

A Green Banking for Sustainable Development in Sharia Banking

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Abstract: Green banking is a policy for protecting the environment. This study attempts to examine the implementation of green banking in sharia banks. This research used qualitative descriptive method. The data acquired through observation and interviews to the leader and employees of sharia banks. The results of this research showed that sharia has applied the concept of green products, green loan, green card, and green portfolio so that the application of green banking in sharia banking can make energy savings and others costs.

1 INTRODUCTION

Green Banking for sustainable development in the banking world is one of the banking policies in addressing global climate change issues. Issues of climate change, natural disasters, and global warming continue to be discourse and considered as a result of the lack of public awareness of the environment. This discourse is the concern of various circles including economic actors that led to the discourse of Green Banking in various countries including Indonesia.

The concept of Green Banking is a long-term business strategy that aims to profit, but it implies the benefits of empowerment and environmental conservation in a sustainable manner. According to the World Bank, Green Banking is a financial institution that gives priority to sustainability in its business practices (World Bank, 2010). The principle of sustainable development ensures that development must balance between the economy, social life, and environmental conservation (profit, people, planet). The agreement on Green Banking is in line with the strategic decision of the international Climate Change meeting in Cancun, Mexico.

Green banking has been widely implemented in several developed and developing countries. Green Banking is inseparable from the term green business, according to Glen Croston, a green business is a profitable business concept because it can provide profits and scale economies that are very useful for overall business continuity. In banking context, especially green business is perceived by the distribution of environmentally friendly credit or

known as green credit (green lending or green banking). Green credit can be interpreted as a loan from a financial institution to a debtor that engaged in a business sector that has no impact on the deterioration of environmental quality or social condition in society (Glen Croston, 2009).

Ginovsky (2009) states that to support green banking, bank must launch banking products that promote sustainable practices and need to restructure their back office operations in order to implement environmentally friendly practices. There are two suggested strategies for banks to follow: (1) the use of paperless banking which results in carbon emission reductions from internal banking operations and cost savings, and (2) adoption of Green Street loans, which means offering low interest rates to consumers and businesses to use solar energy systems and energy-saving equipment.

There are several studies that have been done related to the application of green banking. Among them are S.M. Mahfuzur Rahman and Suborna Barua who conduct research on 42 banks in Bangladesh, the result of the application showed that the concept of green banking is not fully implemented. This research explains that the performance of governmental bank is much worse than the private and foreign banks (S.M. Mahfuzur Rahman & Suborna Barua, 2016).

Rahman and Barua's research is very clear describing the performance of banking in Bangladesh, it just does not show how the performance of Islamic banking there which in the Islamic banking operations refers to the foundation of Islamic values that sided to the environment.

Likewise, Neetu Sharma et al in their article entitled "A study on customer's awareness on Green Banking initiatives in selected public and private sector banks with special reference" reveals that this green banking concept policy has been applied in India, the society also welcomed this policy. Sharma revealed that in its findings, foreign banks are paying more attention to the implementation of green banking than domestic banks because the paradigm of foreign banks is better for the sustainability of their business (Neetu Sharma, p. 28-35).

Implementation of green banking in India is very vigorous. It is not only on the savings of paper and natural energy resources that are not renewable, but banks in India also have tried to use solar energy for ATMs. Yet, technological advancements that encourage the implementation of green banking should be followed by skilled human resource resulting in a balance between the needs of green banking concept implementation and human resource capability, as revealed in a study conducted by Deepti Narang (Deepti Narang, 2015).

Different studies related to green banking were conducted by Shaumya revealed that green banking has an effect on the performance of banks in Sri Lanka. Quantitative research by using regression analysis proves that the better implementation of green banking, the better the performance of the bank. This means that the bank is able to contribute positively to its environment (Shaumya, 2017).

From previous research, it was suggested that the implementation of green banking has been implemented in several countries. Similarly, Indonesia encouraged the implementation of this green banking. Therefore, banks in Indonesia began to apply this green banking concept. This study attempts to examine how the application of green banking in the framework of sustainable development is based on sharia. Why sharia banks are an option? The first, Indonesia embraced dual banking system which means there is conventional banking that operates in general and there is also sharia banking that operates based on Islamic values. Both banks have different characteristics. Secondly, Islamic banks (Islamic banking) based on Islamic values, in Islamic values themselves environmental issues are getting attention. Therefore, the concept of green banking is indirectly part of Islamic values in which the environment is a concern. This study wanted to see how far the application of green banking is applied then how the impact on the sustainable development of Islamic banks.

2 RESEARCH METHODS

This research was a field research conducted in 2017. It used descriptive method with qualitative approach. The process of data collection was done by observation, in-depth interview, and documentation. The observation conducted at PT. Bank Syariah X Kota Palangka Raya, Central Kalimantan. Meanwhile, the interview conducted to all subjects related in this research that is employees of Bank Syariah X which amounted to 24 people. The model of analysis in this study was using Miles and Huberman analysis.

3 RESULT AND DISCUSSION

The concept of green banking which part of the green economy is in line with sharia economy in sustainable development that balances economic efficiency, equitable income, and environmental conservation. The research looks at three green banking implementations: implementation of service units, operational units, and financial units.

3.1 Implementation of Green Banking toward Service Unit

Based on the results of interviews with several employees of PT. Bank Syariah X namely RAS and DET, the implementation of green banking in customer service activities in PT. Bank Syariah X is an e-channel facility in the form of SMS banking, mobile banking, and internet banking. Customer transaction activity can be done anytime and anywhere. By the existence of e-channel in PT. Bank Syariah X, the electronic transaction activities facilitate customers and indirectly reduce the use of paper transactions in branch office services. Implementation of green banking in PT. Bank Syariah X will directly increase bank profit. The bank profit is derived from the efficiency of paper and energy that used such as electricity and air conditioning (AC).

