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Impact of stakeholders on the performance of green banking products and services: The case of Vietnamese banks

Abstract. The research aims to investigate the impact of stakeholders, and to provide recommendations on the performance of Green banking (GB) products and services in Vietnam. The paper is based upon both questionnaire data from random stakeholders of Vietnamese banks in the period from December 2016 to April 2017, and the analysis of in-depth interviews from the bank's leaders and government representatives. The interviewed were mostly the stakeholders of top five popular banks in Vietnam: BIDV, Vietinbank, Vietcombank, Agribank and ACB. The results show the significant impact and essential role of the bank stakeholders, as well as the benefits, opportunities and challenges to sustainable development while applying GB in Vietnam. Recommendations are proposed to expand Green banking further for developing countries like Vietnam.

Keywords: Stakeholders; Green banking (GB); Vietnam; BIDV, Vietinbank, Vietcombank, Agribank; ACB

JEL Classification: G21; G28; G31; G39

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Вплив стейкхолдерів на ефективність продуктів і послуг «зеленого» банкінгу: приклад В'єтнаму

Анотація. Дослідження спрямовано на вивчення впливу стейкхолдерів і надання рекомендацій щодо запровадження у В'єтнамі продуктів і послуг «зеленого» банкінгу. У статті представлено результати двох опитувань: проведеного у грудні 2016 – квітні 2017 рр. серед стейкхолдерів в'єтнамських банків та інтерв'ю з керівниками банків та представниками державної влади. Опитування охоплювали переважно стейкхолдерів п'яти популярних в'єтнамських банків: BIDV, Vietinbank, Vietcombank, Agribank та ACB. Результати доводять значний вплив і суттєву роль стейкхолдерів банків у становленні «зеленого» банкінгу, а також переваги, можливості й виклики для сталого розвитку В'єтнаму при його застосуванні. Запропоновано рекомендації щодо розширення практики «зеленого» банкінгу країнами, що розвиваються.

Ключові слова: стейкхолдери; «зелений» банкінг; В'єтнам.

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Влияние стейкхолдеров на эффективность продуктов и услуг «зеленого» банкинга на примере Вьетнама

Аннотация. Исследование направлено на изучение влияния стейкхолдеров и разработку рекомендаций по повышению эффективности продуктов и услуг «зеленого» банкинга во Вьетнаме. В статье представлены результаты опросов, проведенных авторами среди стейкхолдеров вьетнамских банков, а также руководства банков и представителей государственных органов в декабре 2016 – апреле 2017 гг. В опросах принимали участие стейкхолдеры и руководители пяти популярных вьетнамских банков: BIDV, Vietinbank, Vietcombank, Agribank и ACB. Результаты исследования доказывают значительное влияние и существенную роль стейкхолдеров во внедрении и развитии «зеленого» банкинга, а также преимущества, возможности и вызовы для устойчивого развития Вьетнама при его применении. Предложены рекомендации по расширению практики «зеленого» банкинга развивающимися странами.

Ключевые слова: стейкхолдеры; «зеленый» банкинг; Вьетнам.

1. Introduction

Sustainable development is a crucial trend of the evolution. Banking sector plays an important role especially in maintaining economic growth through financial backing of activities and investment decisions for economic and social development projects. In fact, banks are usually concentrated too much on profitability targets that disregard or underestimate the environmental issues, so they can indirectly harm the environment because of investment in environmental

threatening companies or projects [1-2]. Besides, banking system in each country is not only performing most financial activities but also interact with environmental issues through their stakeholders [3]. To balance environmental reasons of society with financial interests of banks, Green banking (GB) has been introduced; now this pattern is widely recognized in many countries across the globe. Our study aims to empirically investigate and determine the impact by stakeholders on performance of green banking products and services

in Vietnamese banks. We are keen to define what exact aims ought to be set by Vietnamese banking industry and government to attain the Green Growth.

2. Brief Literature Review

The essence of Green banking is widely discussed in research literature. Marzio [4] concluded that green bank is very unique entity, and cannot be identified with any other existing type of banks, whereas the study by Thanh Tu and Hoang Yen [5] claimed that GB works like traditional banks, yet provides greater services for customers and investors while implementing programs to address environmental issues, as well as the interests of community. It was defined that bank is considered «green» if it satisfies two conditions: (1) in the short term, provide green products and services, (2) in the long term, implement long-term business strategy to meet social responsibility and environmental protection standards. Similarly, Md Ali Arshad Chowdhury [6] was treating green bank as banking activities with the special treatment to ecological, environmental and social issues. According to Biswas [7], «GB is a win-win situation, where the changing in the habits of banking business' client, technology and operational improvements are linked with each other».

Freeman [8] described two definitions of Stakeholders: generally as a «group of people or individual, who have an impact, or is impacted by the organizations objectives' achievements», and specifically, as the «group of people or individual, who play an essential role in the survival and success of the company».

Kaeufer [9] developed five levels of Green banking model: (1) out-of-focus business activities; (2) isolated corporate practices or corporate projects; (3) systemic business practices; (4) strategic ecosystem innovation, and, finally (5) international (purpose-driven) ecosystem innovation.

In developing end-user approach, Dr. Sarita Bahl [10] listed Green banking products and services: green mortgages, green CDs, green loans, green savings accounts, green checking accounts, green credit cards, green money market accounts, mobile banking, e-banking, and remote deposit (RDC).

Zeitlberger [11] believed that the pressure of environmental concerns is leading to the environmental responsibility taken by businesses around the world. Thus, after 15 years of massive investment into US economy, the European banking system is shifting towards domestic markets primarily due to social responsibility aspects. Investigations by Menon [12] and Bhat [13] proved the banks in the USA with big amount of corporate businesses tend to «go green» because they watch closely successful accounts of profitable pro-environmental policies by their customers. Weber [14] concluded that the process of going green for banks could be economically successful, and may help banks to keep sustainable and competitive.

