



Green Banking Disclosure in Annual Reports: A Comparative Study of Conventional and Islamic Banks

Faria Akter

Lecturer

Southeast Business School, Southeast University

Tejgaon, Bangladesh

E-mail: faria.akter@seu.edu.bd

Abstract

This study compares the level and extent of green banking disclosures by selected conventional and Islamic banks in line with the guidelines of the central bank, Bangladesh Bank. The result of the study shows that conventional banks are more compliant with the green banking guidelines of Bangladesh Bank than their Islamic counterparts. 9 conventional banks and 6 Islamic Banks were examined based on a disclosure list of 11 items using content analysis. Conventional banks disclosed 82.83% and Islamic banks disclosed 74.72% of items from the disclosure list. The most reported issues are paper consumption, energy efficiency, electricity consumption, green banking products, and green finance. The least reported issues by conventional and Islamic banks are employee training and social awareness of green banking.

Keywords: Green Banking, Disclosure, Conventional Bank, Islamic Bank, Annual report

1.0 Introduction

Green banking is one of the latest developments in the banking business. According to Bhardwaj & Malhotra, (2013) Green banking is an effort to make the industries grow green and restore the natural environment to ensure green safety and sustainable ecological balances. Some researchers have identified green banking as ethical / social banking. According to Azam & Saiful (2012) there is strong building block of green banking is corporate social responsibility (CSR).

According to Bangladesh Bank (Bangladesh Bank, 2012) Green Banking is regarded as sustainable banking, which has a role to safeguard the planet from environmental degradation, with the aim of ensuring economic growth which is sustainable.

The concept of green banking was not very popular in Bangladesh until 2011 when Bangladesh Bank, the central bank of Bangladesh launched a "Policy Guidelines for Green Banking". The guidelines were to be implemented in 3 phases by December 31, 2013.

Rahman (2010), mentioned the Ex-Governor of Bangladesh Dr Atiur Rahman, as Green Governor (UNCCC, 2012), because he officially inaugurated green initiatives in Bangladesh (BD) through banking system. 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 (Bangladesh Bank, 2012).

Since then banks in Bangladesh have been conducting green banking activities in line with the framework.

Figure 1: Phases of Implementation of Green Banking Program Suggested by Bangladesh Bank (Prepared from Policy Guidelines for Green banking by



Bangladesh Bank)

Phase 1	Phase 2	Phase 3
1. Policy formulation and governance 2. Incorporation of environmental risk 3. Initiation of in-house environmental management. 4. Introduction of green finance 5. Climate risk fund creation 6. Introduction of green marketing 7. Online Banking 8. Employee training, consumer awareness, green events. 9. Disclosure and reporting of green banking activities.	1. Sector specific environmental policies 2. Green Strategic Planning 3. Setting up green branches 4. Improved in-house environment management. 5. Formulation of bank specific environmental risk management plan and guideline. 6. Rigorous programs to educate clients. 7. Disclosure and reporting of green banking activities.	1. Designing and introducing innovative products. 2. Reporting in standard format with external verification.

The Bangladesh bank authority considered the major activities that include; Green banking policy, Green Banking unit, Allotment of fund in green banking, Funds for green financing, Mobile banking, Online banking, Internet banking, Green banking budget, Environmental risk rating, Effluent Treatment Plant (ETP), and ETP related project etc. under the green banking. Many researchers in Bangladesh have examined green banking practices and the level and extent of green banking practice disclosure (Ullah, 2013; Ahmad et al., 2013; Islam & Das, 2013; Masukujjaman & Aktar, 2014; Rahman et al., 2015; Islam, 2014; Islam et al., 2014; Roy, 2015) of conventional and Islamic banks separately. Very few studies (Sharmeen et al., 2018) provide a comparative analysis of green banking disclosure between conventional and Islamic banks. This study tries to address this gap. This study has tried to compare the level and extent of green banking disclosure of conventional and Islamic banks.

