Study of Green Banking Practices in the Sri Lankan Context: A Critical Review

P.M.P. Fernando and K.S.D. Fernando

Abstract In Sri Lanka, the banking industry can be considered as a monopolistic competitive market. Therefore, both public and private sector banks are following a range of non-price competitive strategies in order to win the market. In this context, the concept of green banking is becoming a novel technology-oriented strategic initiative for Sri Lankan banks to achieve triple-bottom line business results. Under these circumstances, banks are basically introducing paperless and information technology-oriented banking services to their existing and prospective customers while promoting the bank's role as a responsible corporate citizen toward achieving sustainable development. The core strategy used in this scenario is the use of the term "green banking" as a brand-positioning factor where the above-mentioned set of paperless and information technology-oriented banking services are introduced to its customers. Through this innovation, banks are able to gain cost-effective advantages rather than contributing to environmental sustainability. Therefore, this paper critically reviews the above scenario by using a case-study approach while addressing to the basic question of whether or not the current green-banking initiatives used by the Sri Lankan banking sector are truly contributing to environmental sustainability. The authors explore the above phenomena through a conceptual model and suggest realistic solutions to convert green-banking strategies to achieve long-term sustainable development of both the banking sector and the environment.

Keywords Green banking · Strategic initiative · Branding · Environmental sustainability · Triple-bottom line

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1 Introduction

Corporations are moving into a new paradigm of corporate governance through sustainable business models that are striving for minimal negative impact on the global and local environment, the community, and the economy. The societal-marketing and the holistic-marketing concepts comprehensively analyze the responsibility of a marketer toward preserving the well-being of the environment and society while achieving its profit objectives. Green marketing or ecological marketing addresses the long-term sustainable achievement of business success while giving emphasis to triple-bottom line profits. Increasing energy consumption and the increase of energy prices, the changes in consumer expectations regarding environmentally friendly businesses, the concerns of stakeholders, including the general public, are among the reasons for an organizations to "go green." In the same vein, green banking is a concept adapted by the worldwide banking industry as a strategic move toward sustainable banking.

A bank is a financial institution licensed as a receiver of deposits. There are two types of banks: commercial or retail banks and investment banks. In most countries, banks are regulated by the national government or central bank. A commercial bank is generally known as a financial institution that provides services such as accepting deposits, providing business and auto loans, mortgage lending, and offering basic investment products such as varying types of savings accounts and certificates of deposit to its customers. The traditional commercial bank is a brick-and-mortar enterprise where front-line staff carry out the traditional teller transactions while providing safe-deposit boxes, vaults, and ATMs. However, modern commercial banks might not have any physical branches and require banking consumers to complete all transactions by telephone or Internet. In exchange, the banks generally pay higher interest rates on investments and deposits and charge lower fees. When focusing on the Sri Lankan scenario, there were 25 licensed commercial banks (LCBs), including 12 branches of foreign banks, and 7 licensed specialised banks (LSBs) by the end 2015 (Central Bank of Sri Lanka 2015).

In Sri Lanka, as a whole, the licensed commercial bank market has a monopolistic competitive nature. Therefore, non-price competition is playing a vital role in gaining market share as well as profitability. In this case, technologically driven product innovations are coming to the scenario as a tool to gain increasing competitive advantages for the firm. The Central Bank of Sri Lanka (2015) mentioned that banks have become heavy adopters of information technology (IT) during the latter part of the twentieth century with the aim of achieving significant improvements in efficiency through automation. The emergence of the Internet and cyber-technologies has enabled the extension of banking services to the customer's doorstep, thus allowing banks to make further gains in operational efficiencies. Clearly there is a tendency to introduce information technology-driven banking products and services as green-banking initiatives in Sri Lanka. This is an organizational effort to re-brand the traditional banking products and services in order to position the concept of "organizational commitment toward environmental sustainability" in the minds of the target market. The expected strategic advantages through green-banking initiatives can be outlined as follows.

- Achieve internal process effectiveness aligned with the balance score card approach
- Achieve long-term cost-effectiveness
- Continuous improvement of quality services
- Build the organizational image as a responsible corporate citizen.

In this paper, the authors critically review green-banking initiatives that are currently being practiced by the local licensed commercial banks in Sri Lanka and their true contribution toward environmental sustainability.

2 Research Objectives

This paper, which follows the case-study approach, identifies the application of the green-banking concept of Sri Lankan bankers. The objectives of this concept paper can be outlined as follows.