There were also several studies on Stakeholders' awareness and attitudes towards «going green»: according to Havas Media [15], customers were ready to pay more for green banking approach when it is well managed. Javelin Research [16] stated that the customers are leaning towards green thinking green, however, they would turn back to regular bank services or financial institutions without environmental responsibility, should «going green» procedure be inconvenient or confusing. In an uncomfortable situation customers are reluctant to change their habits towards green banking [17]. Raihan and Habib [18] provided empirical evidences that in many cases behind customers decisions to accept green banking we see traces of previous decisions by financial institutions which were disastrous for the environment. Freeman [19], Polonsky [20], Harrison and St. John [21], and Atkinson et al. [22] are claiming that stakeholders interests are to be involved in financial organizations decisions to develop products and strategies. Moreover, Fineman and Clarke [23], Harrison and St. John [21], and Hartman and Stafford [24] determined that promote environmentally friendly products strategic green alliances are instrumental. According to Coulson [25], about 86 percent of financial organizations in the USA accepted green product

strategies with consent from their stakeholders; this proves the presumption that if bank want to ensure strategic involvement by stakeholders, they should adopt more sustainable development prospects.

On the other hand, Goth [27] insisted that bank in most cases remained incline to follow protracted also thought that it was even harder for banks to reject lending to «dirty» industries, and that conservative tradition was potentially harming to the economy and the environment. Harvey [26] claimed that it is not easy for the banks to accept comprehensive green strategies, thus support from stakeholders was crucial for them. Nevertheless, banking sector and other financial organizations nowadays tend to engage themselves in the green movement. According to Jeucken [28], 25 percent of banks in Oceania, 50 percent in North America, 60 percent worldwide, 67 percent of the European banks accepted environmental friendly policies. World Bank [29] and Welford [30] proved steady promotion of greener financial activities in several developing countries as well.

Behind general GB conceptual framework there are numerous specific forms: innovative green products, including those under online banking; green credit cards; multi-stakeholders banks, when financial organization works in close cooperation with national Central bank, government, business community, and customers [31].

Despite global appraisal, GB is still relatively new in Vietnam. Our paper concentrates on the impact of stakeholders on the performance of green banking products and services in Vietnam, and is based upon data from 2016-2017. While the study focuses only on the case of Vietnamese banks, its results could be used for comparative study by contrasting with financial markets of other nations. We believe our study will be instrumental in raising awareness of banks, businesses, and customers in Vietnam about green banking, as well as contribute to general push of the world economy towards environmentalism and sustainable development.

3. Methodology

The study used in-depth interview, as well as survey-questionnaires for data collection (see research framework in Figure 1). The direct survey was conducted in Hanoi because almost all the commercial banks in Vietnam have headquarters or large branches there. We used online questionnaires to conduct survey nationwide, outside Hanoi. The in-depth interviews were aimed at bank executives and government officials. To classify the impact of each stakeholder on the performance of Green banking products, respondents were asked to rate their role in the organization according to the Awareness, Threatening, Opportunity, Influence, and Importance aspects, as elaborated by Tonmoy et al [32].

Sample: 600 questionnaires in total, out of which 552 were validated for further analysis, a rate of 92% of stakeholders to examine their influence on the performance of innovative green banking products in Vietnam (Table 1). This sample was obtained mostly from the stakeholders of top five banks: BIDV, Vietinbank, Vietcombank, Agribank, and ACB, among most popular according to the listing of Vietnam Report in 2016 [33].

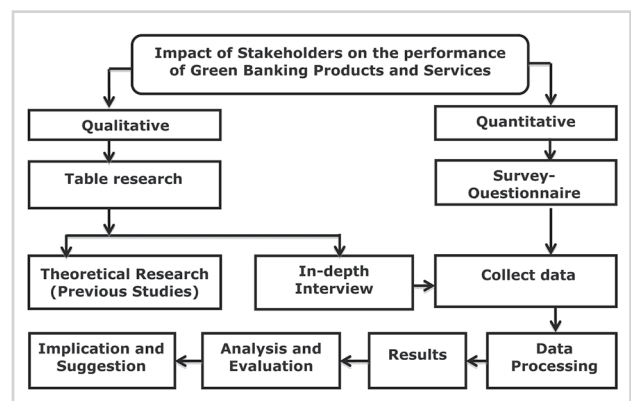


Fig. 1: Research Framework

Source: Primary data obtained by the authors

Tab. 1: Groups of Stakeholders

Groups of Stakeholders	Respondents	Percentage
Internal Stakeholders		
Employees	107	19.4%
Shareholders	28	5.1%
Managers	52	9.4%
External Stakeholders		
Customers	341	61.8%
Authority	24	4.3%
TOTAL	552	100.0

Source: Authors' own research

Data collection interval: survey was conducted between December 2016 and February 2017, in-depth interviews conducted on December 28, 2016.

4. Results and Discussions

4.1. Environmental effect and the influence of the banks

Amid economic growth, pollution emissions are growing, turning into even more serious problem, affecting Vietnam economic development and creating pressure on all sectors in the medium and long term. Currently, Vietnam is the 43rd largest economy, but also the country with the 10th largest amount of air pollutions in the world. Environmental pollution and air pollution in Vietnam have caused damage at 5% of annual GDP [29]. Not only indirect effects such as reduced agricultural production capacity, are affecting the daily life of the population. Climate change and environmental pollutions have also affected the business operations, as well as government budget revenues. Generally banking sector is to be environmental friendly sector (in terms of pollutions), because of its minor direct environmental impact while using paper, water, and energy, which tend to be very low and clean. Although, environmental issues are not directly connected to banking activities, they do through the activities of banks' customers. One director from the State Bank of Vietnam (SBV) said that: «The majority of banks are still considering profit targets the primary choice, and ignore or underestimate the role of environmental and social risk management, especially in the landing activities» [34]. Thus, indirectly banks have enormous impact on environmental issues that could not be underestimated. Yet, there is still neither law, nor regulation in Vietnam that would require banks to run pre-financing scrutiny of the projects by their customers, potentially destructive to the environment. Moreover, environmental management in the banking sector is quite similar to risk management. It increases the value of the business, and reduces the rate of loss with improved portfolio quality. Therefore, encouraging investment into the environment and prudence in granting credit are the financial sector's obligations. One interviewee said that in general, the operation of banks has an impact on the natural environment. Banks often focus on the efficiency of environmentally friendly practices, but banks are the main source of capital for companies and projects, so if bank push for profitability and does not care about the companies' approach to environment, like in such as mining, chemicals, illegal construction, etc., they would have large impact on the environment themselves. Therefore, it is important if the bank is aimed to promote environmental protection, to exclude those projects that have negative impact on the environment; it will minimize the damage from the beginning when the project is just at preparatory stage.