2.0 Literature Review

Environmental concern, or climate change concern is recent development in business world. It is still in the initial stage and considered an element of CSR activities. Bukhari et al.(2019) mentioned in his study that Green Banking concept is an important subset of Sustainable Banking which involves promoting environmentally friendly practices that aid banks and customers in reducing their carbon footprint (SBP, 2015). Before the inception of Green banking concept, environmental disclosure was practiced worldwide. In 2016, environmental disclosure of UAE banks were investigated by Nobanee and Ellili. They found that the level of disclosure regarding the natural environment is only 3 %. In 2017, the level of environmental disclosure of 169 German banks were investigated by Menassa and Brodhäcker. The results showed that 45% of the sample banks disclose information related to the environment. Masud *et al.* (2017) found that banks significantly disclosed environmental information for the 12 categories. In addition, most of the banks disclosed environmental information about green banking and renewable energy, whereas environmental recognition and waste management categories are least revealed by them. They also asserted that disclosure of



environmental information increased sharply from 16% in 2010 to 83% in 2014. Chowdhury and Chowdhury (1996) first published an article on social and environmental reporting practices in Bangladesh. They found that some companies in Bangladesh report about social and environmental issues on voluntary basis. Hossain et al. (2016) mentioned that some other studies were conducted after the study of Chowdhury and Chowdhury (1996). Those studies found that at that time some companies were disclosing information on their social and environmental performances at a minimum scale (Bala and Habib (1998), Belal (1999), Imam (2000), Belal (2001) and Hossain, Salat and Amin (2005))

Julia and Kassim (2016) mentioned that after introduction of the green banking policy, a new trend is observed in literature. Researchers are trying to portray various banks' green performances and comparing green performances across various sector of banks such as state-owned commercial banks (SCBs), state owned specialized development banks (SDBs), public commercial banks (PCBs) and foreign commercial banks (FCBs). By studying a sample of only 4 banks Ullah (2012) observed that state-owned banks demonstrate nearly zero compliance with the GBG, continue to finance harmful projects, and have achieved little in introducing paperless banking while private banks have better agreement. Islam (2012) conducted a study on five of the top ten banks of BD. He found that none of the sample banks was active in all areas of green banking. Islam & Das (2013) stated that Green Banking is a new way of conducting the banking business by considering the hygienic environmental issue as well as corporate social responsibility (CSR).

Masukujjaman and Aktar (2014) observed that the banking sector is at the initial stage of understanding and practicing green banking and they are far behind their counterparts from developed countries. They observed that only very few commercial banks are doing in-house environment management in volume and scale and contributing significantly to sustainable financing.

Uddin and Ahmed (2018) mentioned that few studies were done on the relationship between Islamic banking and Green banking for sustainable development in Bangladesh.

Jaman, et al. (2016) analyzes the bankers' perceptions of the green banking concept, its benefits, its complexities of execution, and its possible relationship with Islamic banking. Tis research is an empirical study of 48 Islamic bankers from 21 branches of seven Islamic banks located in Dhaka, Bangladesh employing structured questionnaires. Ali and Mahbubur Rahman (2015) examined five conventional and Islamic banks in Bangladesh and found that the level of green banking practice is similar for both conventional and Islamic banks. Uddin, M.N., & M. Ahmmed. (2018) studied the relationship between Islamic banking and green banking that contributes to sustainable development. The findings showed that Islamic banks had made a significant contribution to green banking that improves the environment as a means of cost and energy savings, preservation of natural resources, and the need to respect all living things. Sharmeen et al. (2018) studied 9 Islamic banks and 31 conventional banks and found that Islamic banks are more environmentally friendly compared to their conventional counterparts. Little research has been conducted on comparative analysis of green banking practices of conventional and Islamic Banks. This study tries to address that literature gap.

3.0 Objective

The objective of this study is to compare the green banking disclosure practices in annual reports of conventional and Islamic banks of Bangladesh in line with the policy guidelines of Bangladesh Bank.



4.0 Methodology

4.1 Sample Size & Data Source

This study is based on secondary data. At present, there are 33 conventional private commercial banks and 10 Islamic private commercial banks in Bangladesh. Among these 9 conventional banks (27.27% of the population) and 6 Islamic banks (60% of the population) are selected as samples on a random basis. The minimum acceptable sample size for a descriptive study is 10% (Gay and Diehl, 1992). The data for analysis has been collected from the annual reports of the concerned banks for the year 2022. As the credibility of the annual report is widely accepted, it has become a common media to communicate with stakeholders. (Adams, 2004; Gray et al., 1995a, b; Guthrie & Parker, 1990; Raman, 2006; Singh & Ahuja, 1983)

4.1 Data Analysis

Bangladesh Bank introduced the idea of Green Banking in 2011 by issuing a “Green Banking Policy” to be implemented by all banks by 2011. In this policy, Bangladesh Bank has mentioned the issues to be disclosed regarding green banking. This study has followed the general guidelines of Bangladesh Bank and the previous research (i. e Hossain et. Al., 2016) to develop a Green Banking disclosure index to analyze the annual reports of the concerned banks.

