



## An Investigation into the Role of Leadership Commitment on Implementation of Green Banking: Moderating Influence of Responsible Leadership Characteristics

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ARTICLE DETAILS	ABSTRACT
<p><b>History</b>  <i>Revised format: May 2019</i>  <i>Available Online: June 2019</i></p> <hr/> <p><b>Keywords</b>  <i>Sustainability, Green Banking, Leadership Commitment, Responsible Leadership, Banking Industry</i></p> <hr/> <p><b>JEL Classification:</b>            G20, M10</p>	<p>The purpose of this study is to investigate the influence of leadership commitment on implementation of green banking in Pakistan through the lens of moderating role of responsible leadership. The concept of green banking in modern banking industry is associated with pro-vision of environment friendly banking services through environment friendly banking operations and infrastructure. It can be referred to sustainable lending and depository product and services provide by banks through sustainable banking operations and infrastructure. An exploratory qualitative research design is used to postulate the theoretical model relating leadership role with implementation of green banking practices in Pakistan. Further studies are needed to empirically examine the postulated relationships signified by proposed model of the study. The proposed model and relationship will significantly contribute to better understanding of role of banks leadership towards transformation of conventional banking into sustainable banking practices and products.</p> <p style="text-align: right;">© 2019 The authors, under a Creative Commons Attribution-NonCommercial 4.0</p>

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### 1. Introduction

The concept of Green in today's Business life is associated with provision of Environmental Friendly Goods and Services. Since last Decade around the globe the one of the emerging concept in financial sector is Green Banking, it can be referred to environmental friendly lending and depository product and services provided by Banks to its regular and prospect customers. The idea of Green banking is already flourish in advanced countries and also under developed countries of Asia; recently State Bank of Pakistan (SBP) on advice of PEPA (Pakistan Environmental Protection Act-1997) initiated Guide lines for Green Banking, 2017.

In Pakistan, SBP concept paper 2015 discussed following factors i.e. CSR, environmental consideration, sustainability and economic benefits are four main reasons to adopt Green Banking by Pakistani Commercial banks. Now a day's State is striving to amend product mix of recently pertinent energy sources to environmental

friendly and reduced carbon product. Many banks taken steps to usage of environmental resources by the adoption of Green Building, Green IT infrastructure and discontinuation of Paper based banking, The adoption of Paperless banking is utmost compliance of CSR and Environmental sustainable measure advised by financial and state regulator (SBP-2015).Article 143 of constitution empowers Federal Government to act on behalf of government on global plate form to protect environment (Pasha,2018)

The time frame for implementation of GBG-2017 by Commercial Banks are one year from date of issuance, as such no past practice is seen in Commercial Banks of Pakistan, we are starting from scratch and for this purpose we have conducted interviews from Senior Specialized Bankers of different commercial banks. The major areas of emphasis are monitoring & control through proper reporting and documentation by applying Environmental due diligence, risk rating and its categorization.

However in light of Regulator's guidelines, previous researches and above discussion we have deployed holistic framework for exploring the factors that facilitate the implementation of Green banking in Pakistan and would be a road map for future researches.

The GBG clearly define the role of Bank's Management at every level, i.e adoption of green culture and resource efficient mindset in organization ,proper training of staff ,deployment of Green Human resource and Environmental friendly products by diffusion of Green Information System. Strategist should give attention to following three areas Green Business Facilitation (GBF), Environmental Risk Management (ERM) and Own Impact Reduction (OIR) with equal importance, as banks are not directly contributing toward environmental destruction, but they may be the source to aid all these destructive activities. (GBG-2017).The appointment of resource efficient and well-equipped Green Banking Officer is also stressed by SBP (GBG-2017)

## 2. Literature Review

Around the Globe environmental concerns are earnestly discussed since last few decades. Paris Agreement-2015 deals with climate change it highlights lack of fund, poor infrastructure in developing countries, revamping lending structure, the 196 countries around the globe agree on the issue of global warming and keeping it below industry averages. To adopt environmental sustainable policy the Paris Agreement emphasis on offering on environmental friendly and less vulnerable product to effect climate.(The Paris Agreement 2015-16), with the Global Agenda of 2030 to attain zero emission of Greenhouse gas by half of this century. Nationally Determined Contributions (NDC) for individual countries to adopt measure to avoid such wastage of energy, revision of these measures as required within five years. UNEP highlight following the issues in implementation of Green Banking are lack of finance, poverty, informal financing, hawala hundi, lack of information, literacy level, tax evasion, absence of green investment opportunities, public awareness toward green financing.(UNEP-2016)