On the other hand, environmental and social risks can also have negative impact on the banks, especially through their lending decisions. Because of the low awareness of the banks, poor risk management rise challenges to themselves and the whole economy. The under GB banking system will face risks of negative impact on market activities, lowered opportunity to enter new markets, and lower chances for borrowing of the capital from domestic and international sources. Besides, banks that do not have good performance on the environmental and social risk management could face legal claims, leading to a decline in the bank's value. The reputation and image of the banks potentially are

also under fire. Figure 2 indicates that nearly 76% of the respondents agreed with the fact that by underestimating environmental and social risks banks are impacting the operations of current banking systems, especially as awareness on environmental and social issues among stakeholders is constantly growing.

Banks should take seriously their environmental and social responsibility by achieving the immediate target - strengthening the environmental and social risk management. This is an urgent task for the banks, which help to limit their risks, use capital for lending to sustainable development projects, enhance the organization's prestige, reduce negative effects for the society and environment, and optimize the use of resources. Respondents showed a positive response to this target demand: 35% expressed that they are «strongly agree», and 32% were on «agree», thus reflecting respective concerns of bank's stakeholders (Figure 3). Nevertheless, 18% and 12% of respondents were neutral or strongly against respectively. That means that considerable part of stakeholders still is more concerned with the profitability, rather than environmental and social responsibility.

The implementation of green banking in the current context is considered an urgent requirement for the banking system in Vietnam to ensure the stable and sustainable development of the whole economic systems.

4.2. Benefits and Opportunities of Green banking

Green banking brings several advantages to the economy. The survey results (Figure 4) demonstrated the possible benefits that GB could bring to Vietnam according to 552 random respondents from banks' stakeholders. Those benefits are:

- 1) GB positively contribute to the balance between economy, society, and environment;
- 2) environmental and social risks are lowered as development priorities are redirected from exclusive concentration on the economic development towards strong apprehension of the environmental issues;
- 3) businesses and individuals awareness of the economy of green investments in sustainable development;

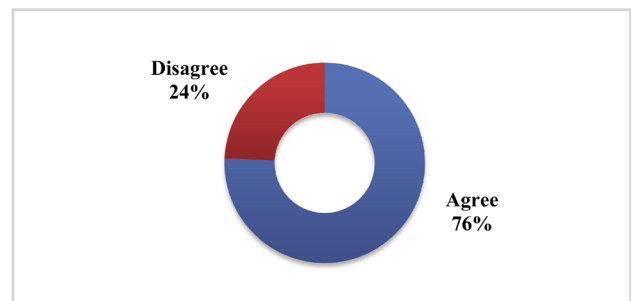


Fig. 2: Impact of environmental and social issues on the operations of current banking systems

Source: Authors' own research

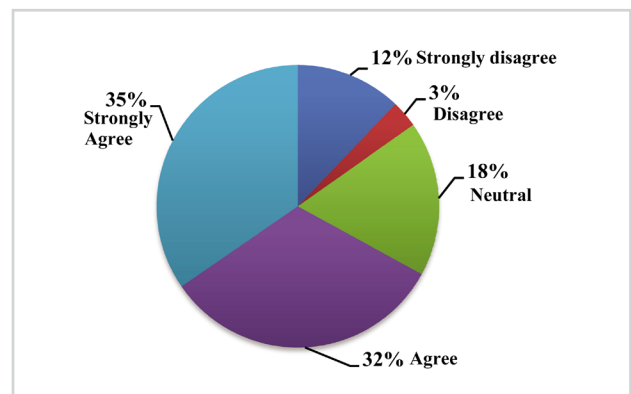


Fig. 3: Banks should take it seriously in Environmental and Social Responsibility

Source: Authors' own research

4) new consensus between stakeholders is developed as redirection of funds into the environmentally friendly projects have support from 65% of them.

Besides, GB is reducing credit risk for the projects affecting the environment, is lowering the bank operation's costs, and contributes to the restructuring of the economy towards more sustainable economic growth. Moreover, according to some respondents, GB also limits the paper work, and save time for both banks and customers by expanding use of online transactions, for example, SMS banking, ATM banking, and Internet banking.

Our respondents representing authorities also demonstrated positive attitudes towards Green banking, as they see definite benefits for Vietnam and its economy for the following reasons: it can contribute to the sustainable financial system, because each green bank project develops strategy for sustainable development; improves natural and social environment; it can contribute to the improvement and the living standard, hold up social rehabilitation and low-profit projects aimed to support specific needs of the community.

In addition, previous researches and lessons learned from other countries (Bangladesh, India etc.), prove that GB would also create various opportunities for Vietnam, namely:

- 1) GB develops close ties between local banks and international financial institutions which are promoting Green capital investment;
- 2) GB provides opportunity to develop better management of the supply chain with adoption of new techniques and approaches, thus minimizing capital losses;
- 3) GB pushes to optimization of customer relationship by using electronic instruments for communication with the customers;
- 4) GB supports better management of the enterprise resources by promoting electronic transactions, and adopting approaches for workforce and units handling optimization;
- 5) GB is an opportunity to create more financial products and services that promote commercial development with environmental benefits;
- 6) GB is an opportunity for the stakeholders to be engaged in, and to become aware of environmental issues and requirement of green banking services;
- 7) GB is an opportunity for banks to fulfil their objectives and social responsibilities, and make higher profits by adopting sustainable approaches;
- 8) GB is an opportunity to encourage, motivate the workforce to follow green practices, and also to encourage the clients, suppliers to adopt green strategies.

