



Received: 23-10-2023  
Accepted: 03-12-2023

## International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

### Developing Green Banking at Vietnam Investment and Development Joint Stock Commercial Bank

Nguyen Thi Thu Le  
University of Labour and Social Affairs, Hanoi, Vietnam

Corresponding Author: **Nguyen Thi Thu Le**

#### Abstract

Green finance is considered a part of the green growth strategy, and is also a concept researched in many countries around the world as well as in Vietnam. This activity, if implemented, will contribute to reducing environmental pollution, promoting sustainable economic development and eliminating poverty. Implementing green banking in the current context is considered an urgent requirement for the Vietnamese banking system, to ensure the stable and sustainable development of the whole system and the economy. To do this, banks must carefully consider the environmental aspects of their customers and products when operating in Vietnam. The Bank for Investment and Development of Vietnam (BIDV) has deployed green credit activities for clean energy, green agriculture and waste

treatment projects, but outstanding loans for green projects are only reaching 1.8% of the bank's total outstanding loans. To further develop green banking activities, BIDV in particular and banks in general need to strengthen the implementation of the Responsible Banking Principles, mobilize green bonds and propose to the Government and State Bank of Vietnam. There are specific financial incentive solutions for green banking activities. The article analyzes some initial results of green banking activities at the Joint Stock Commercial Bank for Investment and Development of Vietnam and makes recommendations to develop green banking activities in banks. General commerce.

**Keywords:** Green Banking, BIDV, Green Growth

#### 1. Introduce

Over the past 30 years, with the remarkable growth of the global economy, there have also been a number of urgent constraints to development and the resulting negative trends, such as economic disparity and poverty, overconsumption of resources and environmental degradation (OECD, 2002). These social and environmental problems awakened humanity to think more carefully about how to protect our planet, which led to the 1972 United Nations Conference on the Human Environment in Stockholm, as well as the subsequent establishment of the United Nations Environment Program (UNEP). Since the 1980s, sustainable development, as a new concept of human development, has been one of the most popular terms used due to growing awareness of social issues. And environment.

The world is facing climate change, energy crisis and economic decline. At the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26), nearly 150 countries, including Vietnam, committed to net zero emissions (Net Zero) by the year 2050.

According to research by the World Bank, Vietnam will need additional investment of about 368 billion USD, equivalent to about 6.8% of GDP for climate change mitigation and adaptation activities in the period 2022 - 2040. With the right policies and strategies in place, Vietnam can leverage its decarbonization activities to achieve its development goal of zero net greenhouse gas emissions without slowing growth. GDP growth.

As a financial intermediary of the economy, the banking industry plays an important role in the transition towards green growth through green finance and green credit mechanisms. The Green Banking Development Project in Vietnam issued under Decision 1604/QĐ-NHNN dated August 7, 2018 has set a common goal for the entire industry: "gradually greening banking operations, directing credit flows used in financing environmentally friendly projects, promoting green production, services and consumption, clean energy and renewable energy; actively contributing to promoting green growth and sustainable development". Therefore, "green banking" refers to banking business activities conducted in the areas that banks sponsor, the

products and services that banks provide and the daily activities of banks. Banks aim to help reduce overall external carbon emissions and internal carbon emissions.

**2. Research overview**

**2.1 Green Banking Concept**

In many countries around the world, green banking is a new concept known in recent years, especially for developing countries, including Vietnam. After the 2008 global financial crisis, all countries in the world had to reconsider the organization and operating models of the financial system.

Own, including banks. Issues of sustainable development and responsibility.

Business responsibility and social, ethical, and environmental responsibilities are all considered at a higher level. Here, green banking emerges as a model for future banking, a foundation for moving towards a sustainable green economy<sup>[1]</sup>.

The term "green banking" first appeared in 2003 in Western countries for the purpose of protecting the environment, then was used by many economists in their research<sup>[2]</sup>. In 2003, International Finance Corporation - IFC and 9 international banks met in London and decided to develop a set of standards for implementing the responsibility of the banking system towards the environment and society based on existing standards. Of IFC. From here, The Equator Principles Financial Institutions - EPFI's principle on project financing was officially born and to date, more than 75 financial institutions have participated in the commitment. This set of standards plays an important role in classifying and ranking green banks today. A bank is considered a green bank when it meets the standards in the set of standards for social responsibility (23 standards) and environmental responsibility (47 standards)<sup>[3]</sup>.

