

It's Time for Green Banking Management in Romania

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Abstract: In the current Romanian economic climate banks will have to develop a series of initiatives in order to reduce environmental impact. The article is intended to define banks ecological behavior and establish the role of non – governmental organizations and banking products in bank's ecological management. It focuses on projects that banks can undertake in partnership with environmental organizations such as paper recycling, forestation with employees - volunteers from the banks, "canvas bag", building solar panels and "sustainability tour". For an appropriate environmental behavior, banks should encourage customers to use banking products and services in a friendly environment, opting for green cards, online banking, electronic bank statements, green mortgages, green home equity loans, green commercial buildings loans or green car loans.

Keywords: finance; ecology; recycling; environment

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1 Introduction

The financial crisis has affected to a greater or lesser extent the entire Romanian economy. In banking it all started in August 2008 when banks began to face a liquidity crisis and at the same time, "invisible", a confidence crisis occurs. The first decision taken by the bank management was to stop bank loans (Budu, 2009, p.79). Simply, Romanian bank employees were not allowed to lend to businesses or individuals. Thus banks have lost many clients since the financial crisis. To overcome the financial crisis and to ensure a balanced and responsible development in all markets where they are present, banks are forced to develop policies of social responsibility. By the actions they carried out, banks must comply with environment and community in which are present, and to provide long-term support to projects and initiatives developed in the area of social responsibility such as: environmental protection, social support activities and cultural projects.

The present paper is structured into four chapters: "What is banks ecological behavior?", "Green banking management in Romania", "The role of N.G.O's in

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developing banks environmental behavior” and “The role of retail banking products in developing environmental behavior”.

2. What is Banks Ecological Behavior?

During the specific activity of finance and banking it need to minimize environmental impact by developing bank environmentally friendly behavior. In this direction it is desired the integration of environmental protection considerations, social and ethical issues in the systems and risk management policies. Banks have to develop global risk policy in order to analyze the impact on local communities and environment, for customers in areas such as mining and metallurgy, oil and natural gas, wood and paper industry, defense industry, gambling, hydroelectric constructions.

The whole set of managerial actions taken in connection with: market selection, defining client portfolio, establishing product portfolio, competitive banking services and personnel selection, is directed to an end, which is a bank with a powerful financial behaviour, recognized on market. For banks environmental performance it is specific the harmony created between human and natural factors, daily operations and banks management should reflect this harmony. Banks are forced to move from development based on social and natural resources within the business development in harmony with the environment and society. Banks ecological behaviour development it should be reflected in protecting the environment.

It is desirable to minimize the impact on the environment by reducing and optimizing resource consumption and quantity of waste produced in the banks and by internal education of employees in this regard. The following aspects have an important role: the integrated recycling programs for paper, PET (Polyethylene terephthalate), cardboard, glass, light bulbs, metal or printer cartridges; use of recycled paper products and energy efficient light bulbs; auto closing programs for banks computers outside program hours; video - conferencing systems to help reduce emissions from transport by car or plane; campaigns to increase employees awareness regarding energy and resources consumption, more effectively. Banks are the most important financial institutions, thereby developing ecological behaviour plays an important role in the economic development of Romania.

3. Green Banking Management in Romania

For Romania’s current economy it is important that, in everything we do, to consider the environment and climate change occurring. Finances and banking is probably one of the areas you might not think you can do anything about in order

to improve the relationship with the natural environment. But there are many ways throughout we can ensure that money and finances are managed in a "green", ethical way.

"Green banking", as a term, covers several different areas, but in general refers to how environmentally "friendly" the bank is, and how committed to green and ethical policies they are. Each bank in Romania must have an environmental policy in force. Typically, most banks include green and ethical commitments in their manifestos, but there are many differences between these commitments, from bank to bank. An environmental policy should be readily available for view and includes sections on: human rights, arms trade, ecological impact, corporate responsibility, animal welfare and neutrality to the emanations of carbon dioxide.