- To identify the various initiatives taken toward green banking and environment sustainability by private- and public-sector banks in Sri Lanka.
- To obtain an overview of the extent of application of the concept of green banking within the private- and public-sector banks that are promoting green banking as a strategy in Sri Lanka.
- To critically review the application of green banking by private- and public-sector banks in Sri Lanka.
- To suggest the potential applications of green banking in the context of Sri Lankan banking to achieve better environmental conservation.

3 Research Methodology

This chapter comprehensively reviews the literature on the basis of secondary data collected from various sources including journal and paper articles, research and conference papers, annual reports of banks, official Web sites of banks, newspaper reports, etc. To analyze the green-banking initiatives of Sri Lankan banks, the banks promoting such practices in their corporate promotions are examined using a case-study approach.

4 Literature Review

Green marketing is "a broader concept which incorporates all marketing activities that are developed to stimulate and to sustain consumers' environmental friendly attitudes and behaviors" (Jain and Kaur 2004). According to Peattie (2001), "ecological" green marketing, "environmental" green marketing, and "sustainable" green marketing are the three phases used to describe the evolution of green marketing. *Ecological green marketing* mainly tries to recognize the products, companies, or industries that directly cause a negative impact on the environment (Yadav and Pathak 2013). In the second phrase, *environmental green marketing*, the focus is shifted to green technology that involves the designing of new innovative products that take into account waste issues and pollution (Azam 2014). Sustainable green marketing addresses green marketing not just in terms of environmental damage and competitive advantage but in terms of the pursuit of sustainability based on futurity, equity, and emphasis on needs, respectively (Yadav and Pathak 2013). A company aiming to be a sustainable green marketer should therefore address ethics, corporate social responsibility (CSR), and the whole environment altogether. Green-marketing efforts can move enterprises to develop "green" brands as well. Chen (2010) suggests that companies should invest more resources in the increasing of green-brand image, green satisfaction, and green trust because all three factors are positively associated with green-brand equity.

The banking industry is the main aid-provider to business development, and they influence the economic growth of a country in terms of quality as well as quantity. Therefore, the role of banks in environmental sustainability is crucial, and modern banks that have identified this causal relationship have taken initiatives to introduce green banking as a practice and a strategy to fulfill their social obligation while differentiate from the rest. Green banking is the operation of banking activities giving special attention on social, ecological, and environmental factors aiming at the conservation of nature and natural resources (Rahman et al. 2013). According to Singh and Singh (2013) "green banking combines operational improvements, technology and changing client habits in banking business while promoting environmental-friendly practices and reducing carbon footprint from banking activities".

4.1 Reasons for and Benefits of Green Banking

Like any other business enterprise, banks directly interact with the environment through consuming natural resources for their functions and producing carbon emissions. Banks also act as financial intermediaries who are the major source of long-term funding for numerous business organizations that pollute the environment heavily, and thereby the banks also have an indirect influence on the environment (IDRBT 2013). As responsible corporate citizens, business organizations should focus more on safeguarding natural resources and the environment. There is a growing interest as well as awareness among top managers, stakeholders, and academicians on green-marketing strategies and their potential impact on the triple-bottom line (Cronin et al. 2010). Business organizations, including banks, are realizing the importance of the triple-bottom line in their day-to-day banking operations and so their main profit motive has shifted toward achieving a balance between the "three Ps" in achieving long-term profitability. Tara et al. (2015) highlight that banks are fulfilling dual roles that drive them toward the green-banking concept. The first role is to work toward ethically and socially responsible banking; the second is to fulfill their role of corporate social responsibility. This identification is a core factor for bankers to move toward green banking.

Studies are revealing that there is a positive correlation between the environmental performance of a company and their financial performance (Russo and Fouts 1997; Waddock and Graves 1997; Horvathova 2010; Iwata and Okada 2011). Furthermore Russo and Fouts (1997) highlight that with industry growth, the relationship between environmental performance and economic performance also increases. According to Simpson and Kohers (2002), there is a positive relationship between the corporate social performance and financial performance among commercial banks. Corporate social performance consist of three fundamental components: social, environmental, and governance performance (Ioannou and Serafeim 2010). A meta-analysis performed by Orlitzky et al. (2003) comprising 52 studies reveals that corporate virtue in the form of social responsibility and, to a lesser extent, environmental responsibility is likely to pay off in financial performance. The relationship found between the environmental and social performance of a firm and its financial growth can easily lead bankers to implement green banking.