Sogesid Spa (2012) green bank is a bank that operates like a traditional bank, providing outstanding services to investors and customers, while implementing programs that help the community and the environment. Green banks are not businesses operating purely for social responsibility, nor are they purely for-profit businesses, but rather combine to ensure economic-environmental harmony and sustainability. -society<sup>[4]</sup>.

Millat and colleagues (2012) research that green banking can be approached in two directions: 1) focusing on greening the bank's internal operations; 2) financing environmentally friendly projects, focusing on social and

environmental factors in the loan appraisal process<sup>[5]</sup>.

Lindenberg, N (2014) believes that green banking leans towards socio-economic activities and focuses on environmental factors through reducing carbon both inside and outside the bank. Specifically, banks reduce the amount of carbon in banking by conducting online activities, using ATM systems, mobile banking, cards, and email exchanges to minimize related activities. To papers, stationery, air conditioners, etc. For the goal of reducing non-bank emissions, banks provide green credit packages to finance environmentally friendly projects and reduce pollution emissions, giving priority to green industries<sup>[6]</sup>.

At the conference "Green Finance and Banking" held on June 25, 2013 under the chairmanship of the German Development Cooperation Organization (GIZ) in coordination with the State Bank and the Ministry of Finance, Ms. Vu Xuan Nguyet Hong - Representative of the Central Institute for Economic Management Research.

(CIEM) explained: "Green banking is the activities and operations of the banking system to encourage environmental activities and reduce carbon emissions." Up to now, this understanding is commonly used in research on green banking. According to this understanding, a green bank will have to actively carry out activities such as encouraging customers to use green products and services; Apply environmental standards when approving loans; Provide preferential credit for carbon reduction projects and renewable energy projects.

Imeson M., and Sim A (2010)<sup>[7]</sup>, Green banking refers to activities that encourage environmental activities and reduce carbon emissions, such as: encouraging the use of green products and services; Apply environmental standards to approve loans or provide preferential credits for CO2 reduction projects (UN ESCAP, 2012)<sup>[8]</sup>. According to Decision No. 1604/QĐ-NHNN dated August 7, 2018 of the State Bank on approving the green banking development project in Vietnam, the main goal is to increase awareness and social responsibility of the system. banks towards protecting the environment, combating climate change, gradually greening banking operations, directing credit capital flows into financing environmentally friendly projects, promoting manufacturing and service industries. Green services and consumption, clean energy and renewable energy; actively contribute to promoting green growth and sustainable development.

According to Kaeufer (2010)<sup>[9]</sup>, green banking activities can be considered with a 5-level model as follows:

**Table 1: Green Bank model**

Level 1	Level 2	Level 3	Level 4	Level 5
Carry out side activities, by sponsoring green events and participating in public activities (most banks are at this level)	Separating project development and business activities, in which the bank develops separate green products and services (only a small proportion) to supplement the portfolio of traditional banking products	Systematic business operations, in which most of the bank's processes and products comply with green principles, the bank's organizational structure is designed to support green impact on 4 levels: people, processes, principles and purpose	An initiative to balance the ecosystem at a strategic level, in which green banking activities are not limited to single operations but are expanded into networks, alliances, community dialogue, or the entire ecosystem. environment to achieve sustainability of social, environmental and financial factors	Proactive ecosystem balancing initiative, in which green banking activities are similar to level 4 but are carried out proactively and purposefully, rather than as a response to external change as a strategic initiative at level 4

Source: Kaeufer (2010)<sup>[9]</sup>

In short, a bank is called "green" when it meets both conditions: (i) providing green products and services in the short term and (ii) having a long-term business strategy that meets environmental criteria. School and social responsibility. In other words, green banks all aim at the main issues, which are: (1) reducing carbon emissions in internal banking operations, (2) developing green products and services and (3) promoting working for the environment through green credit policies.