Now a days Green Curriculum e.g. Green HRM, Supply chain ,and strategic studies im-pact positively on product and services in shape of green staffing, Human capital management ,branding and green marketing and sales as well (Pavitra,2017), the environment and social developments. ABN AMRO is one of the world's oldest bank creates a chair in the Delft University of Technology. The training of 600 Relationship managers to educate Customers regarding Sustainable banking and training of suppliers to produce environmental friendly and energy efficient products is part of this case study. (ABN AMRO-2016). The idea of Green banking is already flourish in advanced countries and also under developed countries of Asia, recently State Bank of Pakistan (SBP) on advice of PEPA (Pakistan Environmental Protection Act-1997) initiated Guide lines for Green Banking, (2017). The PDCI report highlights the implementations issues in developing countries; Pakistan is specially taken as prototype for regulators and provides guideline for implementation of Green banking and sustainable financing. (PDCI-2015). Gap can be filled by establishment of green investment bank in developing countries. (Josue, 2018), There is still a lack of awareness concerning the factors that influence a non-professional investor's use of sustainability information in the investment decision process (Andrea-2016).

With reference to subjected guideline by regulator and previous researches following Gaps are identified, In order to implement green banking, the management should assign a senior manager as Chief Green Banking Manager (SBP-GBG, 2017), also there is a huge gap between Green Reporting Initiative and Green reporting guidelines (Masud et al, 2018). After extensive research to comply with International and national Regulator's obligation and literature review, we have found several impeding factors in implementation of Sustainable or Green Banking in Pakistan. Luckily we have well defined procedure and Guideline to facilitate dynamic forces for better applicability of Sustainable banking.

Green Banking is not only a Product or Process to adopt it's indeed a Transformation from Conventional Banking to Sustainable Banking, that's not only cover the environmental aspect of banking but also shields eco-system and all its stakeholders that plays a collaborative multiparty role and assure each other's interest by sharing their Policies, Guidelines, skills, infra-structures, Human & Financial Capital, Expertise & Enterprise. The Promising Idea of SBP GBG policy and Vision 2030 is key to achieve anticipated goals, by overcoming Implementation issues banks can attain desired results.

From literature review it reveals that banking industry is the primary financier of both individual and Business sector, its act as an intermediary between regulator and customer that can play an important role in sustainable banking by adopting Green Banking in Pakistan, from abrasion vision of bank's management or leadership is the key factor to nurture green banking. The role of leadership in implementation of Green Banking can be explored by the investigating leadership commitment level at Calling, Awakening and Transformation stage Halena, et al(2017) and designing a Roadmap by Integrating In-house and Ex-house green banking practices with moderating effect of Responsible Leadership, Sheetal Patel(2018) , Sadaf(2018).

In contemporary studies Banks are considered as more environment friendly institutions as they do not directly deteriorate atmosphere with pollutant material but they do contribute the same by providing facilities to their customer without practicing environmental due diligence SBP GBG,(2017), by adopting EDD and policy Guidelines by Regulator and attaining desired knowledge and Skills from Academia's support. However, the basic research question is: At what stage Perceived Leadership Commitment Affects implementation of Sustainable Green banking, with moderating Influence of Responsible Leadership Characteristics?

The Paris Agreement -2015 is designed by, UNFCCC, UNEP, and several other International and national Regulatory bodies around the globe are working together to save Eco-system by applying different theoretical models of financial, technological, behavioral, environmental and other protection measures in banking industry.(Masud et al,2018). The influence of Leader-ship Commitments has been examined by classifying bank management into In-house and Ex-house management (SBP-GBG17). In addition to benefit Ecosystem as whole not concerning to only Individual Unit, It emphasis engaging end-user in the innovation process (Edward-2018).