Not only does green banking teach banks to be more productive through better productivity and waste management, the initiatives are also directing these firms to achieve a competitive advantage. Porter and van der Linde (1995) argue that having resources is no longer enough to build a competitive advantage; how these resources are used productively is what makes for competitiveness today. This competitive advantage can be used as a differentiating factor by the bank in their brand positioning as well as social standing. Currently awareness about environmental protection is increasing among consumers. In addition, globalization has increased the spread of information, and stakeholders are more concerned about how each organization is meeting their role of corporate citizenship. Due to this, investors are now opt for environment friendly investments. Orasto (2006) introduced four generic types of competitive environmental strategies (see Fig. 1) in which a classification scheme is introduced that can help managers "optimize the economic return on environmental investments and convert these investments into source of competitive advantage." Banks can use green-banking practices as a point of difference in achieving competitive advantage through the given classification.

Currently there is greater attention from stakeholders on the actions of an enterprise. Not only the direct interacting parties of an organization—such as

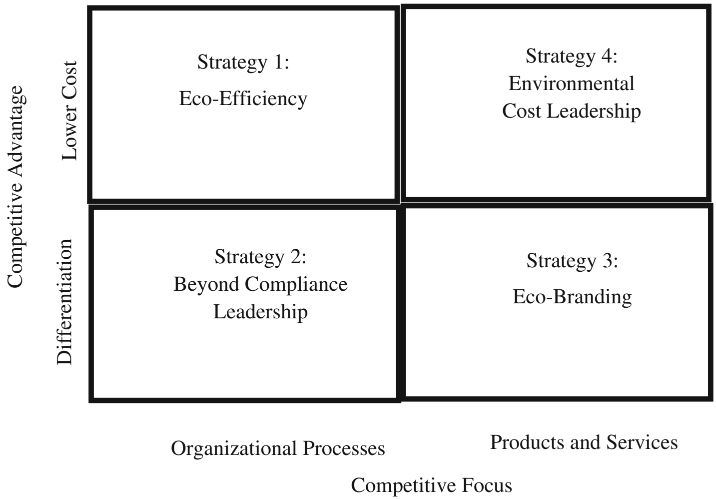

Fig. 1 Generic competitive environmental strategies (reproduced from Orasto 2006)

customers, shareholders, and creditors, etc.—but indirectly interacting parties such as the government and general public also closely monitor the actions of an organization. The perception that environmental labels influence consumer buying decision has increased due to the growing public awareness for safety and preservation of the environment (D'Souza 2004). Green practices among core to non-core banking practices will also benefit organizations to develop a positive brand image and company reputation from a stakeholder point of view. According to Chang and Fong (2010), "green corporate image contributes to green customer satisfaction and green customer loyalty." Choudhury et al. (2013) highlight that banks usually use the term "green banking" along with their prospectus of activities to attract customers to their business organization. They further elaborate that green attitudes and greater environmental awareness among customers increasingly influence banks to carry out environmentally responsible banking activities (Choudhury et al. 2013). At the same time, pressure groups are becoming powerful in the age of digital and social-media communications, and—in the face of that—government agencies are demanding greater disclosure from business organizations. Currently the government is placing stricter regulations regarding environmental preservation.

4.2 Green-Banking Practices and Products

Within the common definitions of green banking, the scope of green banking captures a vast range of business functions. The Institute for Development and Research in Banking Technology (IDBRT) (India) report (2013) offers guidelines for greening banking under two levels, i.e., (1) greening banking processes, products, services, and strategies and (2) greening banking infrastructure. These two levels cover introducing environmentally friendly business processes and making information technology and physical infrastructure greener.

In addition, the practices of banks in terms of resource and energy use as well as waste management to decrease carbon emissions are a common practice followed by the banks that are implementing green banking. In addition, investments in green projects, green financing, as well as the use of environmental-impact assessments before lending are also higher-order practices within the green-banking scope. Lalon (2015) points out that there are two ways of green banking practices. One is in-house green banking; another is practiced by bankers in their physical business area. Creating a clean and hygienic banking environment, the development of green buildings, waste management, installation of solar panels on the bank's rooftop, using high-mileage vehicles, decreasing sound pollution, video-conferencing instead of holding physical meetings, adapting online banking activities including online banking statements, and emailing documents: All of these are some of the in-house green banking activities that banks have enacted while financing green projects such as biogas plants, solar/renewable energy plants, bio-fertilizer plants, effluent-treatment plants (ETP), projects having ETP, etc., working on specific green projects, and voluntary green activities, which are major practices by the bankers in their business areas (Lalon 2015).