## **2.2 Benefits of green banking**

A "Green Bank" has a broad influence on many areas of life, ensuring sustainable development of all three economic - environmental - social factors and can bring the following benefits:

### ***Online banking, helping save energy and resources***

Paying bills online, transferring money online, managing accounts online, receiving account statements via the Internet, buying and selling certificates of deposit... are just some of the ways an online bank can help reduce the use of paperwork, reduce travel time and effort, and save natural resources consumed through banking activities. Customers can save money from using banking services through email, text messages or websites. Customers can even transfer money directly from person to person (P2P). Banks can save costs from reducing paperwork, reducing offices and branches, and building more energy-efficient buildings; Reduce complex procedures and focus human resources on more important parts.

### ***Use a green payment account***

Opening a green payment account helps protect the environment by using more online banking services (For example, bill payments, credit cards, account statements, free ATM usage, security by text message,...). Green payment accounts should enjoy higher and more flexible interest rates if they meet certain monthly requirements, because banks can minimize their costs from customers using green services.

Green payment accounts will include mobile banking services (Mobile Banking). The ability to check account balance at any time, transfer money or pay bills anywhere is the outstanding advantage of a green bank. Mobile banking has a better security system than the conventional way. The use of mobile phones in the banking sector has turned phone companies and telecommunications companies into a part of the financial system, not only helping to secure information but also contributing to the data transmission process. Whether. Thus, green banks have drawn information technology companies into their operations, significantly contributing to business activities and attracting human resources in those fields.

### ***Support projects that ensure the environment or help the community***

Green banks tend to provide loans for energy saving projects, it not only works for profit but also works for sustainable development in the future, so green banks always interested in projects that bring long-term benefits to the community.

A green local bank will be a great source of support for local

green initiatives in society, education, housing, etc., creating direct benefits for the community in that locality. Locally linked banks are a good model for many regions, especially those where the economy is less vibrant than other areas.

### ***Create cross-industry impacts***

Through effective project appraisal and credit granting, green banks will impact businesses in many different industries, indirectly affecting the overall situation of that field. On the other hand, green banking requires a high level of technology to serve online service activities. Technologies used in banking can be imported, transferred or created ourselves. This will contribute to promoting the development of the domestic information technology industry; increasing the demand for high-quality human resources in the software technology industry, helping to solve unemployment and employment problems.

Once green banking becomes a popular model, business standards as well as community responsibility of banks, organizations and businesses will be higher and more effective. Communities will benefit more from ethical business practices.

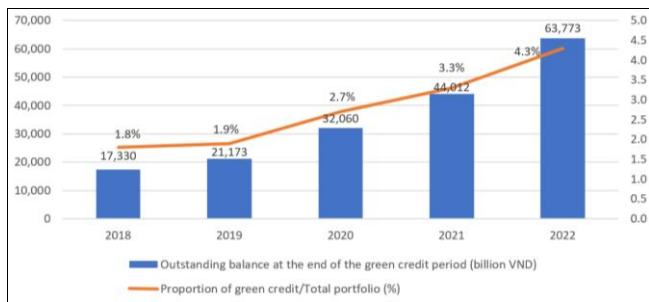
Applying the green banking model also contributes to creating a culture in customers' use of banking services. When using banking services becomes more convenient, faster, less expensive and offers more incentives (through online banking, green accounts and green credit cards, etc.), consumers will tend to use banking services more and more. This will create social awareness in using banking services and in the future will create a society where financial and banking services become a familiar part of daily life.

## **3. Current status of green banking activities at BIDV**

Currently, BIDV is a bank with relationships with many leading international financial institutions in the Vietnamese banking system. Regarding green capital mobilization activities, since implementing the National Strategy on Green Growth, BIDV has now been a traditional partner for more than 30 years of financial institutions such as WB, ADB, JICA, JBIC,... and is currently the bank with the largest market share, up to 21%, in mobilizing ODA capital and international trust capital sources.

In green credit activities, BIDV is the first bank to announce a Sustainable Loan Framework to provide green, social, and sustainable loan products for domestic business customers, with a focus on financing customers in the fields of renewable energy, clean energy, low-carbon production and consumption industries.