Content analysis has been used to analyze the annual reports of the sample banks. Content analysis is the most common technique in descriptive analysis used by researchers all over the world such as- Abbott and Mosen, 1979; Ernst and Ernst, 1978; Gray et al., 1995; Guthrie and Mathews, 1985; Zeghal and Ahmed, 1990; and Akhter and Dey, 2017. Abbott and Mosen, (1979) identified Content analysis as a strategy for acquiring data that entails codifying qualitative material in anecdotal and literary form into categories in order to produce quantitative scales with varied degrees of complexity.

The following issues were examined by this study:

Table 1. Green Banking Disclosure List

1	Paper Consumption/Savings
2	Energy Efficiency/savings
3	Electricity Consumption/ Savings
4	Climate risk fund/ Climate change fund
5	Green Policy
6	Green Branch/ Green banking Unit
7	Green Banking Products
8	Online /SMS/Mobile Banking
9	Green Finance
10	Employee training on green banking activities
11	Consumer and overall social awareness on green banking

5.0 Results and Discussion

The findings from the content analysis are discussed in this section. All the sample banks



have disclosed at least one issue regarding green banking. The maximum number of items issued by conventional banks is 11 and in the case of Islamic bank, it is 10. That means that none of the Islamic banks from the sample has disclosed all the green banking issues from the disclosure list.

Table 2. Summary of Analysis

	Conventional Banks	Islamic Banks
Total Number of disclosure	82	49
Percentage of Disclosure	82.83%	74.72%
Average	9.11	8.17

The total number of disclosures by the 11 conventional banks and 6 Islamic banks are respectively 82 and 49. The sample conventional banks disclosed 82.83% of the issues from the disclosure list. Whereas this percentage is 74.72%. So conventional banks are ahead of the Islamic banks in terms of Green banking disclosure.

5.1 Item wise Comparison:

Table 3 shows a scenario of the item-wise disclosure of green banking issues by conventional and Islamic banks. The most reported issues by both conventional and Islamic banks are paper consumption, energy efficiency, electricity consumption, and Green Banking products. All these items are reported by 100% banks of both types. A very low percentage of disclosure is observed in the Green branch and Green Banking Unit by both conventional and Islamic banks. This issue is reported by 22% of conventional banks and 33% of Islamic banks. These numbers indicate that only a few banks are maintaining green branches according to Bangladesh Bank's policy guidelines.

A remarkably low percentage of reporting can be observed in the case of employee training on green banking and consumer awareness on green banking by Islamic banks than their conventional counterparts. Only 17% of Islamic Banks mentioned about employee training on green banking. On the other hand, this percentage is 67% for the conventional banks. This clearly shows the negligence of Islamic banks in the case of providing green banking training to the employees. The percentage of disclosure regarding consumer and social awareness on green banking by conventional and Islamic banks are respectively 56% and 33%. Islamic banks are lagging in raising social awareness about green banking than conventional banks.

Islamic banks have surpassed conventional banks in the case of online /SMS/Mobile Banking. 100% of Islamic Banks have reported this issue whereas 83% of conventional banks have disclosed about it.

Table 3: Item wise comparative analysis

Disclosure List	Percentage of Disclosure	
	Conventional Bank	Islamic Bank
Paper Consumption/Savings	100%	100%
Energy Efficiency/savings	100%	100%



Electricity Consumption/ Savings	100%	100%
Climate risk fund/ Climate change fund	89%	67%
Green Policy	89%	83%
Green Branch/ Green banking Unit	22%	33%
Green Banking Products	100%	100%
Online /SMS/Mobile Banking	89%	100%
Green Finance	100%	83%
Employee training on green banking activities	67%	17%
Consumer and overall social awareness on green banking	56%	33%

5.0 Conclusion

This study attempts to draw the most recent scenario of green banking disclosure by conventional and Islamic banks. This study observed the volume and extent of green banking disclosure of conventional and Islamic banks side by side so that a comparative narration can be established. The results of this study show that both conventional and Islamic banks have disclosed a very satisfactory percentage of green banking issues. This result is consistent with the study of Sharmeen et al. (2018). Their study found both the conventional and Islamic banks have positive attitude toward green banking. However, this study found that conventional banks are more compliant with green banking guidelines than Islamic banks which is inconsistent with the findings of Sharmeen et al. (2018)

This study will help Islamic banks to understand the issues of green banking reporting where they are lagging and to improve their green banking practices. Despite this significance, the study has some limitations too. A sample size of all the conventional and Islamic banks would have given a more comprehensive picture. The relationship between the extents of disclosure with the size of the bank, age, profit, etc factors could have been examined. Future researchers can work on these limitations.