According to Bahl (2012) and Singhal et al. (2014), green mortgages, green loans, green credit cards, green savings accounts, green funds, green checking accounts, green CDs, green money-market accounts, mobile banking, online banking, and remote deposit (RDC) are among the green-banking products offered by banks. Annadurai (2014), through her study on Indian banks, points out that green-banking technology consists of ATM services, net banking facilities to solar-powered ATMs, paperless banking for customers, clean-energy projects, and even the building of windmills. She further elaborates that introducing as well as promoting mutual funds directed at investments in "green" companies, offering special loan schemes focusing on energy-efficient home improvements targeting homeowners, and introducing credit cards co-branded with environmental charities can also be considered under green-banking initiatives (Annadurai 2014). Bihari and Pandey (2015) point out going online, green checking accounts, green loans for home improvements, green credit cards, mobile banking, using power-saving equipment, and solar and wind energy within the bank fall under green initiatives.

4.3 Noteworthy Green-Banking Initiatives in an International Context

Given the greater awareness of triple-bottom line profits, business enterprises around the world are moving into green practices, and a large number of banks and financial institutes are moving into green banking and green financing. The following initiatives are noteworthy among these.

(i) China took a landmark step toward finding a solution for its greenhouse gas emissions through creating new legislations on banking. China's banking and environmental regulators' green credit card policy encourages the banks to decrease their number of loans offered to high-polluting and energy-consuming businesses while lending more to energy-efficient business organizations that focus on the reduction of pollution (IFC 2010).

(ii) Bangladesh Bank, the central bank of Bangladesh, issued a circular on February 2011 on green banking stipulating that banks in Bangladesh were to move through three phrases of green banking practices within the period of 2011–2013 (Bangladesh Bank 2011).

    (a) Phase 1—Banks were to develop green-banking policies and show a general commitment to the environment through their in-house performance.
    (b) Phase 2—Banks were to introduce sector-specific environmental policies, develop green strategic planning, set up green branches, promote an improved in-house environment management, and formulate a bank-specific environmental risk-management plan and guidelines. In addition, rigorous programs to educate clients were to be introduced, and disclosure and reporting of green banking activities were also required.
    (c) Phase 3—Banks were expected to introduce novel products and services and use environmentally friendly actions to address the entire eco-system. In addition banks were to use an internationally accepted format, such as global-reporting initiatives (GRI), to publish independent green annual reports targeting stakeholders.

(iii) The Green Protocol of Brazil, popularly known as Protocol Verde, contains intentions signed by public financial institutions and by the Ministry of the Environment in 1995 and revised in 2008. Protocol Verde is "aimed at defining the initial, multiplying and exemplary banking policies and practices in terms of socio-environmental responsibility and in harmony with sustainable development by public and private banks in Brazil" (Brazilian Development Bank 2011). In 2012, Colombia also introduced a green protocol similar to that of Brazil.

(iv) The Green Funds Scheme in Netherlands is a tax incentive scheme launched in 1995. It comprises with a Green Projects Scheme (which establishes the conditions governing the projects), the Green Institutions Scheme (which regulates the role played by the financial institutions including banks), and, finally, the tax incentive for individual investors (which gets the flow of funds moving) (Ministry of Housing, Spatial Planning and the Environment—Netherlands, n.d.).

(v) The Institute for Development and Research in Banking Technology (IDRBT), which is an arm of Reserve Bank of India, India's central banking institute, introduced a set of guidelines for green funds in 2013, which laid the foundation for Indian banks to look closely at green practices (IDRBT 2013). In addition, they introduced a green-rating system for the banks. However, the successful implementation of guidelines is yet to be monitored.