With the goal of encouraging growth of retail credit balance in the green sector, towards sustainable retail credit development, BIDV has issued a short-term credit package of VND 20,000 billion with preferential interest rates for customers. Personal goods that produce and do business in the green field: farming, animal husbandry, aquaculture, processing, safe food supply, etc. meet safety and environmental protection certificates such as VIETGAP, GLOBALGAP, BAP, ISO 22000, HACCP, GMP, SQF,... at the same time, continue to research new products and policies towards green credit such as electric vehicles, green buildings,... to meet the goals sustainable credit growth.



Source: BIDV annual report

**Fig 1:** Green credit balance at the end of the green credit period at BIDV

The synchronous implementation of the green product ecosystem has helped BIDV achieve positive results: By the end of the second quarter of 2023, BIDV maintained the market leading position in green field financing with a total of 1,776 projects. /option, with outstanding loans reaching 66,176 billion VND (equivalent to 2.8 billion USD), accounting for 4.1% of BIDV's total outstanding loans and about 13% of total outstanding green sector loans in the entire economy. With leading experience and capacity in receiving and implementing sustainable projects from international financial institutions, it is expected that BIDV's outstanding credit balance for green projects will reach 3 billion USD in 2019. 2025.

Along with the increase in green credit scale, BIDV always focuses on environmental and social risk management in the credit granting process. BIDV is also known as the first domestic bank to issue an Environmental and Social Risk Management Framework in 2018, applying to projects and customers receiving international capital, and encouraging projects Borrowing capital from BIDV to implement green growth and sustainable development.

Implementing Circular 17/2022/TT-NHNN dated December 23, 2022 of the State Bank, BIDV quickly completed and issued Regulations on environmental risk management in credit granting activities, accordingly, when appraising projects/loan options, BIDV will conduct a thorough assessment of environmental risks, requiring customers to strictly comply with legal regulations on environmental protection and in the process of solving problems. Project budget, BIDV simultaneously monitors and manages social and environmental risks, ensuring that funded projects minimize negative impacts on the environment.

All of the above efforts are a testament to the responsibility of BIDV, the largest bank in Vietnam, in environmental protection, strengthening the ability to manage environmental risks, climate change, and activities are increasingly approaching international standards and practices on sustainable finance.

Currently, BIDV has outstanding green banking products on the market, including "Green savings, clean life"; "Green loan for Textile and Garment businesses"; Credit and insurance product package "Steadfast for a green life" for individual customers; "Hello Green Summer with BIDV card"; The product "Green Journey with BIDV" aims to increase the number of customers who receive statements via email and do not receive paper statements...

Notably, BIDV is the pioneer bank in issuing the Green Bond Framework according to international standards, which was given the highest score by Moody's. "BIDV has developed an official Green Bond Framework including 4

pillars that comply with the International Capital Market Association (ICMA) Green Bond Principles 2021 (including Annex 1 June 2022) while also demonstrating make significant contributions to sustainable development" - Moody's assessed.

#### 4. Green banking development solutions at BIDV

**Firstly, perfecting mechanisms, policies, and organizational structures to effectively deploy green banking**

Implement comprehensive and effective ESG application in the BIDV system, including: Identifying specific goals and building a short- and long-term implementation roadmap to create a favorable environment for green banking development and attract green and sustainable international capital sources; Developing a set of ESG policies (Sustainable development policy; Green finance framework and social finance framework, disclosing information on commitment to implementing ESG...); Complete the organizational model, functions and tasks of a number of related units, and establish a department responsible for sustainable development.

**Second, deploy green credit activities, towards international standards**

Develop and publicize commitment information on the list of industries that BIDV does not grant or limit credit; synchronously deploy environmental and social risk management in credit granting activities, information collection and database for deployment throughout the BIDV system.

**Third, perfect the information technology system to serve green banking**

Build and establish a comprehensive environmental and social risk management system; which develops additional internal guidance on social risk management in credit granting activities; Collect accurate and complete information of each BIDV employee in implementing sustainable development policies; Evaluate the energy saving index of electricity, water, paper, vehicles, etc.