Overall, the advantages and opportunities of GB found by the research seem in line with the demands and current situation in Vietnam.

4.3. Reality and Difficulties of Green banking in Vietnam

GB model has been launched in Vietnam six years ago. Until now, no bank in Vietnam is considered truly green. Some banks are just providing green banking services, or their lending activities are associated with environmental commitments [35]. The traditional commercial banks are not ready to provide green products and services to investors and customers. This situation is due to two basic reasons.

Firstly, commercial banks are not fully aware of the risks they are facing in the projects harmful to the environment. In a world moving towards sustainable development, environmental unfriendly projects will suffer a lot of pressure from the governments and society. The products related to this project will encounter troubles to enter most developed foreign markets, where strict regulations and environmental standards for importing products exist. Domestic market will also be turbulent as public opinion won't silent when the project is affecting their quality of life. Besides, when social and environmental risk assessment is underrepresented in devised landing strategies, banks' decisions remain ill-advised, underestimating indirect damage and over-concentrating on direct financial outcomes assessment. That push banks away from energy saving and environmental friendly projects, towards projects that can have negative impact on the environment, as the latter often requires smaller capital investment and have shorter recovery period.

Secondly, vague regulations by the national legislation leave void as to social and environmental responsibilities of the banks. The Law on environmental protection has the following principles: «environmental protection must be in harmony with economic development and social progress, ... environmental protection is the cause of the rights and responsibilities of state agencies, organizations, households and individuals» [48]. However, the provisions of this law only focus at responsibilities of the manufacturing, business and service enterprises, and completely overlook the responsibilities of the financial and banking sector.

Lately, data by the SBV showed that by the end of Q4-2016, outstanding loans for green credit reached about VND 84.781 trillion (increased by 19.7% from the end of 2015, and by 4.4% from September 30, 2016), accounting for 1.5% of the total outstanding loans of the economy, with about 3.2 million credit contracts; Credit balance assessed social and environmental risks at VND 187.953 billion with VND 129,083 credit contracts assessed for environmental and social risks [36]. The information provided might indicate real concerns about the environmental and social risks by the banks, their stakeholders, and the authorities.

Bank executives gave some specific examples of «Green banking» activities in Vietnam. Thus, the government of Vietnam has identified three focusing areas where «green»

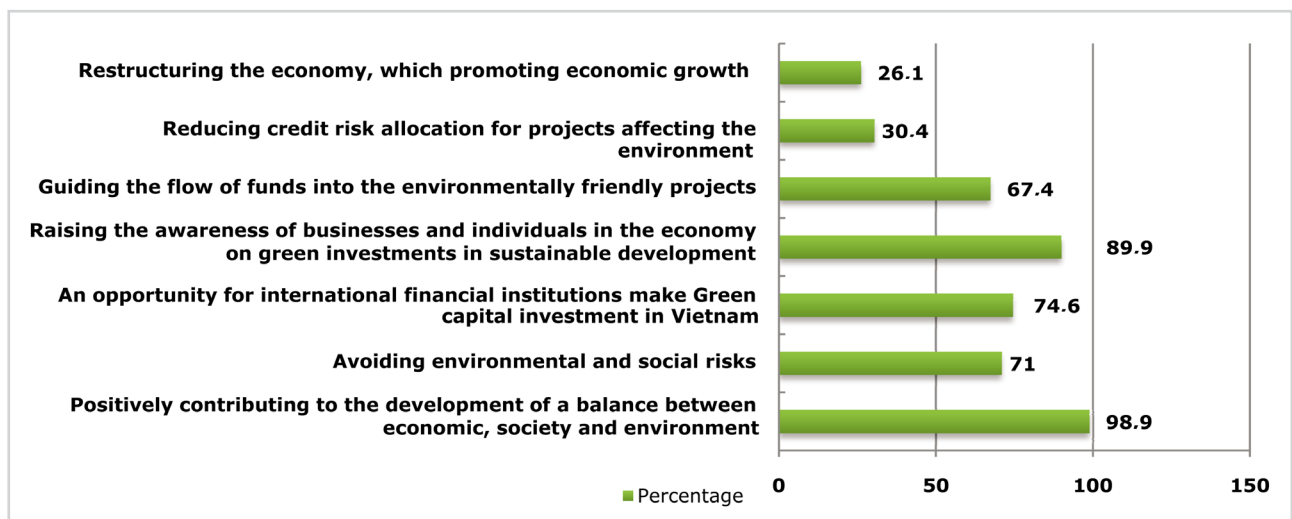


Fig. 4: Role of Green banking in Vietnam
Source: Authors' own research

approach need to be implemented: clean agriculture, tourism, and information technology. Let us give the examples of how Vietnamese banks deal with the issue.

Agribank is a large-scale commercial bank, with more than 70% of its outstanding loans for agriculture, also offering low interest rate loans for clean agricultural projects. Clean agriculture is a necessity in the context of uncontrolled food handling, excess antibiotic residues, etc.

Vietnam Bank for Social Policies (VBSP) with the mission of poverty alleviation, improving the quality of life for poor people in rural areas by loan packages for clean water machine, poor students for study loans, etc. are also the actions to develop the living environment as well as improve the society.

Products and services are big part of building GB, but in the current state of Vietnam, they have not yet been widely developed and obtained strategic value for commercial banks.

As some bank executives put it, the GB introduction in Vietnam will face the following obstacles:

- 1) It takes time, efforts and resources to convince banks to take part in the development of «Green Bank», to persuade them to follow jointly the sustainable development strategy rather than focus on individual profit, been reluctant to improve the natural and social environment together with building a better life.
- 2) It is also difficult to evaluate projects that comply with state technical standards for the banks, and the state should have a specialized division in coordination with banks to support them. For example, the financing of clean agricultural projects such as vegetable cultivation without pesticides, inorganic fertilizers, using only organic fertilizers, will be supported by the interest rates, but will the project be evaluated as such? There should be a regulator that sets standards and checks information from the banks.
- 3) In order to achieve «Green Bank» effectively, state should define specific focus targets in the priority areas such as green agriculture, improving the marine environment, etc., so that the banks knew exactly what and how they need to fund in those areas to ensure its transformation.