During the recent past, there exists more evidence on the establishment of separate business entities that are solely focusing on energy conservation, clean and sustainable energy systems, reducing global warming as well as carbon emissions, and overall helping to build a green future. Some of these financial entities are state-sponsored but are closely collaborating with the private sector to increase investments leading to a greener economy. NY Green Bank and Connecticut Green Bank of USA, Green Investment Bank in United Kingdom, Green Fund of Japan, Malaysian Green Technology Corporation, Clean Energy Finance Corporation of Australia, and Green Climate Fund are among these entities. "Green Climate Fund was established by 194 governments to limit or reduce greenhouse gas emissions in developing countries, and to help adapt vulnerable societies to the unavoidable impacts of climate change" (www.greenclimate.fund). In addition, various organizations—including UK Green Investment Bank, Connecticut Green Bank, NY Green Bank, Green Fund in Japan, Malaysian Green Technology Corp., and Clean Energy Finance Corp. (CEFC) in Australia—established a Green Bank Network in late 2015 to increase and accelerate investment in renewable energy and energy efficiency worldwide (North American Wind Power 2015).

5 Green-Banking Practices in the Sri Lankan Context

According to the available literature, it is not a new frontier to provide banking services to the customer by way of technologically adapted delivery channels such as Internet banking or mobile banking. However, within the recent past, the term "Green Banking" became a fancy name across the Sri Lankan banking industry as a brand name for differentiating typical banking products and services. Currently People's Bank, Commercial Bank of Ceylon PLC, and Hatton National Bank PLC are practicing green-banking practices as a business strategy. The authors used eight dimensions—including product types, public announcements, motivation, the concept, services package, the purpose, social-media marketing for green banking, and non-core banking-related green-banking initiatives—to determine to what extent Sri Lankan banks are applying green-banking initiatives. The following one-by-one approach provide the big picture of the nature of green-banking initiatives in People's Bank, Commercial Bank of Ceylon PLC, Hatton National Bank PLC, Pan Asia Banking Corporation PLC, National Development Bank PLC, Bank of Ceylon, and Sampath Bank PLC, all of which are prominent banks in Sri Lanka.

5.1 Green-Banking Initiatives: People's Bank

People's Bank is a fully state owned bank that operates across the country. With >52 years in banking service, it has a network of 347 local branches and 387 service centers island wide. People's Bank introduced Sri Lanka's first green-banking initiative in July 2015. Its green-banking initiatives can be illustrated as follows (Table 1).

5.2 Green Banking Initiatives: Commercial Bank of Ceylon PLC

Commercial Bank of Ceylon PLC is one of the largest private-sector commercial banks in Sri Lanka and is listed on The Colombo Stock Exchange. It has 250 branches island wide and has been rated as the best bank in Sri Lanka by *Global Finance for* the 14th consecutive year. It also introduced green banking in July 2015, and its current green-banking initiatives are as follows (Table 2).

5.3 Green-Banking Initiatives: Hatton National Bank PLC

Hatton National Bank PLC is a private-sector commercial bank operating in Sri Lanka that is listed on the Colombo Stock Exchange. It was established in 1888 and currently has 249 branches spread across the island. It initiated green banking under

Table 1 Green-banking initiatives of People's Bank

Product type	Savings account called "YES"
Public announcements	First ever eco-friendly savings product in Sri Lanka
Motivation	To encourage young people to preserve the environment with minimal use of paper, thereby leading the way for a more sustainable future
The concept	"Go Green with Yes"
Services package	Bank E-statements, debit and credit cards, mobile and Internet banking
The purpose	Green banking as a concept is a proactive and smart way of thinking with a vision to reduce the carbon footprint in the country
Social-media marketing for green banking	Educate the youth on the green concept by providing them with real facts about paperless banking through a Facebook page called "YES"
Non-Core Banking-related Green-Banking Initiatives	Not published

Table 2 Green-banking initiatives of Commercial Bank of Ceylon PLC

Product type	Savings/current/micro-finance credit
Public announcements	Commissioned the first of a new generation of automated cash-deposit terminals
Motivation	To completely eliminate the use of paper, continuing an investment in green technology and sustainable development
The concept	Save the environment with paperless banking
Services package	Green-banking channel: Automated cash deposit, debit and credit cards, mobile and Internet banking, E-Statements, E-Passbook
The purpose	Save trees and help the planet while enjoying even greater convenience than before
Social-media marketing for green banking	Not initiated yet
Non-core banking-related green-banking initiatives	Installation of solar-power systems at four branches

its practices in environmental sustainability and technological innovation in January 2016. The followings can be identified as the bank's current green-banking initiatives (Table 3).

