how it can help to make a sustainable safe environment for the future generation.. We can define green banking in short, an environment friendly banking. That is every decision of FIs will be based on adequate thinking about consequences of their decision in environment.

1. Since green banking is paperless banking millions of acres of trees will be saved hence it will be able to contribute reducing carbon and increasing oxygen. It will also contribute to protest probable natural disaster. IDLC 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.
2. Lack of available advertisement regarding green banking policy. IDLC 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.
3. IDLC 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.
5. The factors that have influenced IDLC to adopt Green Banking are: economic factors, policy guidelines, loan demand, stakeholders' pressure and environmental interest.
6. Maximum numbers of Employees of this branch are not aware about Green Banking.

Chapter 7

Recommendation & Conclusion



7.1 Recommendation:

After doing the survey I have tried to find out the probable solution of the problem. That's why I recommend the following suggestions for present and future sustainability on Green Banking Policy of IDLC Finance Limited.

1. The Management committee of IDLC should take necessary steps to develop new products or services with environmental features. IDLC should also strive to achieve the "Green Branch" certification of Bangladesh Bank for all its branches, as per their given criteria soon to be made available.
2. As Green Banking Policy supports the environment friendly projects, IDLC should demand low interest rates for financing Green Banking Loan. It will help the entrepreneur to be more motivated.
3. To make Green Banking Policy more constructive IDLC should build better relationship among normal policy and Green Banking Policy. It will result the Green Banking more fruitful. IDLC also should make regular adjustments and updates of the Green Banking Policies.
4. Green Banking Policy is guided by some terms & conditions. IDLC should prepare a training calendar at the beginning of each year for staff training about these terms & conditions which will help IDLC to face low credit risk.
5. IDLC should resort to more environment-friendly technologies aimed at greater work efficiency; reduction of electricity, paper and energy consumption with environmental features. IDLC should also strive to achieve the "Green Branch" certification of Bangladesh Bank for all its branches, as per their given criteria soon to be made available.
6. IDLC should provide a baseline for Green Banking Unit to undertake various measures aimed at gradually developing the operation sector. IDLC also should arrange, individually or jointly, and sponsor seminars, workshops or events aimed at improving understanding and awareness on E&S issues to minimize negative environmental impacts of IDLC's own operations. Specific targets should be set up every year.

7.2 Conclusion:

Green banking is no longer a new concept. The term has become popular among the conscientious people in the backdrop of climate change. Human activities have caused serious damage to the environment. All have the responsibility to save the ecology by prudent activities. The professional segment of the population of every country has a greater role to play than the common man to check environmental degradation. Employees Financial Institutions are an important professional group which has interaction with all strata of people in the society. By adopting various green initiatives within their in-house environment and also initiating prevention of air and water pollution through their clients, Financial Institutions can contribute in a big way to this noble cause. In a rapidly changing market economy where globalization of markets has intensified the competition, the industries and firms are vulnerable to stringent public policies, severe law suits or consumer boycotts. This would affect the banks and financial institutions to recover their return from investment. Thus, the Finance Company should play a pro-active role to take environmental and ecological aspects as part of their lending principle which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems. Green Banking if implemented sincerely will act as an effective ex ante deterrent for the polluting industries that give a pass by to the other institutional regulatory mechanisms. There has not been much initiative in this regard by the finance company and other financial institutions in Bangladesh though they play an active role in its emerging economy. The financial sector should be made to work for sustainable development. As far as green banking in concerned, Bangladesh's financial institutions are running behind time. None of them are signatory to the UNEP Financial Initiative statement. It is time now that Bangladesh takes some major steps to gradually adhere to the equator principles-guidelines that use environment-sensitive parameters, apart from financial, to fund projects.

7.3 Appendix:

Survey Questionnaire

Green Banking Policy of IDLC Finance Limited.

Respected participants,

This survey is to identify Green Banking Policy of IDLC Finance Limited and measure how they affect the overall performance. For fulfillment of my intern report of Masters of Business Administration, it is an opportunity to learn from practical experiment. The information provided through the survey will be kept confidential and will only be used for the purpose of completing the study on Green Banking Policy of IDLC Finance Limited.

Thank you.

1. Personal Information

Name:

Gender:

Position:

Age:

Cell No. :

1. Do you know about Green Banking?

Yes	
No	

2. Have you heard of the following green products?

Particulars	Yes/No
Retail Banking	
Corporate and Investment Banking	
Asset Management	
Insurance	

3. [Please fill up or put a tick (✓) mark appropriately for the following questions. Thanks a lot in advance]

a) IDLC creates financial products and services that supports commercial development with environmental benefits.

<input type="checkbox"/>	1.Strongly Disagree	<input type="checkbox"/>	2. Disagree	<input type="checkbox"/>	3. Neutral	<input type="checkbox"/>	4. Agree	<input type="checkbox"/>	5.Strongly Agree
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b) IDLC takes low Interest Rates for Green Banking Loan.

<input type="checkbox"/>	1.Strongly Disagree	<input type="checkbox"/>	2. Disagree	<input type="checkbox"/>	3. Neutral	<input type="checkbox"/>	4. Agree	<input type="checkbox"/>	5.Strongly Agree
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c) There is a relationship existing between IDLC normal policies and their green banking policies.

<input type="checkbox"/>	1.Strongly Disagree	<input type="checkbox"/>	2. Disagree	<input type="checkbox"/>	3. Neutral	<input type="checkbox"/>	4. Agree	<input type="checkbox"/>	5.Strongly Agree
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d) IDLC faces low Credit Risk on Green Banking policy.

<input type="checkbox"/>	1.Strongly Disagree	<input type="checkbox"/>	2. Disagree	<input type="checkbox"/>	3. Neutral	<input type="checkbox"/>	4. Agree	<input type="checkbox"/>	5.Strongly Agree
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e) IDLC follow green banking policy on their internal environment, like- less paper use, don't over use water, proper use of utilities.

<input type="checkbox"/>	1.Strongly Disagree	<input type="checkbox"/>	2. Disagree	<input type="checkbox"/>	3. Neutral	<input type="checkbox"/>	4. Agree	<input type="checkbox"/>	5.Strongly Agree
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f) IDLC has lower service charges and other cost in green banking policy.

	1.Strongly Disagree		2. Disagree		3. Neutral		4. Agree		5.Strongly Agree
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g) Do you have any recommendations?

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Thank You

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7.5 Abbreviation:

IDLC= Industrial Developing Leasing Company

GBP= Green Banking Policy

EPS= Earnings per Share

ROA= Return on Assets

ROI= Return on Investments

ROE=Return on Equity