Our respondents saw variety of challenges for Vietnam when applying GB (see Figure 5). The fact that the practice of GB is still new in Vietnam is responsible for low results of some challenges as respondents may lack proper insight in their potential impact. The most noticeable problems were: the lack of detailed guidelines for the process of green credit appraisal; increase of investment cost, and reduction of profits in short- and medium-term; high cost for the environmental friendly projects, and longer payback maturity;

complexity of engineering and technology of green credit rating; incapacity for risk assessment of the social environment by the banks, as well as the inaccuracy and weakness of regulations and policies on green credits, which all accounted for around or higher than 50%. These are all factors that hinder the development of green finance. To identify the problems and to rate them properly would help banks and their stakeholders to look for solutions in both short- and long-term to expand GB products and services in Vietnam.

After noticing the benefits, opportunities, and difficulties of GB, almost all the respondents showed their approval to the statement that «Vietnamese banks should go green» (Going green is taking steps to conserve energy, reduce pollution and save money) - 93% of the answers (see Figure 6). Some stakeholders also mentioned that the benefits of green banking are worth trying because they are outweighing the challenges.

4.4. Responsibility and impact of stakeholders

Moving into a new structure - «going green» - is not an easy task for banks, so the stakeholder's role is at the forefront. Adoption of GB in Vietnam is now up to the banks' stakeholders. Each action from them would have a positive (or negative) influence on the future of our country. If they prefer to use the GB products and services instead of traditional approaches, it might be better not only for the environment, society, and banking sector but also for the stakeholders themselves.

In response on the **responsibility of stakeholders**, interviewees stated that while developing green banking products and services, banks and regulators have to give a specific «green» criterion, distinctive from the conventional products. The «green» criteria should be quantified,

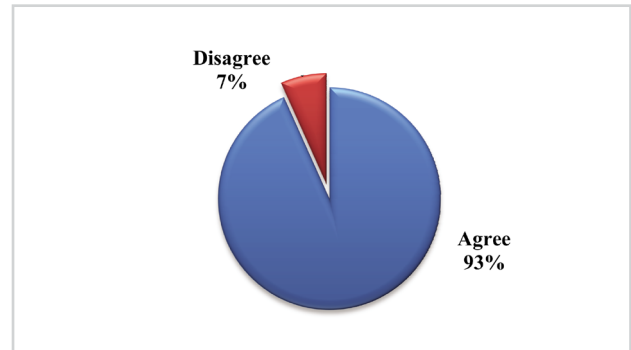


Fig. 6: Vietnamese banks should go Green
Source: Authors' own research

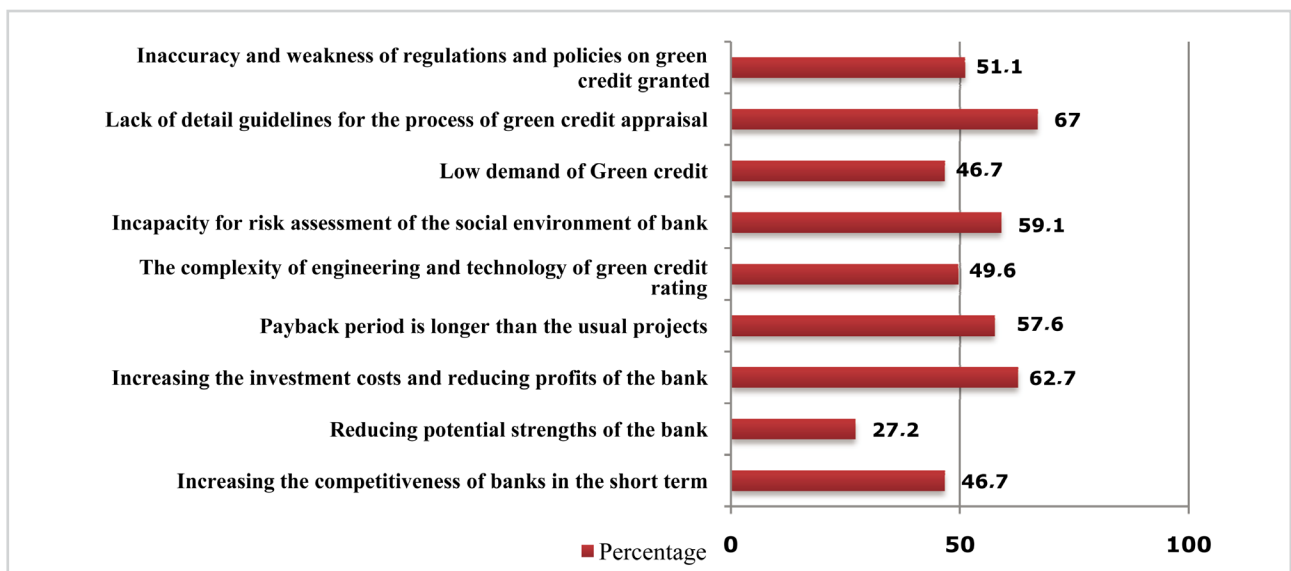


Fig. 5: Difficulties when applying Green banking in Vietnam
Source: Authors' own research

elaborated by scientific experts in the field to have a basis for assessing the undertaking's commitment. Thus, the implementation of «green banking products» is primarily derived from the perception by the banks (owners, managers, bankers) on recommendations of specialized agencies (SBV, government), and, finally, the commitment of the client to comply with the recommendations of the professional agency. At this stage, the customer's commitment is the most important, because their actions affect the project's «green» objectives, and therefore need to be tightly controlled.

On the other hand, in course of our research we found that **each stakeholder would have different impact.**

The research grouped the impact criteria of each stakeholder in the categories of Awareness, Threatening Ability, Opportunity Ability, Influence Ability, and Importance to have a clear view on their effects on the application and expansion of the GB in Vietnam (see Table 2).