5.4 *Environmental Sustainable Practices of Other Local Banks*

The National Development Bank PLC, Sampath Bank PLC, Pan Asia Banking Corporation PLC, and Bank of Ceylon are also carrying out environmental- and

Table 3 Green-banking initiatives of Hatton National Bank PLC

Product type	Savings accounts, credit cards, current accounts, and NRFC and RFC accounts
Public announcements	Not specified
Motivation	Reinforcing its commitment to environmental sustainability and technological innovation
The concept	"Change Your Address and Win"
Services package	E-statements, ATM, debit and credit cards
The purpose	Reinforcing its commitment to environmental sustainability and technological innovation
Social-media marketing for green banking	Not initiated yet
Non-core banking-related green banking initiatives	Have introduced a few branches that are branded as green branches

sustainability-related banking operations. However, these banks have not yet introduced these practices under green-banking initiatives. National Development Bank PLC recently launched a new personal loan scheme, specially designed to purchase a net-meter solar-power system, for any household. At the same time, Sampath Bank PLC also lunched a credit- and debit-card promotion to their customers to visit and stay at eco-friendly hotels. The purpose of this promotion is also to reduce the carbon footprint to the environment as a result of modern hotel operations. In addition, Sampath Bank PLC has taken initiatives to go "paperless" through relying on e-mediums through e-communications, virtual banking, and cashless transactions. It also encourages green ethics among employees through the environmental pledge they have developed. Apart from that, in 2015, Pan Asia Banking Corporation PLC launched Sri Lanka's first "green" asset-backed securitization with Trillion Investments Limited, which is a licensed investment manager regulated by the Securities and Exchange Commission of Sri Lanka. Bank of Ceylon, a state-owned commercial bank, through their 2014 sustainability report highlighted their contribution of waste-paper recycling, energy conservation, and screening of projects for environmental impact during the credit-evaluation stage.

Apart from these banks, Bank of Ceylon, Nations Trust Bank, Seylan Bank PLC, and DFCC Bank are local banks that carry out projects and provide investments in environmental-preservations activities while promoting renewable energy, waste management, etc.

6 Critical Review of the Application of Green Banking by Sri Lankan Local Banks

In the typical banking-business model, the bank lends money to borrowing parties in the economy. Those parties could be anyone including the range of individuals to corporations to government entities. The main purpose of getting loans from banks is to invest that money into fixed assets or to use it for working-capital requirements. This is the stage at which the borrowing parties are actually using natural resources as an input into their production and consumption processes. However, most of these parties are dumping the negative outcomes back to into the environment as a result of production and consumption.

Figure 2 shows the relationship between borrowing, lending, and how the outcome of core banking activities affect the environment. In a situation like that, banks play an intermediary role and can be the cause of greater environment degradation than the resource consumed through direct banking operations. Banks are calculating the risks of their lending decisions before deciding the investment. Proper risk management is at the heart of a bank's operations, and the success of a bank will significantly depend on these practices. The role of banks in managing environmental risk can be pivotal for a greener economy. According to Jeucken and Bouma (1999), "banks act as assessors of risk and banks are better equipped to

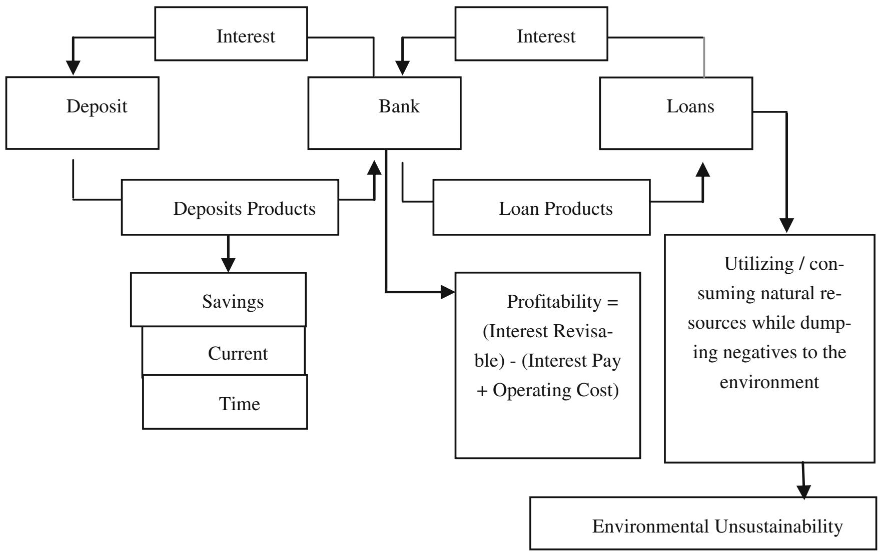

Fig. 2 Banking business and its environmental impact

value the risks of various investments than individual investors who have surpluses available." They point out that banks, by virtue of their larger scale, are more able to spread the risks. If banks do not perform proper risk assessments, negative environment outcomes are inevitable.