**Fourth, develop products and services that meet green standards and sustainable development**

Research and deploy green banking products, have preferential policies, encourage lending to effective and environmentally friendly projects and business plans in accordance with business orientation and customer segments., target market as well as capacity and strengths of BIDV; Promote the development of financial products and services to serve the production and business of small and medium-sized enterprises owned by women, cooperatives, and production and business households; continue to develop a variety of modern and convenient financial and banking products and services based on digital technology applications, promote non-cash payments in the economy, contributing to "greening" the industry banking, building environmentally friendly habits.

**Fifth, strengthen international integration and cooperation**

Update Vietnam's international commitments related to green growth, sustainable growth, response to climate change, absorb world experience on green banking

standards and conditions to perfect the legal framework internal regulations and mechanisms; proactively and apply conditions to issue green bonds and attract international green capital,... to increase capital support for green projects; Update Vietnam's international commitments related to green growth, sustainable growth, and response to climate change.

#### ***Sixth, perfect BIDV's social criteria***

Continue to fully implement legal and fair policies for employees; continue to mobilize and encourage BIDV employees to participate in community activities, support the poor and disadvantaged groups; protect the legitimate rights and interests of consumers.

#### ***Seventh, regularly conduct extensive and in-depth propaganda and training internally and to BIDV customers on sustainable development***

Organize propaganda, training and increase awareness for BIDV employees about green banking, understanding the importance of environmental and social risk management; organize propaganda and events for customers to better understand green banking products and services; Introducing products that are environmentally friendly or do not cause negative impacts on the environment; Carry out capital construction investments, purchase assets and use tools and equipment towards green banking.

#### ***Eighth, build independent reports on sustainable development, ESG and audit ESG reports***

Hire a consulting organization to guide BIDV in building a system of ESG policies, ESG reports and auditing ESG reports to disclose information according to international standards.

## **5. Conclusion**

With a vision to 2030 of becoming "the leading financial institution in Southeast Asia, with the best digital platform in Vietnam", BIDV always focuses on focusing resources to accelerate comprehensive digital transformation in all aspects of operations. Actively applying technology along with building environmentally friendly habits for customers within the framework of banking products and services, strongly developing electronic transaction channels, services, and payment methods. New technology platform to build an ecosystem of green banking products. To achieve the above goal requires efforts and cohesion between the government, commercial banks and organizations and individuals in the economy.

## **6. References**

1. Angelos Papastergiou, George Blanas. Sustainable Green Banking: The Case of Greece, Papastergiou-Blanas, 2011, 204-215.
2. Aliyu A, Younus S, Tasmin R. An exploratory study on adoption of electronic banking: Underlying consumer behavior and critical success factors. Case of Nigeria. Business and Management Review. 2012; 2(1):1-6.
3. Hohne Khosla Fekete, Gilbert. Mapping of Green Finance. IDFC members, Ecofys, 2012.
4. Sogesid Spa. The evolution of the Sustainable Development concept, 2012. [http://www.sogesid.it/english\\_site/Sustainable\\_Development.html](http://www.sogesid.it/english_site/Sustainable_Development.html)
5. Millat KM. Green Banking Activities Banking Regulation and Policy Department. Bangladesh Bank, 2012.
6. Lindenberg N. Definition of Green Finance (April 15, 2014), DIE mimeo, 2014, 2014. Available at SSRN: <https://ssrn.com/abstract=2446496>
7. Kaeufer K, Banking as a Vehicle for Socio-economic Development and Change: Case Studies of Socially Responsible and Green Banks. Presenting Institute, Cambridge, MA, 2010.
8. UN ESCAP. Green Finance, 2012. Available from [www.unescap.org/esd/environment/lcgg/...fact.../FS-Green-Finance.pdf](http://www.unescap.org/esd/environment/lcgg/...fact.../FS-Green-Finance.pdf)
9. Kaeufer K. Banking as a Vehicle for Socio-economic Development and Change: Case Studies of Socially Responsible and Green Banks. Presenting Institute, Cambridge, MA, 2010.
10. BIDV. (2018-2022). Annual report.