An essential aspect to green banking is the commitment that, the banks, will put the clients money in ethical investment, in the benefit of the environment. Currently, for most customers is not clear where they invest the money deposited in the bank - perhaps in activities with a low reputation such as acquisition of weapons and other war related activities. Appealing to a green bank gives you the reassurance of knowing where your money deposits are. These deposits can be used to finance projects such as producing renewable energy technologies, investments in international organizations for welfare, ecology and human rights. Each green bank must be able to explain to customers which investments will be supported from their deposits and provide a progress report periodically. Given the fact that few romanians manage to escape from the necessity of using banks services, credit cards or insurance, it is preferable that they offer next-generation environmentally friendly financial options such as environmental cars insurance options, green mortgages and other green banking options.

From the ecological point of view, it would seem to be a contradiction in the whole idea of green car insurance, encouraging car use is not an ecological friendly act. After a quick calculation made by the insurer, based on car brand, model, engine size and average annual mileage, allows him to offer to the customers a competitive price, given the carbon dioxide emanations of every car. Although car insurance is very competitive, this unique ecological call for car insurance is likely to become increasingly popular in years to come.

The idea behind green mortgage products is simple; a sustainable approach to buy houses that provides benefits to the environment. Lenders have their own individual approach, so it is important to consider all possible options in order to find the best one. One of the best things about this type of mortgage is that the lenders will often be prepared to look at the sort of eco-friendly building projects, that other financiers will not (Gareth, 2010). Unusual housing construction projects involving unconventional materials and other ecological products can easily find financing from mortgage companies offering green products.

Ethical investments have a central role in the banks ecological activity, most of the money obtained from various players in the financial sectors come from investments and not all business undertaken by these players are necessarily environmentally friendly. Ethical accounts put money into the stocks and shares of green companies, with a careful watch being kept to ensure the standards are maintained (Gareth, 2010). In Romania, the number of banks offering these accounts is quite small, but if the consumers interest for ecological products increases, it is likely to appear in future more and greener banks. As increase the number of customers interested in the economies destination placed in banks, more environmentally friendly financial options may appear in order to facilitate ethical and environmental decisions for a good financial management. Even at this stage of the Romanian economy, consumers that are prepared to investigate the market before making a financial decision, friendly with the environment, should find a convenient financial option.

4. The Role of Non- Governmental Organizations in Developing Banks Environmental Behavior

An environmental partnership developed between banks and non-governmental organizations is one way for banks to get involved in protecting nature. Banks can support various projects of organizations both financially and by involving employees as volunteers.

A project that can be implemented in banks is recycling waste paper collected by bank employees. In the current economic climate from Romania, paper waste from small businesses that generate small quantities represents no interest for specialized collectors. They move to the recycling place only for 1 tone bulk, because a transport for smaller quantities would not be economically viable. In this way small quantities get to the landfill. It is important to create an infrastructure to enable a selective collection of waste at source (not to the landfill), economical sustainable, unpolluted, and to allow people in need to reoriented to functional systems that take into account people.

Transportation may be provided by cargo paper - bicycle, led by disadvantaged people, who needs a job. Meanwhile, through recycling, people in need can get a job. In order to encourage banks environmentally friendly behavior, organizations can offer free paper collection container and communication material with instructions for proper selective collection.

Another ecological project that may involve banks, in collaboration with NGOs, is forestation for the degraded Romanian agricultural land. The project is needed because in the last century, Romania has lost half its forests, degraded lands have reached about 3 million hectares and European funds for 7 years would reach for only 2% from the degraded lands (ViitorPlus – Association for Sustainable

Development , 2011). The whole forestation process should be made according to technical studies under the guidance of forestry specialists. Each employee has the opportunity to participate in volunteer activities as planting and adopting individual one or more trees. It is possible to plant trees whose fruit can be sold by various community associations that are working for the benefit of persons with disabilities. The educational impact for this kind of project is more important than immediate benefits.