The current study revealed the following important factors related to the present Sri Lankan green-banking initiatives.

- Sri Lankan banking enterprises have a long journey ahead in terms of their green-banking strategies. It is a positive factor that most of the local banks in Sri Lanka have introduced green and sustainability concepts into their banking activities. If analyzed from the framework of Peattie (2001), on the evolution of green marketing, Sri Lankan local banks are still either at the stages of "ecological" or "environmental" green marketing. As a preliminary step of reaching the stage of "sustainable" green marketing, the banking system should take into consideration the environmental risk factor of their lending decisions.
- The annual reports of local banks in Sri Lanka are giving emphasis to activities performed under categories of sustainability, environment, and CSR. These activities vary among paperless banking, paper recycling, energy conservations, using renewable energy, educational programs, investments in environmental projects, responsible lending, etc. But whether these are one-off projects or continuous projects is the important question. At the same time, banks are yet to

reveal the exact actions taken on assessing the environmental risk of a credit decision. Proper environmental impact-assessment methodologies have yet be introduced into banking practices and reporting.

- Most of the activities performed by banks in Sri Lanka under the umbrellas of sustainability or the green theme regard in-house banking operations. The key strategy is adopting innovative as well as technologically advanced and services delivery method while reducing paper consumption. Paperless banking processes would enhance the speed of communication flow, energy conservation, and waste management as well as decrease costs to the organization, thus increasing banks' total efficiency, etc. Biswas (2011) states that "adoption of greener banking practices will not only be useful for environment, but also benefit in greater operational efficiencies, a lower vulnerability to manual errors and fraud, and cost reductions in banking activities. Going in the same line, most of these banks are gathering the harvest through better operational efficiency."
- Banks are using the term "green banking" as a key selling point to extend their existing product line. In addition, Sri Lankan local banks are more focused on green-banking activities as a "point of difference" (POD) in marketing communications. The emphasis banks are giving to the green factor in their marketing communication is evidence for the above scenario. Technological transformation of customer-banking processes into online or mobile banking platforms can also be a result due to the globalization process. It contributes to a better environment, but the proportion of customers who are reaping the benefits of such transformation will again determine the total environmental benefit. Green banking should not just be a POD in communication; it should be a POD in banking strategies itself and should embrace a larger proportion of the customer base.
- Local banks are using the term "green-banking practices" as a positioning strategy. According to the study, it is clear that banks are trying to position their image as responsible corporate citizens as well as firms that are paying more attention to environmental sustainability.

In a common platform, Sri Lankan local banking green activities can be summarized in Fig. 3. According to the figure, Sri Lankan local banks are mainly carrying out green banking through the technological transformation of banking services. In terms of market positioning, they are mainly highlighting the bank's contribution toward environmental sustainability as a responsible corporate citizen. This initiative can be identified as a rebranding of the existing product line to increase the value proposition. According to the balance-scorecard perspective, as a whole banks can expect cost-effectiveness in their internal business processes through green-banking initiatives.

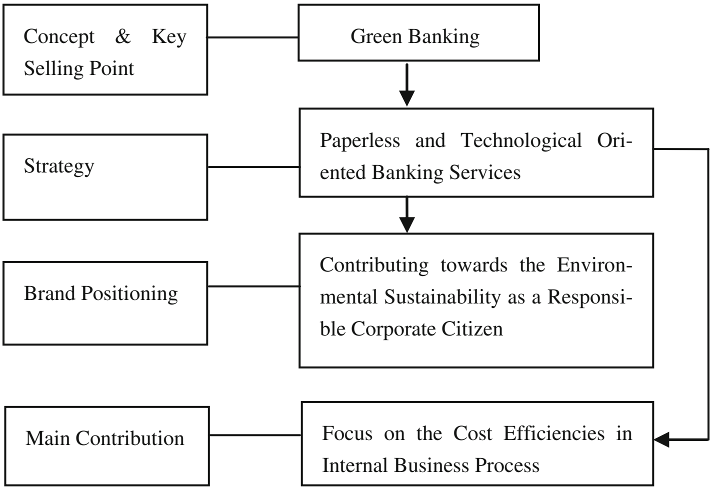

Fig. 3 Green-banking model and environmental sustainability

7 Recommendations

If Sri Lankan local banks truly want to truly position themselves as green banks in par with the best green banks found in the global context, it is imperative for them to recognize their responsibilities as a corporate citizen. Following are some of the strategies to reach the stage of a true green banker.