Tab. 2: Impact of Stakeholders

Stakeholders Group	Awareness	Threatening Ability	Opportunity Ability	Influence Ability	Importance
Employees	Neutral	Low	Neutral	High	High
Shareholders	Neutral	High	High	High	High
Managers/Executives	High	High	High	High	High
Customers	Low	High	High	Neutral	High
Authorities (Government, SBV)	High	High	High	High	High

Source: Authors' own research

Internal stakeholders, like managers and executives, are likely to play the most important role as they have great impact on the environmental management, goals, strategies, and policies setting of any organization. Table 2 shows that within presented rating of respondents, managers/executives have very «high» rate in all five criteria.

Firstly, they are now more aware of the term «Green banking». One of the interviewees from the top management of banks showed his understanding by giving the basic ideal of «Green bank» as a bank with a sustainable development strategy, friendly working environment, quality and safety products, and its business priority to improve the natural and social environment. Therefore, «Green bank» is still a commercial bank, but its business activities associated with improving the natural environment and social standards.

Secondly, the commitment by managers to the environmental issues would rely upon their values, lifestyles, and ideals, which would prioritize environment development strategies in any organizations, especially banks [37]. Furthermore, it would be easier to take action in the environmental responsibility with the support of bank's management as it can set goals, define strategies, and make budgets for investments. Finally, managers can see environmental initiatives as a way to be competitive, or opportunities for their institutions.

On the other hand, while managers/executives are setting plans and putting forward ideals, **employees** are the stakeholders who have a profound effect on performance of green banking or environment approaches by providing knowledge, enforcing ideals and introducing improvements. The great reason for the success of the environmental friendly plans by companies is the involvement of their employees [38]. Accordingly, banks can be able to implement green strategies due to the knowledge, views, and opinion of their employees as they can make measurements, find solutions as well as provide information for green banking approach. That is why they have a high rate of their Influence ability and Importance. Besides, along with the rating results, their awareness is at «neutral», it might reflect the fact that the term «green banking» is not very popular in the chosen banks, despite the existence of online/Internet banking, or other banking products and services. Additionally, opposite to management, employees do not perceive environmental initiatives as a way to be competitive or opportunities for their institutions. Hence, their Threatening

ability and Opportunity ability are at «low» and «neutral» rate, respectively.

Another internal stakeholder, **shareholders**, also have an essential role in taking decision on risk money or investors in the operations of an organization. They could have impact on the environment strategies by showing their interests, or setting policies and making investment [39]. They usually take environmental responsibilities extremely seriously because the company with poor environment management may lead to the financial losses for themselves due to environmental damage [40]. The primary data indicates that shareholders have very «high» rate in all measures, excluding the «neutral» rate in their awareness of green banking. However, in overall, managers/executives and shareholders are those who have the largest impact.

Instead, **external stakeholders, customers and authorities** (government, SBV) also produce crucial effects on the performance of green banking, especially green banking products and services. Customers may pressure banks to accept green strategies, and they have influence in three different aspects: price, quality, and recycling [41]. However, customers generally tend to listen to «money talk», to the price and cost, sometimes putting those aspects above the other. Thus, their Threatening ability is very high.

We found that customers are not particularly interested in environmental issues, so, environmental considerations sometimes would not affect their decision to buy the products or use the service, except some exceptions: the larger clients, who are more environmentally aware, consider the quality and the recycling. Moreover, the study demonstrates that nearly 62% of respondents have never used green banking products and services before, and the lion share of those ignorant of GB came from the customers group (account for 61.8% of all random stakeholders) (Figure 7). This unawareness may be partially responsible for the lack of «green» products and services provided by top five banks.

The government and SBV are the key stakeholders, who have vital impact on the banks environmental strategy, directly influencing the development of «green banking». Laws, regulations, and other instruments by the authorities have the controlling effect on the environment responsibility, and promoting impact on other stakeholder's aptness to support «going green» through media, training, and education.

The research figured out that GB is now not well known to all banks' stakeholders, especially to employees and customers. As a result, in long-term prospective all stakeholders should be more aware of «green banking» and the process of «going green», to enforce the GB practice in Vietnam. However, in short-term, the major stakeholders, who have the power to take the first step, are limited to the following list: managers/executives, shareholders, and Employees among internal stakeholders, and government and SBV among external ones.

5. Implications and suggestions

Despite massive efforts, the notion of «Green bank» is still alien in Vietnam. According to the government National Strategy for the period of 2011-2020, and Vision to 2050 by the Prime Minister, issued in September 2012, «Green Finance» and «Green Bank» constitute integral parts of country's «Green Growth», but even this concept is still mostly unfamiliar to the financial sector (SBI, July 2010). There is almost no practical way to solve the problems of «Green Finance» and «Green Bank» in the process of implementation of the Green Growth Strategy.

However, on March 24, 2015, the governor of SBV issued Directive on promoting green credit growth and managing environmental and social risks in credit activities. SBV also keeps issuing Banking Action Plan to implement the National Green Growth Strategy to 2020 [36]. That means, economic growth model, the Green Growth Strategy and subsequent

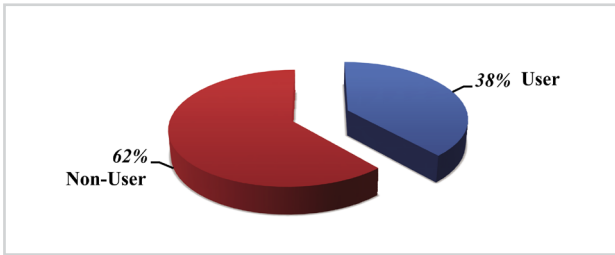


Fig. 7: Users of Green bank products and services
Source: Authors' own research

decisions by the governor of SBV will lead to further development of GB model. Clearly, the benefits and the spill-over effects of GB to the economy have been proven by numerous researches.

