

Is green banking gaining momentum? Evidence from Albania

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Abstract: Green banking has gained momentum recently due to growing awareness of environmental issues and the need for sustainable development. Many banks and financial institutions have adopted green banking practices as part of their corporate social responsibility efforts and to meet the increasing demand for sustainable financial services. The present study offers insights into green banking in Albania. One hundred fifty-five questionnaires were completed with the employees of commercial banks operating in the country. Three aspects of green banking are explored 1. Daily operations, 2. Environmental Policies, and 3. Investments in green projects. The results show that banks in Albania are focused on protecting the environment in their daily operations by reducing the use of paper and energy, introducing energy-efficient equipment, and using environmentally friendly banking practices (e-mail, e-statement, online transfers, Etc.). Also, Research and Development continuously focuses on environmental issues. Banks have green environmental performance evaluation practices (environmental sustainability measures, energy saving) and have planned the construction of green branches (energy efficient buildings/green buildings Etc.). Additional research is needed to explore environmental protection literacy and how the latter impacts the behaviour of all the stakeholders in the banking system in Albania. Also, how the European Integration of Albania and Green Deal Agenda affects the green banking further development.

1 Introduction

In the face of diminishing resources and environmental challenges, concerns for sustainable development are rising (Gura et al., 2021). There is a need to tackle sustainability, which can be achieved by integrating national and international policies regarding the circular economy (CE), the green economy (GE), and the bio-economy (BE). These concepts offer various solutions to sustain economic, social, and environmental objectives (Gura et al., 2021). Climate change, environmental degradation is an issue that has affected all countries. Society is increasingly becoming aware of the importance of the environment, so there is a need for banks in their activities to focus on protecting the environment by using green strategies. (Mir & Bhat, 2022) Banks influence the environment through internal activities, such as electricity, water, and paper, and external activities indirectly, such as investment, lending, risk management, etc. Managers, employees, and investors create green products and design environmentally friendly policies, contributing to sustainability. According to Zhixia, Hossen, Muzafary, & Begum (2018), green banking is a form of banking where banks, during their activity, keep in focus the protection of the environment by realizing green financing and thinking about sustainability in the future. According to Oyegunle & Weber (2015), the application of green practices by banks has been developed in developed and developing countries. This shows an ever-increasing awareness of the effect of climate change and the importance of the environment in many countries. The biggest banks in Albania have started to apply green practices in their operations. In Albania, climate change creates physical and transition risks that have a social and economic impact on Albanian companies and families but can also have a financial impact, thus affecting the financial system's stability (Topalli & Monnin, 2023). This study aims to examine green banking potential in Albania. And the main objectives are: to identify the environmental policies followed by banks in Albania and to identify the daily operations of banks in the environmental protection framework. Based on the purpose of the paper, the two research questions that arise are:

RQ 1: Do banks in Albania have environmental policies to protect the environment?

RQ 2? Do banks in Albania support investments in green projects?

The descriptive analysis with the result obtained from the questionnaire was used to provide answers to the raised research goals. However, this paper presents some initial results of the study since more in-depth analyses should be undertaken to identify green banking practices, the factors that influence them, and their impact on environmental performance.

2 Literatura review

2.1 What is green banking?

Now Green Banking is a concept that is used all over the world nowadays. The main goal is the prevention of environmental degradation (Shakil, Azam, & Raju, 2014). According to Mathew (2021), Green Banking is a new development focusing on banking operations and investments that protect the environment. Green banking refers to banks' efforts to use the bank's resources responsibly and keep sustainability in focus. Otherwise, green banking is also known as ethical, sustainable banking focusing on environmental protection (Vijai, 2018). Green banking is an initiative of banks to be conscious in society by creating environmental sustainability (Sharma & Choubey, 2022). Green Banking is defined as banks that follow green practices aimed at protecting the environment during their activity. Green banking has two approaches: First, banks' internal operations are green. Banks use renewable energy and automation and strive to minimize the carbon footprint of their activities. Second, banks support financing and green projects. Green banking includes several aspects, from their activity to protect the environment to how and where their money is invested (Islam & Das, 2013).