"Canvas bag" is another complex project that may involve banks, offering people an alternative to plastic or paper bags, through the production of natural canvas bags. The project must be designed so as to encompass sustainable development: using local resources, organic or natural; are brought social benefits (employees are people in difficulty) and a message of education. Banks can replace the gift bags with canvas bags imprinted with their logo. In this way each bag carrier helps the bank image by free publicity.

Bank employees may be involved, in partnership with environmental organizations, in projects such as building solar panels to heat water or solar collectors, which afterwards can be donated. The project has many benefits because employees will participate in activities that combine teamwork, good mood and active learning on environmental issues, because they discuss about renewable energy and climate change, they learn practical techniques for building solar water heating; panels built by employees can be donated to the local community, for children camps, kinder gardens or schools. Panels built and donated from various employees teambuilding activities can be collected and stored temporarily. With the potential beneficiaries - organizations / institutions - partnerships are signed and technical installations projects are carried out for the buildings that will install the panels because are needed between 5 and 20 panels, depending on the number of people using hot water in a building. Foundations / sponsors are searched, to ensure installation cost for the solar heating system, costs for boilers, automation and pipes. These sponsors can be the banks that participated in teambuilding. In the end when the new built system is opened, the sponsors are promoted and the beneficiaries are educated regarding the benefits of the renewable energies.

"Sustainability tour" is another example of a project that may involve banks. In this project city tours specialized in sustainability issues are organized. Environmental organizations can customize tours based on the needs of beneficiaries, both in size (number of participants, time stretching) and in terms of content. Information is offered both as presentations and interactive sessions between the guides and tour participants. Speakers require postgraduate studies in sustainable development and sustainability, as well as extensive experience with public presentations and communication. It can be approached issues such as natural resources and their use (with emphasis on energy and water), sustainable urban development (urban

problems and development strategy), social responsibility, enhancement and protection of cultural and natural heritage, waste management and the regional impact of Bucharest ecosystem, for example. For bank employees, these tours have many benefits because they are an active way, direct and with great impact on an individual basis in order to raise awareness on issues of city sustainability, creates motivation and openness to information and education on issues of environmental and social activity, is an unusual activity, with practical issues for employees involvement in the community (volunteer / education), can be organized in the form of team building, provides a better understanding of the city by the participants, beyond all common image, and provide additional information on the environment in which the financial institution operates.

5. The Role of Retail Banking Products in Developing Environmental Behaviour

In principle the banks role is to provide clients customized solutions depending on the objectives and financial needs. For people who want to be continuously involved in protecting the environment in Romania, banks can add to its product portfolio ecological affinity cards. These cards can be issued in collaboration with national and international environmental organizations. To contribute to the development of environmental behaviour, the bank will give a percentage of the purchases made by customers with the green card, to the collaborating environmental organizations. In this way the Bank supports organizations projects in order to preserve and protect nature in protected areas from Romania such as the Carpathians, the Danube and the Danube Delta. At the same time the bank promotes sustainable socio-economic development and the lifestyle with a reduced environmental impact. The percentage donated to the environmental organizations will be entirely supported by the issuing card bank. With this product, banks offer customers the opportunity to get involved in nature conservation activities and contribute directly to the environmental improving. Users of these cards will be customers who want to give nature a helping hand. Green cards represent an opportunity to communicate to a new public category, the importance of nature conservation for our life and the problems on which environmental organizations focus, in the opened projects. Card holders can have a direct contribution to the protection activities for natural areas from Romania, which they cannot help otherwise. Card holders will receive regular updates on the progress of the projects run by environmental organizations and the opportunities for involvement in their actions.

A new banking service in Romania is "online banking", which is easy to use and can be accessed from anywhere. This service, via computer, replace the-counter banking services which not involve cash deposit or lifting cash. Benefits of online

banking include less paperwork, less mail and less driving to branch offices, which all have a positive impact on the environment. Interestingly, online banking can also increase the efficiency and profitability of a bank. A bank can lower their own costs that result from paper overload and bulk mailing fees as more customers use online banking.