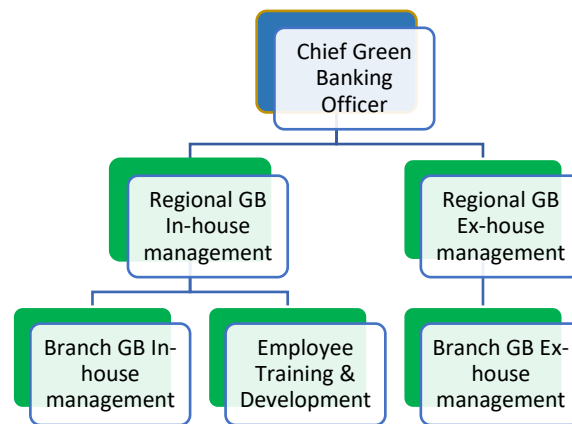
This study is basically dealt with the transformation of banking industry from conventional to Green Banking. Bank itself is the source of economic and social development through provision of goods and services in the society. The Banking industry as whole for exploring In-house and Ex-house issues of implementation of Green Banking ,by utilizing Green IT ,Green HR, Green finance and Green reporting and monitoring

### **3. Leadership Commitment and Sustainability Challenge**

Sustainability is major Issue for Leaders especially CEO, in present-day era of global antagonism and depression economic break down, technological revamping and environmental risk Kalpana (2017). Bass and Avolio (1993) contributed in transformational leadership theories with context to servant leadership. Contemporary researcher Helena et al, (2017) make clear to different level of leadership either at Calling, awakening and transforming.

According to the UN Global impact Report, 2010, Sustainability is truly top of- mind for CEOs around the world with 93 percent of them seeing sustainability to be vital to their company's future success (Cooper et al. 2010). While the world valiantly fights the pentavalent crisis of economy, environment, society, governance and leadership, CEOs grapple with a broader set of issues slowly burgeoning on the corporate surface. Three-quarters of CEOs suggest they would actively support new government policies that pro-mote 'good growth' that is economically, socially and environmentally sustainable.

PWC 14th Annual Global Survey, 2011 According to the same report, new technologies are bound to play a vital role in embedding and enabling sustainability. Ninety-one percent of CEOs reported that their company would employ new technologies (e.g. renewable energy, energy efficiency, and information and communications technology) to help meet their sustainability goals over the next five years (Cooper et al. 2010).

**Figure1: Proposed Organogram for Green Banking Office**

In context of Sustainable Green Banking, the Green Banking Guidelines (GBG) 2017 by SBP also states behavior & attitude toward environmental concern, change in market condition, indirect risk, direct and reputational risk, legal and regulatory risk, climate change, site, and sector are the few hindrance factors in adoption of GBG. Alignment of GBG offices with resource efficient officers who are well-equipped with green banking knowledge and procedure and processes to further monitor and control the implementation process through strategy development to achievement of assigned targets.(SBP GBG-2017). In order to implement green banking, the management should assign a senior manager as Chief Green Banking Manager (SBP-GBG,2017).There is a huge gap between Green Reporting Initiative and Green reporting guidelines (Masud et al,2018), (SBP-GBG,2017). Perceived Leadership commitments has significantly influence the implementation of Green banking.

#### 4. Responsible Leadership

Art of creating, and sustaining relationship ties with all stakeholders is called Responsible leadership (RL) (Maak and Pless, 2006: 40). Invigorating the Ecological apprehension, Managerial and organizational concerns are more associated to Environmental sustainability. Responsible leaders tend to be more sensitive toward natural environment and society while business planning (Maak and Pless, 2006), six predefined role of leader as servant , steward, architect, story teller ,coach and last but not lease as change agent (Maak, Pless 2006b) Sustainable value creation and progressive conversion (Zhiyong,2019). The society and environment are the key area of focus of Responsible leadership (RL), RL always emphasize to transforms organization into socially responsible and sustainable organization, and this is the basic difference between RL and other form of leadership, Zhiyong Han et al (2019).

Zhiyong Han et al (2019) also discussed the positive impact of Responsible Leadership (RL) on Environmental Citizenship behavior with context of environment, RL also have manifold moderating and mediating influence on organizational Citizenship behavior.