2.2 Green banking Products

Green banks have adapted their banking products into green banking products to fulfil their focus on protecting the environment. Some green banking products are:

- Green mortgages Through these loans, banks offer loans to customers with lower interest to buy houses that use high energy efficiency.
- Green car loan banks encourage customers to buy cars with high fuel efficiency by offering low-interest rates.
- Green credit cards include debit and credit cards related to environmental activities.
- Green savings accounts, Green CDs, these products enable individuals to invest their savings in green projects aimed at protecting the environment.
- Mobile Banking, Online banking Through these services, clients can do any action in their account without physically going to the bank. Clients can save time, money, paper, and fuel for transportation.

2.3 The importance of green banking.

Green banking applied by banks affects the creation of a sustainable environment. However, banks also increase their image and the number of clients by attracting customers ready to contribute to protecting the environment. Green banking practices not only contribute to environmental protection (Shameem & Haleem,

2021). Banks play an essential role in lending to individuals and businesses, influencing the country's economic development. Therefore, they impact promoting a sustainable environment (Nath, Nayak, & Goel, 2014). According to Weber (2016), one of the main factors affecting the banks' ability to take on new challenges, such as green banking, is the size of the banks. In order to make green investments, banks must evaluate the risks so as not to endanger either themselves or the client.

Environmental degradation creates risks for banks and has indirect costs for banks. Green banking is significant both for banks and the economy and avoids credit, legal and reputational risks. Green banks finance green technology and projects that reduce pollution. Every bank should aim to protect the environment and, in this way, minimize credit risk, legal risk and of reputation (Hoque, Mowla, Uddin, Mamun, & Uddin, 2019). According to (Deka, 2015), bank clients benefit from green banking practices as they are convenient and less cost-effective because it is unnecessary to go to the bank to carry out their transactions. Even for banks, green banking brings benefits as they have less postal costs and the workload of bank employees decreases. According to the study by Miah & Rahman (2018), it was identified that the old banks are with less environmental performance compared to new banks as new banks are equipped with modern and green technologies.

But on the other hand, the environmental performance of the banks was not affected by the size or profitability of the banks. According to Chen, Siddik, Zheng, Masukujjaman, & Bekhzod (2022), from their analysis, it was observed that the daily operations and the efforts of bank employees to follow green practices positively affect green financing. At the same time, the banks' efforts to follow green practices with customers had no significant impact.

Also, the study done by Shaumya & Anton Arulrajah (2017) identified that green banking practices affect the bank's environmental performance. Daily operations and green practices followed by employees also affected the environmental performance of banks. However, it was observed that customer-related green practices did not significantly impact environmental performance. According to Mir & Bhat (2022), the green banking practices followed by the banks make the banks save money and energy and, in this way, affect the growth of the country's GDP.

3 Methodology

3.1 Survey instrument

The methodology is based on primary data, and the research instrument used to conduct the study is the questionnaire. The questionnaire is composed of three main sections. In the first section are questions related to the banks' efforts to protect the environment, as are questions related to Daily Operations, Environmental Policies and Goals, Investments in green projects etc. The second section includes questions

about Organizational Social Capital, which are not subject to analysis in this paper. In the third section, the demographics of the respondents are collected, such as age, gender, education level, and experience.

3.2 Sampling and Data Collection

The data was collected in the period July - December 2022. The questionnaire is distributed online to employees of commercial banks operating in Albania. A balance has been kept, so we have almost the same number of questionnaires from each bank. A total of 155 questionnaires were completed.

As can be seen from Table 1, most of the surveyed employees are women, respectively 73.5%, while 26.5% are men. This is also related to the fact that in the banking system in Albania, the majority of employees are women. Approximately 50% of the employees belong to the 31-40 age group, 35.5% to the 20-30 age group, a small number of 5.2% belong to the 41-50 age group, and 9.7% are over 50 years old. Most employees, 74%, have a master's degree, 24.5% have completed a bachelor's degree, and 1.3% have a doctorate. Regarding the years of experience in the banking system, 26.5% have 1-3 years of experience, 13% have 4-6 years, and most interviewees have more than six years of experience, meaning they know the banking system very well.