References

1. Abbott W.F. and Monsen R.J. (1979). "On the measurement of corporate social responsibility: selfreported disclosures as a method of measuring corporate social involvement", *Academy of Management Journal*, 22(3), 501-15
2. Ahmad, F., Zayed, N. M., & Harun, M. (2013). Factors behind the adoption of green banking by Bangladeshi commercial banks. *ASA University Review*, 7(2).
3. Islam, M. S., & Das, P. C. (2013). Green banking practices in Bangladesh. *IOSR Journal of Business and Management (IOSR-JBM)*, 8(3), 39-44. <https://doi.org/10.9790/487X-0833944>
4. Islam, T., Sharmeen, K., & Rahman, S. (2014). Adopting Green: from the Perspective of Private Commercial Banks in Bangladesh. *Proceedings of Annual Shanghai Business, Economics and Finance Conference 3-4 November*.
5. Rahman, M. M., Ahsan, M. A., Hossain, M. M., & Hoq, M. R. (2015). Green banking prospects in Bangladesh. *Asian Business Review*, 2(2), 59-6. <https://doi.org/10.18034/abr.v2i2.305>
6. Rahman, M. M., Ahsan, M. A., Hossain, M. M., & Hoq, M. R. (2015). Green banking prospects in Bangladesh. *Asian Business Review*, 2(2), 59-6. <https://doi.org/10.18034/abr.v2i2.305>
7. Hossain, D. M., Bir, A. T. S. A., Tarique, K. M., & Momen, A. (2016). Disclosure of Green Banking Issues in the Annual Reports: A Study on Bangladeshi Banks. *Middle East Journal of Business*, 11(1), 19-30. <https://doi.org/10.5742/mejb.2015.92758>