In supervision of proficient resource at CE level and establishment of Green Banking office, uti-lizations of less or both sides of paper, E-data base, e- statement for customer, online communi-cations, using more daylight instead of electric lights, using energy saving bulbs. GBG (2017), UNEP (2016) Yawider (2015), Sharful (2015). Green HRM- Video /audio conferencing in lieu of physical travel sensitize their staff regarding negative environmental implications of excessive usage of paper, Conversion of bank's vehicles into CNG or Solar Batteries, Efficient use Eco-Font and printer cartridges, Common use of table stationeries instead of individual use. All equipment powered by Solar Energy. SBP-GBG (2015,2017) VIKAS(2014) , Gobinda(2015). Studies reveals that employee inter-related training, daily operation associated run-through and bank's policy allied performance significantly influence on bank's environmental performance Shumaya.et al (2017). Equity bank Kenya is one of the best examples of developing country.

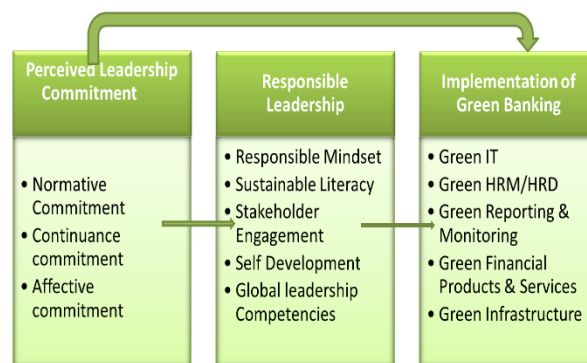
Similarly Responsible Leadership influence on environmental social awareness, green financing Shariful(2015), IETA(2016) and capacity building. Maak et al, (2006) contributes idea of re-sponsible leadership by replicating transformational leader as change agent and supporter sus-tainable business with respect to different stake holders. Encouraging borrowers to go green In-dustry Good fit screening, extensive checklist provided by SBP for Environment Impact As-sessment (EIA), Rebate / Subsidies on Green Financial Products and Services, Legal and

Regu-latory Reforms, coordination with vendors, Management of Indirect client risk in value chain (GBG,2015-17), (Alurajah,2017), under supervision of dedicated and responsible leadership. Responsible leadership characteristics has significant affect in relationship between perceived leadership and implementation of green banking

## 5. Proposed Model

From literature review we have proposed a model and relationship that will significantly contrib-ute to better understanding of role of banks leadership towards transformation of conventional banking into sustainable banking practices and products.

**Figure 2: Proposed Model**



An exploratory qualitative research design is used to postulate the theoretical model relating leadership role with implementation of green banking industry in context of Pakistan.

## 6. Limitations & Scope for future Study

From literature review it reveals that Green Banking is to some extent already applicable in Paki-stan but Green Banking is not implementing and yielding desired results with its true spirit and intensity to achieve Sustainable Banking. GBG(2017) UNEP(2016)

Green banking concept is more related to financing product and services which are more envi-ronmental sustainable and reduce carbon emission, the financing of Green Vehicle, Green Building and installation of Solar Panel to convert and use natural resource efficiently and assure sustainability. Bangladesh is leading the Green Banking Industry, India is also step forward in implementation of Green Banking than Pakistan GBG(2017) UNEP(2016). Following factors e.g mutable customer desires, protection policies, strict supervisory controls, altering technology and lack of sustainable. Recently few researchers suggest that SBP should introduce flexible term green financing and Islamic Financing to enhance scope of renewable energy for greening econ-omy. Sadia et al,(2018)

Few international studies by UNEP (2016-17), PDCI (2016), WB clearly mentioned the Imple-mentation dilemma in Pakistan. For this purpose from scratch we have studied perceived leader-ship role in context of In-house and Ex-house operations in light of guidelines provided by gov-ernment departments e,g EPA(1997), PEPA, SBP as regulator and monitoring authority and closely asses their working. In Recent days Green Banking is on policy making stage, However contemporary studies emphasized on training and development under Green Human resource for promoting Green banking businesses Maeen et al,(2018) . Being a Responsible leadership, it's the responsibility of higher management to regulate the Policy and Procedure In supervision of Skilled Work force for Green Financial Awareness Programs Tara (2016), Sharif(2015), Rah-man(2013), Pasha(2018), which is the need of hour for Professional and non-professional cus-tomer from general public as green investor and green creditors for better understanding of green banking demand Masud(2018). Further studies are needed on banking industry as whole for ex-ploring In-house and Ex-house issues of implementation of Green Banking, by procuring the most of Green IT, Green HR, Green finance and Green reporting and monitoring for betterment of future generation.

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