- International Finance Corporation points out that "97% of the growth in greenhouse gas emissions in the next 20 years will come from developing countries and local banks are playing a critical role in helping the counties to reach a low-carbon future" (IFC 2010). In this context, the banking sector of a country plays a crucial and decisive role in promoting environmentally sustainable and socially responsible investments (Jeucken 2001). "The Equator Principles (EPs) are a credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions. Currently 83 Equator Principles Financial Institutions (EPFIs) in 36 countries have officially adopted the EP, covering over 70% of international Project Finance debt in emerging markets" (The Equator Principles Association 2011). The Sri Lankan banking sector is yet to become a signatory at this set of environmental and social guidelines on becoming a responsible corporate bodies in a growing economy.
- Environmental-impact assessment (EIA) is a process of evaluating the likely environmental impacts of a proposed project or development in which both beneficial and adverse socio-economic, cultural, and human-health impacts are taken into account. The legal framework for the EIA process in Sri Lanka was laid down in the National Environmental Act (NEA) in 1988. Nath et al. (2014)

highlighted that "environmental management in the banking sector is like risk management because it reduces the credit risk, improves the asset quality and increases the enterprise value." Banks should act as a partner in assessing and evaluating the risk involved before investing in different projects. They should also implement clear procedures in the assessment of environmental risk and environmental audit management, and also they should carry out the assessment of loan follow-up and credit requirement before investing in different projects.

- Banks must introduce new credit and lending guidelines to encourage green lending. At the stage of credit proposal evaluation, banks can evaluate the environmental impact of the project and encourage green projects while discouraging environmentally harmful projects. From higher interest rates for higher environment risk to lower lending rates for environmentally beneficial projects can encourage borrowers to be more socially responsible.
- Currently most of the banks in Sri Lanka have adapted environmentally sustainable technologies in their core banking services. Banks should collectively work toward achieving higher consumer adaptability and transformation of existing and potential customers into these business processes, thus resulting in a cleaner environment.
- Local-bank operations are mainly performed through a vast number of bank branches. Renewable energy use, or just waste management in a few branches, is not going to result in a healthy environment. Banks should focus on adapting the same in-house practices to infrastructure development for entire branches island wide.
- Banks should also focus on selecting environmentally friendly producers and/or suppliers. Examples include using recycled-paper manufacturers and renewable-energy providers. This will increase business opportunities for the sector and encourage investors to invest high in industries that the support environment.
- Banks can reduce their carbon footprint by investing its CSR funds to reforestation, bio-diversity preservation, and environment development projects, etc. This can be identified as a combination of CSR and green banking.
- The green-banking consciousness can usually be high in the higher levels of management because they are the policy makers. Such a consciousness can be decreases with the lower levels of management, and the level of awareness would be least with the front-line employees who serve as the contact point with the bank's customers. For example, Sampath Bank PLC, through their environmental pledge, are trying to change the mind set of employees toward the green concepts. The local banks in Sri Lanka must focus on promoting the available value propositions and benefits of green banking to the employees who are in direct touch with the customers at the front-end operations.
- Banks should show more focus on disclosing and reporting the green-banking activities of the bank. They should focus on past-to-current performance comparisons to indicate their dedication toward a cleaner and greener future, thereby encouraging its stakeholders to be socially responsible.

- Green-banking initiatives should not be limited to brand-image development and brand positioning. It should be an action oriented task to protect the environment as well as work toward sustainable development. In this case, banks should be more innovative to implement or use their CSR fund toward more environmental-protection programs.

8 Conclusion

According to the findings of this study, it can be concluded that Sri Lankan green-banking initiatives are still in the preliminary stage. Most banks are using this concept to improve their corporate image while differentiating their existing banking products in order to compete with their rivals. They should expand the use of environmentally healthy guidelines in their business operations, credit extension, and investment decisions while educating both employees and customers on the benefits of green banking. This endeavor will help banks to proactively improve their environmental performance while crafting long-term values for their business.

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