8. Julia, T., & Kassim, S. (2019). Exploring green banking performance of Islamic banks vs conventional banks in Bangladesh based on Maqasid Shariah framework. *Journal of Islamic Marketing*, 11(3), 729–744. <https://doi.org/10.1108/jima-10-2017-0105>
9. Uddin, M.N., & M. Ahmmed. (2018). Islamic Banking and Green Banking for Sustainable Development: Evidence from Bangladesh. *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah (Journal of Islamic Economics)*. Vol. 10 (1): 97 – 114. doi: <http://dx.doi.org/10.15408/aiq.v10i1.4563>
10. Sharmeen K, Hasan R, Miah MD. Underpinning the benefits of green banking: A comparative study between Islamic and conventional banks in Bangladesh. *Thunderbird Int. Bus. Rev.* 2018;1–10. <https://doi.org/10.1002/tie.22031>
11. Ullah, M. M. (2013). Green Banking in Bangladesh-A Comparative Analysis. *World Review of Business Research*. 3 (4): 74-83.
12. Masukujjaman, M., & S. Aktar. (2014). Green Banking in Bangladesh: A Commitment towards the Global Initiatives. *Journal of Business and Technology*. 8 (1-2): 17- 40.
13. Ali, E., & Mahbubur Rahman, S. M. (2015). Corporate social responsibility disclosure: A comparative study between Islamic banks and conventional banks in Bangladesh. *International Business and Management*, 10(1), 9–17
14. Miah, M. D., Rahman, S. M., & Haque, M. (2018). Factors affecting environmental performance: Evidence from banking sector in Bangladesh. *International Journal of Financial Services Management*, 9(1), 22–38.
15. Bhardwaj, B. R., & Malhotra, A. (2013). Green banking strategies: Sustainability through corporate entrepreneurship. *Greener Journal of Business and Management Studies*, 3(4), 180-193. <https://doi.org/10.15580/GJBMS.2013.4.122412343>
16. Gray R. H., Kouhy R. and Lavers S. (1995). "Corporate social and environmental reporting: a review of literature and a longitudinal study of UK disclosure", *Accounting, Auditing & Accountability Journal*, 8(2), 47-77.
17. Ernst and Ernst. (1978). "Social responsibility disclosure: Surveys of Fortune 500 annual reports", *Ernst & Ernst, Cleveland, OH*.
18. Guthrie, J. and Mathews, M. R. (1985). "Corporate social accounting in Australasia", *Research in Corporate Social Performance and Policy*, 7,251-277.
19. Gray R. H., Kouhy R. and Lavers S. (1995). "Corporate social and environmental reporting: a review of literature and a longitudinal study of UK disclosure", *Accounting, Auditing & Accountability Journal*, 8(2), 47-77.
20. Akhter, S., & Dey, P.K. (2017). "Sustainability Reporting Practices: Evidence from Bangladesh", *International Journal of Accounting and Financial Reporting*, 7(2), doi:10.5296/ijaf.v7i2.11659
21. Adams, C. A. (2004). "The ethical, social and environmental reporting performance portrayal gap", *Accounting, Auditing and Accountability Journal*, 17(5), 731–757.
22. Raman S. R. (2006). "Corporate social reporting in India – A view from the top", *Global Business Review*, 7, 313–324
23. Singh D. R., & Ahuja J. M. (1983). "Corporate social reporting in India", *International Journal of Accounting*, 18(2), 151–169
24. Masud, M.A.K., Bae, S.M., & Kim, J.D. (2017). "Analysis of Environmental Accounting and Reporting Practices of Listed Banking Companies in Bangladesh", *Sustainability*,9(10), p.1717.
25. Nobanee, H., & Ellili, N. O. (2016). Corporate sustainability disclosure in annual reports: Evidence from UAE banks: Islamic versus conventional. *Renewable & Sustainable Energy Reviews*, 55(March), 1336–1341.
26. Menassa, E., & Brodhäcker, M. (2017). The type and quantity of corporate social disclosures of German 'Universal' banks. *Journal of Management and Governance*, 21(1), 119–143.
27. Hossain, D.M., Salat, A. and Amin, A. (2005). Voluntary Disclosure on Corporate Social Responsibility: A Study on the Annual Reports of Bangladeshi Companies. *The Bangladesh Accountant*, 47(20), 28-34.
28. Chowdhury, A.I. and Chowdhury, A.K. (1996). Corporate Social Accounting: Do We Need It? *The Bangladesh Accountant*, April-June, 90-100.
29. Bala, S.K. and Habib, A. (1998). Financial Reporting to Employees: Bangladesh Case. *Dhaka University Journal of Business Studies*,19(1), June, 215-236.



30. Belal, A.R. (1999). Corporate Social Reporting in Bangladesh. *Social and Environmental Accounting*, 19(1), 8-12.
31. Imam, S. (2000). Corporate Social Performance reporting in Bangladesh. *Managerial Auditing Journal*, 15(3), 133-141.
32. Belal, A.R. (2001), A Study of Corporate Social Disclosures in Bangladesh, *Managerial Auditing Journal*, 16/5, pp. 274-289.
33. Syed Asim Ali Bukhari, Fathyah Hashim, and Azlan Amran, (2019), "Determinants of Green Banking Adoption: A Theoretical Framework" in *FGIC 2nd Conference on Governance and Integrity 2019*, KnE Social Sciences, pages 1–14. DOI 10.18502/kss.v3i22.5041
34. Bangladesh Bank (2011), Policy Guidelines for Green Banking, available at <http://www.bangladeshbank.org/mediaroom/circulars/brpd/feb272011brpd02e.pdf>
35. Azam, Safiul (2012), Green corporate environment thru' green banking and green financing, available at http://www.thefinancialexpressbd.com/more.php?news_id=135391&date=2012-07-04
36. Rahman, A. (2010), Financial Services at People's Doorstep, Bangladesh Bank, Dhaka.
37. Bangladesh Bank (2012) Green Banking Report. Green Banking and CSR Department, Bangladesh Bank

Appendix:

List of Banks:

Conventional Bank	
1	Bank Asia PLC
2	Mutual Trust Bank PLC
3	NRB Bank Ltd
4	City Bank PLC
5	Eastern Bank PLC
6	ONE Bank PLC
7	Dhaka Bank PLC
8	AB Bank PLC
9	The Premier Bank PLC
Islamic Banks	
1	Global Islami Bank PLC
2	IFIC Bank PLC
3	Islami Bank Bangladesh PLC
4	Shahjalal Islami Bank PLC
5	ICB Islamic Bank Limited
6	Social Islami Bank PLC