Considering the improvement of electronic platforms, banks should guide their customers to change their mindset and stop traditionalist concerns such as online transactions are no safe. Furthermore, banks need to hold promotions to popularize online banking service on a regular basis. In this way, through online banking site, a service without waste paper, the bank may reduce its number of employees, space activity, the level of stress that occurs sometimes and banks can reduce operational costs. Intensive management can be accomplished with a reduced number of staff and high efficiency which offers a new opportunity for growing ecological behaviour. Banks should encourage customers to use banking products and services in a friendly way with the environment, opting for electronic bank statements and online banking as often as possible. Online savings account and mobile banking represents the easiest ways that a customer can do his part in order to help the environment. Green banking includes setting up direct deposit to receive pay checks, electronic statements and to pay bills online [Money Rates (2009)]. In this way, the amount of paper produced by one bank can be reduced drastically. Online banking and mobile banking are effective ways to keep track of clients' finances and to avoid late payment fees.

Another green banking step for clients is to suggest that the company they are working for to sign up for a product called "Remote Deposit". This service is offered by banks to their commercial customers (Synergistic Premier Banking, 2011). Remote deposit is the digital scanning and processing of checks, instead of having bank customer have to physically deliver each check to their bank to make a deposit.

For retail banking sector there are products such as Green Mortgages, Green Home Equity Loans, Green Commercial Buildings Loans or Green Car Loans that are quite new for the most traditional Romanian banks. Banks can also choose to provide green mortgages by covering the cost of switching a house from conventional to green power, as well as include this consumer benefit when marketing the product (UNEP Finance Initiative, 2007). Green Home Equity Loans are sometimes referred to, as 'second mortgages', and it can help motivate households to install residential renewable energy (power or thermal) technologies. In designing and offering these incentive-based products, a number of banks can be partners with technology providers and environmental NGO's.

Green Commercial Building Loans represents that loans for buildings, characterized by lower energy consumption (~15-25%), reduced waste and less

pollution than traditional buildings. Some appraisers are now recognizing reduced operating expenses, improved performance and longer lifetimes associated with these green functions and features. Lower project costs improve net operating income, a key factor when evaluating property using the income approach (UNEP Finance Initiative, 2007). Like green mortgages, these loans are more complex than green car loans.

Green Car Loans encourage the purchase of cars that demonstrate high fuel efficiency. Hybrids, electric and even some diesel-powered cars can qualify. For Romania, this green car loans must carry fewer fees and no early payment penalties, in order to be accessed by bank's clients. Innovative vehicle lending can be an ideal niche for smaller financial institutions.

Opportunities in the retail banking sector are the most diverse. For the Romanian market, the real innovation in the area of retail banking is not simply the introduction of new niche green products for retail clients, but the integration of environmental incentives into mainstream offerings.

6. Conclusions

Romanian banking sector is probably one of the areas you might not think you can do anything about, in order to improve the relationship with the natural environment. But there are many ways throughout we can ensure that money are managed in a "green", ethical way. Banks can get involved in projects such as: recycling waste paper, forestation for the degraded Romanian agricultural land, "Canvas bags" project, building solar panels to heat water or solar collectors or "Sustainability tour" project. Banks can save Romanian natural resources by developing environmental partnerships with non-governmental organizations. Through partnerships Green Bank Management seeks out advice from outside experts to gain fresh ideas on new product and services development such as: Green Mortgages, Green Home Equity Loans, Green Commercial Buildings Loans, Green Car Loans, ecological affinity cards or online banking. Romanian Banks should play a pro-active role in order to take environmental and ecological aspects as part of their lending principle which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems (Sahoo & Nayak, 2008). In the future, Romanian Government should be involved in cultivating bank's ecological culture, by constructing new financial system and improving the existing financial instruments for ecological protection.

7. References

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