5.1. Suggestion for government and SBV

Figure 8 shows the actions that the government and SBV should take. Overall, the most urgent decision is raising the awareness of bank executives, now accounted at 91.2%. This is the first and most feasible tack as most of bank executives in Vietnam are experienced in contemporary banking management, but still do not have sufficient awareness of GB. When banks are fully aware of every level of GB model, they can turn to the development strategies, appropriate business plans to unfold GB model. Another vital aim is to promote, disseminate, educate, and train bankers and their customers about the benefits of green banking (this aspect now account for 84% of our respondents).

One of the greatest benefits of GB is the adjustment of economic structure, promotion of green manufacturing industries, and support for the green economy. No one else, apart from bank customers, is the bridge to bring green credit to the economy through their green investment.

Therefore, the promotion, propagation, even education for banks and other enterprises will produce long-term impact on green production, green investment and green lending. 81.6% of respondents suggested that authorities should also strengthen the accountability and enforce policies to support and encourage banks to provide green banking products and services by restructuring the banking system to healthier standards, as well by encouraging and motivating those commercial banks, which have environmental policies, so that these banks can provide green financing services for investment projects and other banks to follow. Moreover, according to 64.6% of our respondents, in order to set long- and short-term green strategy along with the economic and environmental policies, the government should develop stronger legal framework for the social and environmental responsibility of the banking system in landing, as well as to enact regulations that place banks interested in financing industries into environmentally sound framework. The improvement of

the legal framework to support environment will produce a driver for the banking system and to the whole country to shift to the «green growth». Finally, the government and SBV should support the banks in key projects by providing credit to banks for implementation and learning from international experience, from the lessons learned from successful nations in adopting the GB strategy, and to strengthen the supportive measures and policies. In short-term, the government could create conditions for one or two pilot banks to implement active GB strategies at level 5, the highest possible level. After successful pilot period, the government should look for the options to disseminate successful experience.

5.2. Suggestion for the commercial banks

In the interview, internal stakeholders suggested that commercial banks need to orient themselves to innovate according to «Green Bank» model, to develop the investment projects that meet the natural environment and social environment standards. For example, the Agribank has strong agricultural projects in rural areas, it will finance clean agriculture, fishing vessels processing, fishing rights, or VBSP access to poor households to help them to escape poverty. Thus this bank is joining the big goals set by the government such as clean agriculture, tourism, etc.

Therefore, in term of environmental pattern of actions, banks should act the same way the authorities do, but also they need to add some specific solutions, as illustrated in Figure 9:

- raise the Awareness of their stakeholders on green banking through marketing, dissemination of knowledge, and setting the training programs for them on the benefits of green banking (90.4%);
- educate stakeholders on the benefits of green banking (76.8%);
- improve skills and upgrade technologies to provide green products and services (70.4%);
- learn from international experience: from the operations of best world Green Banks, rated in two major ratings, of bank's investment in clean energy projects, and of efforts to reduce emissions and reduce the carbon footprint of the banks (63.2%);
- elaborate and introduce green investments in environmental projects like recycling, agriculture, technology, etc. (63.2%);
- reduce the lending rate for green finance and clean projects, as well as increase the interest rate for green deposits and other similar products (61.6%);
- measure the risks for investment projects and find the ways to counter them (42.4%).

Besides these most popular solutions, our respondents expressed confidence that to enhance environmental friendly decisions by the banks, it is important to actively improve their financial capacity in terms of equity, asset quality, liquidity, profitability, etc. This solution aims to help banks to improve their capabilities and readiness in providing green