Demographics	Value	Frequency	Frequency percentage
Gender	Male	41	26.5%
	Female	114	73.5%
Age	20-30	55	35.5%
	31-40	77	49.7%
	41-50	8	5.2%
	Over 50	15	9.7%
Educational Level	Bachelor	38	24.5%
	Master	115	74.2%
	PhD	2	1.3%
Experience	1-3 years	41	26.5%
	4-6 years	20	12.9%
	Over 6 years	94	60.6%

Table 1
Demographics
Source: Authors elaboration

4 Results

To identify the daily operations of banks in the framework of environmental protection, the environmental policies followed by banks in Albania and the engagement of banks in green projects, the questionnaire addressed to bank employees is adapted from Malsha, Arulrajah, & Senthilnathan (2020). As presented in Table 2, six questions were used as follows to identify the daily operations followed by the banks to preserve the environment. The analysis shows that 88% of banks have taken initiatives to reduce the use of paper and energy, and 67% use energy-efficient equipment. Also, most banks use environmentally friendly banking practices (e-mail, e-statement, online transfers, Etc.) to reduce paper by 91%. Banks' efforts and goals to protect the environment during daily activities can only function with the support of their employees. Therefore, banks encourage their employees to communicate online to save paper use. 55% of banks regularly organise seminars to promote environmentally friendly practices in day-to-day operations because the more significant the knowledge about the environment, how they can protect and improve the quality of the environment during their work directly affect the functioning of the purpose of banks to protect the environment. Most of the banks, 94%, as seen from the table, use the same practice with their clients, who try to push them to use environmentally friendly banking services such as e-statement practices, online transfers, Etc.

From the results of the table, banks, during their daily activities, try to protect the environment. In order to analyse the environmental policies followed by the banks, nine questions were analysed. 65% of "Research and Development" banks pay attention to environmental protection. Since only in recent years has green banking started to be applied by banks, it is noted that only 42% of banks regularly perform environmental audits. 63% of banks have green environmental policies and pollution prevention plans. Banks have programs where they encourage employees to make suggestions about how banks can influence the preservation of the environment, and accordingly, approximately 55% of banks apply this practice. At the corporate level, 78% of banks promote an environmentally friendly policy. To support their environmental policies, approximately 49% of banks have agreements related to the environment with relevant parties/actors (suppliers, customers, Etc.).

On the other hand, 61% of banks support environmentally friendly companies by purchasing their items, such as printers, computers, Etc., from these companies. Also, 49% of banks encourage businesses that apply for loans to respect environmental standards. 45% of banks use green environmental performance assessment practices (environmental sustainability measures, energy saving measures, Etc.) to assess how much they have achieved their goal to protect the environment. Moreover, in the future, the banks' focus will be protecting the environment since the construction of green branches (energy efficient buildings/green buildings) is planned in 58% of the banks. Also, in Table 2, investments in green projects made by banks are analysed. Approximately 56% of

banks develop specific green products and services besides traditional banking products. Banks offer loans for projects related to environmental protection and energy saving; this practice is followed by 59% of banks. In addition, 59% of banks promote and facilitate environmentally oriented businesses through grants, loans, and special guidelines. Most of the banks, 74%, have undertaken several initiatives and independent green projects, such as planting trees.

60% of banks offer lower-interest green mortgage loans to homebuyers/energy-saving loans classified as pro-environment, and 47% offer green car finance at lower interest to buy a car with low or zero emission. Also, 69% of banks promote and facilitate credit lines for green projects. In addition to loans, banks have also considered savers by developing green deposit schemes, a term deposits for investors who want to invest their excess cash reserves in environmentally friendly projects). On the other hand, to limit environmental damage, banks refuse to give loans for projects that harm the environment. Most of the banks have invested in electronic banking and mobile banking. However, this may have happened before in the digitisation framework of banks rather than specifically in the environmental protection framework.

The main constructs	Indicators	Strongly Disagree	Disagree	NA/D	Agree	Strongly Agree
Daily Operations	Your bank has taken initiatives to reduce the use of paper and reduce energy.	1.29%	1.29%	9.03%	37.42%	50.97%
	Your bank has introduced energy efficient equipment	0%	1.94%	30.32%	31.61%	36.13%
	Your bank uses environmentally friendly banking practices (e-mail, e-statement, online transfers, etc.) to reduce paper	0%	0.65%	7.74%	26.45%	65.16%
	Your bank encourages customers to use	0.00%	0.00%	5.16%	27.10%	67.74%

	environmentally friendly banking services such as e-statement practices, online transfers, etc.					
	Your bank encourages employees to communicate through online communication	0.00%	1.29%	5.81%	40.00%	52.90%
	Your bank regularly organizes seminars to promote environmentally friendly practices in day-to-day operations	2.58%	5.16%	36.77%	33.55%	21.94%
Environmental Policies and Goal		Strongly Disagree	Disagree	NA/D	Agree	Strongly Agree
	In your bank "Research and development" is continuous on environmental issues.	0.65%	3.23%	30.32%	39.35%	26.45%
	In your bank and branches, the environmental audit is done regularly.	3.23%	6.45%	47.10%	19.35%	23.87%
	Your bank has green environmental policies and pollution prevention plans.	0.00%	5.16%	30.32%	33.55%	30.97%