3.2 Implementation of Green Banking toward Operational Unit

Paperless efficiency has been done in PT. Bank Syariah X. The use of paper for bank internal activities shall be conducted in the following manner:

1. Use frosted paper for making memos and data for internal purposes.
2. Use two-sided paper back and forth.
3. Use paper only for some work (paperless), inputting customer data, online system for verification process of financing

PT. Bank Syariah X does energy savings in the following manner:

1. Turn off the AC in the unused room.
2. Turn off the workspace AC during break time and pray
3. Turn off the computer when not in use.

The employee of PT. Bank Syariah X in implementing green banking is good, although there are still some employees who have not been consistent. As far as it concerned, employees do paper and energy efficiency because the embodiment of it is one of the mission of PT. Bank Syariah X to concern toward environmental sustainability.

3.3 Implementation of Green Banking toward Financial Unit

In the implementation of green banking toward financial unit, the sharia bank Syariah X provides financing facilities to the large commercial customers with attention to the Environmental Impact Analysis (AMDAL). For the financing of micro small and medium enterprises (UMKM), then PT. Bank Syariah X has set one of its financing requirements with the building permit (IMB). Related to this financing, PT. Bank Syariah X shall continue to observe the prevailing laws and regulations in Indonesia and Bank Indonesia regulations.

From field observation shown in table 1, the achievement has been done at Bank Syariah X. The achievement on product criteria has been implemented in green banking which is green product, green loan, green card, and green portfolio. Talking about the criteria of corporate governance, green employers have been employed by PT. Bank Syariah X, but there are still some employees who have not been consistently implementing it. Green operational has been done through online application system, inputting online financing process, and not using full paper, paperless in transactions by teller and CS, as well as green business process in verification of providing financing facility. Meanwhile, the criteria of environmental and community, PT. Bank Syariah X has done energy saving by using energy as needed. Less emission criteria are done by reducing the use of air conditioning (AC) in the employee's office, but not in the banking hall.

Table 1: Achievement Criterion of Green Banking PT. Bank Syariah X.

		Criterion	Achievement
Green Company & Green Banking	Corporate Governance	Green employee	√
		Green Building	x
		Green Operational	√
		Green Sustainability Performance	√
		Green Business Process	√
Green Banking	Product	Green Product	√
		Green Loan	√
		Green Credit Card	√
		Green Portfolio (Retail/Consumer/Corporate Banking)	√
Green Company	Environment and Community	Corporate Social Responsibility	√
		Less Emission	√
		Use Renewable Energy	x
		Energy Saving	√

3.4 Discussion

In line with the rapid growth of banking activities in Indonesia, which is marked by the continuous increase in the value of banking assets and financing disbursed, as a result that economic activity is running as it is. Through this economic activity, the financing that provided by banks, it makes environmental degradation. One of the environmental concerns that concern the world today is the soaring CO² emissions. This emission is considered as the main cause of drastic world climate change. Up to now, national energy supplies are still dependent on conventional energy sources, such as petroleum, natural gas, and coal. The dominance of these three conventional energy sources reached more than 90 percent. Then, in terms of consumption, more than two-thirds of the national fuel supply (BBM) is allocated for transportation needs. Similarly, the national industry, which still relies on conventional energy, such as fuel and coal. Such patterns of production, in addition to

boost economic growth, also led to an increase in CO² emissions.

The increasing CO² emission is not the only environmental problem facing Indonesia and other countries. Especially in Indonesia, the contribution of pollution from other production activities is huge. For example, the destruction of ecosystems due to massive mining activities, the decrease of carbon absorption due to uncontrolled deforestation, and the decline of river and coastal quality due to disposal of B³ (Setyo, 2014, p. 18).

As the results in the field, Bank Syariah X is not perfect yet, but the implementation of green banking is good. It shows the commitment of the banking role seeks to improve the management of the environment in Indonesia (Djafar Al Bram, 2011).

PT. Bank Syariah X stated that banks need to be oriented towards green banking as one of the efforts to support environmental sustainability. This is reinforced by interviews with one of the employees of MSA, reduction of AC usage and paperless. The banking business actually has no direct link with the environment, however Bank Indonesia with various regulations and regulations issued can encourage the increasing role of banks in improving the quality of environmental management (Makarim, 2004).

Although there are still many problems that must be anticipated, the existence of green banking in Indonesia is related to two main reasons are: First, green banking supports sustainability development. It is impossible if the concept of sustainable development is not fully supported by the related parties. Bank has a central position between the surplus parties and those who need the funds. Thus, banks have a 'bargaining position' and a strategic role to educate and encourage society to participate in the success of sustainable development. Second, green banking has potential business. Bank is expected to make a profit, so it should be able to anticipate the potential of new business that will emerge. The existence of a 'green' lifestyle will have a multiplier effect on the growing demand for environmentally friendly products as a potential new business (Djafar Al Bram, 2011, p.40).

Related to the lack of green banking implementation, this is in line with Rofikoh Rokhim's statement that only a small number of companies in Indonesia that apply green business in the model, and even it is not optimal. Likewise, it is also in line with the results of the Asian Corporate Governance Association (ACGA) survey (Rokhim, 2010).

4 CONCLUSIONS

This study illustrates that the implementation of green banking in sharia banks is not only driven by the Indonesian government policy, the application of green banking is also in accordance with Islamic values which become the basic philosophy and rules of sharia banking. The impact of the implementation of green banking is a good environment and able to save energy and other operational costs. This is a form of sustainable development that includes three pillars of economic (profit), environment (planet) and social (people).

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