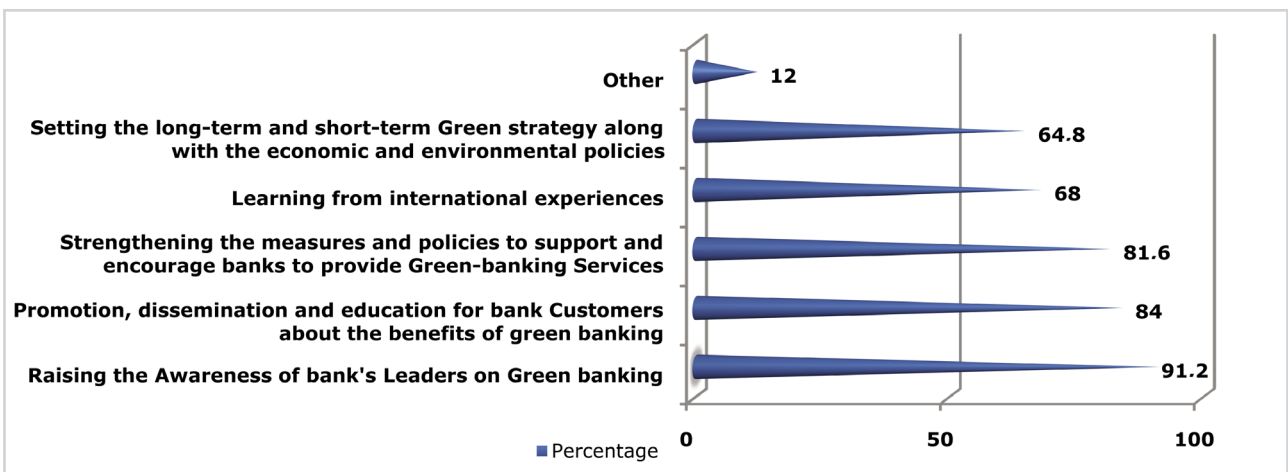


Fig. 8: Expected actions by government and SBV
Source: Authors' own research

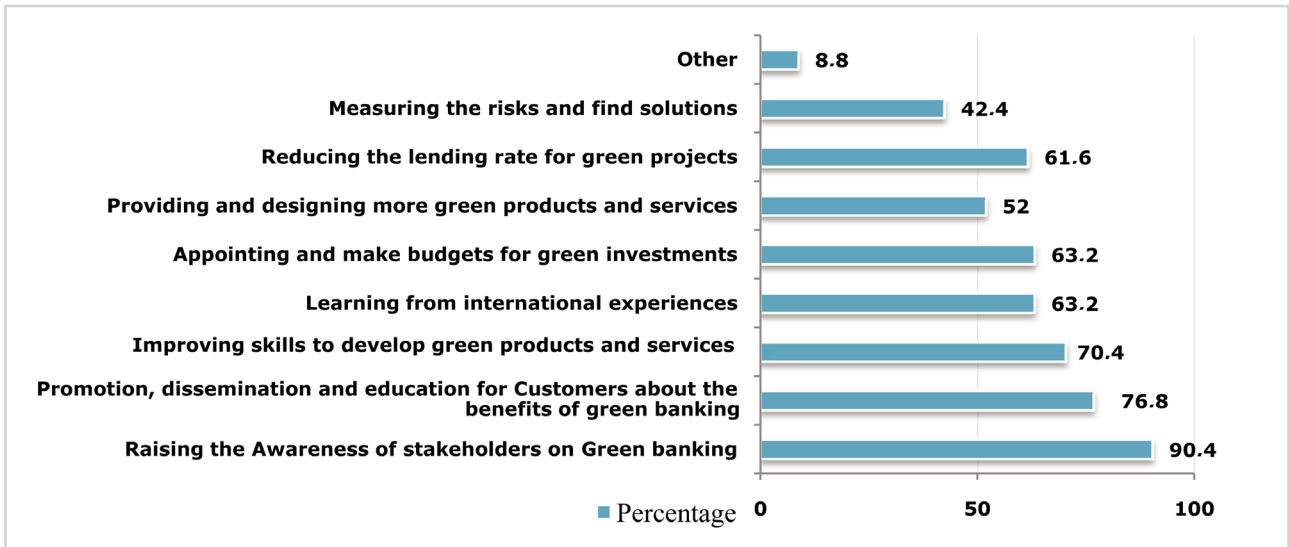


Fig. 9: **Actions expected from the banks**
Source: Authors' own research

financial solutions for environmental friendly projects. Furthermore, banks should also take an active approach to drafting the SBV's environmental and social risk management system. Qualified staff should be fully involved in the trainings programs on environmental and social risk assessment, conducted by the SBV and other supporting organizations, as well as established green banks.

5.3. Recommendations for other stakeholders

Figure 10 presents the recommendations on other stakeholders, such as customers, public interests, employees, financial institutions, etc. in encouraging GB in Vietnam by using GB products and services more frequently (as suggested by 98% of respondents), introducing GB to the wide public (84%), actively self-improving knowledge of stakeholders on GB (76,8%).

6. Conclusions

Our research was set out to examine the impact of stakeholders, benefits and difficulties while applying GB in Vietnam. The implementation of GB and other green business sectors is an important task for the whole economy in promoting the National green growth strategy. The fact that nearly 93% of respondents, including bank executives, agreed that Vietnamese banks should go green reflects the universal approval of energy conservation, pollution reduction, sustainability of development of Vietnamese economy, and improvement of social standards. GB in Vietnam is currently at the first level according to the GB model, thus, there are still four levels to move forward. Therefore, the

government, SBV, commercial banks, and other stakeholders should cooperate in attaining numerous tasks.

It should be emphasised on the importance to change the attitude of banks' customers towards GB products and services. Nowadays, Vietnamese customers are not particularly interested in environmental issues, and environmental considerations would not affect their consumer decision. Only the larger banks' clients, who are more environmentally aware, consider the issues of quality and recycling in their activity. Such unawareness may be partially the reason for the lack of the «green» products and services provided by top five banks. On the one hand, customers may pressure banks to accept green concepts, as far as they have influence in three different aspects: price, quality, and recycling. On the other hand, customers are traditionally oriented at higher profitability and may put the reason of cost reduction before the environmental issues.

The most significant and urgent solution is to define the set of criteria for environmental and social risks assessment in credit appraisal. This management system will be the foundation for commercial banks to participate in green growth strategies, as well as to develop green banking. While our research is limited by the scope of investigation, we still believe that it may contribute to the foundation of further research on the topic of Green banking in Vietnam, as well as to promote the development of green finance in particular, and the sustainable development of the Vietnamese economy in general.

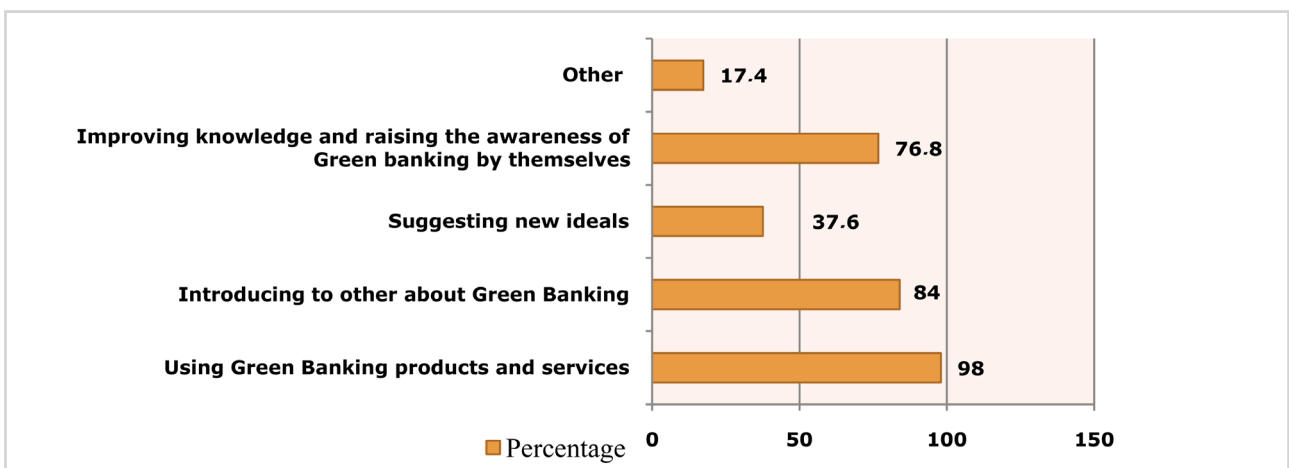


Fig. 10: **Action from other stakeholders**
Source: Authors' own research

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