	Employee incentive programs for environmental suggestions are in place	1.94%	14.84%	28.39%	33.55%	21.29%
	Your bank has green environmental performance evaluation practices (environmental sustainability measures, energy saving measures etc)	1.29%	14.84%	39.35%	23.23%	21.29%
	In your bank is planned the construction of green branches (energy efficient buildings/green buildings)	0.65%	3.23%	38.06%	29.68%	28.39%
	Your bank has environmental-related agreements with relevant parties/stakeholders (suppliers, customers, and etc.)	0.00%	1.94%	49.03%	29.03%	20.00%
	Your bank promotes an environmentally friendly policy at corporate level	0.65%	0.00%	20.65%	45.16%	33.55%

	Your bank purchases its stationeries, equipment's and other items from environmentally friendly companies (e.g. printers, computers, and etc.)	0.00%	2.58%	36.13%	36.13%	25.16%
	Your bank asks businesses that apply for loans to respect environmental standards	0.65%	3.87%	46.45%	25.81%	23.23%
		Strongly Disagree	Disagree	NA/D	Agree	Strongly Agree
Investments in green projects	Your bank develops specific green products and services and adds them to the list of traditional banking products.	0.00%	10.97%	33.55%	35.48%	20.00%
	Your bank provides loans for projects related to environmental protection and energy saving.	0.00%	3.23%	37.42%	40.00%	19.35%
	Your bank implements several initiatives, independent green	0.00%	3.23%	23.23%	38.71%	34.84%

	projects. (eg planting trees).					
	Your Bank promotes and facilitates environmentally oriented businesses through grants, loans and special guidelines	0.65%	1.29%	10.32%	47.74%	40.00%
	Your bank promotes and facilitates credit lines for green projects.	0.65%	1.29%	29.68%	42.58%	25.81%
	Your bank provides green mortgage loans with lower interest for customers who buy energy-saving houses/loans classified as pro-environmental).	0.65%	0.65%	39.35%	23.87%	35.48%
	Your bank finances the purchase of green cars (Lower interest financing to buy a low-emission or zero-emission car)	10.97%	7.74%	34.84%	22.58%	23.87%
	Your bank has developed green deposit schemes (a term deposit for investors seeking to invest their excess cash reserves in	3.23%	14.19%	31.61%	34.84%	16.13%

environmentally friendly projects).						
Your bank refuses to grant loans for projects that have a negative impact on the environment	4.52%	12.26%	50.32%	21.29%	11.61%	
Your bank refuses to grant loans for projects that have a negative impact on the environment.	5.16%	10.97%	28.39%	34.84%	20.65%	
My bank made investment in electronic and online banking	0.00%	1.94%	16.13%	19.35%	62.58%	
My bank made investment in mobile banking	0.00%	1.29%	4.52%	28.39%	65.81%	

Table 2
Environmental policies of banks
Source: Authors elaboration

Conclusions

This paper aims to identify the potential of green banking in Albania. From the above descriptive analysis, it was evident that banks in Albania have begun to become aware of the importance of the environment, so they have begun their efforts by drafting environmental policies. In corporations, 78% of banks promote an environmental policy with the environment. To support their environmental policies, approximately 49% of banks have agreements related to the environment with relevant parties/actors such as suppliers, customers, Etc. In their initiative to protect the environment, they rely on their employees. Banks have programs that encourage employees to suggest how banks can influence the preservation of the environment. Banks have also increased green banking products and services. 60% of banks offer lower-interest green mortgage loans to homebuyers/energy-saving loans classified as pro-environment, and 47% offer green car finance at lower interest to buy a car with low or zero emission. Also, 69% of banks promote and facilitate credit lines for green projects. Although the Albanian banking sector has started to offer green banking products, further actions are needed to support green

projects to achieve sustainability against climate risks (Topalli & Monnin, 2023). Therefore, in its medium-term strategy for 2022-2024, the Central Bank of Albania focuses on monitoring climate risks for banks and the economy. The banking sector is vital in protecting the environment and creating sustainability through its daily activity, environmental policies, and investment in green projects.

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